

FineMat Applied Materials Co., Ltd.

2022 Annual Report

The Annual Report may be accessed at:
MOPS: <https://mops.twse.com.tw>
Company website: <https://www.fine-mat.com>
Date of publication: May 9, 2023

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Job Title: Vice President, Finance Department
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Tel. No.: (06) 601-6388
- III. Name, Address, Website and Tel. No. of Shareholders Service Agency
Name: Mega Securities, Shareholders Service Dept.
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Website: <https://www.emega.com.tw>
Tel. No.: (02)3393-0898
- IV. Name of the external auditor, and the name, address, and contact number of the CPA firm for the latest financial report
External auditors: Lin Tzu-Yu, CPA & Lin Yong-Chi, CPA
Firm name: PwC Taiwan
Address: 12F, No. 395, Sec. 1, Linsen Rd., East Dist., Tainan City
Website: <https://www.pwc.tw>
Tel. No.: (06)234-3111
- V. Name of the exchange where the overseas securities are listed for trading and the method to inquire about the overseas securities information: None.
- VI. Company website: <https://www.fine-mat.com>

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One. A Message to Shareholders

Dear shareholders,

FineMat Applied Materials Co., Ltd. (the “Company”) is mainly engaged in metal precision etching. For the time being, its main products include the precision metal masks and thermal module materials required by the key evaporation process of new-generation display OLEDs. In recent years, the trend for mobile phones equipped with OLED panels has become apparent increasingly. The high-end mobile phones continued to be equipped with OLED panels. Meanwhile, giving the declining costs, the OLED panels have also extended to the mid-end mobiles and also tablets, NBs, TVs and automobiles for different applications. Given the increasingly matured OLED technology, the OLED panel commercialization trend has been emerging and the market scale kept growing. The market scale of precision metal masks keeps growing, given the increasing OLED materials market.

The Company has decided to get rid of the risk arising from the single industry’s operations since 2020. In 2020, the Company launched into the semiconductor and national defense equipment industries with great potential. In 2022, we entered the heat dissipation industry and opened up a new outlook for the Company’s multidimensional operation. Heat-dissipating materials is a new business entered by the Company, but due to deficiencies in production technology and management, the Company still suffers losses in this category. The Company will continue to improve these shortcomings and expect good performance in the field of heat dissipation materials in 2023. In the future, etching technology-based precision metal masks, materials for heat dissipation modules, and semi-conductor and national defense equipment will gradually become the three main focuses of the Company’s operation and development. We hope that these three major operational pillars will bring a brand-new outlook to the Company in the future.

We would like to present you the Company’s 2022 business results and outline of 2023 business plan as follows:

I. 2022 business results

(I) Business plan implementation results

The Company’s 2022 business results are shown as following:

Unit: NT\$ Thousand

Item	Actual amount in 2022	Actual amount in 2021	Increase (decrease) %
Operating revenue	1,250,628	856,083	46.09%
Gross profit	321,181	286,421	12.14%
Operating income	21,732	63,684	(65.88%)
Net income before tax	47,370	97,756	(51.54%)
Net income after tax	22,709	74,657	(69.58%)
Earnings per share	(0.55)	0.39	(241.03%)

(II) Budget execution

The Company did not disclose financial forecast in 2022.

(III) Income, expenses, and profitability analysis

Item		2022	2021
Financial structure	Ratio of Liabilities to Assets (%)	40.92	35.88
	Long-term capital to fixed assets (%)	157.37	152.47
Solvency	Current ratio (%)	139.70	157.27
	Quick ratio (%)	103.99	115.16
Return on total assets (%)		1.25	3.23
Return on equity (%)		1.28	4.39
Ratio to paid-in capital (%)	Operating income	3.27	9.59
	Net income before tax	7.14	14.72
Profit margin (%)		1.82	8.72

(IV) Research and development (R&D)

R&D expenditure in the most recent two years

Item	2022	2021
R&D expenses	79,164	70,471
To net operating revenue (%)	6.33%	8.23%

The Company continues the R&D of unique precision etching special processing technology to provide customers with services. Innovation and R&D will be the cornerstone of the competitiveness of companies. In the most recent two years, the Company has invested capital in R&D proactively. The R&D expenses kept growing. In the future, the Company will continue the R&D of forward-looking technology and innovative applications, practicing of the product design, research on mass production and systematic management, in order to continue deepening the Company’s leading position in the core competitiveness.

II. Outline of 2023 business plan

(I) Business policy

The Company will establish closer and more real-time technical support with various panel manufacturers, work with them in development of products and perfect the industrial supply chain, in order to achieve the localized services. Given the increasing penetration rate of smart phone OLED panels, it is expected that the quantity of OLED panel mobile phone development projects will grow accordingly. The Company's market share in China has also increased year by year, given the growing OLED industry in China. As the heat energy and performance generated by high-speed computing, such as 5G chips and servers, will improve simultaneously, the demand for 5G equipped with Vapor Chamber will increase accordingly.

The Company will focus on the improvement of metal etching technology in order to improve the quality of metal masks and expand the services in the metal mask market in 2023. For the new product development, the Company will expand the types of thermal module materials and strive for the market of metal thermal materials for different purposes.

(II) Sales volume forecast and the basis thereof

The Company considers the production capacity planning in reference to the market analysis by primary research institutions and subject to customers' forecast demand, and sets forth its annual sales target based on the past operating performance. Notwithstanding, the Company doesn't publish its financial forecast to the public in 2023.

(III) Important production & marketing policies

The main applications of OLEDs are concentrated in smart phones, VR devices and wearable devices. So far, they have penetrated into the tablet, NB and automobile markets. Among the other things, the demand for smart phones is the largest for the time being. Given the improving production capacity and yield of panels, the OLED panel cost has declined again. Therefore, it is penetrating into the mid-end and low-end mobile phone markets now. The Company will expand the coating production line to get the closer contact and cooperation with customers.

Given the problems arising from the heat energy and performance generated by high-speed computing, such as 5G chips and servers, heat dissipation becomes a problem to be solved by the industry eagerly for the time being. In addition to the existing copper thermal materials, the Company will work with customers to develop new thermal materials proactively, and strive to increase the Company's market share in the thermal materials market.

III. Future development strategies

Looking forward to 2023, the Company's market share for the smart phone OLED panels is expected to attain 30% or more in China. The Company's market share has also increased year by year, given the growing OLED industry in China. As the heat energy and performance generated by high-speed computing, such as 5G chips and servers, will improve simultaneously, the demand for thermal function will increase accordingly. Therefore, the Company will develop the market and production capacity of metal thermal materials proactively, in response to the future demand from the market. With the joint efforts of all employees, we are determined to create better profits for all shareholders and create a better workplace for all employees.

IV. Effect of external competition, legal environment, and overall business environment

The Company's overall performance operations vary depending on the external market competition, new laws and regulations issued by the competent authority, and changes in the global business environment. In response to said environmental changes, the Company complies with the new laws and regulations promulgated by various competent authorities, and the applicable laws and regulations at home and abroad.

Meanwhile, the Company also commits to developing new products and new customers, improve the product technology and provide the consulting service for technology, and maintains fair partnership with customers in the downstream segment and provides the omnibearing services to improve the Company's entire competitiveness.

Thank for the long-term support and encourage from you to the Company. I hereby extend the most heartwarming appreciation to all of you on behalf of FINEMAT APPLIED MATERIALS CO., LTD. accordingly.

Wish all of you good health and a happy life!

Chairman: Chao Ching-Hsiao

Two. Company Profile

- I. Date of establishment: May 25, 2007
- II. Company history

Year	Item
2007	<ol style="list-style-type: none"> 1. Established ACROSENSE TECHNOLOGY CO., LTD. officially to engage in R&D and production of Capacitive Touch Screen, with the capital amounting to NT\$10,000 thousand. 2. Increased capital by NT\$388,230 thousand, with the paid-in capital becoming NT\$398,230 thousand after the capital increase. 3. Acquired the investee, Sense Pad TECH Co., Ltd.
2008	Increased capital by NT\$260,000 thousand, with the paid-in capital becoming NT\$658,230 thousand after the capital increase.
2009	Issued new shares amounting to NT\$9,080 thousand by executing the employee stock options, with the paid-in capital becoming NT\$667,310 thousand after the capital increase.
2010	Issued new shares amounting to NT\$17,780 thousand by executing the employee stock options, with the paid-in capital becoming NT\$685,090 thousand after the capital increase.
2012	Suspended the R&D and production of touch screen, and invested in development of the precision etching technology and production of high precision metal masks, and renamed into FINEMAT APPLIED MATERIALS CO., LTD.
2014	Completed the construction of etching mass production lines, and launched into the OLED high precision metal mask market successfully.
2015	Obtained ISO90001 and ISO14001 certification.
2016	<ol style="list-style-type: none"> 1. The high precision metal mask, Open Mask, satisfied the quality requirement for the latest generation of OLED, G6H, and launched into the industrial supply chain successfully. 2. Decreased capital by NT\$191,652 thousand to make up losses, with the paid-in capital becoming NT\$493,438 thousand after the capital decrease. 3. Invested in establishment of the subsidiary, Bai Xu Applied Materials Co., Ltd. 4. Invested in establishment of the indirect subsidiary, Finemat (Shanghai) Applied Materials Co., Ltd.
2017	Invested in the subsidiary, Htc&Solartech Service(Samoa) Corporation, the indirect subsidiary, Solar Applied Materials Technology (Shanghai) CO., LTD., and the indirect subsidiary, FineMat (HuangShi) Applied Materials Co., Ltd.
2018	<ol style="list-style-type: none"> 1. Increased capital in cash by NT\$40,000 thousand and issued new shares amounting to NT\$70,000 thousand by executing the employee stock options, with the paid-in capital becoming NT\$603,438 thousand after the capital increase. 2. Approved by Taipei Exchange to engage in public offering and register dealings for emerging stocks. 3. Completed the short-form merger of the subsidiary, Bai Xu Applied Materials Co., Ltd.
2019	<ol style="list-style-type: none"> 1. Increased capital in cash by NT\$60,460 thousand, with the paid-in capital becoming NT\$663,898 thousand after the capital increase. 2. Approved by Taiwan Stock Exchange Corporation (TWSE) to list stocks on TWSE.
2020	Acquired 42.22% of the equity of Wave Power Technology Inc., and included the company into the Group's operations
2021	Acquired 80.36% of the equity of Etch Home Technology Co., Ltd., and included the company into the Group's operations
2022	Participated in the capital increase in cash in the subsidiary, Etch Home Technology Co., Ltd., and acquired 90.81% of the equity thereof cumulatively.

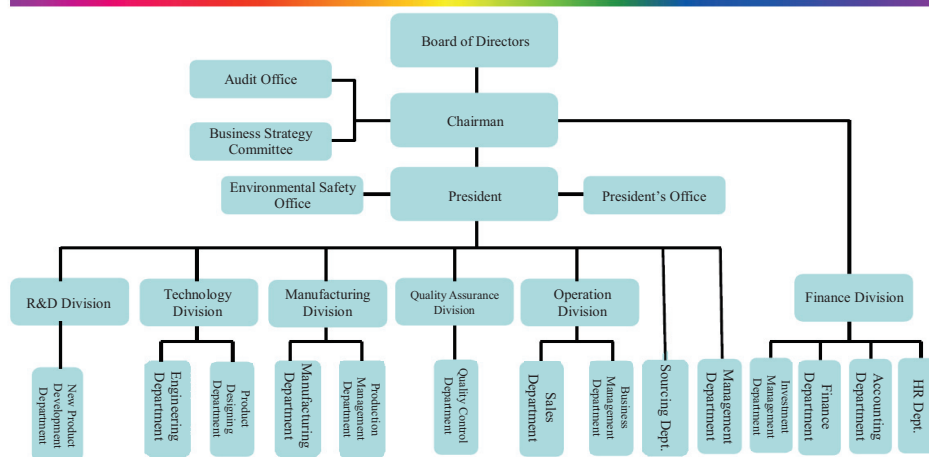
Three. Corporate Governance Report

I. Organizational system

(I) Organization structure



Organizational Chart of FineMat



(II) Business operations by major departments

By department	Functions and operations
Auditing Office	1. Evaluation and reporting on internal control system and management system implementation. 2. Plan and execution of the auditing operation progress.
President's Office	1. Help the President manage and execute the Company's businesses. 2. Participate in determination of strategies and business targets, and responsible for implementing and executing the same. 3. Unit in charge of overall planning about personal data protection. 4. Intellectual property management unit
Environmental Safety Office	Per the President's direction, take charge of planning and supervising the implementation and control of labor safety, sanitation management and environmental system.
R&D Division	Per the President's direction, take charge of the Company's product development, and direct the subordinated unit, New Product Development Dept..
Technology Division	Per the President's direction, take charge of the Company's manufacturing technology supporting, sales technology supporting and customers' supporting, take chare of costs, quality and environmental protection technology matters concurrently, and direct the subordinated units, Product Design Dept., Engineering Dept. and Quality Assurance Dept..
Manufacturing Division	Per the President's direction, take charge of the overall planning about execution of production, improvement of efficiency and reduction of costs, and timely completion of production orders, and direct the subordinated units, Manufacturing Dept. and Production Management Dept..
By department	Functions and operations
Quality Assurance Division	Per the President's direction, take charge of the overall planning about execution of quality matters, establish and promote various quality system to ensure the product quality, and coordinate with various production units to establish the standardized system in response to the demand for mass production.
Operation Division	Attain the sales targets per the President's direction and based on the principles adhering to quality and environmental management, create the maximum profit for the Company, and direct the subordinated units, Sales Dept. and Business Management Dept..
Finance Division	Per the Chairman's direction, take charge of the Company's finance, accounting, HR and shareholders service affairs, and direct the subordinated units, Finance Dept., Accounting Dept., Investment Management Dept. and HR Dept..
Sourcing Dept.	Per the President's direction, take charge of the procurement of raw materials, supplies, equipment, production and operation, and import/export management.
Management Dept.	Per the President's direction, take charge of planning and supervision of information security management and facility management.

II. Information about directors (including independent directors), President, vice presidents, assistant vice presidents, and heads of departments/divisions

(I) Information about directors (including independent directors)

1. Date of election of directors (including independent directors), shares held, and academic background (work experience)

Title	Nationality	Name	Gender Age	Date of Election	Term of Office	Date first elected	Shares held at the time of appointment		Number of shares currently held		Shares held by spouse and underage children		April 15, 2023; Unit: Share and %	
							Number of shares	Shareholding	Number of shares	Shareholding	Number of shares	Shareholding	Number of shares	Shareholding others
Chairman	the R.O.C.	Chao Chin-Hsiao	Male 61~70 years old	August 18, 2021	3	December 25, 2007	6,396,814	9.64	6,396,814	9.64	323,496	0.49	0	0
Director	the R.O.C.	Elan Investment Co., Ltd.	-	August 18, 2021	3	December 25, 2007	8,900,373	13.41	8,900,373	13.41	0	0	0	0
		Representative: Liu Dai-Ming	Male 61~70 years old	August 18, 2021		January 21, 2020	20,000	0.03	20,000	0.03	0	0	0	0
Director	the R.O.C.	Wistron Corporation	-	August 18, 2021	3	June 24, 2008	4,589,258	6.91	4,589,258	6.91	0	0	0	0
		Representative: Chiu Kao-Ling	Female 51~60 years old	August 18, 2021		October 3, 2018	0	0	0	0	0	0	0	0
Director	the R.O.C.	Sheng Tai Co., Ltd.	-	August 18, 2021	3	December 25, 2007	556,573	0.84	556,573	0.84	0	0	0	0
		Representative: Ni Hui-Min	Female 61~70 years old	August 18, 2021		October 3, 2018	811,545	1.22	811,545	1.22	46,862	0.07	0	0
Director	the R.O.C.	Li Wei-Cheng	Male 61~70 years old	August 18, 2021	3	June 24, 2010	1,052,336	1.59	1,052,336	1.59	71,938	0.11	0	0
Independent director	the R.O.C.	Chen Cheng-Li	Male 71~79 years old	August 18, 2021	3	October 3, 2018	0	0	0	0	0	0	0	0
Independent director	the R.O.C.	Chou Hui-Yu	Female 51~59 years old	August 18, 2021	3	October 3, 2018	0	0	0	0	0	0	0	0
Independent director	the R.O.C.	Tseng Chung-Nan	Male 51~59 years old	August 18, 2021	3	October 3, 2018	0	0	0	0	0	0	0	0
Independent director	the R.O.C.	Anita Chu	Female 51~59 years old	August 18, 2021	3	August 18, 2021	0	0	0	0	0	0	0	0

Job Title	Name	Academic background (working experience)	Concurrent positions in the Company and other companies	Spouse or relatives within the second degree of kinship acting as other managers, directors or supervisors			Remark
				Job Title	Name	Relations	
Chairman	Chao Chin-Hsiao	PhD in Materials, National Sun Yat-Sen University President, Solar Applied Materials Technology Corp. Chairman, FINEMAT APPLIED MATERIALS CO., LTD.	Wave Power Technology Inc., Sheng Tai Co., Ltd., Finemat (Shanghai) Applied Materials Co., Ltd., Huangshi Quanyang Photoelectric Technology Co., Ltd., Etch Home Technology Co., Ltd., Etch Home Technology Co., Ltd. (Vietnam): Chairman Qun Bo Investment Co., Ltd., Gallopitch International Company Limited., Sensepad Tech Co., Ltd., Htc & Solartech Service (Samoa) Corporation: Director	None.			
Director	Elan Investment Co., Ltd. Representative: Liu Dai-Ming	Master of Economic Law, China University of Political Science and Law (CUPL) Director, ELAN Microelectronics Corp.	Director, ELAN Microelectronics Corp. Metanoia Communications Inc., Avisonic Technology Corporation: Director Eminent Electronic Technology Co., Ltd.: Supervisor	None.			
Director	Wistron Corporation Representative: Chiu Kao-Ling	MBA, University of Pittsburgh Director of Secretariat, Corporate Investment Management & Board of Directors of Wistron Corporation,	T-CONN Precision Corporation: Director Director of Diagnostics For The Real World Limited Wistron Corporation: Director, Staff Department I & Vice President, Sustainable Development Office	None.			
Director	Sheng Tai Co., Ltd. Representative: Ni Hui-Min	Graduated from National Chang-Hua Senior High School of Commerce; Vice President, Solar Applied Materials Technology Corp. Chairman, HTC & Solar Service Limited	Qun Bo Investment Co., Ltd., Solar Applied Materials Technology (Shanghai) CO., LTD., FineMat (HuangShi) Applied Materials Co., Ltd.: Chairman Htc&Solartech Service (Samoa)Corporation, Sheng Tai Co., Ltd., Wave Power Technology Inc. : Director	None.			
Director	Li Wei-Cheng	PhD in Materials, National Cheng Kung University. Planning Manager, ITRI; Director, Chemical Metallurgy Division, Solar Applied Materials Technology Corp.	FINEMAT APPLIED MATERIALS CO., LTD.: President Qun Bo Investment Co., Ltd.: Director Solar Applied Materials Technology (Shanghai) CO., LTD., FineMat (HuangShi) Applied Materials Co., Ltd.: Director	None.			
Independent Director	Chen Cheng-Li	Aviation Engineering Department, Air Force Institute of Technology, 2-year program President, TYCOONS GROUP Enterprise CO., Ltd.	Hebei Huanghua Jujin Hardware Products Co., Ltd.: Chairman	None.			
Independent Director	Chou Hui-Yu	Master of Laws, Soochow University Department of Accounting, National Cheng Kung University Vice President, Radium Life Tech. Co., Ltd.	King'S Metal Fiber Technologies Co., Ltd., Onano Industrial Corp.: Independent Director, Audit Committee Member, Remuneration Committee Member	None.			
Independent Director	Tseng Chung-Nan	Department of Accounting, National Cheng Kung University CFO, Cheng Mei Materials Technology Corporation	Wus Printed Circuit Co., Ltd.: Remuneration Committee Member Wave Power Technology Inc.: Independent Director, Audit Committee Member, Remuneration Committee Member	None.			
Independent Director	Chu Chiu-Pi	Institute of Business Administration, National Chia Yi University Audit Assistant Manager, PwC Taiwan	Huikwang Corporation: Vice President, General Management Department	None.			

2. Major Shareholders of Juristic Person Shareholders

December 31, 2022

Name of institutional shareholder	Major Shareholders of Juristic Person Shareholders	Shareholding
Yi Long Investment Co., Ltd.	ELAN Microelectronics Corp.	100.00%
Wistron Corporation	Exclusive Account for Yuanta/P-shares Taiwan Dividend Plus ETF	5.52%
	Exclusive Account for Trust of Restricted Stocks of Employees of Wistron Corporation Entitled to Voting Right and Allotment of Dividends Managed by Taipei Fubon Bank as the Custody	2.15%
	Acer Incorporated	1.89%
	Fubon Life Insurance Co., Ltd.	1.73%
	Lin Hsien-Ming	1.40%
	Exclusive Account for Investment in Vanguard Emerging Markets Stock Index Fund Managed by JPMorgan Chase Bank, N. A., Taipei Branch as the Custody	1.39%
	King's Town Bank Co., Ltd.	1.34%
	Exclusive Account for Investment in Vanguard Total International Stock Index Fund Managed by JPMorgan Chase Bank as the Custody	1.30%
	Labor pension fund under the new system	1.28%
	Exclusive Account for Trust Property of Winstron Corporation Managed by Taipei Fubon Bank as the Custody	1.02%
Sheng Tai Co., Ltd.	Chao Chin-Hsiao	48.53%
	Ni Hui-Min	7.15%
	Li Fan-Chun	7.15%
	Chen Chin-To	6.02%
	Li Wei-Cheng	6.02%
	Li Chung-Jen	6.02%
	Wu Lung-Hsiang	6.02%
	Yeh Chien-Hung	4.90%
	Li Hsun-Chieh	4.10%
	Liao Ssu-Jen	4.10%

3. Major Shareholders of Major Shareholders Who are Juristic Persons

December 31, 2022

Name of institutional shareholder	Major Shareholders of Juristic Person Shareholders	Shareholding
ELAN Microelectronics Corp.	Yi Long Investment Co., Ltd.	4.09%
	Nan Shan Life Insurance Company	3.74%
	Exclusive Account for Yuanta/P-shares Taiwan Dividend Plus ETF	3.34%
	Yu Long Investment Co., Ltd.	2.33%
	Labor pension fund under the new system	2.29%
	Yeh I-Hao	1.97%
	Sweden Bank Robotech Property Tech. Co., Ltd. Managed by Standard Chartered Bank as the Custody	1.81%
	Exclusive Account for Fubon Taiwan high dividend 30 ETF	1.69%
	Exclusive Account for Vanguard Emerging Markets Stock Index Fund Managed by JPMorgan Chase Bank as the Custody	1.36%
	Exclusive Account for Yuanta Taiwan High-yield Leading Company Fund	1.33%
Acer Incorporated	Hong Rong Investment Co., Ltd.	2.42%
	Exclusive Account for Cathay Sustainability High Dividend ETF Managed by Taishin International Bank as the Custody	1.87%
	Exclusive Account for Fubon Taiwan high dividend 30 ETF	1.42%
	Exclusive Account for Investment in Vanguard Emerging Markets Stock Index Fund Managed by JPMorgan Chase Bank, N. A., Taipei Branch as the Custody	1.32%
	Vanguard Total. International Stock Index Fund Managed by JPMorgan Chase Bank N.A., Taipei. Branch as the Custody	1.23%
	Stan Shih	1.15%
	Yu Juan Investment Co., Ltd.	1.10%
	Exclusive Account for Investment in iShares ESG Aware MSCI Emerging Markets ETF Managed by Standard Chartered Bank, Sales Dept.	0.95%
	ACER GDR Managed by Citibank Taiwan as the Custody	0.94%
	Exclusive Account for Investment in University Pension Plan Limited Managed by JPMorgan Chase Bank, N. A., Taipei Branch as the Custody	0.81%

4. Disclosure of information about directors' professional qualification and independent directors' independence:

(1) Professional knowledge held by directors (including independent directors):

May 9, 2023

Criteria	Professional qualifications and experience
Name	
Chairman Chao Chin-Hsiao	PhD in Materials, National Sun Yat-Sen University, with the working experience needed by the Company's business for more than 5 years. Former President of Solar Applied Materials Technology Corp., and currently the Chairman of FINEMAT APPLIED MATERIALS CO., LTD. and Wave Power Technology Inc. With the ability and experience in business administration, and free from the circumstances referred to in Article 30 of the Company Act
Director Liu Dai-Min	Master of Economic Law, China University of Political Science and Law (CUPL), with the working experience needed by the Company's business for more than 5 years. Hold the position in ELAN Microelectronics Corp., and serve as a representative of juristic person director of multiple companies. With the experience in business administration and commerce for many years, and free from the circumstances referred to in Article 30 of the Company Act
Director Chiu Kao-Ling	MBA, University of Pittsburgh, with the working experience needed by the Company's business for more than 5 years. Hold the position in Wistron Corporation, and serve as a representative of juristic person director of multiple companies. With the experience in corporate governance, financial accounting and related industry's operations, and free from the circumstances referred to in Article 30 of the Company Act
Director Ni Hui-Min	Graduated from National Chang-Hua Senior High School of Commerce, with the working experience needed by the Company's business for more than 5 years. Former Vice President of Solar Applied Materials Technology Corp. and former Chairman of HTC & Solar Service Limited. With the experience in business administration and commerce for many years, and free from the circumstances referred to in Article 30 of the Company Act
Director Li Wei-Cheng	PhD in Materials, National Cheng Kung University, with the working experience needed by the Company's business for more than 5 years. Formerly Project Manager of Planning Division, ITRI; Director of Chemical Metallurgy Division, Solar Applied Materials Technology Corp., and currently the President of FINEMAT APPLIED MATERIALS CO., LTD. With the ability and experience in materials technology and business administration for many years, and free from the circumstances referred to in Article 30 of the Company Act
Independent Director Chen Cheng-Li	Graduated from Aviation Engineering Department, Air Force Institute of Technology, 2-year program, with the working experience needed by the Company's business for more than 5 years. Former President of TYCOONS GROUP Enterprise CO., Ltd., and currently the Chairman of Huanghua Jujin Hardware Products Co., Ltd. With the industrial experience and also experience in business administration for many years, and free from the circumstances referred to in Article 30 of the Company Act
Independent Director Chou Hui-Yu	Master of Laws, Soochow University; graduated from Department of Accounting, National Cheng Kung University, and also passed the Civil Service National Examination for CPA successfully, with the working experience needed by the Company's business for more than 5 years. Former Vice President of Radium Life Tech. Co., Ltd., with the experience in financial accounting and industry for many years, and free from the circumstances referred to in Article 30 of the Company Act
Independent Director Tseng Chung-Nan	Graduated from Department of Accounting, National Cheng Kung University, with the working experience needed by the Company's business for more than 5 years. Former CFO of Cheng Mei Materials Technology Corporation, with the experience in financial accounting and industry for many years, and free from the circumstances referred to in Article 30 of the Company Act.
Independent Director Anita Chu	Graduated from the Institute of Business Administration, National Chia Yi University, with the working experience needed by the Company's business for more than 5 years. Currently the Vice President of Huikwang Corporation, with the experience in financial accounting and industry for many years, and free from the circumstances referred to in Article 30 of the Company Act

(2) Independence of directors (including independent directors) and number of other public companies in which the independent director concurrently serve as an independent director:

May 9, 2023

Criteria	Independence	Number of other public companies in which the independent director concurrently serve as an independent director
Name		
Director Chao Chin-Hsiao	None of his spouse or relatives within the second degree of kinship acts as a director, and he is free from the circumstances referred to in Paragraph 3, Article 26-3 of the Securities and Exchange Act.	None.
Director Liu Dai-Min	None of his spouse or relatives within the second degree of kinship acts as a director, and he is free from the circumstances referred to in Paragraph 3, Article 26-3 of the Securities and Exchange Act.	None.
Director Chiu Kao-Ling	None of his spouse or relatives within the second degree of kinship acts as a director, and he is free from the circumstances referred to in Paragraph 3, Article 26-3 of the Securities and Exchange Act.	None.
Director Ni Hui-Min	None of his spouse or relatives within the second degree of kinship acts as a director, and he is free from the circumstances referred to in Paragraph 3, Article 26-3 of the Securities and Exchange Act.	None.
Director Li Wei-Cheng	None of his spouse or relatives within the second degree of kinship acts as a director, and he is free from the circumstances referred to in Paragraph 3, Article 26-3 of the Securities and Exchange Act.	None.
Independent Director Chen Cheng-Li	(1) Not an employee of the Company or its affiliated companies. (2) Not a director or supervisor of the Company or any of its affiliated companies (3) Not a director, spouse, minor child thereof, or other natural person shareholders who hold more than 1% of the total issued shares of the Company by nominee arrangement or with top ten ownership. (4) Not the manager listed in (1) or the spouse, relatives within the second degree of kinship or direct blood relative within the third degree of kinship of the person listed in	None.

Independent Director Chou Hui-Yu	(2) and (3). (5) Not a director, supervisor, or employee of any juristic-person shareholder that has 5% or higher of the total shares issued by the Company, or of top-5 juristic-person shareholders of the Company, or of the juristic-person shareholders who appoint their representatives to serve as the director or supervisor the Company in accordance with Paragraph 1 or Paragraph 2, Article 27 of the Company Act.	2
Independent director Tseng Chung-Nan	(6) Not a director, supervisor or employee of any company controlled by the same person that holds a majority of the directors or voting shares of the Company. (7) Not a director, supervisor or employee of any company who is the same person as, or the spouse of, Chairman and President or equivalent of the Company. (8) Not a director, supervisor, manager, or shareholder with more than 5% ownership interest in any companies or institutions that have financial or business relationship with the Company.	1
Independent Director Chu Chiu-Pi	(9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliated company of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliated company of the Company for which the provider in the past 2 years has received cumulative compensation. (10) Not a spouse or relative within the second degree of kinship with any other director. (11) Not elected as a government, juristic person or its representative according to Article 27 of the Company Act.	None.

5. Diversity and Independence of Board of Directors:

(1) Diversity of Board of Directors

According to Article 20 of the Company's "Corporate Governance Best-Practice Principles," the composition of the Board of Directors shall be determined by taking diversity into consideration. It is advisable that an appropriate policy on diversity based on the Company's business operations, operating dynamics, and development needs be formulated and include, without being limited to, the following two general standards:

1. Basic requirements and values: Gender, age, nationality, and culture.
2. 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:

1. Ability to make operational judgments.
2. Ability to perform accounting and financial analysis.
3. Ability to conduct management administration.
4. Ability to conduct crisis management.
5. Industrial knowledge.
6. An international market perspective.
7. Leadership.
8. Ability to make decisions.

Practicing of the board member diversity policy in the most recent year:

Director's name	Gender	Age			Term of office held as an independent director		Operational judgment	Business administration	Financial accounting	Business economics	Crisis management	Industrial knowledge	An international market perspective	Leadership & decision making
		51~60	61~70	71~80	Less than 3 years	3~9 years								
Chao Chin-Hsiao	Male		✓				✓	✓			✓	✓	✓	✓
Liu Dai-Min	Male		✓				✓	✓		✓	✓	✓	✓	✓
Chiu Kao-Ling	Female	✓					✓	✓	✓	✓	✓	✓	✓	✓
Ni Hui-Min	Female		✓				✓	✓		✓	✓	✓	✓	✓
Li Wei-Cheng	Male		✓				✓	✓			✓	✓	✓	✓
Chen Cheng-Li	Male			✓		✓	✓	✓			✓	✓	✓	✓
Chou Hui-Yu	Female	✓				✓	✓	✓	✓	✓	✓	✓	✓	✓
Tseng Chung-Nan	Male	✓				✓	✓	✓	✓	✓	✓	✓	✓	✓
Chu Chiu-Pi	Female	✓			✓		✓	✓	✓	✓	✓	✓	✓	✓

(2) Specific management goals of the board composition diversity policy, and achievement thereof:

A total of three diversity goals have been achieved for the current Board of Directors, namely “independent directors accounting for more than one-third of the total directors (inclusive),” “female directors accounting for more than one-third of the total directors (inclusive)” and the number of directors with the identity of employees of the Company, its parent company, subsidiaries or fellow subsidiaries less than one-third of the total directors (inclusive).

(3) Independence of the Board of Directors

The Company’s current Board of Directors consists of 9 members, including 4 independent directors, and 3 directors with the identity of the Company’s employees (i.e. 44.44% and 33.33% of the whole Board members respectively). All independent directors satisfy the requirements about independent directors imposed by Securities and Futures Bureau, Financial Supervisory Commission. All of the directors and independent directors are free from the circumstances referred to in Paragraph 3 and Paragraph 4, Article 26-3 of the Securities and Exchange Act. The Company’s Board of Directors acts independently (please refer to Page 9 of the annual report - Disclosure of information about directors’ professional qualification and independent directors’ independence). For the directors’ educational background, gender and working experience, please refer to Pages 5~6 of the annual report - Information about directors.

(II) Information about President, vice presidents, assistant vice presidents, and heads of departments/divisions

April 15, 2023

Title	Nationality	Name	Gender	Date of appointment	Number of shares currently held		Shares held by spouse and underage children		Shares held in the names of others	
					Number of shares	Shareholding	Number of shares	Shareholding	Number of shares	Shareholding
President	the R.O.C.	Li Wei-Cheng (Note 1)	Male	April 1, 2022	1,052,336	1.59	71,938	0.11	0	0
CSO	the R.O.C.	Chao Ching-Hsiao (Note 1)	Male	April 1, 2022	6,396,814	9.64	323,496	0.49	0	0
Executive Vice President	the R.O.C.	Li Chung-Jen (Note 2)	Male	April 1, 2022	1,292,153	1.95	164,923	0.25	0	0
Vice President	the R.O.C.	Li Fan-Chun	Male	January 29, 2021	637,787	0.96	354,364	0.54	0	0

Note 1: Chairman Chao Ching-Hsiao resigned from the position of President on April 1, 2022 and held the position as the CSO instead. Mr. Li Wei-Cheng held the position as the President.

Note 2: Vice President Li Chung-Jen was promoted as the Executive Vice President on April 1, 2022.

Job Title	Name	Academic background (working experience)	Concurrent positions in the Company and other companies	Spouse or relatives within the second degree of kinship acting as other managers, directors or supervisors			Remark
				Job Title	Name	Relationship	
President (Note 1)	Li Wei-Cheng	PhD in Materials, National Cheng Kung University Planning Manager, ITRI Director, Chemical Metallurgy Division, Solar Applied Materials Technology Corp.	FINEMAT APPLIED MATERIALS CO., LTD.: President Qun Bo Investment Co., Ltd.: Director Solar Applied Materials Technology (Shanghai) CO., LTD., FineMat (HuangShi) Applied Materials Co., Ltd.: Director		None		-
CSO (Note 1)	Chao Ching-Hsiao	PhD in Materials, National Sun Yat-Sen University President, Solar Applied Materials Technology Corp. Chairman, FINEMAT APPLIED MATERIALS CO., LTD.	FINEMAT APPLIED MATERIALS CO., LTD., Wave Power Technology Inc., Sheng Tai Co., Ltd., Finemat (Shanghai) Applied Materials Co., Ltd., Huangshi Quanyang Photoelectric Technology Co., Ltd., Etch Home Technology Co., Ltd., Etch Home Technology Co., Ltd. (Vietnam): Chairman Qun Bo Investment Co., Ltd., Galloptech International Company Limited., Sensepad Tech Co., Ltd., Htc & Solartech Service (Samoa) Corporation: Director		None		-
Executive Vice President (Note 2)	Li Chung-Jen	PhD in Materials, Massachusetts Institute of Technology Director of R&D Division, Solar Applied Materials Technology Corp.	Sheng Tai Co., Ltd., Etch Home Technology Co., Ltd.: Supervisor		None		-
Vice President	Li Fan-Chun	Department of Accounting, National Cheng Kung University CFO, Solar Applied Materials Technology Corp.	Wave Power Technology Inc., Sheng Tai Co., Ltd., Etch Home Technology Co., Ltd.: Director Qun Bo Investment Co., Ltd.: Supervisor		None		-

Note 1: Chairman Chao Ching-Hsiao resigned from the position of President on April 1, 2022 and held the position as the CSO instead. Mr. Li Wei-Cheng held the position as the President.

Note 2: Vice President Li Chung-Jen was promoted as the Executive Vice President on April 1, 2022.

Note 3: Those still holding the position until the date of publication of the annual report.

III. Compensation paid to directors (including independent directors), President and vice presidents in the most recent year
(I) Compensation to directors (including independent directors)

December 31, 2022; Unit: NT\$ Thousand

December 31, 2023

Title	Name	Compensation to directors										The total amount of (A)~(D) as a percentage of net income
		Remuneration (A)		Severance and pension (B)		Remuneration to directors (C)		Professional practice fees (D)				
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements			
Chairman	Chao Chin-Hsiao	0	0	0	0	0	1,420	18	33	(0.05%)	(4.03%)	
Corporate director	Yi Long Investment Co., Ltd. Representative: Dennis Liu	0	0	0	0	0	0	18	18	(0.05%)	(0.05%)	
Corporate director	Wistron Corporation Representative: Chiu Kao-Ling	0	0	0	0	0	0	18	18	(0.05%)	(0.05%)	
Corporate director	Sheng Tai Co., Ltd. Representative: Ni Hui-Min	0	0	0	0	0	720	18	33	(0.05%)	(2.09%)	
Director	Li Wei-Cheng	0	0	0	0	0	0	15	24	(0.04%)	(0.07%)	
Independent director	Chen Cheng-Li	360	360	0	0	0	0	18	18	(1.05%)	(1.05%)	
Independent director	Chou Hui-Yu	360	360	0	0	0	0	19	19	(1.05%)	(1.05%)	
Independent director	Tseng Chung-Nan	360	540	0	0	0	0	18	24	(1.05%)	(1.56%)	
Independent director	Anita Chu	360	360	0	0	0	0	18	18	(1.05%)	(1.05%)	

Title	Name	Employee compensation received by directors										The total amount of (A)-(G) as a percentage of net income		Compensation from investees or subsidiaries or other than parent company
		Salary, bonus and special allowance, et al. (E)		Severance and pension (F)		Employee remuneration (G)								
						The Company		All companies in the financial statements		The Company		All companies in the financial statements		
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	Amount in cash	Stock amount	Cash amount	Stock amount					
Chairman	Chao Chin-Hsiao	2,496	4,683	0	0	0	0	400	0	(6.97%)	(18.13%)	294		
Corporate director	Yi Long Investment Co., Ltd. Representative: Dennis Liu	0	0	0	0	0	0	0	0	(0.05%)	(0.05%)	0		
Corporate director	Wistron Corporation Representative: Chiu Kao-Ling	0	0	0	0	0	0	0	0	(0.05%)	(0.05%)	0		
Corporate director	Sheng Tai Co., Ltd. Representative: Ni Hui-Min	0	378	0	0	0	0	0	0	(0.05%)	(3.14%)	0		
Director	Li Wei-Cheng	2,019	2,920	2019	108	0	0	0	0	(5.94%)	(8.47%)	0		
Independent director	Chen Cheng-Li	0	0	0	0	0	0	0	0	(1.05%)	(1.05%)	0		
Independent Director	Chou Hui-Yu	0	0	0	0	0	0	0	0	(1.05%)	(1.05%)	0		
Independent director	Tseng Chung-Nan	0	0	0	0	0	0	0	0	(1.05%)	(1.56%)	0		
Independent director	Anita Chu	0	0	0	0	0	0	0	0	(1.05%)	(1.05%)	0		

Description:

1. Please state the policies, systems, standards and structure of compensation to independent directors, and the relations between the compensation and the job responsibility, risk and engagement hours borne by the independent directors:
The remuneration paid to independent directors is paid at fixed amount, so are the attendance fees subject to the frequency of attendance.
2. Compensation received by directors for providing service to any company included in the Financial Statements (e.g. consultancy service without the title of an employee) in the most recent year except those disclosed in the above table: None.

Compensation Scale Table for directors (including independent directors)

Compensation Scale Table	Name of director			
	Sum of (A)-(D) (A+B+C+D)		Sum of (A)-(G) (A+B+C+D+E+F+G)	
	The Company	All companies in the financial statements	The Company	All companies in the financial statements
Below NT\$1,000,000	Representative of Yi Long Investment Co., Ltd.: Liu Dai-Min Representative of Wistron Corporation: Chiu Kao-Ling Representative of Sheng Tai Co., Ltd.: Ni Hui-Min Chao Chin-Hsiao, Li Wei-Cheng, Chen Cheng-Li Chou Hui-Yu, Tseng Chung-Nan, Chu Chiu-Pi	Representative of Yi Long Investment Co., Ltd.: Liu Dai-Min Representative of Wistron Corporation: Chiu Kao-Ling Representative of Sheng Tai Co., Ltd.: Ni Hui-Min Li Wei-Cheng, Chen Cheng-Li, Chou Hui-Yu, Tseng Chung-Nan, Chu Chiu-Pi	Representative of Yi Long Investment Co., Ltd.: Liu Dai-Min Representative of Wistron Corporation: Chiu Kao-Ling Representative of Sheng Tai Co., Ltd.: Ni Hui-Min Chen Cheng-Li, Chou Hui-Yu, Tseng Chung-Nan, Chu Chiu-Pi	Representative of Yi Long Investment Co., Ltd.: Liu Dai-Min Representative of Wistron Corporation: Chiu Kao-Ling Chen Cheng-Li, Chou Hui-Yu, Tseng Chung-Nan, Chu Chiu-Pi
NT\$1,000,000 (inclusive)~ NT\$2,000,000 (exclusive)~	-	Chao Chin-Hsiao	-	Representative of Sheng Tai Co., Ltd.: Ni Hui-Min
NT\$2,000,000 (inclusive)~ NT\$3,500,000 (exclusive)~	-	-	Chao Chin-Hsiao, Li Wei-Cheng	Li Wei-Cheng
NT\$3,500,000 (inclusive)~ NT\$5,000,000 (exclusive)~	-	-	-	-
NT\$5,000,000 (inclusive)~ NT\$10,000,000 (exclusive)~	-	-	-	Chao Chin-Hsiao
More than NT\$10,000,000	-	-	-	-
Total	9	9	9	9

(II) Compensation to supervisors: N/A.

(III) Compensation to President and vice presidents

December 31, 2022; Unit: NT\$ Thousand

Title	Name	Salary (A)		Severance and pension (B)		Bonus and allowance, et al. (C)		Employee remuneration (D)				The total amount of (A)-(D) as a percentage of net income		Remuneration from investees other than subsidiaries or from the parent company
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company		All companies in the financial statements				
								Amount in cash	Stock amount		Cash amount	Stock amount		
President (Note)	Li Wei-Cheng	1,801	2,167	2019	2019	218	753	0	0	0	0	(5.90%)	(8.40%)	0
CSO (Note)	Chao Chin-Hsiao	2,098	2,329	0	0	398	2,354	0	0	400	0	(6.92%)	(14.10%)	294
Executive Vice President	Li Chung-Jen	1,881	1,881	2019	2019	240	240	0	0	0	0	(6.18%)	(6.18%)	0
Vice President	Li Fan-Chun	1,794	1,794	2019	2019	240	240	0	0	0	0	(5.94%)	(5.94%)	0

Note: Chairman Chao Ching-Hsiao resigned from the position of President on April 1, 2022. Mr. Li Wei-Cheng held the position as the President instead.

Compensation Scale	Names of President and vice presidents	
	The Company	All companies in the financial statements
Below NT\$1,000,000	-	-
NT\$1,000,000 (inclusive)~NT\$2,000,000 (exclusive)	-	-
NT\$2,000,000 (inclusive)~NT\$3,500,000 (exclusive)	Chao Chin-Hsiao, Li Wei-Cheng, Li Fan-Chun, Li Chung-Jen	Li Wei-Cheng, Li Fan-Chun, Li Chung-Jen
NT\$3,500,000 (inclusive)~NT\$5,000,000 (exclusive)	-	-
NT\$5,000,000 (inclusive)~NT\$10,000,000 (exclusive)	-	Chao Chin-Hsiao
More than NT\$10,000,000	-	-
Total	4	4

(IV) Compensation to Top 5 senior managers:

December 31, 2022; Unit: NT\$ Thousand

Title	Name	Salary (A)		Severance and pension (B)		Bonus and allowance, et al. (C)		Employee remuneration (D)				The total amount of (A)~(D) as a percentage of net income		Remuneration from investees or subsidiaries or other than from the parent company
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	Amount in cash	Stock amount	Cash amount	Stock amount	The Company	All companies in the financial statements	
President (Note)	Li Wei-Cheng	1,801	2,167	2019	2019	218	753	0	0	0	0	(5.90%)	(8.40%)	0
CSO (Note)	Chao Chin-Hsiao	2,098	2,329	0	0	398	2,354	0	0	400	0	(6.92%)	(14.10%)	294
Executive Vice President	Li Chung-Jen	1,881	1,881	2019	2019	240	240	0	0	0	0	(6.18%)	(6.18%)	0
Vice President	Li Fan-Chun	1,794	1,794	2019	2019	240	240	0	0	0	0	(5.94%)	(5.94%)	0
Director	Li Hou-Kuan	1,680	1,680	103	103	174	174	0	0	0	0	(5.43%)	(5.43%)	0

Note: Chairman Chao Ching-Hsiao resigned from the position of President on April 1, 2022. Mr. Li Wei-Cheng held the position as the President instead.

(V) Names of managers receiving employee remuneration, and state of distribution

Job Title	Name	Amount in cash	Amount in stock	Total	The total amount as a percentage of net income
President (Note)	Li Wei-Cheng	0	0	0	0
CSO (Note)	Chao Chin-Hsiao	0	0	0	0
Executive Vice President	Li Chung-Jen	0	0	0	0
Vice President	Li Fan-Chun	0	0	0	0
Chief Accounting Officer	Tsai Yu-Chen	0	0	0	0

Note: Chairman Chao Ching-Hsiao resigned from the position of President on April 1, 2022. Mr. Li Wei-Cheng held the position as the President instead.

(VI) Total of the compensation paid in the most recent two years by the Company and all companies included in the financial statements to the Company's directors, supervisors, President, and vice presidents in the most recent two years, and their respective proportions to the net income, as well as the policies, standards and packages by which the compensation was paid, the procedures through which compensation was determined, and their association with business performance and future risk:

1. Compensation paid in the most recent two years by the Company and all companies included in the financial statements to the Company's directors, supervisors, President, and vice presidents as a percentage of net income (%) in the most recent two years:

Unit: %

Title	2021		2022	
	The Company	All companies in the financial statements	The Company	All companies in the financial statements
Directors (including independent directors)	23.83%	39.52%	(17.26%)	(34.55%)
President and vice presidents	33.37%	40.27%	(24.95%)	(34.63%)

2. Policies, standards and packages by which the compensation was paid, the procedures through which compensation was determined, and their association with business performance and future risk:

- (1) Directors (including independent directors)

The Board of Directors resolves the remuneration and transportation allowance of all independent directors at the rate generally adopted by the peers in the same industry. The remuneration must be paid, irrelevant with profit or loss retained by the Company. Notwithstanding, independent directors shall not participate in the annual distribution of remuneration. No more than 5% of the earnings for the current year shall be allocated as the compensation to directors, in accordance with the Articles of Incorporation. The same shall be resolved subject to the liability to be borne by directors and level of their contribution to the Company, and upon review by Remuneration Committee and Board of Directors. Meanwhile, the Company may maintain the liability insurance for all directors.

- (2) President and vice presidents

The compensation to the Company's President and vice presidents consists of salary, bonus and employee remuneration which are decided subject to the position as held, obligation to be borne and level of contribution to the Company, and at the rate generally adopted by the peers in the same industry.

IV. Corporate governance operations

(I) Corporate governance operations

1. The annual general meeting on August 18, 2021 completed the re-election of whole directors. Each director shall held the term of office from August 18, 2021 to August 17, 2024.
2. A total of 6(A) Board meetings were held in 2022. Below are the directors' attendance records:

Title	Name	Actual attendance (times) (B)	Attendance by proxy	Attendance (B/A)	Remarks
Chairman	Chao Chin-Hsiao	6	0	100%	
Director	Representative of Yi Long Investment Co., Ltd: Liu Dai-Min	6	0	100%	
Director	Representative of Wistron Corporation: Chiu Kao-Ling	6	0	100%	
Director	Representative of Sheng Tai Co., Ltd.: Ni Hui-Min	6	0	100%	
Director	Li Wei-Cheng	5	1	83%	
Independent director	Chen Cheng-Li	6	0	100%	
Independent director	Chou Hui-Yu	5	1	83%	
Independent director	Tseng Chung-Nan	6	0	100%	
Independent director	Anita Chu	6	0	100%	

3. Other matters to be noted:

- (1) For Board of Directors meetings that meet any of the following descriptions, state the date, session, contents of the motions, independent directors' opinions and how the Company has responded to such opinions:
 - (a) Conditions described in Article 14-3 of the Securities and Exchange Act:
The Company has convened a total of 6 Board meetings in 2022. For the resolutions, please refer to Pages 39~40 of the annual report. The independent directors approved the conditions described in Article 14-3 of the Securities and Exchange Act unanimously.
 - (b) Any other resolution(s) by the Board of Directors meetings passed but with independent directors voicing opposing or qualified opinions in writing: None.
- (2) For directors' avoidance of motions which involves conflict of interest, the names of directors, contents of the motions, reasons of the refusal for conflict of interest, and participation in voting must be disclosed:
 - (a) The Company's Board of Directors meeting convened on January 20, 2022 discussed the Motion 4: Termination of the non-competition restrictions imposed on the directors of the Company and their representatives. Chairman Chao Chin-Hsiao recused himself for conflict of interest. Independent Director Chou Hui-Yu attended the meeting by proxy and, therefore, recused herself from the discussion and resolution. The motion was approved by the present directors unanimously upon voting. Motion 5: Termination of the non-competition restrictions imposed on the Company's managers. Chairman Chao Chin-Hsiao, also holding the position as the Company's President concurrently, recused himself for the conflict of interest. Director Li Wei-Cheng, also holding the position as the Company's Executive Vice President concurrently, attended the meeting by proxy and, therefore, recused himself from the discussion and resolution. The motion was approved by the present directors unanimously upon voting. Motion 6: Allocation of 2021 year-end bonus to the Company's managers Chairman Chao Chin-Hsiao, also holding the position as the Company's President concurrently, recused himself for the conflict of interest. Director Li Wei-Cheng, also holding the position as the Company's Executive Vice President concurrently, attended the meeting by proxy and, therefore, recused himself from the discussion and resolution. The motion was approved by the present directors unanimously upon voting.
 - (b) The Company's Board of Directors meeting convened on March 18, 2022 discussed the Motion 11: Addition and appointment of the Company's Chief Strategy Officer. Except Chairman Chao Chin-Hsiao, who was appointed as the Chief Strategy Officer and, therefore, recused himself as the stakeholder, the motion was approved by the other present directors unanimously. Motion 12: Appointment of the Company's President. Except Director Li Wei-Cheng, who was appointed as the Company's President and, therefore, recused himself as the stakeholder, the motion was approved by the other present directors unanimously.

(3) Assessment on the Board of Directors

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Contents of evaluation
Once per year	January 1, 2022 ~ December 31, 2022	Board of Directors Board members Audit Committee Remuneration Committee	Board of Directors' self-evaluation Board members' self-evaluation Audit Committee's self-evaluation Remuneration Committee's self-evaluation	Note

Note:

- (a) Board of Directors' self-evaluation: Engagement in the Company's operation, upgrading of the Board's decision-making quality, composition and structure of the Board, election and continuing education of directors, and internal controls, etc.
- (b) Board members' self-evaluation: Alignment with the goals and mission of the Company, knowledge of directors' duties, engagement in the Company's operations, management of internal relationship and communication, professionalism and continuing education of directors, and internal controls, etc.
- (c) Audit Committee's and Remuneration Committee's self-evaluation: Engagement in the Company's operation, knowledge of the functional committee's duties, upgrading of the functional committee's decision-making quality, composition and election of members of the functional committee, and internal controls, etc.
- (d) Evaluation results in 2022

i Board of Directors' self-evaluation

Appraisal standards	A. Engagement in the Company's operation	B. Upgrading of the Board's decision-making quality	C. Composition and structure of the Board	D. Election and continuing education of directors	E. Internal control
Performance	Excellent	Excellent	Good	Excellent	Excellent

ii Board members' self-evaluation

Appraisal standards	A. Alignment with the goals and mission of the Company	B. Knowledge of directors' duties	C. Engagement in the Company's operation	D. Internal relationship and communication	E. Professionalism and continuing education of directors	F. Internal control
Performance	Good	Good	Good	Good	Good	Good

iii Audit Committee's self-evaluation

Appraisal standards	A. Engagement in the Company's operation	B. Knowledge of Audit Committee's duties	C. Upgrading of the Audit Committee's decision-making quality	D. Composition and structure of the Audit Committee	E. Internal control
Performance	Excellent	Excellent	Excellent	Excellent	Excellent

iv Audit Committee's self-evaluation

Appraisal standards	A. Engagement in the Company's operation	B. Knowledge of Audit Committee's duties	C. Upgrading of the Audit Committee's decision-making quality	D. Composition and structure of the Audit Committee	E. Internal control
Performance	Good	Good	Good	Good	Good

v Remuneration Committee's self-evaluation

Appraisal standards	A. Engagement in the Company's operation	B. Knowledge of Remuneration Committee's duties	C. Upgrading of the Remuneration Committee's decision-making quality	D. Composition and structure of the Remuneration Committee
Performance	Excellent	Excellent	Excellent	Excellent

vi Remuneration Committee members' self-evaluation

Appraisal standards	A. Engagement in the Company's operation	B. Knowledge of Remuneration Committee's duties	C. Upgrading of the Remuneration Committee's decision-making quality	D. Composition and structure of the Remuneration Committee
Performance	Good	Good	Good	Good

(4) Evaluation on enhancement of the functionality of the Board of Directors in the current and the most recent year and the respective progress reports

- The Company has established the Remuneration Committee and Audit Committee, consisting of four independent directors. By establishment of the functional committees, the Board of Directors' functions and powers are divided perfectly. The functional committees act independently to help the Board of Decision with decision making and enhancement of the corporate governance.
- Directors would choose to attend the corporate governance-themed courses covering finance, risk management, business, commerce, laws, accounting and corporate social responsibility, or other courses related to internal control system and responsibility for reporting finance, in order to enhance the knowledge and fulfillment of corporate governance.
- The Company has maintained the liability insurance for all directors.
- In order to have the corporate governance in place and upgrade the Board's functions, the Company adopted the Regulations Governing Board's Self-Evaluation or Peer Evaluation, and completed the Board's 2022 performance valuation pursuant to the Regulations at the beginning of 2023. For the self-evaluation result, please refer to (3) Board of Directors' evaluation, and the result was reported to the Board of Directors on March 15, 2023.
- In order to establish the Company's fair corporate governance, help directors perform their duties and upgrade the Board's performance, the Company adopted the standard operating procedure required by directors.

(II) Operation of the Audit Committee

- The directors were re-elected on August 18, 2021. The Audit Committee members increased as 4 members, consisting of the whole independent directors. 3 out of the members are experts in accounting and finance. The Audit Committee members convene the meeting to review the execution of the Company's internal control system and internal audit and also significant business and financial activities, and to communicate and exchange with the external auditors, in order to supervise the Company's operations and risk controls precisely, prior to the Board of Directors meeting on a quarterly basis.
 - For the professional knowledge to be held by the Audit Committee members: For details, please refer to Page 9, Professional Knowledge of Directors (including Independent Directors)
 - Audit Committee's annual main line of action (MLA)
 - ◆ Adoption or amend the internal control system in accordance with Article 14-1 of the Securities and Exchange Act.
 - ◆ Assessment on the effectiveness of the internal control system.
 - ◆ Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, and endorsements or guarantees for others.
 - ◆ A matter bearing on the personal interest of a director or supervisor.
 - ◆ A transaction involving material asset or derivatives trading.
 - ◆ A material monetary loan, endorsement, or provision of guarantee.
 - ◆ The offering, issuance, or private placement of any equity-type securities.
 - ◆ The hiring, dismissal or remuneration of an attesting certified public accountant.
 - ◆ The appointment or dismissal of a financial, accounting, or internal auditing officer.
 - ◆ Annual financial statements and semi-annual financial statements
 - ◆ Audit Committee's performance self-evaluation
- The Audit Committee held 6 (A) meetings in 2022. The attendance of independent directors is summarized as follows:

Title	Name	Actual attendance (times) (B)	Attendance by proxy (times)	Actual attendance rate (B/A)	Remark
Independent Director	Chen Cheng-Li	6	0	100%	
Independent director	Chou Hui-Yu	5	1	83%	
Independent director	Tseng Chung-Nan	6	0	100%	
Independent director	Anita Chu	6	0	100%	

3. Other matters to be noted:

- (1) For the Audit Committee's operation that meets any of the following descriptions, state the date, session and contents of the motions of the Audit Committee's meeting, and Audit Committee's resolution, and how the Company has responded to the Audit Committee's opinions:
 - (a) Any conditions described in Article 14-5 of the Securities and Exchange Act unapproved by the Audit Committee but passed by more than two-thirds of directors: None.
 - (b) Other than those described above, any resolutions unapproved by the Audit Committee but passed by more than two-thirds of directors: None.
- (2) For independent directors' avoidance of motions which involves conflict of interest, the names of directors, contents of the motions, reasons of the recusal for conflict of interest, and participation in voting must be disclosed: The Audit Committee meeting convened on January 20, 2022 discussed the Motion 4: Termination of the non-competition restriction imposed on the Company's directors and their representatives, to consider the termination of non-competition restriction imposed on Chairman Chao Chin-Hsiao and Independent Director Chou Hui-Yu. Independent Director Chou Hui-Yu attended the meeting by proxy and recused herself from the discussion and resolution. The motion was approved by the present members unanimously upon voting.
- (3) Communication between independent directors and chief internal auditor/CPAs:
 - (a) Communication between independent directors and chief internal auditor: Both sides meet with each other via phone or email from time to time, and also communicate with each other at each Audit Committee meeting. The communication is considered fair and both sides are considered fulfilling their obligations to report and explain the results.
 - (b) Communication between independent directors and CPAs: The Company's CPAs are used to fulfilling their obligation to report and explain the audit or review result on financial statements for the current quarter and other legal requirements. The communication between independent directors and the CPAs are considered fair too.

(4) Resolutions made by Audit Committee in 2022

Date of Meeting	Contents of Motion	Conditions described in Article 14-5 of the Securities and Exchange Act	Audit Committee's resolutions	How the Board of Directors has responded to Audit Committee's opinions
January 20, 2022	The Company's 2022 business plan		Approved by all present members.	Approved by all present members.
	Evaluation report on independence and competence of the Company's external auditors, and appointment of external auditors	V		
	Adoption of the "Regulations Governing Election of Directors."	V		
	Termination of the non-competition restrictions imposed on the directors of the Company and their representatives.	V		
	Termination of the non-competition restrictions imposed on the Company's managers.			
March 18, 2022	The Company's 2021 financial statements and business report	V	Approved by all present members.	Approved by all present members.
	The 2021 earnings distribution plan	V		
	The Company's 2021 statement of the internal control system	V		
	Amendments to the "Procedures for the Acquisition or Disposal of Assets"	V		
	Proposal for making endorsements/guarantees for subsidiaries	V		
	Proposal for loaning funds to the indirect subsidiary in Vietnam, VN ETCH HOME TECHNOLOGY CO LTD	V		
	Amendments to the Company's "Internal Control System"	V		
	Amendments to the Company's "Articles of Incorporation"	V		
May 4, 2022	The Company's 2022 Q1 financial statements		Approved by all present members.	Approved by all present members.
	Amendments to the "Division of Duties and Powers Table"			
	Amendments to the "Procedures for the Acquisition or Disposal of Assets"	V		
	Transfer of the Company's Chief Accounting Officer	V		
August 3, 2022	Evaluation report on independence and competence of the Company's external auditors, and appointment of external auditors	V	Approved by all present members.	Approved by all present members.
	The Company's 2022 Q2 financial statements	V		
	Proposal for loaning of funds to the subsidiary, Etch Home Technology Co., Ltd.	V		
	Proposal for making endorsements/guarantees for subsidiaries	V		
	Proposal for investment in Htc & Solartech Service Corporation	V		
	Proposal for disposal of equity of ELAN Microelectronics Corp. in part	V		
September 28, 2022	Proposal for approval of the procedure for making endorsements/guarantees of the subsidiary, Etch Home Technology Co., Ltd.	V	Approved by all present members.	Approved by all present members.
	Amendment to the Company's "Rules of Procedure for Board of Directors' Meetings"	V		
	Proposal for license of technology to FineMat (HuangShi) Applied Materials Co., Ltd.	V		
November 7,	The Company's 2022 Q3 financial statements			

2022	Proposal for approval of 2023 audit plan			
	Changes in the Company's organization			
	Amendments to the Company's "Internal Control System"	V	Approved by all present members.	Approved by all present members.
	Proposal for making endorsements/guarantees for subsidiaries	V		
	Proposal for loaning funds to the indirect subsidiary in Vietnam, VN ETCH HOME TECHNOLOGY	V		

(III) Operation of Remuneration Committee

1. Professional knowledge and independence of Remuneration Committee members

(1) Professional knowledge of Remuneration Committee members:

Conditions Name	Professional qualifications and experience
Independent Director Chen Cheng-Li	Graduated from Aviation Engineering Department, Air Force Institute of Technology, 2-year program, with the working experience needed by the Company's business for more than 5 years. Former President of TYCOONS GROUP Enterprise CO., Ltd., and currently the Chairman of Huanghua Jujin Hardware Products Co., Ltd. With the industrial experience and also experience in business administration for many years, and free from the circumstances referred to in Article 30 of the Company Act
Independent Director Chou Hui-Yu	Master of Laws, Soochow University; graduated from Department of Accounting, National Cheng Kung University, and also passed the Civil Service National Examination for CPA successfully, with the working experience needed by the Company's business for more than 5 years. Former Vice President of Radium Life Tech. Co., Ltd., with the experience in financial accounting and industry for many years, and free from the circumstances referred to in Article 30 of the Company Act
Independent Director Tseng Chung-Nan	Graduated from Department of Accounting, National Cheng Kung University, with the working experience needed by the Company's business for more than 5 years. Former CFO of Cheng Mei Materials Technology Corporation, with the experience in financial accounting and industry for many years, and free from the circumstances referred to in Article 30 of the Company Act.
Independent Director Chu Chiu-Pi	Graduated from the Institute of Business Administration, National Chia Yi University, with the working experience needed by the Company's business for more than 5 years. Currently the Vice President of Huikwang Corporation, with the experience in financial accounting and industry for many years, and free from the circumstances referred to in Article 30 of the Company Act

(2) Independence of Remuneration Committee members

Conditions Name	Independence	Number of other public companies in which the Remuneration Committee member concurrently serve as a remuneration committee member
Independent Director Chen Cheng-Li	(1) Not an employee of the Company or its affiliated companies. (2) Not a director or supervisor of the Company or any of its affiliated companies	None.
Independent Director Chou Hui-Yu	(3) Not a director, spouse, minor child thereof, or other natural person shareholders who hold more than 1% of the total issued shares of the Company by nominee arrangement or with top ten ownership. (4) Not the manager listed in (1) or the spouse, relatives within the second degree of kinship or direct blood relative within the third degree of kinship of the person listed in (2) and (3).	2
Independent director Tseng Chung-Nan	(5) Not a director, supervisor, or employee of any juristic-person shareholder that has 5% or higher of the total shares issued by the Company, or of top-5 juristic-person shareholders of the Company, or of the juristic-person shareholders who appoint their representatives to serve as the director or supervisor the Company in accordance with Paragraph 1 or Paragraph 2, Article 27 of the Company Act.	2
Independent director Chu Chiu-Pi	(6) Not a director, supervisor or employee of any company controlled by the same person that holds a majority of the directors or voting shares of the Company. (7) Not a director, supervisor or employee of any company who is the same person as, or the spouse of, Chairman and President or equivalent of the Company. (8) Not a director, supervisor, manager, or shareholder with more than 5% ownership interest in any companies or institutions that have financial or business relationship with the Company. (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliated company of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliated company of the Company for which the provider in the past 2 years has received cumulative compensation. (10) Not a spouse or relative within the second degree of kinship with any other director. (11) Not elected as a government, juristic person or its representative according to Article 27 of the Company Act.	None

(3) Duties of the remuneration committee

- ◆ Prescribe and periodically review the performance review and remuneration policy, system, standards, and structure for directors and executive officers.
- ◆ Periodically evaluate and prescribe the remuneration of directors and executive officers.

2. Information about operation of Remuneration Committee

- (1) The Company's Remuneration Committee added one member upon the re-election on August 18, 2021. For the time being, the Committee consists of 4 members.
- (2) The current members' term of office commences from November 5, 2021 until August 17, 2024. The Remuneration Committee held 3 (A) meetings in 2022.

The attendance of the Committee members is summarized as follows:

Job Title	Name	Actual attendance (times) (B)	Attendance by proxy (times)	Actual attendance rate (B/A)	Remark
Convener	Chen Cheng-Li	3	0	100%	
Committee member	Chou Hui-Yu	2	1	67%	
Committee member	Tseng Chung-Nan	3	0	100%	
Committee member	Anita Chu	3	0	100%	

(3) Other matters to be noted:

- (a) Should the Board rejects or modifies the suggestions from the Remuneration Committee, state the date, session, contents of the motions, resolution made by Board meeting and results thereof, and how the Company has responded to Remuneration Committee's opinions (describe the differences and reasons, if any, should the Board of Directors approve a solution that was more favorable than the one proposed by the Remuneration Committee): None.
- (b) Should any resolution(s) by the Remuneration Committee be passed but with member voicing opposing or qualified opinions on the record or in writing, please describe the date and session of the meeting, contents of the motion, the entire members' opinions, and how their opinions are addressed: None.

(4) Resolutions made by Remuneration Committee in 2022

Date of Meeting	Contents of Motion	Resolution by the Remuneration Committee	The Company's response to the Remuneration Committee's opinions
January 20, 2022	Allocation of 2021 year-end bonus to the Company's managers	Approved by all present members.	Approved by all present members.
March 18, 2022	The 2021 employee remuneration and directors' remuneration distribution proposal	Approved by all present members.	Approved by all present members.
	Promotion of the Company's Executive Vice President, Li Wei-Cheng, as the President, and raise.		
	Promotion of the Company's Vice President, Li Chung-Jen, as the Executive Vice President, and raise.		
May 4, 2022	Adoption of the "Regulations Governing Remuneration to Directors and Managers"	Approved by all present members.	Approved by all present members.

(IV) Continuing education of directors (independent directors) and managers in the most recent year

Job Title	Name	Organizer	Date	Course name	Hours
Chairman	Chao Chin-Hsiao	Taiwan Corporate Governance Association	May 4, 2022	Business Challenges, Response and Layout for Creation of New Corporate Value with ESG	3
		Securities & Futures Institute	August 3, 2022	Corporate Governance and Securities Laws & Regulations	3
Director	Liu Dai-Min	Taiwan Corporate Governance Association	May 4, 2022	Business Challenges, Response and Layout for Creation of New Corporate Value with ESG	3
		Securities & Futures Institute	August 3, 2022	Corporate Governance and Securities Laws & Regulations	3
Director	Chiu Kao-Ling	Taiwan Stock Exchange Corporation	March 10, 2022	Discussion on Supervision by Independent Directors and Board of Directors from International Viewpoint	1
		Taiwan Corporate Governance Association	May 4, 2022	Business Challenges, Response and Layout for Creation of New Corporate Value with ESG	3
		Taiwan Stock Exchange Corporation	July 20, 2022	Sustainable Development Roadmap Industry-Themed Announcement Meeting	2
		Taiwan Corporate Governance Association	September 30, 2022	PR Handling Principles for Company's Legal Matters	3
		Taiwan Corporate Governance Association	September 30, 2022	2030/2050 Green Industrial Revolution	3
Director	Li Wei-Cheng	Taiwan Corporate Governance Association	May 4, 2022	Business Challenges, Response and Layout for Creation of New Corporate Value with ESG	3
		Securities & Futures Institute	August 3, 2022	Corporate Governance and Securities Laws & Regulations	3
Director	Ni Hui-Min	Taiwan Corporate Governance Association	May 4, 2022	Business Challenges, Response and Layout for Creation of New Corporate Value with ESG	3
		Securities & Futures Institute	August 3, 2022	Corporate Governance and Securities Laws & Regulations	3
Independent director	Chen Cheng-Li	Taiwan Corporate Governance Association	May 4, 2022	Business Challenges, Response and Layout for Creation of New Corporate Value with ESG	3
		Securities & Futures Institute	August 3, 2022	Corporate Governance and Securities Laws & Regulations	3
Independent director	Tseng Chung-Nan	Taiwan Corporate Governance Association	May 4, 2022	Business Challenges, Response and Layout for Creation of New Corporate Value with ESG	3
		Securities & Futures Institute	August 3, 2022	Corporate Governance and Securities Laws & Regulations	3
Independent director	Chou Hui-Yu	Taiwan Investor Relations Institute	February 23, 2022	How Directors/Supervisors of TWSE/TPEX Listed Companies Exercise Job Duties	3
		Taiwan Corporate Governance Association	May 4, 2022	Business Challenges, Response and Layout for Creation of New Corporate Value with ESG	3
Independent director	Anita Chu	National Cheng Kung University	August 18, 2022 - August 19, 2022	Continuing Education Course for Accounting Officers-Conference on Accounting	3
				Continuing Education Course for Accounting Officers-Conference on Corporate Governance	3
				Continuing Education Course for Accounting Officers-Conference on Code of Professional Conduct and Legal Liability	3
				Continuing Education Course for Accounting Officers-Conference on Audit	3
Executive Vice President	Li Chung-Jen	Taiwan Corporate Governance Association	May 4, 2022	Business Challenges, Response and Layout for Creation of New Corporate Value with ESG	3
		Securities & Futures Institute	August 3, 2022	Corporate Governance and Securities Laws & Regulations	3
Finance Vice President	Li Fan-Chun	Taiwan Corporate Governance Association	May 4, 2022	Business Challenges, Response and Layout for Creation of New Corporate Value with ESG	3
		Securities & Futures Institute	August 3, 2022	Corporate Governance and Securities Laws & Regulations	3
Chief Accounting Officer	Tsai Yu-Chen	National Cheng Kung University	July 21, 2022 - July 22, 2022	Continuing Education Course for Accounting Officers-Conference on Accounting	3
				Continuing Education Course for Accounting Officers-Conference on Corporate Governance	3
				Continuing Education Course for Accounting Officers-Conference on Code of Professional Conduct and Legal Liability	3
				Continuing Education Course for Accounting Officers-Conference on Audit	3

(VI) Status of corporate governance, and deviation from Corporate Governance Best Practice Principles for TWSE/TPEx-Listed Companies and causes thereof:

Evaluation criteria	Status		Brief description	Deviation from Corporate Governance Best Practice Principles for TWSE/TPEx-Listed Companies and causes thereof
	Yes	No		
I. Has the Company formulated and disclosed the Corporate Governance Best Practice Principles in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies?	✓		The Company has formulated its "Corporate Governance Best Practice Principles" in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies." The Company has also defined the regulations governing protection of shareholders' equity, enhancement of the Board of Directors' functions, respect toward stakeholders' interest and right, and improvement of information transparency.	No material difference found.
II. The Company's shareholding structure and shareholders' equity	✓		(I) The Company has delegated the spokesperson, deputy spokesperson and dedicated staff to ensure that the information critical to shareholders' decision making may be disclosed in a timely manner, and also set up the mailbox exclusive for investors to accept shareholders' suggestions & questions, dispute and legal actions. The legal advisors appointed by the Company will help settle any legal issues.	No material difference found.
(II) Does the Company have a list of the major shareholders with ultimate control over the Company and a list of the ultimate controllers of the major shareholders?	✓		(II) The Company controls the list of the major shareholders with ultimate control over the Company and a list of the ultimate controllers of the major shareholders, relying on the roster of shareholders provided by the shareholders service agent on the date of book closure set by the Company, and discloses the same pursuant to laws.	
(III) Has the Company established and implemented a risk control and a firewall mechanism between itself and affiliates?	✓		(III) The Company has adopted the internal control over the "Supervision and Management of Subsidiaries" and "Operating Procedure for Transactions with Group Companies, Specific Companies and Related Parties," and practice the firewall and risk control mechanism between the Company and its subsidiaries.	
(IV) Has the Company formulated internal regulations to prohibit insiders from using information undisclosed in the market to buy and sell securities?	✓		(IV) The Company has formulated the "Procedures for Handling Material Inside Information" to prohibit insiders from using information undisclosed in the market to buy and sell securities.	
III. Composition and responsibilities of the Board of Directors	✓		(I) According to Chapter 3 of the Company's "Corporate Governance Best Practice Principles," the composition of the Board of Directors shall be determined by taking diversity into consideration. It is advisable that an appropriate policy on diversity based on the Company's business operations, operating dynamics, and development needs be formulated. For the implementation of the Board member diversity policy, please refer to Pages the "Diversity and Independence of the Board of Directors" 10 herein or the Company's website for details.	No material difference found.
(II) Has the Company voluntarily established other functional committees in addition to the remuneration and the audit committees established in accordance with the law?		✓	(II) The Company has established the Remuneration Committee and Audit Committee so far.	
(III) Has the Company formulated board performance evaluation regulations and evaluation methods, conducted performance evaluations annually and regularly, reported the results of performance evaluations to the Board of Directors, and use them as reference in determining remuneration for individual directors, and their nomination for additional office term?	✓		(III) The Company has established the "Regulations Governing Board's Self-Evaluation or Peer Evaluation." The Company conducts the evaluation on the Board and its members each year, and reports the evaluation results for the previous year to the Board of Directors in Q1 of each year. For the Board's evaluation in 2022, please refer to Page 20 herein for details. The evaluation result has been reported to the Board of Directors on March 15, 2023.	
(IV) Does the Company regularly assess the independence of the CPAs?	✓		(IV) The Company's Audit Committee and Board of Directors assess the independence and competence of the external auditors in Q1 of each year. The Company will ask the CPAs for the AQIs, and conducts the assessment on independence per the following criteria. Ensure that those who has conflict of interest in the tasks assigned to him/her already recused himself/herself, free from any financial, interest and business relationship, in the spirit of justice, rigidity and absolute independence. CPA's independence assessment criteria: 1. The CPAs have no direct or significant indirect financial interests with the Company.	

Item	Operations		Deviation from the Corporate Governance Best Practice Principles, and Causes thereof
	Yes	No	
			<p>2. The CPAs have no financing or guarantee activities with the Company or its directors/supervisors. 3. An audit carried out by the CPAs is not affected due to the consideration of the possibility of loss of the Company's customers. 4. The CPAs have no close business relationships or potential employment relationships with the Company. 5. The CPAs have no contingent fees in relation to audits. 6. The CPAs and members of the audit team firm do not currently serve as a director, supervisor or manager or the position that has significant influence over the audit cases of the Company; nor have they done so in the past two years. 7. The non-audit services provided by the CPAs do not indirectly affect the important items of audit cases. 8. The CPAs do not promote or broker any shares issue or other securities by the Company. 9. The CPAs do not serve as an advocate for the Company or coordinate conflicts with other third parties on behalf of the Company. 10. The CPAs are not relatives with the Company's directors, supervisors or managers, or personnel who serve as the positions that have significant influence on audits. 11. The CPAs have not retired within one year after serving as a director, supervisor or manager, or personnel who serve as the position that has significant influence on audits. 12. Do the CPAs not hold any regular position in the Company with fixed pay concurrently? 13. Do the CPAs not involve the managerial function for the Company's decision making? 14. The Company has engaged the same CPAs without replacement for 7 years consecutively until the latest certification. 15. The CPAs have never been punished so far.</p>
IV. Does the TWSE/TPEX-listed company assign the adequate number of competent corporate governance personnel, and appoint the chief corporate governance officer responsible for the corporate governance affairs?	✓		<p>The Company's Board of Directors approved on March 15, 2023 to appoint Vice president Li Fan-Chun as the Company's Chief Corporate Governance Officer, in order to protect shareholders' equity and improve the Board of Directors' functions. Vice President Li Fan-Chun has the experience in serving as the financial manager of a public company for more than three years and, therefore, is held satisfying the qualification requirements for chief corporate officer. The Company delegates related personnel to help the chief corporate governance officer handle the corporate governance operations, including provision to directors of the information needed by them to perform their duties, organization of the Board of Directors' meetings and shareholders' meetings in accordance with laws, completion of the company registration and registration of any changes, preparation of the Board of Directors' meetings and shareholders' meeting minutes, arrangement for continuing education programs attended by directors each year, and maintenance of the liability insurance for directors. For the continuing education programs attended by the chief corporate governance officer, please refer to the continuing education of directors (including independent directors) and managers in the most recent year on Page 25 herein for details.</p>
V. Does the Company establish communication channels with stakeholders and set up a section dedicated to stakeholders on the Company's website to properly respond to stakeholders' major CSR issues of concern?	✓		No material difference found.
VI. Does the Company appoint a professional shareholders service agent to handle the affairs related to shareholders' meetings?	✓		No material difference found.

Item	Operations		Deviation from the Corporate Governance Best Practice Principles, and Causes thereof
	Yes	No	
VII. Information disclosures (I) Has the Company set up a website to disclose information on financial business and corporate governance? (II) Has the Company adopted other means for disclosure? (III) Does the Company announce and submit an annual financial report to the competent authority within two months after the end of each fiscal year and announce and submit the financial reports for the first, second, and third quarters and the operations of each month to the competent authority before a specified deadline?	✓ ✓ ✓	 ✓	No material difference is found, except that the Company has not planned to disclose and file the Company's annual report.
VIII. Does the Company have other information that enables a better understanding of the Company's corporate governance practices?	✓		No material difference found.

Operations

Brief description

- (I) The Company updates the information about business, finance and corporate governance via its website from time to time, for investors' inquiry. The same may be accessed via MOPS.
- (II) The Company appoints the personnel dedicated to gathering and disclosing Company's relevant information, and adopts the spokesperson system, makes presentation at the investors conference, and also disclose the same on the Company's website, for the outsiders' inquiry.
- (III) The Company has not planned to disclose and file the Company's annual financial report within two months after the end of each fiscal year as required.

- (I) Employee rights and employee care
The Company establishes the Workers' Welfare Committee to process various welfare practices, and provides and contributes the pension fund in accordance with the Labor Standards Act and labor Pension Act. All of the Company's requirements and measures related to the labor-management relationship follow related laws and regulations, and are implemented well. Any additions or amendments to the measures related to the labor-management relationship are determined only upon sufficient negotiation and agreement of the labors and management, in order to achieve the win-win situation between the labors and management. The Company establishes its work rules in accordance with laws and regulations, and expressly defines the human rights and employee rights therein.
- (II) Investors relations
Upholding the principle of fairness and openness when dealing with shareholders, the Company convenes shareholders' meetings pursuant to laws each year, and provides shareholders with the opportunity to raise questions and submit proposals.
- (III) Suppliers relations
Upon consultation, comparison and negotiation for price with multiple suppliers, the Company's procurement personnel decide the unit price, specifications, payment terms, delivery date, product and service quality or other data. The Company aims to establish long-term close relationship with suppliers, and trust and benefit each other mutually and expect to pursue sustainable growth together and achieve a win-win situation.
- (IV) Stakeholder rights
The Company explains its overview of operation via the official website to protect investors' basic rights and fulfill the Company's responsibility toward shareholders.

Item	Status		Deviation from Corporate Governance Best Practice Principles for TWSE/TPEx-Listed Companies and causes thereof
	Yes	No	
			<p>(V) Continuing education of directors and managers The Company encourages directors and managers to attend the continuing education proactively. The directors and managers have attended the continuing education pursuant to laws and regulations. Please refer to the information about the continuing education of directors (including independent directors) and managers in the most recent annual report.</p> <p>(VI) Implementation status of risk management policy and risk measurement criteria The Company has established the Procedure for Acquisition or Disposal of Assets, Procedure for Making Guarantees/Endorsements, and Procedure for Loaning of Funds to Others, as the risk control basis and risk measurement criteria to be followed by the Company's execution unit and audit unit to execute said business.</p> <p>(VII) Implementation status of customers policy For customers' and clients' omnibearing services and protection, the Company communicates with customers immediately in order to respond to the customers' complaints, verify the customers' needs and promote the effect of interaction between the Company and customers. Meanwhile, the Company regularly participates in business meetings, production and sales meetings and quality control meetings for review and improvement.</p> <p>(VIII) Maintenance of liability insurance for the Company's directors The Company has purchased the liability insurance for all of its directors and managers. It will also assess the insured value regularly each year.</p>
IX.	<p>Please specify any improvements made as per the results of the corporate governance evaluation announced by the Corporate Governance Center, Taiwan Stock Exchange Corporation, in the most recent year and put forth prioritized measures to improve those that have not yet improved.</p> <p>In order to improve the corporate governance, the Company will continue to make improvement subject to the corporate governance evaluation results in 2022 and corporate governance evaluation indicators in 2023. First of all, the Company will improve its measures on corporate sustainability, carbon conservation and carbon reduction, GHG reduction, water consumption reduction, or management of other wastes.</p>		

(VII) Status of ESG practices, and deviation from Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies and causes thereof:

Evaluation criteria	Status			Deviation from Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies and causes thereof
	Yes	No	Brief description	
I. Has the Company established a governance structure to promote sustainable development and set up a dedicated (concurrent) unit to promote sustainable development, governed by the senior management as authorized by the Board of Directors, which supervises the implementation?		✓	The Company's Finance Division serves as the concurrent unit to promote sustainable development. The supreme management of Finance Division holds the position as the unit supervisor concurrently, reporting the implementation status to the Board of Directors regularly.	Notwithstanding, it has not yet established the organization and operated.
II. Does the Company conduct risk assessments on environmental, social, and corporate governance issues related to company operations as per the principle of materiality and formulate relevant risk management policies or strategies?		✓	The Company establishes the "Corporate Social Responsibility Best Practice Principles" and discloses the same on the Company's website. Meanwhile, the Company will fulfill the corporate social responsibility and practice the regulations under said Principles. The Company discusses various indicators from time to time, and strictly implements the recycling of leftover food and waste water, and also water conservation, in response to the environmental protection movements promoted in the world and by the government proactively.	The Company has not yet established any risk management policy or strategy.
III. Environmental issues (I) Has the Company set up an appropriate environmental management system as per its industrial characteristics?	✓		(I) In consideration of the corporate social responsibility toward the environmental management, the Company has adopted the EHS (environment, safety and health) policy. Meanwhile, the Company received the ISO 14001 international certification successfully again in 2023. The Company practices the environmental protection, waste reduction, volume reduction, prevention of pollution, and zero occupational accidents.	No material difference found.
(V) Is the Company committed to improving energy efficiency and adopting recycled materials with low environmental impact?	✓		(II) The Company adopts the main raw materials and supplies in line with RoHS and prohibits the hazardous substances regulated by the directives in production. For water resource management, the Company implemented the dry cleaning equipment to reduce water consumption and recycle and reuse EDI electrode wastewater. The Company strives to maximize the utilization efficiency of various resources, in order to mitigate the impact posed by them to the environment.	
(VI) Has the Company assessed its current and future potential risks and opportunities of climate change and taken countermeasures against climate-related issues?	✓		(III) The Company delegates the full-time personnel dedicated to the environmental management, and establishes its responsive measures subject to the existing and future potential risks and opportunities arising from climate changes, such as replacement of old equipment to improve the process efficiency, establishment of the energy-conservation quantitative targets to increase the recycling rate, enhancement of green manufacturing, and construction of sound water monitoring mechanism, etc., and appointment of internal auditors to control and improve the environmental management regularly.	
(VII) Has the Company counted the greenhouse gas emissions, water consumption, and gross weight of waste over the past two years and formulated policies on greenhouse gas reduction, water consumption reduction, or other waste management?			(IV) The Company gathers the statistics about GHG emission, water consumption and gross weight of waste each year, and posts them on the Company's website. The Company's water consumption was 40,227 tons, GHG emission from water consumption 6,061 tons, GHG emission from power consumption 3585.649 tons, and gross weight of waste 9.0 tons, in 2021. The Company's water consumption was 42,080 tons, GHG emission from water consumption 6,479 tons, GHG emission from power consumption 4088.562 tons, and gross weight of waste 9.1 tons, in 2022. The Company also set the future quantitative management target for energy conservation, carbon reduction and water consumption reduction, and also the measures to achieve the target. The target and measures are posted on the Company's website together.	
IV. Social issues (I) Does the Company formulate relevant management policies and procedures in accordance with applicable laws and the International Bill of Human Rights?	✓		(I) In order to fulfill the corporate social responsibility and protect employees' basic human rights, the Company follows the labor laws and regulations applicable in various jurisdiction where it is operating, and supports and complies with the International Bill of Human Rights: "Universal Declaration of Human Rights," and the targets disclosed by the "International Labour Convention." The Company treats and respects all of its workers based on the basic human rights recognized internationally.	No material difference found.

Item	Status		Deviation from Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies and causes thereof
	Yes	No	
(II) Does the Company formulate and implement reasonable employee benefit measures (including remuneration, leave, and other benefits) and reflect business performance or achievements in employee remuneration appropriately?	✓	(II) The Company provides the competitive remuneration system based on the principle of fairness. For colleagues who perform beyond the expectation, the Company grants the incentive on their remuneration, and also the opportunity of promotion. The Company also adopts the incentive program to stimulate employees' performance. The Company also provides other employee benefits, e.g. insurance, bonus for three major festivals, health checkup, and recreational activities. Meanwhile, according to Article 16-1 of the Articles of Incorporation, subject to the earnings generated in then year, the Company shall allocate 8%~15% of the earnings as the remuneration to employees. (III) The Company organizes the sound pension and insurance system according to the Labor Standards Act, and also improves the management of various aspects, such as monitoring of the working environment, education and training, machine, equipment or appliances, employee health checkup, interaction between the labor and management, and employee care, in order to achieve a safe, healthy and heartwarming working environment. Occupational accidents in 2022	No material difference found.
(III) Does the Company provide employees with a safe and healthy work environment and offer safety and health education to employees regularly?	✓	Number of case Number of person As % of the employees Related improvement measures Disability accident 0 case 0 person 0% Not applicable. Death accident 0 case 0 person 0% Not applicable. Total 0 case 0 person 0% Not applicable.	
(IV) Does the Company establish an effective career development training program for employees?	✓	(IV) The Company has its HR Dept. plan the training orientation for the career development plans toward different job ranks, and implement the complete in-service training to combine employees' career development and organizational development targets, in response to the organizational development planning.	
(V) Does the Company comply with applicable laws and international standards regarding issues, such as customer health and safety, customer privacy, as well as marketing and labelling of products and services? Has it formulated relevant policies and complaint procedures to protect consumers' rights and interest?	✓	(V) The Company's products are not end products or spare parts thereof, but all comply with RoHS. The Company also sets up the customer service unit to process the problems about products and services, customer privacy and fair trade via meetings, questionnaires, on-site audits and customer complaint systems, in order to ensure the protection of customer rights and complaint channels.	
(VI) Does the Company formulate a supplier management policy, require suppliers to follow applicable regulations on issues, such as environmental protection, occupational safety and health, or labor rights, and how the policy is implemented?	✓	(VI) The Company adopts the suppliers management regulations and conducts the annual audit to confirm the suppliers' compliance with related regulations and requirements. Meanwhile, the Company also works with the suppliers in the cooperative projects on EHS and corporate social responsibility issues. The Company takes the initiative to set an example personally to participate in social welfare, and will invite the upstream and downstream dealers in the supply chain to use the best effort to improve the corporate social responsibility together.	

Evaluation item	Operations			Deviation from Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies and causes thereof
	Yes	No	Brief description	
V. Has the Company referred to the internationally accepted reporting standards or guidelines to prepare reports, such as ESG reports that discloses the Company's non-financial information? Has a third-party verification entity provided assurance or assurance opinion for said report?		✓	It is not necessary for the Company to prepare the ESG report for the time being.	The Company has not yet planned to prepare it.
VI. If the Company has established its own sustainable development best practice principles in accordance with "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies", please describe the current practices and any deviations thereof from such principles: The Company has established the "Corporate Social Responsibility Best Practice Principles." Its operation is not different from the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies".				
VII. Other important information that facilitates the understanding of the promotion of sustainable development: (I) The Company cares for the disadvantaged people, donates funds to disadvantaged groups, and does the social public welfare work enthusiastically. (II) When the society suffers any urgent crisis, the Company donates funds generously, and also encourages the Company's employees to join the donation activity in the spirit of feeling responsible for the welfare of the people, in order to feed back to the society.				

(VIII) The Company's implementation of ethical management, and any deviation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and reasons therefor

Item	Operations		Deviation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor
	Yes	No	
I. Formulation of ethical management policies and plans (I) Does the Company formulate an ethical management policy approved by the Board of Directors and disclose the policy and practice of ethical management in its regulations and public documents? Are the Board of Directors and the senior management committed to actively implementing the policy?	✓	(I) The Company adopts its "Code of Ethical Conduct" and "Ethical Management Best Practice Principles" and discloses the same on the Company's website and MOPS. Meanwhile, the Company adopts its "Procedures for Ethical Management and Guidelines for Conduct" in accordance with the Ethical Management Best Practice Principles, in order to ensure the compliance with ethical management and laws, and require that the directors and managers who are involved in the conflict of interest against any decisions or transactions shall recuse themselves from the decision making or voting based on the conflict of interest principles.	No material difference found.
(II) Does the Company establish an assessment mechanism for the risk of unethical conduct to regularly analyze and evaluate the business activities with a higher risk of unethical conduct within the business scope and formulated a prevention plan accordingly, at least covering the prevention measures for the acts under each subparagraph under Paragraph 2 of Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies?"	✓	(II) The Company includes the employees' ethics into the enterprise culture and code of conduct for employees, and establishes the "Procedures for Ethical Management and Guidelines for Conduct." The employees shall sign the "Letter of Undertaking for Integrity" and the Company shall conduct publicity training during the orientation training. The management will also promote the measures for prevention of unethical conduct at meetings from time to time. The Company has adopted the regulations including the "Procedure for Acquisition or Disposal of Assets," "Procedure for Making Guarantees/Endorsements," "Procedure for Loaning of Funds to Others" and "Operating Procedure for Transactions with Group Companies, Specific Companies and Related Parties," in order to regulate that the Company's transactions comply with the ethical management principles.	
(III) Does the Company clearly specify operating procedures, guidelines for conduct, and a violation punishment and complaint system in the unethical conduct prevention plan and duly implemented them? Does the Company regularly review and revise said plan?	✓	(III) In addition to the internal control system and various procedures, the Company also adopts the "Procedures for Ethical Management and Guidelines for Conduct" as the basis regulating directors, managers and employees. The internal auditors conduct various audits per the audit plan, and submit the audit results and improvement programs to the Board of Directors and management, in order to practice the audit results and prevent unethical conducts.	
II. Implementation of ethical management (I) Does the Company evaluate each counterparty's records for ethics? Has the Company specified the terms of ethical conduct in each contract signed with each counterparty?	✓	(I) The Company established the suppliers and customers rating systems. All contracts are executed subject to professional staff's review, and include ethical conduct requirements, if necessary. The Company has not yet executed the ethical conduct clauses with all trading counterparties so far, but it engages in business activities in a fair and transparent manner. Meanwhile, the Company does take into account the legitimacy of trading counterparties and their unethical conduct records.	No material difference found.
(II) Does the Company establish a dedicated (concurrent) unit under the Board of Directors to promote ethical corporate management, regularly (at least once a year) report to the Board of Directors on its ethical management policies and prevention plans for unethical conduct, and supervise the implementation?	✓	(II) The Company establishes the "Ethical Management Administration Team" as the unit dedicated to promoting the Company's ethical management, under the supervision of the Board of Directors. The Team Leader reports the ethical corporate management implementation status to the Board of Directors directly in Q1 of each year. The latest implementation status was reported to the Board of Directors on March 15, 2023.	
(III) Does the Company formulate policies to prevent conflicts of interest, provided appropriate methods for stating one's conflicts of interest, and implemented them appropriately?	✓	(III) In order to fulfill the responsibility of supervision, the Company has established the sound system internally, and also various organizational channels, e.g. Remuneration Committee, internal control/audit systems and file control systems. Meanwhile, the Company would publish the internal regulations and work rules for employees on the Company's intranet, and notify all colleagues in writing of any amendments thereto. The Company also sets up the stakeholders section on the Company's website available to the public.	

Item	Operations		Deviation from the Ethical Corporate Management Best Practice Principles, and Causes thereof
	Yes	No	
(IV) Does the Company establish an effective accounting system and an internal control system for the implementation of ethical management and assign the internal audit unit to formulate relevant audit plans based on the assessment results of the risk of unethical conduct and audit the compliance with the unethical conduct prevention plan accordingly or commission a CPA to perform such audits?	✓	(IV) The Company establishes the effective accounting system, internal control system and other management systems, which operate normally and practice the ethical management requirements. In order to keep the design and execution of the systems effective constantly, the internal auditors audit the compliance with the systems referred to in the preceding paragraph regularly each year, prepare the audit report and submit the same to the Audit Committee and Board of Directors.	No material difference found.
(V) Does the Company regularly hold internal and external education and training on ethical management?	✓	(V) The Company convenes the monthly meetings, member meetings and seminars regularly on a monthly basis, in order to communicate the Company's insistence on the ethical management philosophy and demand that all colleagues should follow the example of their superiors. The Company organizes the education and training program related to ethical management regularly. In 2022, the Company organized the internal and external training and education on the ethical management issues (including ethical management laws & regulations, legal practices, advanced financial management, insider trading and disorgement laws & regulations, accounting system and internal control programs), attended by 359 persons and for a total of 379 hours. The relevant operating procedures and regulations have been posted on the Company's intranet for the employees to access at any time.	
III. Implementation of the Company's whistleblowing system			No material difference found.
(I) Does the Company formulate a specific whistleblowing and reward system, established a convenient whistleblowing method, and assign appropriate personnel to handle the party accused?	✓	(I) The Company has adopted the "Regulations Governing Whistleblowing System" and also the employee complaint procedure, and encouraged the employees to whistleblow any violations to the Audit Office or management for investigation and discipline.	
(II) Does the Company formulate standard operating procedures for investigation of reported cases, the follow-up measures to be taken after the investigation is completed, and a confidentiality mechanism?	✓	(II) The Company conducts the investigation on the whistleblowing case in accordance with the operating procedure under the "Regulations Governing Whistleblowing System," and subject to the non-disclosure agreement. The Regulations Governing Whistleblowing System are published on both the official website and intranet of the Company.	No material difference found.
(III) Does the Company take measures to protect whistleblowers from being mistreated due to their whistleblowing behavior?	✓	(III) The Company expressly states in its Ethical Management Best Practice Principles, Regulations Governing Whistleblowing System, and related regulations that the whistleblower's identity must be kept in confidence, and the whistleblower shall be protected from any abuse after the whistleblowing.	
IV. Enhanced information disclosure			No material difference found.
Has the Company disclosed the content of its Corporate Governance Best Practice Principles and the effectiveness of the implementation of the principles on its website and the MOPS?	✓	The Company has adopted its own Ethical Management Best Practice Principles, and disclosed the same on the Company's website, and the MOPS.	

Item	Operations	Deviation from the Ethical Corporate Management Best Practice Principles, and Causes thereof
<p>V. If the Company has formulated its own Corporate Governance Best Practice Principles as per the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, please specify the difference between its operation and the principles: The Company has adopted its own Ethical Management Best Practice Principles, and disclosed the same on the Company's website, and the MOPS. All of the Company's colleagues shall comply with the relevant requirement. There is no deviation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.</p>		
<p>VI. Other important information that facilitates the understanding of the Company's ethical management (e.g., reviewing and amending the Company's ethical management best practice principles):</p> <ul style="list-style-type: none"> (a) The Company strictly complies with the laws and regulations governing business conducts and other related TWSE/TEPx regulations as the basis to practice the ethical management, and also continues to identify laws & regulations and makes update, in order to ensure the implementation of related regulations. (b) The Company adopts the "Ethical Conduct Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct," and establishes the Ethical Management Administration Team governed by the Board of Directors to serve as the Company's unit dedicated to ethical management operations. (c) The Company complies with the Company Act, Securities and Exchange Act, Business Entity Accounting Act, TWSE/TPEX regulations and other laws & regulations governing business conducts as the basis to practice the ethical management. (d) The Company's "Rules of Procedure for Board of Directors' Meetings" expressly provides the conflict of interest system for directors requiring that if any director or a juristic person represented by the director is an interested party with respect to any 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 interests of the Company, the director may not participate in discussion or voting on that agenda item, and further, shall enter recusal during discussion and voting on that item and may not act as another director's proxy to exercise voting rights on that matter. (e) The Company's "Procedures for Handling Material Inside Information" expressly states that the Company's directors, managerial officers and employees shall exercise the due care and fiduciary duty of a good administrator and act in good faith when performing their duties, and shall sign confidentiality agreements; no director, managerial officer, or employee with knowledge of material inside information of the Company may divulge the information to others; no director, managerial officer, or employee of the Company may inquire about or collect any non-public material inside information of the Company not related to their individual duties from a person with knowledge of such information, nor may they disclose to others any non-public material inside information of the Company of which they become aware for reasons other than the performance of their duties. 		

(IX) Corporate governance best practice principles and other relevant guidelines, if any, and the access to such principles:

In addition to the “Corporate Governance Best Practice Principles,” the Company also adopted the “Rules of Procedure for Shareholders Meetings,” “Rules of Procedure for Board of Directors Meetings,” “Code of Ethical Behavior,” “Ethical Management Best Practice Principles,” “Procedures for Handling Material Inside Information,” “Standard Operating Procedure for Handling Directors’ Requirements,” “Regulations Governing Board’s Self-Evaluation or Peer Evaluation” and “Whistleblowing System Regulations,” in order to govern shareholders’ equity, enhance the Board of Directors’ functions, respect stakeholders’ interest and right and upgrade information transparency, hoping to establish a fair corporate governance system step by step to help improve the corporate governance performance results. For the relevant information about the Company’s corporate governance system, please visit MOPS or the Company’s website.

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

1. The Company communicates the education about laws and regulations related to the “Insider Trading Prevention Management Operations” to directors, managers and employees at least once per year.

Annual communication of the education about laws and regulations related to the “Insider Trading Prevention Management Operations” in 2022:

- (1) The Company engaged in the communication of education about insider trading and non-arm’s length transaction cases to the directors and managers on June 10, 2022, July 21, 2022, August 3, 2022, August 18, 2022 and October 24, 2022.
- (2) The Company engaged in the communication of education on the scope of material internal information and non-disclosure requirements to the employees on December 6, 2022, in order to improve the colleagues’ awareness toward compliance with the laws and regulations governing insider trading.

2. Identification of and communication with stakeholders, and their contact information

(1) Identification of and communication with stakeholders

Counterpart	Communication method	Key concerns
Employees	<ol style="list-style-type: none"> a. Symposium between the President and employees, worker welfare committee meetings, intra-department communication meetings, labor-management meetings, and mobilization meetings. b. Employee complaint mailbox, whistleblowing mailbox for corruption or violation of the code of professional ethics, confidential complaint system, and the website of FINEMAT APPLIED MATERIALS CO., LTD. c. Employees’ satisfaction survey on welfare policies 	<ul style="list-style-type: none"> ✓ Occupational health and safety ✓ HR recruitment and retention ✓ Labor-management relationship ✓ HR training ✓ Employee welfare and privacy
Customers	<ol style="list-style-type: none"> a. Periodic communication and discussion meeting b. Response to questionnaire c. On-site audit and discussion d. Customer complaint system e. Customer satisfaction control 	<ul style="list-style-type: none"> ✓ Customer service ✓ Legal compliance ✓ Product management ✓ Quality management ✓ Fair trade
Investors	<ol style="list-style-type: none"> a. Annual general meeting b. Annual report c. Conference or phone meeting with institutional investors d. MOPS e. Investor Relations on the Company’s official website 	<ul style="list-style-type: none"> ✓ Legal compliance ✓ Business performance ✓ Dividend policy ✓ Business policy ✓ Corporate governance
Suppliers	<ol style="list-style-type: none"> a. Review report or meeting b. Explanation about HSE & corporate social responsibility management c. Questionnaire and audit & interview d. Cooperative projects on HSE & corporate social responsibility management with suppliers 	<ul style="list-style-type: none"> ✓ Legal compliance ✓ Supplier management ✓ Fair trade ✓ Green procurement ✓ Occupational health and safety
Government agency	<ol style="list-style-type: none"> a. Participate in the operation of functional organizations of the science park bureaus b. Participate in hearings for laws & regulations, workshops or policy announcement meetings organized by the competent authority 	<ul style="list-style-type: none"> ✓ Energy and water resource consumption ✓ Air pollution and gas emission ✓ Use of chemicals ✓ Occupational health and safety

(2) Stakeholders' contact information

a. Customers

Contact Person: Vice Director Hsu Shuo-Hsiu, Operation Division

Tel : (06)60106388, Ext. 1202

Fax : (06)38402599

Email : stevenhsu@fine-mat.com

b. Suppliers

Contact person: Sourcing Dept., Section Head Hong Kai-Chen

Tel : (06)60106388, Ext. 1508

Fax : (06)38402599

Email : angelhung @fine-mat.com

c. Employees

Contact person: HR Dept. Vice Section Head Chen Ching-Huei

Tel : (06)60106388, Ext. 1503

Fax : (06)38402599

Email : sammychen @fine-mat.com

d. Contact information for whistleblowing against corruption and violation of the code of professional ethics

Contact person: Auditing Office Manager Huang Hsin-Mao

Tel : (06)60106388, Ext. 1304

Fax : (06)38402599

Email : samuel @fine-mat.com

(XI) Status of Internal Control System

FineMat Applied Materials Co., Ltd.
Statement of the Internal Control System

Date: March 15, 2023

The Company's internal control system for 2022 as per the results of our self-assessment is hereby declared as follows:

- I. The Company is clearly aware that the establishment, implementation, and maintenance of an internal control system are the responsibility of the Company's Board of Directors and managers, and the Company has established such a system. It aims to provide reasonable assurance for the achievement of the objectives, namely the effectiveness and efficiency of operations (including profitability, performance, and asset security protection), the reliability, timeliness, and transparency of financial reporting, and compliance with applicable laws and regulations.
- II. Some limitations are inherent in all internal control systems. No matter how perfect the design is, an effective internal control system can only provide a reasonable assurance regarding the achievement of the above three intended objectives; moreover, due to changes in the environment and circumstances, the effectiveness of the internal control system may change accordingly. However, the Company's internal control system is equipped with a self-monitoring mechanism. Once a defect is identified, the Company will take action to rectify it.
- III. The Company judges whether the design and implementation of the internal control system is effective based on the criteria for judging the effectiveness of the internal control system set out in the Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter referred to as the "Regulations"). Said criteria under the Regulations are divided into five constituent elements as per the management and control process: 1. control environment, 2. risk assessment, 3. control activities, 4. information and communication, and 5. monitoring activities. Each constituent element includes several items. For said items, please refer to the Regulations.
- IV. The Company has adopted the aforesaid judgment criteria for the internal control system to determine whether the design and implementation of the internal control system are effective.
- V. Based on the results of the assessment in the preceding paragraph, the Company is of the opinion that, as of December 31, 2022, the internal control system (including the supervision and management of its subsidiaries), including the understanding the effectiveness of operations and the extent to which efficiency targets are achieved, reliable, timely, and transparent reporting, and compliance with applicable rules and applicable laws and regulations, is effective and can reasonably assure the achievement of the foregoing objectives.
- VI. This statement will form the main content of the Company's annual report and prospectus and will be made public. If the disclosed content above is false or there is material information concealed deliberately or otherwise, the Company will be legally liable pursuant to Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This statement has been approved by the Company's Board of Directors on March 15, 2023. Among the nine directors present, none of them expressed objections. All the others agreed with the content of this statement. Therefore, this statement is hereby declared.

FineMat Applied Materials Co., Ltd.
Chairman: Chao Ching-Hsiao (Seal/Signature)
President: Li Wei-Cheng (Seal/Signature)

(XII) Punishments received by the Company and its internal personnel pursuant to laws and punitive actions issued by the Company against its internal employees in violation of the internal control system provisions from the most recent year until the date of publication of the annual report, that may significantly impact shareholders' equity or security price, and major deficiency and correction status: None.

(XIII) Important resolutions of the shareholders' meeting and Board of Directors meeting from the most recent year until the date of publication of the annual report:

1. Important resolutions of the annual general meetings

Date	Important resolution	Implementation
June 8, 2022	1. Ratification of 2021 business report and financial statements	The motion was approved as proposed, after 98.59% votes were cast in favor of the motion.
	2. Ratification of the 2021 earnings distribution plan	The Board of Directors resolved on March 18, 2022 to approve that no earnings should be distributed, and announced the resolution on the MOPS on the same day. The motion was approved as proposed, after 98.27% votes were cast in favor of the motion at the annual general meeting.
	3. Adoption of the "Regulations Governing Election of Directors."	The motion was approved as proposed, after 98.59% votes were cast in favor of the motion. Meanwhile, the amended Regulations should apply.
	4. Amendments to the "Procedures for the Acquisition or Disposal of Assets"	The motion was approved as proposed, after 98.60% votes were cast in favor of the motion. Meanwhile, the amended Regulations should apply.
	5. Amendments to the Company's "Articles of Incorporation"	The motion was approved as proposed, after 98.61% votes were cast in favor of the motion. Meanwhile, the Company has applied with the Ministry of Economic Affairs for registration of changes within the specific time limit prescribed by laws. The registration of changes was completed on August 10, 2022.
	6. Termination of the non-competition restrictions imposed on the directors of the Company and their representatives.	The motion was approved as proposed, after 98.59% votes were cast in favor of the motion. and announced the resolution on the MOPS on the same day.

2. Important resolutions of the Board of Directors meetings

Date	Important resolution
January 20, 2022	<ol style="list-style-type: none"> 1. The Company's 2022 business plan 2. Evaluation report on independence and competence of the Company's external auditors, and appointment of external auditors 3. Adoption of the "Regulations Governing Election of Directors" 4. Termination of the non-competition restrictions imposed on the directors of the Company and their representatives. 5. Termination of the non-competition restrictions imposed on the Company's managers.
March 18, 2022	<ol style="list-style-type: none"> 1. The 2021 employee remuneration and directors' remuneration distribution proposal 2. The 2021 financial statements and business report 3. The 2021 earnings distribution plan 4. The 2021 statement of the internal control system 5. Amendments to the "Procedures for the Acquisition or Disposal of Assets" 6. Proposal for making endorsements/guarantees for subsidiaries 7. Proposal for loaning funds to the indirect subsidiary in Vietnam, VN ETCH HOME TECHNOLOGY 8. Amendments to the Company's "Internal Control System" 9. Amendments to the Company's "Articles of Incorporation" 10. Addition and appointment of the Company's Chief Strategy Officer 11. Appointment of the Company's President 12. Date, venue and agenda of 2022 annual general meeting
May 4, 2022	<ol style="list-style-type: none"> 1. The Company's 2022 Q1 financial statements 2. Amendments to the "Procedures for the Acquisition or Disposal of Assets" 3. Transfer of the Company's Chief Accounting Officer 4. Discussion on venue of the Company's 2022 annual general meeting

August 3, 2022	1. Evaluation report on independence and competence of the Company's external auditors, and appointment of external auditors 2. The Company's 2022 Q2 financial statements 3. Proposal for loaning of funds to the subsidiary, Etch Home Technology Co., Ltd. 4. Proposal for making endorsements/guarantees for subsidiaries 5. Proposal for investment in Htc&Solartech Service (Samoa) Corporation 6. Proposal for disposal of equity of ELAN Microelectronics Corp. in part
September 28, 2022	1. Proposal for approval of the procedure for making endorsements/guarantees of the subsidiary, Etch Home Technology Co., Ltd. 2. Proposal for license of technology to FineMat (HuangShI) Applied Materials Co., Ltd.
November 7, 2022	1. The Company's 2022 Q3 financial statements 2. Proposal for approval of 2023 audit plan 3. Amendments to the Company's "Internal Control System" 4. Proposal for making endorsements/guarantees for subsidiaries 5. Proposal for loaning funds to the indirect subsidiary in Vietnam, VN ETCH HOME TECHNOLOGY
January 17, 2023	1. The Company's 2022 business plan 2. Evaluation report on independence and competence of the Company's external auditors, and appointment of external auditors 3. Amendments to the Company's "Corporate Governance Best Practice Principles" 4. Amendments to the Procedures for Handling Material Inside Information
March 15, 2023	1. The 2022 employee remuneration and directors' remuneration distribution proposal 2. The 2022 financial statements and business report 3. The 2022 earnings distribution plan 4. The 2022 statement of the internal control system 5. Proposal for making endorsements/guarantees for the subsidiary, Htc&Solartech Service (Samoa) Corporation 6. Appointment of the Company's Chief Corporate Governance Officer 7. Date, venue and agenda of 2023 annual general meeting

(XIV) The main contents of important resolutions of the Board passed but with directors or supervisors voicing opposing opinions on the record or in writing during the most recent year and up to the date of publication of the annual report: None.

(XV) During the most recent year and up to the date of publication of this annual report, a summary of the resignation and dismissal of the personnel related to the Company (including the Chairman, President, chief accounting officer, chief financial officer, chief internal auditor or R&D officer): None.

- Chairman Chao Ching-Hsiao resigned from the position of President on April 1, 2022. The Executive Vice President, Mr. Li Wei-Cheng, held the position as the President instead.
- Vice President Li Fan-Chun resigned from the position of chief accounting officer on May 4, 2022. Deputy Manager, Ms. Tsai Yu-Chen, held the position as the chief accounting officer instead.

V. Disclosure of external auditors' fees:

(I) Disclosure of external auditors' fees

Disclosure of external auditors' fees:

Unit: NTD thousand

CPA firm name	CPA's name	Audit period	Audit fees	Non-audit fees	Total	Remark
PwC Taiwan	Lin Tzu-Yu	January 1, 2022~	355	777 (Note)	2,757	
	Liu Tze-Meng	March 31, 2022				
	Lin Tzu-Yu	April 1, 2022~	1,625			
	Lin Yong-Chi	December 31, 2022				

Note: Primarily for the translation of financial statements into English, tax certification, commercial and industrial registration, and professional consulting services.

(II) If a change of CPA firm results in a lower audit fee for that year compared to the previous year, please disclose the amount of audit fees before and after the change, and causes thereof: N/A.

(III) If the audit fee was reduced by more than 10% from the previous year, please disclose the reduction in the audit fees, and percentages and causes thereof: N/A.

VI. Information about replacement of CPAs:

(I) About the former CPAs

Date of replacement	Replaced as of 2022 Q2 upon approval of the Board of Directors on August 3, 2022		
Cause of replacement and remark	In response to the adjustment of the internal administrative organization of PwC Taiwan The external auditors responsible for certifying the Company’s financial statements have been changed from Lin Tzu-Yu, CPA and Liu Tze-Meng, CPA into Lin Tzu-Yu, CPA and Lin Yong-Chi, CPA since Q2 2022.		
To specify whether the client or CPA terminates or rejects the appointment	Parties involved		Certified Public Accountant
	Status		
	Voluntary termination of the appointment		Not applicable.
	No longer accept (continue) the appointment		
Issuance of the audit report other than the audit report containing unqualified opinions in the most recent two years, and cause thereof	None		
Disagree with the issuer?	Yes		Accounting principles or practices
			Disclosure of financial report
			Scope or steps of audit
			Others
	None.	V	
Explanation			
Other disclosures (To be disclosed under the subparagraphs 6.1(4)~(7) of Article 10 of the Regulations.)	None		

Date of replacement	Replaced as of 2023 Q1 upon approval of the Board of Directors on January 17, 2023		
Cause of replacement and remark	In response to the adjustment of the internal administrative organization of PwC Taiwan The external auditors responsible for certifying the Company’s financial statements have been changed from Lin Tzu-Yu, CPA and Lin Yong-Chi, CPA into Lin Yong-Chi, CPA and Yeh Fan-Ting, CPA as of 2023 Q1.		
To specify whether the client or CPA terminates or rejects the appointment	Status	CPA	Client
	Parties involved	Not applicable.	
	Voluntary termination of the appointment		
	No longer accept (continue) the appointment		
Issuance of the audit report other than the audit report containing unqualified opinions in the most recent two years, and cause thereof	None		
Disagree with the issuer?	Yes		Accounting principles or practices
			Disclosure of financial report
			Scope or steps of audit
			Others
	None.	V	
Explanation			
Other disclosures (To be disclosed under the subparagraphs 6.1(4)~(7) of Article 10 of the Regulations.)	None		

(II) About the succeeding CPAs

Firm name	PwC Taiwan
CPA's names	Lin Yong-Chi
Date of appointment	Replaced as of 2022 Q2 upon approval of the Board of Directors on August 3, 2022
Consultation about the accounting treatment of or application of accounting principles to a specific transaction or the type of audit opinion that might be rendered prior to the formal engagement, and the consultation result.	Not applicable.
Written opinion from the succeeding CPA regarding the matters disagreed by the former CPA	Not applicable.

Firm name	PwC Taiwan
CPA's names	Yeh Fan-Ting
Date of appointment	Replaced as of 2023 Q1 upon approval of the Board of Directors on January 17, 2023
Consultation about the accounting treatment of or application of accounting principles to a specific transaction or the type of audit opinion that might be rendered prior to the formal engagement, and the consultation result.	Not applicable.
Written opinion from the succeeding CPA regarding the matters disagreed by the former CPA	Not applicable.

(III) The former CPA's response to the items referred to in Subparagraphs 6 (1) and (2) 3 of Article 10 of the Regulations:
N/A.

- VII. Where the Company's Chairman, President, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the firm of its external auditor or at an affiliated company of such firm, the name and position of the person, and the period during which the position was held, shall be disclosed. The term "affiliated company of the CPA's firm" means one in which the CPAs at the firm of the external auditors hold more than 50 percent of the shares, or of which such CPAs hold more than half of the directorships, or a company or institution listed as an affiliated company in the external publications or printed materials of the firm of the external auditors: None.

VIII. Any transfer of equity and changes in the pledge of equity by a director, supervisor, or shareholder with a stake of more than 10 percent from the most recent year until the date of publication of the annual report

(I) Changes in the equity of directors, supervisor, managers and major shareholders

Job Title	Name	2022		2023 up to April 15, 2023	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Chairman	Chao Chin-Hsiao	—	—	—	—
Director/Major Shareholder	Representative of Yi Long Investment Co., Ltd: Liu Dai-Min	—	—	—	—
Director/Major Shareholder	Representative of Wistron Corporation: Chiu Kao-Ling	—	—	—	—
Director	Representative of Sheng Tai Co., Ltd.: Ni Hui-Min	—	—	—	—
Director/President	Li Wei-Cheng	—	—	—	—
Independent director	Chen Cheng-Li	—	—	—	—
Independent director	Chou Hui-Yu	—	—	—	—
Independent director	Tseng Chung-Nan	—	—	—	—
Independent director	Anita Chu	—	—	—	—
Executive Vice President	Li Chung-Jen	—	—	—	—
Vice President	Li Fan-Chun	—	—	—	—
Accounting Manager (Note 1)	Tsai Yu-Chen	—	—	—	—

Note (1): The accounting manager, Tsai Yu-Chen, held the position initially on May 4, 2022.

- (II) Whether the counterpart of transfer of shares by any director, supervisor, manager or major shareholder of the Company in the most recent year is a related party: None.
- (III) Whether the counterpart of pledge of shares by any director, supervisor, manager or major shareholder of the Company in the most recent year is a related party: None.

IX. Disclosure of relationship among the top ten shareholders including related parties, spouses and relatives within the second degree of kinship

April 15, 2023; Unit: Share and %

Shareholder's name	Shares held on own name		Shares held by spouse and underage children		Total shares held in the names of others		If there is relationship, such as related party, spouse, or relative within the second degree of kinship, among the top ten shareholders, please disclose the designation or name and relationship.		Remark
	Number of shares	Shareholding	Number of shares	Shareholding	Number of shares	Shareholding	Designation or name	Relations	
Yi Long Investment Co., Ltd. Representative: Yeh I-Hao	8,900,373	13.41	0		0		Zong Long Investment Co., Ltd.	Affiliated company	—
Chao Chin-Hsiao	6,396,814	9.64			323,496	0.49		—	—
Wistron Corporation Representative: Lin Hsien-Ming	4,589,258	6.91	0			0		—	—
Li Chung-Jen	1,292,153	1.95			164,923	0.25		—	—
Zong Long Investment Co., Ltd. Representative: Chen Hsiu-Chu	1,149,238	1.73	0			0		Yi Long Investment Co., Ltd.	Affiliated company
Fan Wen-Hsing	1,123,000	1.69			0	0			
Li Wei-Cheng	1,052,336	1.59			71,938	0.11		—	—
Ni Hui-Min	811,545	1.22			46,862	0.07			
Li Fan-Chun	637,787	0.96			354,364	0.54		—	—
FineMat Applied Materials Co., Ltd.	602,000	0.91			0	0		—	—

- X. Number of shares held by the Company, and the Company's directors, supervisors and managers, and the entities directly or indirectly controlled by the Company in a single investee, and consolidated shareholding percentage of the above categories

December 31, 2022; Unit: Share and %

Investee	Investment by the Company (Note 1)		Investment by directors, supervisors, managers and enterprises controlled either directly or indirectly by the Company		Comprehensive investment	
	Number of shares	Shareholding	Number of shares	Shareholding	Number of shares	Shareholding
Sense Pad TECH CO.,LTD	7,580,000	100.00	0	0	7,580,000	100.00
Htc&SolartechService (Samoa) Corporation	8,576,625	73.73	0	0	8,576,625	73.73
Wave Power Technology Inc.	12,736,987	41.09	3,595,866	11.59	16,332,853	52.69
Etch Home Technology Co., Ltd.	4,268,000	90.81	0	0	4,268,000	90.81
GalloptechInternation Company Limited	0	0	1,934,400	49.00	1,934,400	49.00
Etch Home Technology Co., Ltd. (Vietnam)	0	0	4,680,000	100.00	4,680,000	100.00
Finemat (ShanghaI) Applied Materials Co., Ltd.	0	0	Note 2	100.00	Note 2	100.00
Solar Applied Materials Technology (ShanghaI) CO., LTD.	0	0	Note 2	73.73	Note 2	73.73
FineMat (HuangShI) Applied Materials Co., Ltd.	0	0	Note 2	73.73	Note 2	73.73
Huangshi Quanyang Photoelectric Technology Co., Ltd.	0	0	Note 2	29.76	Note 2	29.76

Note 1: The Company's investment under equity method.

Note 2: N/A, as the company is a limited company.

Four. Information on Capital Raising

I. Capital and Shares

(I) Source of capital

Unit: Thousand Shares; NTD thousand

Year/ Month	Issue price (NT\$)	Authorized capital stock		Paid-in capital		Remark		
		Number of shares	amount	Number of shares	amount	Source of share capital	Capital increased by assets other than cash	Others
May 2007	10	1,000	10,000	1,000	10,000	Initial capital at the time of incorporation	—	Note 1
August 2007	10	50,000	500,000	31,000	310,000	Capital increase in cash by NT\$300,000 thousand	—	Note 2
December 2007	10	50,000	500,000	39,823	398,230	Capital increase in cash by NT\$88,230 thousand	—	Note 3
April 2008	24	80,000	800,000	65,823	658,230	Capital increase in cash by NT\$260,000 thousand	—	Note 4
November 2009	10	80,000	800,000	66,731	667,310	Capital increase by NT\$9,080 thousand by executing employee stock options	—	Note 5
February 2010	10	80,000	800,000	66,753	667,530	Capital increase by NT\$220 thousand by executing employee stock options	—	Note 6
July 2010	10	80,000	800,000	68,509	685,090	Capital increase by NT\$17,560 thousand by executing employee stock options	—	Note 7
September 2016	10	80,000	800,000	49,344	493,437	Capital reduction by NT\$191,652 to make up losses	—	Note 8
April 2018	10.36	80,000	800,000	53,344	533,438	Capital increase by NT\$40,000 thousand by executing employee stock options	—	Note 9
May 2018	15	80,000	800,000	57,344	573,438	Capital increase in cash by NT\$40,000 thousand	—	Note 10
July 2018	12	80,000	800,000	60,344	603,438	Capital increase by NT\$30,000 thousand by executing employee stock options	—	Note 11
February 2019	—	100,000	1,000,000	60,344	603,438	—	—	Note 12
December 2019	68	100,000	1,000,000	66,390	663,898	Capital increase in cash by NT\$60,460 thousand	—	Note 13

Note 1: Jin-Shou-Shang-Zi No. 09632174130 dated May 25, 2007

Note 2: Jin-Shou-Shang-Zi No. 09632636940 dated August 21, 2007

Note 3: Jin-Shou-Shang-Zi No. 09633310660 dated December 24, 2007

Note 4: Jin-Shou-Shang-Zi No. 09701090020 dated April 16, 2008

Note 5: Jin-Shou-Shang-Zi No. 09801270100 dated November 20, 2009

Note 6: Jin-Shou-Shang-Zi No. 09901025990 dated February 5, 2010

Note 7: Jin-Shou-Shang-Zi No. 09901172340 dated July 30, 2010

Note 8: Jin-Shou-Shang-Zi No. 10501221550 dated September 8, 2016

Note 9: Jin-Shou-Shang-Zi No. 10701052100 dated May 15, 2018

Note 10: Jin-Shou-Shang-Zi No. 10701061080 dated June 13, 2018

Note 11: Jin-Shou-Shang-Zi No. 10701082510 dated July 20, 2018

Note 12: Jin-Shou-Shang-Zi No. 10801007770 dated February 27, 2019

Note 13: Jin-Shou-Shang-Zi No. 10801181000 dated December 24, 2019

Type of share	Authorized capital			Remarks
	Number of shares issued	Number of shares unissued	Total	
Common shares	66,389,753	33,610,247	100,000,000	TWSE-listed stocks

Information relevant to the shelf registration system: N/A.

(II) Shareholders' structure

April 15, 2023; Unit: Person; Share; %

Shareholder structure Number	Government agencies	Financial institutions	Other juristic persons	Individuals	Foreign institutions and foreigners	Total
Number of person	0	3	137	14,581	17	14,738
Number of shares held	0	106,000	17,957,617	47,383,625	942,511	66,389,753
Shareholding	0	0.16	27.05	71.37	1.42	100.00

(III) Distribution of equity

Type of share: Common shares, at par value NT\$10 per share

April 15, 2023; Unit: person; share; %

Shareholding range	Number of shareholders	Number of shares held	Shareholding
1~999	9,600	71,272	0.11
1,000~5,000	4,044	7,966,178	12.00
5,001~10,000	501	4,001,464	6.03
10,001~15,000	174	2,263,985	3.41
15,001~20,000	114	2,110,063	3.18
20,001~30,000	84	2,175,408	3.28
30,001~40,000	53	1,884,756	2.84
40,001~50,000	27	1,258,012	1.89
50,001~100,000	75	5,258,189	7.92
100,001~200,000	29	4,141,612	6.24
200,001~400,000	23	6,765,936	10.19
400,001~600,000	4	1,938,374	2.92
600,001~800,000	2	1,239,787	1.87
800,001~1,000,000	1	811,545	1.22
More than NT\$1,000,001	7	24,503,172	36.90
Total	14,738	66,389,753	100.00

Note: No preferred stock is issued by the Company.

(IV) List of major shareholders

Names of shareholders with a stake of 5 percent or greater, or in the first ten places, and number of shares and shareholding

April 15, 2023; Unit: Share; %

Name of Major Shareholder	Shares held	Shareholding
Yi Long Investment Co., Ltd.	8,900,373	13.41
Chao Chin-Hsiao	6,396,814	9.64
Wistron Corporation	4,589,258	6.91
Li Chung-Jen	1,292,153	1.95
Zong Long Investment Co., Ltd.	1,149,238	1.73
Fan Wen-Hsing	1,123,000	1.69
Li Wei-Cheng	1,052,336	1.59
Ni Hui-Min	811,545	1.22
Li Fan-Chun	637,787	0.96
FineMat Applied Materials Co., Ltd.	602,000	0.91

(V) Information on market value, net worth, earnings and others during the most recent two years

Unit: Thousand Shares; NTD thousand

Item		2021	2022	Ending on March 31, 2023
Market price per share	Highest	60.00	63.00	41.90
	Lowest	33.30	26.00	27.65
	Average	42.74	35.61	37.99
Book value per share	Before distribution	18.28	19.35	18.64
	After distribution	18.28	19.35	18.64
Earnings per share	Weighted average shares	66,390.00	66,390.00	66,390.00
	Earnings per share (before adjustment)	0.39	(0.55)	(0.7)
	Earnings per share (after adjustment)	0.39	(0.55)	(0.7)
Dividend per share	Cash dividend		0.00	0.00
	Stock dividend	Stock dividend from retained earnings	-	-
		Stock dividend from capital surplus	-	-
	Cumulative unpaid dividends		-	-
Return on investment	Price-to-earnings ratio		109.59	-64.75
	Price-to-dividend ratio		Note 1	Note 1
	Cash dividend yield (%)		Note 1	Note 1

Note 1: No cash dividends were distributed in 2021 and 2022.

(VI) Dividend policy and implementation

1. Dividend policy:

According to Article 17 of the Company's Articles of Incorporation, when allocating the earnings retained upon the final accounting of each fiscal year, if any, the Company shall first estimate and reserve the taxes to be paid, offset its losses accumulated in the past, and set aside the legal reserve at 10% of the remaining earnings, unless the legal reserve amounts to the Company's paid-in capital. Then, the Company shall allocate or reverse special reserve pursuant to laws. The residual balance, if any, shall be combined with undistributed earnings, and distributed per resolution on the proposal for distribution submitted by the Board of Directors.

According to the Company's dividend policy, the Board of Directors shall prepare the proposal for distribution, subject to the Company's current and future investment environment and funding need, and domestic/overseas competition and capital budget, and also by taking into account shareholders' interest, balanced stock dividend and the Company's long-term financial planning, pursuant to laws annually, and execute the proposal per resolution. The Company is under transformation, and plans to expand production lines and needs capital in next few years. Meanwhile, in order to achieve the Company's robust capital structure and maintain fair capital adequacy ratio, the Company will adopt the balanced stock dividend policy. That is, the earnings will be allocated in the manner referred to in the preceding paragraph, the shareholder bonus may be distributed in cash or stock. If there are earnings upon final accounting in the current year, the shareholder bonus allocable to shareholders shall be equivalent to 10%~80% of the allocable earnings for the current year, and the cash dividend shall be no less than 10%.

2. Execution:

The Company's Board of Directors resolved on March 15, 2023 that the Company should not distribute the earnings in 2022.

3. Expected significant changes in the dividend policy: None.

(VII) The effects of stock bonus proposed at this shareholders' meeting on business performance and earnings per share: N/A.

(VIII) Remuneration to employees, directors and supervisors

1. The percentages or ranges with respect to remuneration to employees, directors and supervisors, as set forth in the Company's Articles of Incorporation:

According to Article 14 of the Articles of Incorporation, remuneration must be paid to all directors for their performance of their job duties, irrelevant with profit or loss retained by the Company. The Board of Directors is authorized to decide the remuneration subject to the level and value of the Company's engagement in and contribution to the Company's operation, at the rate generally adopted by the peers in the same industry. Meanwhile, Article 16-1 thereof also provides that 8%~15% of the earnings for the current year concluded by the Company shall be distributed as the employee remuneration, and no more than 5% thereof as the director remuneration, provided that the earnings must first be taken to offset against cumulative losses, if any. The director remuneration may be paid in cash. The employee remuneration may be paid, in cash or stock, to employees of affiliated companies that satisfy certain criteria. The earnings for the current year referred to in the preceding paragraph refer to the income before the income before tax earned for the current year less the employee remuneration and director remuneration. The distribution of remuneration to employees and directors shall be decided per the resolution adopted by a majority of the directors present at a meeting of the Board of Directors attended by more than two-thirds of the whole directors, and reported to a shareholders' meeting.

2. The basis for estimating the amount of employee remuneration and director remuneration, for calculating the number of shares to be distributed as the stock dividends, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period: No difference.
3. Distribution of remuneration approved by the Board of Directors:
 - (1) The Company's Board of Directors already resolved on March 15, 2023 that no remuneration should be distributed to directors and employees. The amount to be distributed per the resolution had no difference from that estimated in 2022.
 - (2) The amount of any employee remuneration distributed in stocks, and the size of that amount as a percentage of the sum of the net income stated in the parent company only financial reports or individual financial reports for the current period and total employee remuneration: N/A, as the Company didn't distribute employee remuneration in stocks this year.
4. The actual distribution of employee and director remuneration for the previous fiscal 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 or director remuneration, additionally the discrepancy, cause, and how it is treated.
 The Company's Board of Directors resolved on March 18, 2022 to pass the distribution of remuneration to employees, NT\$2,670 thousand, and remuneration to directors, NT\$0, totaling NT\$2,670 thousand, both in cash. No difference from the expenses recognized in the 2021 financial statements, NT\$2,670 thousand.

(IX) Repurchase of the Company's shares:

1. Repurchase of the Company's shares (already executed):

Session of repurchase	First repurchase in 2021
Purpose of repurchase	Transfer shares to employees
Repurchase period	November 8, 2021 to January 4, 2022
Range of repurchase price	NT\$27.34 to NT\$57.70 per share
Type and quantity of shares repurchased	602,000 shares of common stock
Amount of shares repurchased	NT\$24,221,164
The number of the shares repurchased as a percentage of the number scheduled to be repurchased	60.20%
Number of shares cancelled and transferred	0 share
Cumulative number of the Company's shares held	602,000 shares
Cumulative number of the Company's shares held as a percentage of the Company's total issued shares	0.91%

2. Repurchase of the Company's shares (pending): None.

II. Information about corporate bonds: None.

III. Information about preferred shares: None.

IV. Issuance of overseas depository receipts: None.

V. Information about employee stock warrants

- (I) Status of the Company's employee stock warrants which have not yet been expired: None.

(II) Names of managerial officers and top ten employees who receive the employee stock warrants until the date of publication of the annual report, and acquisition and subscription thereof:

May 9, 2023; Unit: Share, %; NT\$

Status	Job Title	Name	Subscription quantity received	Subscription quantity received to the total quantity of issued shares (%)	Executed					Not executive		
					Subscription quantity	Subscription price	Subscription amount	Subscription quantity to the issued shares (%)	Subscription quantity	Subscription price	Subscription amount	Subscription quantity to the issued shares (%)
Managerial Officers	President	Li Wei-Cheng	5,261,000	7.92	4,931,000	10.00 10.36 12.00	53,455,480	7.43	0	0	0	
	CSO	Chao Chin-Hsiao										
	Executive Vice President	Li Chung-Jen										
	Vice President	Li Fan-Chun										
	Accounting Manager	Tsai Yu-Chen										
Employees	Director	Li Hou-Kuan	2,704,000	4.07	2,466,000	10.00 10.36 12.00	26,107,000	3.71	0	0	0	
	Vice Director	Hsu Shuo-Hsiu										
	Vice Director	Cheng Hung-Hua (Note)										
	Special Assistant	Yeh Chien-Hung (Note)										
	Vice Director	Chen Chin-To										
	Vice Director	Wu Lung-Hsiang (Note)										
	Senior Secretary	Yeh Ching-Wei										
	Manager	Tang Kuang-Han										
	Manager	Chen Teng-Ke (Note)										
	Section Head	Tsai Hsiu-Chen										

Note: The employee has resigned.

VI. Information about restricted stock awards (RSAs): None.

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

VIII. Implementation of Capital Utilization Plan: No securities issued by the Company previously or in private placement have not yet been completed, or no plan which has been completed within three years but has not yet yielded substantive effects.

Five. Overview of Operation

I. Business activities

(I) Scope of Business

1. The Company primarily engages in the following business activities:

The Group primarily engages in the business activities, such as Electronics Components Manufacturing, Wholesale of Electronic Materials, Communication Mechanical Equipment Manufacturing and Instrument Manufacturing. The primary business lines include production and sale of the high-precision metal masks for key processes of new-generation AMOLED displays, production and sale of Vapor Chamber, production of precision cleaning and regeneration, biomedical equipment and consumable materials and contact lens printing stencil masks, and design and development of high-power microwave/millimeter wave meters, radar microwave emission source production, high-temperature resistant electronic products, and manufacturing and maintenance of semiconductor equipment components. The Group's market applications cover semiconductor, solar energy, vacuum equipment, heat dissipation and national defense industry, etc..

The Company's business activities registered with the Ministry of Economic Affairs are stated as following:

- I. CC01080 Electronics Components Manufacturing
- II. CC01110 Computer and Peripheral Equipment Manufacturing
- III. CC01120 Data Storage Media Manufacturing and Duplicating
- IV. F119010 Wholesale of Electronic Materials
- V. CA01050 Steel Secondary Processing
- VI. CA02990 Other Metal Products Manufacturing
- VII. CB01010 Mechanical Equipment Manufacturing
- VIII. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

2. Business ratio

Unit: NTD thousand; %

Item	2021		2022	
	Sales amount	Business ratio	Sales value	Business ratio
Metal mask	357,433	41.75	547,580	43.78
Precision cleaning and regeneration	113,559	13.27	125,580	10.04
Microwave and semiconductor components	360,706	42.13	437,189	34.96
Optical bonding materials	19,404	2.27	10,475	0.84
Thermal Module	-	-	123,909	9.91
Others	4,981	0.58	5,895	0.47
Total	856,083	100.00	1,250,628	100.00

3. The Company's current main products (services)

- (1) High-precision metal masks for displays exclusively
- (2) Thermal Module materials
- (3) Precision cleaning service
- (4) Various precision itching products
- (5) Vacuum microwave tube
- (6) Vacuum feedthrough components
- (7) Optical adhesive

4. New products (services) planned to be developed

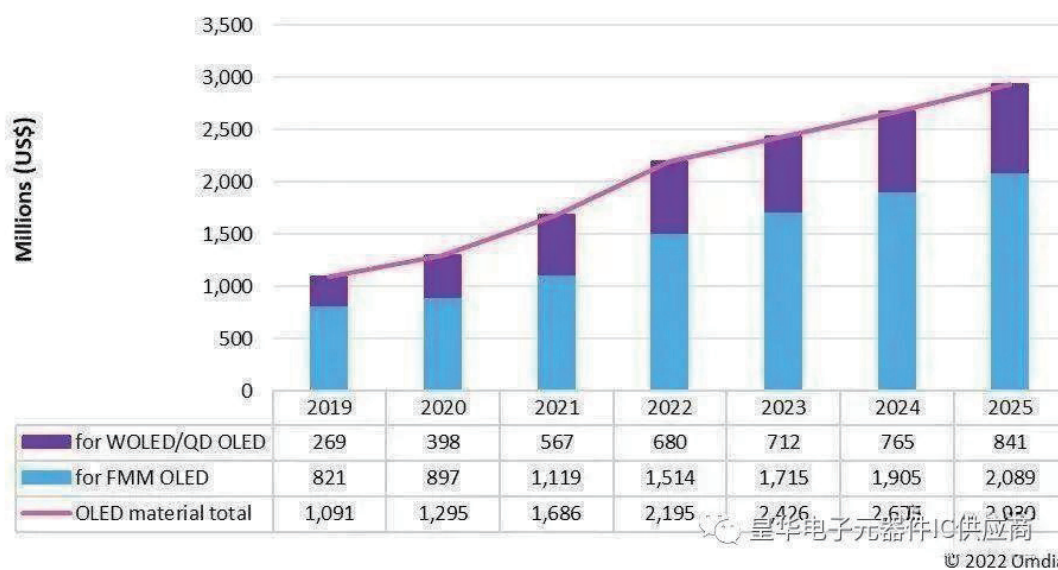
- (1) G8.5 CMM MASK manufacturing technology
- (2) Development of new generation thermal components

(II) Overview of industry

1. Current status and development of the industry

The Company is primarily engaged in metal precision etching. For the time being, the Company's main products include the precision metal masks and thermal module materials required by the key evaporation process of new-generation display OLEDs. In recent years, the trend for mobile phones equipped with OLED panels has become apparent increasingly. The high-end mobile phones continued to be equipped with OLED panels. Meanwhile, giving the declining costs, the OLED panels have also extended to the mid-end mobiles. Given the increasingly matured OLED technology, the OLED panel commercialization trend has been emerging and the market scale kept growing. According to the DSCC data, the OLED penetration rate is increasing. It is expected that the penetration rate of OLED panels in the field of displays would be equivalent to that of the LCDs in 2022, and exceed the LCDs in 2023. According to the Omdia's forecast, from 2021 to 2028, the demand for areas to be occupied by the OLED display panel shipment will grow at a compound annual growth rate by 11.6%, amounting to 30.7 million square meters ultimately. Given the increasing applications of the OLED panels to the markets of tablets, NBs, TVs and automotive appliances, the rapid development

of the OLED materials market in the upstream segment was driven accordingly. According to the Omdia data, the global OLED materials market scale in 2021 amounted to US\$1.686 billion. It was expected that the global OLED materials sales value would amount to US\$2.195 billion in 2022, a YoY by 30%. By 2025, the OLED materials market sales value is expected to attain US\$2.9 billion.



Source of chart: omdia

Thermal module materials refer to another main product developed by the Company. The average heat generated by a 4G mobile phone ranges from 4W to 5W, which may be solved by addition of graphite sheet to the casing of the phone. The chip processing of 5G mobile phones will be increased by five times the current level and, therefore, the power consumption will be increased by 2.5 times the current level. That is, as the power consumption of a 5G mobile phone attains 10~15W, the heat generated by it will be doubled. Therefore, it is expected that the probability for application of heat pipes and heat plates will increase, thus benefiting the development of mobile thermal materials. Further, in response to the increasingly powerful computing power of high-performance computing (HPC) chips, the "thermal" capability of packaging substrates has been valued increasingly. The demand for products with heat management and control functions has been growing in the semiconductor market. Therefore, the thermal materials market outlook is promising. The industry is conducting research on various methodologies, and the rapid heat dissipation with thermal materials also catches the public eyes. In the most recent five years, the average annual growth rate of the global thermal materials market has attained 6.5%. The market scale is expected to attain US\$15.2 billion in 2023. For 3C products, the thermal materials must be light, thin and short. Therefore, more and more thermal materials are processed by etching technology. With the precision etching technology, the Company can provide customers with metal thermal materials in line with the demand for fine processing.

2. Correlation of the upstream, midstream and downstream segments of the industry:

《Metal Masks》

As one of the Company's main products, it refers to the precision metal mask applied in the key process of AMOLED panels. Since the AMOLED display uses small molecule organic electroluminescent materials, it must apply the Thermal Evaporation to evaporate multi-layer organic film materials. In the production process of full-color panels subject to mass production, in order to avoid mutual contamination between different materials, multi-chamber vacuum equipment and metal masks bearing different pictures are needed by the evaporation process of different frequency and color light-emitting films.

Chart of the relationship among the upstream, midstream and downstream segments in the OLED metal masks industry

Location of the industry	Scope of Business	Explanation
Upstream	INVAR alloy sheet	INVAR alloy plate refers to a nickel-iron alloy, applied to the production of fine metals with its characteristics, including low thermal expansion coefficient, lightweight and flatness.
Midstream	OLED metal masks	Primarily by the metal precision etching, the INVAR alloy is made into a fine metal mask, which may etch the hole position accurately and effectively, and also solve the overheating and bending problems about the metal mask.
Downstream	OLED panels	The AMOLED panel production process applies the evaporation technology and, therefore, needs the fine metal masks, in order to have the organic materials deposited on specific positions correctly in the evaporation process.

《Thermal materials》

Another main product of the Company refers to the thermal materials, which comprise of vapor chambers primarily for the time being. The Vapor Chamber refers to a new type of high-efficiency heat-conducting material that applies the phase transition

of the working medium to conduct heat rapidly. Such rapid phase transition may conduct heat efficiently, therefore, it has become a trend to use VCs to solve the thermal problem. The principles followed VCs and heat pipes are same, both in a vacuum cavity to conduct heat through liquid phase vaporization and flow, only different in the heat transfer path. The heat pipe refers to a one-dimensional heat transfer path, which transfers heat through lines, while the VC refers to a two-dimensional heat transfer path, which transfers heat on surface. The VC operates in the following manner referred to in the following figure. When the heat is conducted from the source to the evaporation area, the working fluid in the low-vacuum chamber of the VC will vaporize from the liquid phase to the gas phase. The volume of the working fluid of evaporation expands rapidly due to the absorption of heat energy, and moves to a place with low pressure. When the vapor contacts a cold area, it becomes condensed and, therefore, release the heat accumulated during evaporation, and then condensed again, and become liquid again, and finally flow back to the evaporation heat source through the capillary action of the cavity wall. This operation will be repeated in the chamber of the VC to form a circulating thermal system.

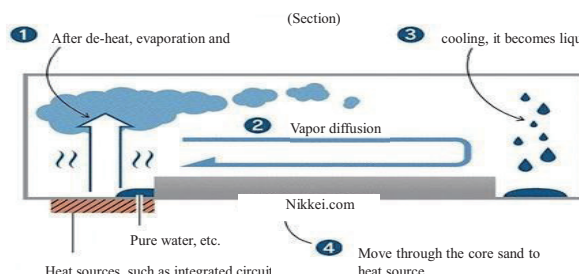


Chart of the relationship among the upstream, midstream and downstream segments in the thermal materials industry

Location of the industry	Scope of Business	Explanation
Upstream	Oxygen-free copper, copper alloy, stainless steel	The oxygen-free copper refers to 99.995% pure copper metal, free from hydrogen embrittlement, and with high electrical and thermal conductivity, and also good processing performance and welding performance, corrosion resistance and low temperature performance. Applicable as the metal shells of the VCs.
Midstream	Thermal materials	Primarily by the metal precision etching, the metal is made into a fine metal sheet, which may be used as the metal shell of the VC or thermal module materials.
Downstream	Thermal Module	A modular unit used for thermal purposes of systems, devices or equipment.

3. Industrial development trend

Given the increasing penetration rate of OLED panels, expansion of applications thereof and growth of the OLED panel market, the rapid development of the upstream OLED material market is driven and, therefore, the demand for metal masks is increasing.

The VC is considered as the best thermal solution for 5G high-transmission equipment, which is operated based on the principle for using the internal two-phase evaporation and condensation to transfer heat to the whole surface of the VC. In consideration of the characteristics of the ultra-thin VC residing in low thermal resistance and high temperature uniformity, the VC is applicable as the thermal component for 5G communication.

4. Competition

For the time being, the production technology for OLED panels primarily adopts the evaporation method. That is, after the OLED materials are heated and evaporated, they are deposited on the substrate. Before the materials are deposited, an Open Mask and a Fine Metal Mask are placed on the substrate. Then, the OLED materials will only be deposited on the parts not covered by the mask so as to form the necessary loops. To improve the pixel per inch value of OLED panels needs the high-standard and high-precision metal masks.

Given the successive release of OLED production capacity, the demand for metal masks needed by evaporation continues growing. Japan-based manufacturers of fine metal masks are still dominating the market currently. Besides, there are no more than 5 manufacturers capable of the mass production of Open Mask in the world. In consideration of the bottleneck encountered by various companies' production capacity and competition in improvement of technology, the Company will focus on the production of the Open Mask of the same high-precision specifications based on the fine metal mask technology in the near future. Then, the masks of high specifications produced by the Company with its unique precision etching ability may win the recognition from customers and be implemented into the mass production accordingly.

In the context of the development of ultra-thin and lightweight electronic products, it is a great challenge to control the thickness of the VC reasonably. The more occupied areas are, the better thermal effect will be. However, given the demand for lightweight and thin products, the welding accuracy requirement becomes stricter when the thickness is less than 0.4mm. Therefore, it is more difficult to carry out the production. Taking the VC as an example, for the time being, the ultra-thin VC is

considered as the best thermal solution for 5G high-transmission equipment. Generally, 4G flagship models use the ultra-thin VC 0.35mm thickness, while 5G flagship mobile phones primarily aim at the ultra-thin VC of 0.30mm thickness. The Company may satisfy the demand for ultra-thin products by virtue of the high-precision etching technology, in response to the requirement for fineness in the market.

(III) Overview of technology and R&D

1. Overview of technological arrangement in business operations and R&D

The Company takes the precision etching technology as the core technology. Through so many years, the Company has established the G2.5 to G6H manufacturing technology for metal sharing and support masks covering the entire OLED panel industry based on its own R&D results. Meanwhile, it can provide customers with the complete solutions applicable through the whole life cycle of products from design consultation, mask etching, preparation for frame, meshing and spot welding to cleaning and regeneration. The Company own the technology and production capacity for the production lines covering optical mask design and production, sheet-to-sheet and roll-to-roll lamination/exposure/development/etching/removal/cleaning, precision measurement, mesh meshing, and laser spot welding. The Company continues to research and develop innovative process equipment and operating methods, improve the yield rate and efficiency, and promote products to the application of bio-medical devices and thermal materials industry. The Company has achieved remarkable results in this regard.

2. Personnel involved in research & development and their educational background and employment history

Unit: Person; %

Item	2021		2022	
	Number of person	Percentage	Number of person	Percentage
PhD/Master	9	19.56	10	15.87
Bachelor	33	71.74	42	66.67
Senior High School	4	8.70	11	17.46
Total	46	100.00	63	100.00

3. R&D expenses invested each year for the most recent five years

Unit: NTD thousand; %

Item	2018	2019	2020	2021	2022
R&D expenses (A)	17,006	21,717	32,798	70,471	79,164
Net operating revenue (B)	635,944	854,165	620,635	856,083	1,250,628
To net operating revenue (A)/(B)	2.67	2.54	5.28	8.23	6.33

(4) Technology or product developed successfully in the most recent five years

Item	Technology or product developed successfully	Main purpose and function
1	Impression regulator and minimally invasive surgical instrument connecting rod	Make contact lens printing molds and precision connecting rods of minimally invasive surgical instruments with the precision itching technology
2	G2.5 FMM	OLED0G2.5 precision metal mask with etching and meshing accuracy for $\pm 5\mu\text{m}$.
3	G5.5Q CMM/STICK	Manufacturing technology for metal sharing and support masks no more than OLED0G5.5Q in size.
4	G6H0CMM	Manufacturing technology for metal sharing and support masks no more than OLED0G6H in size.
5	FMM itching technology	Precision (accuracy for $\pm 3\mu\text{m}$) metal mask etching technology. The results are applied to the production of shared and supported (accuracy for $\pm 30\mu\text{m}$) mask products.
6	8"/12" Wafer Mask	Precision metal masks applied in the process of OLED0S.
7	(TFE Mask) metal mask ceramic insulation coating for assembly of new generation flexible OLED panels	Using 100~200 μm -thickness Invar sheet as the substrate, and making CVD coating masks for assembly of flexible OLED panel occupying an area of 1700 \times 1100 mm and with a dimensional accuracy for $\pm 30\mu\text{m}$. It also delivers the technology in preparation of mask frame and spot welding and also metal mask ceramic insulation coating technology, and satisfies the need of production process CVD Mask for assembly of G2.5~G6H new generation flexible OLED panel.

8	Thermal Conductive Pad	A thermal-conductive pad that can be applied to any heat-dissipating mechanism to deliver high-efficiency thermal-conductive performance.
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(IV) Long-term/short-term business development plan

1. Short-term business plan

- ① Collect sufficient market information to meet customers' diversified and timely product needs, develop new customers for OLED manufacturers and thermal module manufacturers, and continue to expand the sales and market share of the existing products.
- ② In response to the market growth needs, the Company can control the delivery period precisely, and upgrade and improve the production capacity and quality target to improve the productivity and cut the production costs.
- ③ Improve the employees' education and training, train excellent talents proactively, improve work efficiency and business management capabilities, perfect the welfare system, unify the staff's centripetal force and improve business performance.

2. Long-term development plan

- ① With respect to the technological evolution of the new generation OLED products, the Company develops the mask technology required for flexible panels, and keeps improving the yield rate by developing and improving the process equipment.
- ② With respect to the technological evolution of the ultra-thin VC, the Company improves the development of thermal performance of metal shell of the ultra-thin VC, and the structure thereof, and keeps improving the yield rate by developing and improving the process.
- ③ Provide technical consulting service in a timely manner, in order to maintain fair partnership with the customers in the downstream segment; control the market trend at any time, work with customers in the product development and launch schedule to improve the Company's competitiveness.
- ④ In response to the enterprise's expansion needs, make good use of the capital market, and reduce the capital cost. Maximize the effectiveness of capital utilization to the utmost.

II. Overview of Market and Production & Marketing

(I) Market analysis

1. Territories where the main products are sold

Unit: NTD thousand; %

Item	2021		2022	
	Sales value	Percentage	Sales value	Percentage
Domestic sales	435,669	50.89	617,892	49.41
Export	420,414	49.11	632,736	50.59
Total	856,083	100.00	1,250,628	100.00

2. Market share

The Company's metal mask management team, experienced in the sophisticated technology development and insight into the industry trends, has invested in the production and development of OLED precision metal masks earlier in the market. The application of AMOLED will become the general trend inevitably. The market share of the OLED production capacity is expected to increase until 50% in China in 2023. Benefiting from the trend of localization of OLED panels in China, it is expected that more China-made mobile phone brand suppliers will choose to use the OLED panels provided by China-based panel makers, thus driving the increase in the utilization rate of panel manufacturers. The Company will establish closer and more real-time technical support with various panel manufacturers, work with them in development of products and perfect the industrial supply chain, in order to achieve the localized services. It is expected that the CMM of China-based panel manufacturers will turn to Taiwan-based suppliers from the Korea-based suppliers, and the Company's CMM market share will increase given the growing AMOLED industry in China.

3. Future market demand and supply, and market's growth potential

The main applications of AMOLEDs are concentrated in smart phones, VR devices and wearable devices. Among the other things, the demand for smart phones is the largest, primarily because of the demand for alternates. That is, the LCD displays may be replaced with the high-end flagship models at the very beginning, and the demand may keep penetrating downwards. For the time being, AMOLED panels have become the basic configuration of high-end mobile phones under various brands basically. Meanwhile, due to the emerging new mobile phone models, such as those equipped with folding screens and flexible screens, the flexible AMOLED panel market is growing rapidly. Given the improving production capacity and yield rate of panels, the AMOLED panel cost declines again. Therefore, it is penetrating into the mid-end and low-end mobile phone markets now. It is expected that the OLED penetration rate will keep increasing in the fields of smart phones, wearable devices, tablets, NBs, TVs, and automobiles.

The thermal industry is a mature industry growing steadily. Notwithstanding, the emerging 5G mobile phones drive the opportunity of growth for the entire industry. According to the forecast by the Foresight Industry Research Institute, the CAGR of the thermal industry was +8% from 2018 to 2023, while the CAGR of the thermal materials for smart phones was 26%. Upon implementation of 5G radio frequency and baseband chips of 5G mobile phones, the previous graphite VC solution could not bear the load any longer. Based on the unique thermal effect, the VC liquid cooling technology has become the main demand for 5G communication equipment step by step, as one of the solutions to solve the thermal problem about mobile phones.

4. Competitive niche

① Professional management team with insight into industry development trends

The Company has a strong R&D team specialized in the technologies for materials, machine, chemicals and microwave, and focuses on medium and long-term industrial chain development planning. In response to the huge demand for production capacity in the market, the demand for high-precision masks and VC components will continue to grow. The Company will continue to improve the etching technology, optimize the manufacturing process, and improve production efficiency. Meanwhile, it will also integrate the Group's resources to provide customers with more comprehensive and real-time technical support and services.

② High technical autonomy raises the entry threshold

In consideration of the concept about partnership with customers, the Company understands its product specifications and requirements from the customers' point of view, and discusses the workmanship of high-specification products with customers based on the niche that the management team holds the professional technical knowledge, intensifies the cooperative relationship between both parties, obtains technical specification decisions, and establishes the entry threshold for competitors.

③ Product precision and regional advantages

The OLED industry in China is just starting and, therefore, needs to cooperate with more industries in the upstream, midstream and downstream segments to promote the industry's healthy growth. Besides, the localization policy adopted by China is unstoppable. With the regional and cultural advantages, the Company will accelerate the schedule for industrial layout and expansion of production capacity, in order to increase the industry's added value and provide the most perfect localized services, as the customers' most reliable partner.

In the thermal industry, the Company provides customers with the ultra-thin VC materials with excellent technical quality based on the outstanding metal etching technology. In the context of the development of ultra-thin and lightweight electronic products, it is a great challenge to control the thickness of the VC reasonably. The Company may satisfy the demand for ultra-thin products by virtue of the high-precision etching technology, in response to the requirement for fineness in the market.

5. Analysis on positive and negative factors for future development and responsive measures:

① Favorable factors

- A. The OLED industry is growing rapidly, and the demand for precision metal masks is booming. Since 2016, China has become the territory with the most AMOLED investment capital. The OLED production volume and value are both growing rapidly in the world. According to research institute, Omdia, in the field of OLED mobile phone panels, the market share of China-based suppliers will grow from 5% in 2017 to 30% in 2022.
- B. Different from the large-size OLED panel production process, the technical threshold for high-precision masks is high, and few manufacturers engaged in the high-precision masks. Small and medium-sized OLED panels must apply the masks for evaporation. The more precise the opening on the mask is, the higher the panel resolution is. So far, there are no more than 5 manufacturers who are able to manufacture it in line with the customers' needs precisely in the world. In consideration of the bottleneck encountered by various companies' production capacity and competition in improvement of technology, the Company will focus on the production of the Open Mask of the same high-precision specifications based on the fine metal mask technology in the near future. Then, the masks of high specifications produced by the Company with its unique precision etching ability may win the recognition from customers and be implemented into the mass production accordingly.
- C. The technical threshold for making of ultra-thin VC shells remains high. With the high-precision etching technology, the Company may complete the 0.25mm product for the time being. The Company is one of the few manufacturers which may satisfy such precision requirements. Its future is promising in terms of its product characteristics and development.

② Negative factors and countermeasures

- A. The supply of main raw materials rely on international renowned manufacturers. Due to the exclusivity of the OLED evaporation process and specifications, the raw materials and supplies of the current masks are provided by few international renowned manufacturers. Meanwhile, some high-specification materials (FMM) have been ordered by Japan-based manufacturers and, therefore, it is impossible for them to supply the same to other suppliers. Therefore, the entire industrial development is limited.

Countermeasures:

The Company maintains the close cooperative relationship with suppliers, and also establishes the inventory management mechanism for various materials and supplies, and execute short-, medium- and long-term supply contracts,

if necessary, in order to reduce costs. Insofar as the product quality remains unaffected, the Company will look for alternative materials proactively, in order to mitigate the risk over the materials price volatility and shortage of materials.

- B. The exported part of the Company's products is mainly denominated in USD, and the main raw materials are also procured from foreign suppliers. Besides, the net cash positions held by the Company are mostly denominated in USD, and the foreign exchange rate fluctuations will impose specific impact to the Company's profit.

Countermeasures:

The Company expands the accounting and financial department and hires professionals with experience in investment projects to keep observing and evaluating the changes in the market. Meanwhile, the Company keeps in touch with bank's foreign exchange department to verify the trend and changes of foreign exchange rate at home and abroad, in order to mitigate the negative impact posed by the changes in foreign exchange rates.

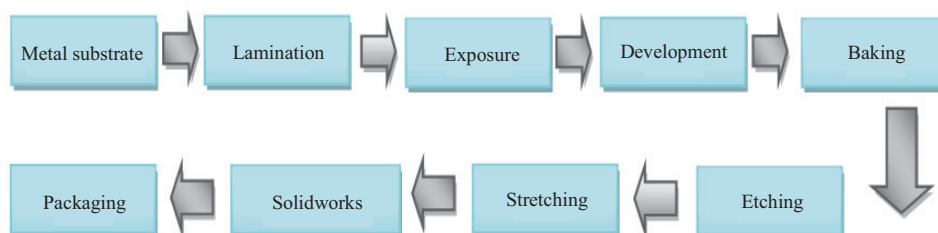
(II) Important purposes and production processes of main products

1. Important purposes of main products

Product items	Main purpose and function
Metal mask	It is primarily applied to the metal masks used in the evaporation process of luminescent dyes and pigments for OLED panels. Masks bearing different pictures are required to conduct the evaporation process of different color light-emitting films.
Precision cleaning and regeneration	Have the equipment components, such as optoelectronics and semiconductors, go through the precise cleaning and regeneration processing to make them meet the quality required by the production process.
VC materials	Primarily by the metal precision etching, the metal is made into a fine metal sheet, which may be used as the metal shell of the VC or thermal module materials.

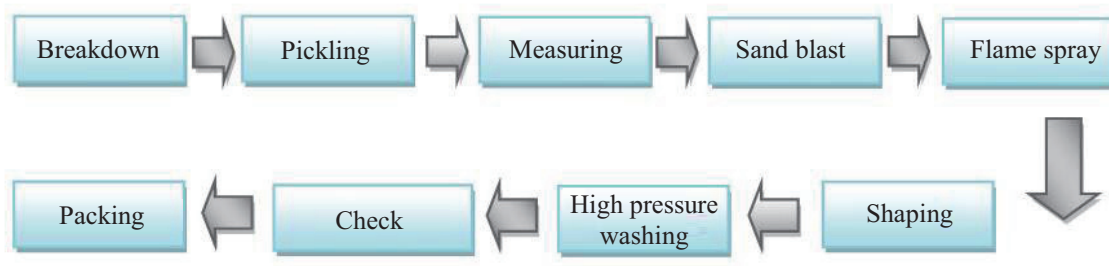
2. Production processes of main products:

【Metal Mask/Vapor Chamber】



Note: There is no "stretching" process applied in the production process of Vapor Chamber.

【Precision cleaning】



3. Supply of main raw materials

Main raw materials	Status of supply
INVAR alloy sheet	Fair
Oxygen-free copper	Fair
Copper alloy	Fair

4. A list of any suppliers (customers) accounting for 10 percent or more of the Company's total procurement (sales) amount in either of the most recent two years, the amounts bought from (sold to) each, the percentage of total procurement (sales) accounted for by each, and causes of decrease/increase thereof:
- (1) Analysis on main suppliers

Item	2021			2022			Ending until March 31, 2023					
	Name (Note)	Amount	Weight	Relationship with the issuer	Name	Amount	Weight	Relationship with the issuer	Name	Amount	Weight	Relationship with the issuer
1	Company A	35,727	17.38	None	Huangshi Quanyang Photoelectric Technology Co., Ltd.	115,496	16.08	Note 2	Quanyang Photoelectric Technology Co., Ltd.	35,351	23.19	Note 2
2	Company B	32,301	15.71	None	Company B	59,683	8.31	None	Company D	19,285	12.65	None
3	Company C	28,099	13.66	None	Company C	48,097	6.70	None	Company C	15,014	9.85	None
4					Company A	14,678	2.04	None	Company A	10,904	7.15	None
5									Company B	3,053	2.00	None
6	Others	109,505	53.25		Others	480,148	66.86		Others	68,820	45.16	
	Total	205,632	100.00		Total	718,102	100.00		Total	152,427	100.00	

Note 1: It is impossible to disclose the full names, according to the non-disclosure agreement.

Note 2: Huangshi Quanyang Photoelectric Technology Co., Ltd. is an associate of the Company.

Explanation: Huangshi Quanyang Photoelectric Technology Co., Ltd. is an associate of the Company, which is contracted by the Company to engage in the coating processing of metal masks. The changes in Company B and Company C were primarily a result of the increase in the Group's sales resulting in the increase in purchase of related raw materials and supplies.

(2) Analysis on main customers

Unit: NTD thousand; %

Item	2021				2022				Ending until March 31, 2023			
	Name (Note)	Amount	Weight	Relationship with the issuer	Name	Amount	Weight	Relationship with the issuer	Name	Amount	Weight	Relationship with the issuer
1	Company D	140,604	16.43	None	Company A	240,281	19.21	None	Company C	48,009	17.44	None
2	Company A	119,350	13.94	None	Company B	199,296	15.94	None	Company A	45,242	16.43	None
3	Company B	100,111	11.69	None	Huangshi Quanyang Photoelectric Technology Co., Ltd.	152,762	12.21	Note 2	Company B	35,922	13.05	None
4	Company C	92,097	10.76	None	Company C	149,294	11.94	None	Company D	35,705	12.97	None
5					Company D	139,073	11.12	None	Huangshi Quanyang Photoelectric Technology Co., Ltd.	23,998	8.72	Note 2
6	Others	403,921	47.18		Others	369,922			Other	86,407	31.39	
	Total	856,083	100.00		Total	1,250,628	100.00		Total	275,283	100.00	

Note 1: It is impossible to disclose the full names, according to the non-disclosure agreement.

Note 2: Huangshi Quanyang Photoelectric Technology Co., Ltd. is an associate of the Company.

Explanation: Huangshi Quanyang Photoelectric Technology Co., Ltd. is an associate of the Company, which is contracted by the Company to engage in the coating processing of metal masks. The increase in the Group's sales value in 2022 from 2021 was primarily a result of the growing demand in the entire industry. No significant changes have occurred to the main customer structure.

5. Statement of production volume and value in the most recent two years

Unit: Thousand pcs; NTD thousand

Item	2021			2022		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Metal mask	149	117	259,243	149	97	334,088
Precision cleaning and regeneration	360	113	42,388	360	92	68,361
Microwave and semiconductor components	14	11	199,113	16	19	251,275
Optical bonding materials	10,000	1,170	8,932	10,000	548	5,125
Thermal Module materials				18,000	12,907	149,684
Total	10,523	1,410	509,676	28,525	13,663	808,533

6. Production volume and value for the most recent two years

Unit: Thousand pcs; NTD thousand

Item	2021				2022			
	Domestic sales		Export		Domestic sales		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Metal mask	62	70,564	33	283,587	70	60,760	23	486,820
Precision cleaning and regeneration	-	7,592	-	105,967	-	5,139	-	120,441
Microwave and semiconductor components	9	332,311	1	28,395	15	422,112	1	15,077
Optical bonding materials	1,155	19,404	-	-	534	10,475	-	-
Thermal Module materials	185	3,282	-	-	12,781	119,406	200	4,503
Others		2,516	-	2,465	-	-	-	5,895
Total	1,411	435,669	34	420,414	13,400	617,892	224	632,736

Note: The sales were classified based on the countries where the customers resided.

III. The number of employees employed for the most recent two fiscal 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 education levels

Unit: Person; %

Year		2021	2022	Ending until March 31, 2023
Number of employees	Supervisors	65	70	79
	Indirect	98	180	144
	Direct	186	275	294
	Total	349	525	517
Average age		39.48	35.67	35.98
Average years of service		3.36	3.22	3.29
Distribution of education attainment	Doctoral Degree	3	2	2
	Master	8	7	7
	College/University	52	47	47
	Senior High School (and below)	37	44	44

IV. Information about environmental protection expenditure

The total amount for losses (including compensation) and fines suffered by the Company due to environmental pollution in the last year and as of the date of publication of the annual report, future countermeasures (including improvement measures), and possible expenditures (including the anticipated loss, disposition, and compensation amounts incurred for not adopting the response measures; and if the amount cannot be reasonably estimated, describe why): None.

V. Labor-management relationship

- (I) List any 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.
1. Employee benefit plans
 - a. According to the "Work Rules," the Company provides allowances and bonuses, such as marriage allowance, mourning rituals for funerals of lineal relatives by blood, and childbirth allowance.
 - b. The Company also maintains the labor insurance and national health insurance pursuant to the government laws

and regulations. Meanwhile, for sake of employees' safety, the Company also maintains the group insurance to secure the employees and provide more benefits additionally.

2. Continuing education and training of employees
The Company plans the sound education and training programs for employees, e.g. the orientation, professional technology and personal performance training courses.
3. Employees' retirement system and implementation thereof
The Company contributes 6% of the salary per employee to the employee's personal pension account under the new system according to the Labor Pension Act on a monthly basis.
4. Labor-management agreements
The relevant requirements posed by the Company all comply with the Labor Standards Act. So far, the labor-management relationship has been considered amicable and free from any labor dispute to be settled.
5. Measures for preserving employees' rights and interests.
The Company has adopted the Work Rules and various management regulations and systems which expressly define the employees' right and obligation and benefits, in order to maintain employees' interest and right.

- (II) List any losses suffered by the Company in the most recent fiscal year and up to the date of publication of the annual report due to labor disputes, and disclosing an estimate of possible expenses that could be incurred currently and in the future 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: None.

VI. Cyber security management:

- (I) Describe the 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 Company has its information unit responsible for establishing the cyber security policy, and preventing and managing any crisis in the Company's cyber security.
The Company executes the information security operations, and establishes the "Cyber Security Response Team" in response to the information security incident framework.
 - A. Cyber Security Response Team members: Consisting of the information personnel, responsible for reporting and processing the Company's information security incidents.
 - B. Cyber Security Response Team Supervisor: Served by the IT officer, responsible for reviewing the response and escalating the case to his/her supervisor.
 - C. The Company's internal control system include the information security-related management regulations, and undergoes periodic audit and review and keeps improving to provide the IT system with a safe and uninterrupted business environment.
 2. Cyber security policy
Include the operating environments for the Company's computer system, network, data, equipment, personnel, anti-virus and anti-hacking information into the security management mechanism, and also establish a set of preventive and urgent response policies and communicate the cyber security problem in a timely manner, in order to ensure the safety in the Company's information operation.
 3. Concrete management programs:
 - ① HR safety management and education & training
 - ② Computer system security management
 - A. Operating procedure and liability of the system.
 - B. Online operation security management
 - C. Prevention of computer virus and malicious software
 - D. Software access security management.
 - E. Computer media security management.
 - F. Security management in the exchange between data and the media.
 - ③ Network security management
 - A. Network security planning and management
 - B. Intranet security management
 - C. Internet security management
 - ④ System access control
 - A. System access control requirements
 - B. System access and application supervision
 - ⑤ Tangible equipment, peripheral and environmental security management
 - ⑥ Information security incident urgent response mechanism
 4. Resources invested in the cyber security management
The Company checks and takes an inventory of the information security equipment, services and human resource each year to prepare the resources related to information security management.

- (II) List any losses suffered by the Company in the most recent two fiscal years and up to the date of publication of the prospectus due to significant cyber security incidents, and potential effects to be caused and responsive measures to be taken; if a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None.

VII. Important Contracts

May 9, 2022

Nature of contracts	Parties	Duration of Contract	Main Contents	Restrictive Clauses
Land use right	Daye City Land Resources Bureau	January 8, 2018~January 7, 2068	Industrial land	The year of right transfer shall be subject to the year when the certificate of national land use is transferred.
Mid- and long-term loans	O-Bank	January 20, 2020~July 15, 2025	Loan contract	Land House and building
Mid- and long-term loans	Land Bank of Taiwan, Wuhan Branch	December 25, 2019~December 24, 2026	Loan contract	None
Mid- and long-term loans	CTBC Bank	September 24, 2021~September 24, 2026	Loan contract	Land House and building
Mid- and long-term loans	Cathay United Bank	December 15, 2020~December 15, 2025	Loan contract	None
Mid- and long-term loans	O-Bank	September 25, 2020~August 15, 2025	Loan contract	None
Mid- and long-term loans	The Shanghai Commercial and Savings Bank Ltd.	August 25, 2022~August 25, 2025	Loan contract	None
Engineering contract	Green Field Construction Company, Limited	February 21, 2020 ~Expiration of the warranty period upon completion of the project	Plant construction	None
License of technology	Huangshi Quanyang Photoelectric Technology Co., Ltd.	As of April 1, 2022	License of technology for metal mask coating	None
License of technology	FineMat (HuangShi) Applied Materials Co., Ltd.	September 28, 2022~September 27, 2027	License of technology for etching	None

Six. Overview of Finance

I. Condensed Balance Sheet and Statement of Comprehensive Income for the most recent five years

(I) Condensed Balance Sheet and Statement of Comprehensive Income for the most recent five years

1. Condensed Balance Sheet (Consolidated)

Unit: NTD thousand

Item	Financial data in the most recent five years					2023 Q1 (Note 1)
	2018	2019	2020	2021	2022	
Current asset	642,397	1,070,764	964,538	1,039,981	1,382,820	1,306,904
Property, plant and equipment	376,342	554,024	988,539	1,304,085	1,350,136	1,345,870
Intangible assets	2,822	2,881	80,569	74,536	65,964	62,927
Other assets	79,802	180,077	261,909	231,045	315,716	317,922
Total assets	1,101,363	1,807,746	2,295,555	2,649,647	3,114,636	3,033,623
Current liabilities - before distribution	206,939	275,123	270,586	661,276	989,852	1,077,333
Current liabilities - after distribution	267,283	381,347	303,781	661,276	989,852	(Note 2)
non-current liabilities	5,692	75,603	326,296	289,379	284,737	216,838
Total liabilities - before distribution	212,631	350,726	596,882	950,655	1,274,589	1,294,171
Total liabilities - after distribution	272,975	456,950	630,077	950,655	1,274,589	(Note 2)
Equity attributable to owners of the parent	785,156	1,344,892	1,247,117	1,213,405	1,284,325	1,237,561
Share capital	603,438	663,898	663,898	663,898	663,898	663,898
Additional paid-in capital	33,744	396,582	396,582	396,701	503,465	503,727
Retained earnings - before distribution	154,631	301,998	200,619	193,518	151,957	106,064
Retained earnings - after distribution	94,287	195,774	167,424	193,518	151,957	(Note 2)
Other equity	(6,657)	(17,586)	(13,982)	(16,525)	(10,808)	(11,941)
Treasury shares	0	0	0	(24,187)	(24,187)	(24,187)
Non-controlling interests	103,576	112,128	451,556	485,587	555,722	501,891
Total equity - before distribution	888,732	1,457,020	1,698,673	1,698,992	1,840,047	1,739,452
Total equity - after distribution	828,388	1,350,796	1,665,478	1,698,992	1,840,047	(Note 2)

Note 1: The financial data of Q1 2023 were audited by the CPAs.

Note 2: In consideration of the incomplete fiscal year, the figures after distribution are omitted.

2. Condensed Balance Sheet (Parent Company Only)

Unit: NTD thousand

Item	Financial data in the most recent five years				
	2018	2019	2020	2021	2022
Current asset	324,130	773,065	329,574	379,334	488,889
Property, plant and equipment	283,647	286,351	495,091	654,842	650,932
Intangible assets	2,822	2,881	3,072	2,279	1,277
Other assets	353,341	492,248	735,552	736,316	917,212
Total assets	963,940	1,554,545	1,563,289	1,772,771	2,058,310
Current liabilities - before distribution	173,092	134,050	68,611	344,987	589,216
Current liabilities - after distribution	233,436	240,274	101,806	344,987	589,216
non-current liabilities	5,692	75,603	247,561	214,379	184,769
Total liabilities - before distribution	178,784	209,653	316,172	559,366	773,985
Total liabilities - after distribution	239,128	315,877	349,367	559,366	773,985
Share capital	603,438	663,898	663,898	663,898	663,898
Additional paid-in capital	33,744	396,582	396,582	396,701	503,465
Retained earnings - before distribution	154,631	301,998	200,619	193,518	151,957
Retained earnings - after distribution	94,287	195,774	167,424	193,518	151,957
Other equity	(6,657)	(17,586)	(13,982)	(16,525)	(10,808)
Treasury shares	0	0	0	(24,187)	(24,187)
Total equity - before distribution	785,156	1,344,892	1,247,117	1,213,405	1,284,325
Total equity - after distribution	724,812	1,238,668	1,213,922	1,213,405	1,284,325

3. Condensed Statement of Comprehensive Income (Consolidated)

Unit: NTD thousand

Item	Financial data in the most recent five years					2023 Q1 (Note 1)
	2018	2019	2020	2021	2022	
Operating revenue	635,944	854,165	620,635	856,083	1,250,628	275,283
Gross profit	242,484	381,340	194,878	286,421	321,181	38,572
Operating income or loss	125,820	237,651	42,391	63,684	21,732	(36,454)
Non-operating income and expenses	25,770	1,376	15,473	34,072	25,638	(5,691)
Net income before tax	151,590	239,027	57,864	97,756	47,370	(42,145)
Net profit (loss) from continuing operations for the current period	132,661	220,600	27,586	74,657	22,709	(36,713)
Loss on discontinued operations	0	0	0	0	0	0
Net profit for the current period	132,661	220,600	27,586	74,657	22,709	(36,713)
Other comprehensive income for the current period	(6,207)	(15,266)	5,260	(3,071)	7,492	(1,512)
Total comprehensive income for the current period	126,454	205,334	32,846	71,586	30,201	(38,225)
Net income attributable to owners of parent company	126,816	207,711	4,845	26,094	(36,049)	(45,893)
Net profit attributable to non-controlling interest	5,845	12,889	22,741	48,563	58,758	9,180
Total comprehensive income attributable to owners of the parent	122,249	196,782	8,449	23,551	(30,332)	(47,026)
Total comprehensive income attributable to non-controlling interest	4,205	8,552	24,397	48,035	60,533	8,801
Earnings per share	2.25	3.40	0.07	0.39	(0.55)	(0.70)

Note 1: The financial data of Q1 2023 were audited by the CPAs.

4. Condensed Statement of Comprehensive Income (Parent Company Only)

Unit: NTD thousand

Item	Financial data in the most recent five years				
	2018	2019	2020	2021	2022
Operating revenue	424,442	590,239	362,418	356,988	525,671
Gross profit	160,843	244,906	75,832	52,104	61,674
Operating income or loss	79,455	149,102	339	(40,865)	(64,333)
Non-operating income and expenses	51,683	52,022	15,559	71,426	30,703
Earnings (loss) before tax	131,138	201,124	15,898	30,561	(33,630)
Net profit (loss) from continuing operations for the current period	126,816	207,711	4,845	26,094	(36,049)
Loss on discontinued operations	0	0	0	0	0
Net profit for the current period	126,816	207,711	4,845	26,094	(36,049)
Other comprehensive income for the current period	(4,567)	(10,929)	3,604	(2,543)	5,717
Total comprehensive income for the current period	122,249	196,782	8,449	23,551	(30,332)
Earnings per share	2.25	3.40	0.07	0.39	(0.55)

(II) Names and audit opinions of external auditors for the most recent five years

Year	CPA firm name	External auditor	Audit opinions or review report
2018	PwC Taiwan	Lin Tzu-Yu and Liu Tze-Meng	Unqualified opinion
2019	PwC Taiwan	Lin Tzu-Yu and Liu Tze-Meng	Unqualified opinion
2020	PwC Taiwan	Lin Tzu-Yu and Liu Tze-Meng	Unqualified opinion
2021	PwC Taiwan	Lin Tzu-Yu and Liu Tze-Meng	Unqualified opinion
2022	PwC Taiwan	Lin Tzu-Yu & Lin Yong-Chi	Unqualified opinion

II. Financial analysis for the most recent five years

(I) Analysis on consolidated financial statements

Item		Financial analysis for the most recent five years					2023
		2018	2019	2020	2021	2022	Q1 (Note 1)
Financial structure (%)	Debt ratio	19.31	19.40	26.00	35.88	40.92	42.66
	Ratio of long-term capital to property, plant and equipment	237.66	276.63	204.84	152.47	157.38	145.36
Solvency (%)	Current ratio	310.43	389.19	356.46	157.27	139.70	121.31
	Quick ratio	277.51	360.01	290.62	115.16	103.99	86.25
	Interest earned ratio	189.08	77.34	10.72	16.33	3.87	(6.08)
Operating performance	Receivables turnover (times)	3.76	3.75	2.94	3.41	3.44	0.77
	Average collection period (days)	97	97.37	124.14	107.03	106.10	116.21
	Inventory turnover (times)	10.65	7.62	4.00	3.34	3.74	0.77
	Payables turnover (times)	9.75	8.34	7.49	6.80	6.51	1.61
	Average days in sales	34	47.90	91.25	109.28	97.59	116.88
	Property, plant and equipment turnover (times)	2.07	1.84	0.80	0.75	0.94	0.20
	Total assets turnover (times)	0.69	0.59	0.30	0.35	0.43	0.09
Profitability	Return on total assets (%)	14.39	15.34	1.59	3.23	1.25	(1.04)
	Return on equity (%)	17.14	18.81	1.75	4.39	1.28	(2.05)
	Income before tax to paid-in capital (%)	25.12	36.00	8.72	14.72	7.14	(6.35)
	Profit margin (%)	20.86	25.83	4.44	8.72	1.82	(13.34)
	Earnings per share (NT\$) Note 2	2.25	3.40	0.07	0.39	(0.55)	(0.70)
Cash flow Note 3	Cash flow ratio (%)	43.66	90.77	28.42	14.51	(3.85)	4.28
	Cash flow adequacy ratio (%)	64.91	69.17	41.01	39.67	32.45	NA
	Cash reinvestment ratio (%)	9.13	11.94	(1.35)	2.80	(1.55)	1.99
Leverage	Operating leverage	2.26	2.06	7.00	6.51	21.04	NA
	Financial leverage	1.01	0.99	1.16	1.11	4.18	NA

Specify the reasons that caused the changes in the financial ratios in the last two years (analysis is not required for changes by less than 20%):
The changes in interest earned ratio were primarily a result of the significant increase in interest upon expansion of the credit facility in order to meet the demand for new products in 2022. Meanwhile, the income before tax declined due to the defects in the production technology and management of new products.
The changes in operational ability was primarily a result of the additional thermal materials driving the growth of the operating revenue scale in 2022.
The decrease in profitability, cash flow and leverage analysis indicators was primarily a result of the defects in the production technology and management of new products in 2022, resulting in the decrease in the income before tax and operating income.
Note 1: The financial data of Q1 2023 were audited by the CPAs.

(II) Analysis on parent company only financial statements

Item		Financial analysis for the most recent five years				
		2018	2019	2020	2021	2022
Financial structure (%)	Debt ratio	18.55	13.49	20.22	31.55	37.60
	Ratio of long-term capital to property, plant and equipment	278.81	496.07	301.90	218.03	225.69
Solvency (%)	Current ratio	187.26	576.70	480.35	109.96	82.97
	Quick ratio	154.43	540.34	390.37	84.35	63.72
	Interest earned ratio	163.70	105.97	7.18	14	3.95
Operating performance	Receivables turnover (times)	3.51	3.98	2.98	3.43	4.11
	Average collection period (days)	104	91.78	122.50	106.35	88.73
	Inventory turnover (times)	7.97	5.94	5.04	3.91	4.41
	Payables turnover (times)	8.31	7.03	7.15	6.17	6.47
	Average days in sales	46	61.47	72.38	93.35	82.77
	Property, plant and equipment turnover (times)	2.06	2.07	1.27	0.62	0.81
	Total assets turnover (times)	0.55	0.47	0.23	0.21	0.27
Profitability	Return on total assets (%)	16.38	16.62	0.44	1.68	(1.60)
	Return on equity (%)	19.30	19.50	0.37	2.12	(2.89)
	Income before tax to paid-in capital (%)	21.73	30.29	2.39	4.6	(5.07)
	Profit margin (%)	29.88	35.19	1.34	7.31	(6.86)
	Earnings per share (NT\$) Note 2	2.25	3.40	0.07	0.39	(0.55)
Cash flow Note 3	Cash flow ratio (%)	52.15	159.71	55.41	9.04	(5.00)
	Cash flow adequacy ratio (%)	142.90	159.85	65.24	46.10	40.50
	Cash reinvestment ratio (%)	9.92	10.38	(4.11)	(0.12)	(1.69)
Leverage	Operating leverage	2.28	1.93	380	(3.17)	(1.60)
	Financial leverage	1.01	1.01	(0.15)	0.95	0.90

Specify the reasons that caused the changes in the financial ratios in the last two years (analysis is not required for changes by less than 20%):
The changes in solvency analysis indicators was primarily a result of the significant increase in loans in response to the industrial changes and increase in credit facility for business growth in 2022.
The increase in property, plant and equipment turnover and total assets turnover was primarily a result of the economic recovery in the industry and development of new products driving the significant growth of operating revenue in 2022 from the previous year.
The decrease in profitability, cash flow and leverage analysis indicators from the previous period was primarily a result of the investment in new products in 2022 and the defects in the production technology and management of new products resulting in the business loss.

Note 1: Formula

1. Financial structure
 - (1) Ratio of liabilities to assets=Total liabilities/Total Assets.
 - (2) Ratio of long-term fund to property, plant and equipment=
(Total equity+Non-current liabilities)/Property, plant and equipment, net.
2. Solvency
 - (1) Current ratio = Current assets/Current liabilities.
 - (2) Quick ratio = (Current assets - Inventory - Prepaid expenses)/Current liabilities.
 - (3) Interest earned ratio = Net income before tax and interest expense/Interest expenses in this period.
3. Operational ability
 - (1) Receivables (including accounts receivable and notes receivable resulting from operation) turnover = net sales / balance of average accounts receivable (including accounts receivable and notes receivable resulting from operation).
 - (2) Average cash collection days=365/Receivables turnover.
 - (3) Inventory turnover=Cost of goods sold/Average inventory.
 - (4) Payables (including accounts payable and notes payable resulting from operation) turnover = cost of goods sold / balance of average accounts payable (including accounts payable and notes payable resulting from operation).
 - (5) Average inventory turnover days=365/Inventory turnover.
 - (6) Property, plant and equipment turnover=net sales/average property, plant and equipment, net.
 - (7) Total assets turnover=net sales/average total assets.
4. Profitability
 - (1) ROA=[Profit or loss after tax+interest expenses × (1- tax rate)]/average total assets.
 - (2) ROE=Profit or loss after tax/Average total equity.
 - (3) Profit margin=Profit or loss after tax/Net sales.
 - (4) Earnings per share= (Income attributable to owners of the parent-Preferred stock dividend)/Weighted average number of outstanding shares. (Note 2)
5. Cash flow
 - (1) Cash flow ratio = Net cash flows from operating activities/Current liabilities.
 - (2) Cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years/(Capital expenditures + Inventory increment + Cash dividends) for the most recent five years.
 - (3) Cash reinvestment ratio=(Net cash flow from operating activities-Cash dividends)/(Gross property, plant and equipment+Long-term investments+Other non-current assets+working capital). (Note 3)
6. Leverage:
 - (1) Operating leverage=(Net operating revenues-Variable operating costs and expenses)/Operating income (Note 4)
 - (2) Financial leverage=Operating income/(Operating income-Interest expenses).

Note 2: When calculating said earnings per share, please note that:

1. The weighted average number of common shares shall apply, instead of the number of outstanding shares at the end of the year.
2. In the case of cash capital increase or treasury stock transactions, the calculation shall take the period of circulation into account when calculating the weighted average number of outstanding shares.
3. In the case of recapitalization from earnings or recapitalization from capital surplus, the calculation of earnings per share for the previous year and for a half of year shall make adjustment retroactively subject to the proportion of capital increase, irrelevant with the issuance period for the capital increase.
4. If the preferred stock refers to non-convertible cumulative preferred stock, the stock dividend for the current year (whether allocated or not) shall be deducted from the income after tax or add the loss after tax. If the preferred stock is not cumulative one, the preferred stock dividend shall be deducted from the net profit after tax, if any. Notwithstanding, no adjustment is required, in the case of loss.

Note 3: Cash flow analyses shall take the following factors into account:

1. Net cash flow from operating activities refers to net cash inflow from operating activities as stated in the Statement of Cash Flow.
2. Capital expenses refer to the amount of annual cash outflow spent on capital investments.
3. The increase in inventory is included only when the balance at the ending is more than that at beginning. If the inventory decreases at the end of the year, it shall be calculated as “zero.”
4. Cash Dividends include the dividends in cash paid to holders of common shares and preferred shares.
5. Gross property, plant and equipment refers to the amount before deducting accumulated depreciation.

Note 4: The issuer is required to classify operating costs and expenses between fixed and variable portions; any estimate or subjective judgment used in the classification needs to be reasonable and consistent.

Note 5: If the Company’s shares have no par value or if the par value of each share is not NT\$10, said percentage of the paid-in capital shall be substituted by the equity attributable to owners of the parent referred to in the balance sheet.

- III. The Audit Committee’s Review Report on the financial report for the most recent year: Please refer to Pages 71.
- IV. The Consolidated Financial Statements and External Auditor’s Audit Report for the most recent year: Please refer to Pages 84-161.
- V. The Parent Company Only Financial Statements and External Auditor’s Audit Report for the most recent year: Please refer

to Pages 162-241.

- VI. If the Company or its affiliates have experienced financial difficulties in the most recent fiscal year up to the date of publication of the annual report, the annual report shall explain how said difficulties will affect the Company's financial situation: None.

FineMat Applied Materials Co., Ltd.

Audit Committee's Review Report

The Board of Directors prepared the Company's 2022 annual business report, consolidated and parent company only financial statements and earnings distribution proposal. Among them, the consolidated and parent company only financial statements have been checked by Lin Tzu-Yu, CPA and Liu Tze-Meng, CPA of PwC Taiwan and an audit report with unqualified opinion has been issued. Said business report, consolidated and parent company only financial statements and earnings distribution proposal have been reviewed by the Audit Committee and found to have no inconsistencies. This report is issued in accordance with the Securities and Exchange Act and Company Act. Please review it accordingly.

FINEMAT APPLIED MATERIALS CO., LTD.

Convener of Audit Committee Meeting: Tseng Chung-Nan

March 15, 2023

Seven. A review and analysis of the Company's financial status and financial performance, and risk management

I. Financial status

- (I) Main causes for significant changes in accounting titles in the balance sheet for the most recent two years, and effects posed by such changes

Item	2022	2021	Difference	
			amount	%
Current asset	1,382,820	1,039,981	342,839	32.97
Property, plant and equipment	1,350,136	1,304,085	46,051	3.53
Intangible assets	65,964	74,536	(8,572)	(11.50)
Other assets	315,716	231,045	84,671	36.65
Total assets	3,114,636	2,649,647	464,989	17.55
Current liabilities	989,852	661,276	328,576	49.69
Total liabilities	1,274,589	950,655	323,934	34.07
Share capital	663,898	663,898	0	0
Additional paid-in capital	503,465	396,701	106,764	26.91
Retained earnings	151,957	193,518	(41,561)	(21.48)
Other equity	(10,808)	(16,525)	5,717	34.60
Treasury shares	(24,187)	(24,187)	0	0
Non-controlling interests	555,722	485,587	70,135	14.44
Total equity	1,840,047	1,698,992	141,055	8.30

Remark on the significant changes: (analysis is not required for changes by less than 20%):

The changes in current assets was primarily a result of the growth of operating revenue driving the increase in accounts receivable and inventory in 2022.

The changes in other assets was primarily a result of the cash capital increase carried out by the investee, Huangshi Quanyang Photoelectric Technology Co., Ltd.

The changes in current liabilities and total liabilities was primarily a result of the increase by the Company in the credit facility from financial institutions driving the significant growth in short-term liabilities in 2022, in response to the industrial changes and increase in operating costs, causing the significant increase in current liabilities and total liabilities.

The changes in capital surplus was primarily a result of the changes in the invested new shares subscribed for by the Company subject to its shareholding upon the capital increase in Huangshi Quanyang Photoelectric Technology Co., Ltd. and sale of the equity of ELAN Microelectronics Corp. in part.

The changes in retained earnings was primarily a result of the operating loss generated in 2022 resulting the decrease in undistributed earnings.

Said difference was caused by the Company's business adjustment in response to the changes in the industry and market environment and also the need for business development strategy, by taking into account the integration of resources and scale of economy, which poses no significant impact to the Company.

II. Financial performance

(I) Comparative list of financial performance comparison for the most recent two years

Unit: NTD thousand

Item	2022	2021	Difference	
			amount	%
Operating revenue	1,250,628	856,083	394,545	46.09
Gross profit	321,181	286,421	34,760	12.14
Operating income or loss	21,732	63,684	(41,952)	(65.88)
Non-operating income and expenses	25,638	34,072	(8,434)	(24.75)
Net income before tax	47,370	97,756	(50,386)	(51.54)
Net income of continuing operations in this period	22,709	74,657	(51,948)	(69.58)
Loss on discontinued operations	0	0	-	-
Current income	22,709	74,657	(51,948)	(69.58)
Other comprehensive income for the current period	7,492	(3,071)	10,563	(343.96)
Total comprehensive income for this period	30,201	71,586	(41,385)	(57.81)
Net income attributable to owners of parent company	(36,049)	26,094	(62,143)	(238.15)
Net income attributable to non-controlling interests	58,758	48,563	10,195	20.99
Total comprehensive income attributable to owners of parent company	(30,332)	23,551	(53,883)	(228.79)
Total comprehensive income attributable to non-controlling interests	60,533	48,035	12,498	26.02
Earnings per share	(0.55)	0.39	(0.94)	(241.03)
<p>Analysis on the significant changes: (analysis is not required for changes by less than 20%):</p> <p>The changes in operating revenue were primarily a result of the growth of the operating revenue of the subsidiary, Wave Power Technology Inc., by 21% from the previous period due to the strong demand in the semi-conductor industry and military industry in 2022. Due to the increasing demand for panels and launch into the thermal materials market, the operating revenue of the entire etched products grew by 88% from the previous period. Therefore, the entire operating revenue grew by 46.09%.</p> <p>The changes in operating income and related income was primarily a result of the addition of the new products, i.e. thermal materials, in 2022 and the defects in the production technology and management of such new products resulting in the Company's business loss.</p> <p>The changes in non-operating revenue and expenditure was primarily a result of the significant increase in credit facility resulting in the growth of interest expenditure by 159% in 2022.</p>				

(II) Sales volume forecast and the basis thereof: Please refer to the outlined business plan referred to in A Message To Shareholders herein.

(III) Effect upon the Company's business and finance, as well as the plans to be taken in response: Please refer to the Overview of Market and Production & Marketing in Overview of Operation herein for details.

(I) Analysis on changes in the cash flow for the most recent year

(I) Analysis on changes in the cash flow for the most recent year

(I) Analysis on changes in the cash flow for the most recent year

(II) Analysis on liquidity for the coming year

Balance of cash, beginning (1)	Net cash flow from operating activities for the year (2)	Net cash flow from investing activities for the year (3)	Net cash flow from financing activities for the year (4)	Cash balance (deficit) (1)+(2)+(3)+(4)+(5)	Responsive measures against cash deficit		Unit: NTD thousand
					Investment plan	Wealth management plan	
565,971	73,992	(90,000)	110,000	659,963	None	None	

IV. Impact posed by material capital expenditures to business and finance in the most recent year: None.

V. The investment policy for the most recent year, major causes for profit or loss thereof, improvements, and investment plans for next year:

- (f) **Investment policy:** The Company engages in investment subject to the Company's business needs or future growth consideration, and also adopts the "Procedure for Acquisition or Disposal of Assets" in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" enacted by the competent authority, as the basis for the Company to engage in investments, and in order to control the overview of business and finance. Meanwhile, in order to improve the supervision and management of investees, the Company sets forth the regulations governing supervision and management of subsidiaries in its internal control system and also adopts the regulations governing information disclosure, finance, business, inventory and financial management which are expected to enable the Company's investees to produce the best results.

(2) Major causes for profit or loss thereof, improvements

Unit: NTD thousand

Investee	Principle business lines	Recognized in 2022	Major causes for profit or loss thereof	Improvement
Sense Pad TECHCO.,LTD.	General investee	485	Recognition of investment gains	None
Htc & SolartechService (Samoa) Corporation	General investee	(2,199)	Recognition of investment loss	
Wave Power Technology Inc.	Production and sale of microwave and semiconductor Components	45,055	The investees' business grows stably.	
Etch Home Technology Co., Ltd. (Vietnam)	Production and sale of electronic components and communication machine & equipment, wholesale and retail of electronic materials, telecommunications equipment and machine & equipment	(32,196)	As it is the new industry which the Company is engaged in, the Company is still trying to learn more about it.	
Galloptech International Company Limited.	Sale of semiconductor equipment, electromechanical equipment and optical equipment, and after-sale service	(Note 1)	-	
Etch Home Technology Co., Ltd. (Vietnam)	Production and sale of electronic components and parts, communication machine & equipment, and other metal products	(Note 1)	-	
Finemat (Shanghai) Applied Materials Co., Ltd.	Sale of electronic components and parts, general instruments and electronic materials	(1,891)	The overhead increased significantly due to the epidemic, and the lockout policy adopted in China.	
Solar Applied Materials Technology (Shanghai) CO., LTD.	Production of other metal products, electronic components and parts, computers and peripheral devices, and sale of electronic materials	(10,950)	Recognition of loss on Huangshi Quanyang Photoelectric Technology Co., Ltd.	
FineMat (HuangShi) Applied Materials Co., Ltd.	Production of other metal products, electronic components and parts, computers and peripheral devices, and sale of electronic materials	8,337	The business is becoming stable.	
Huangshi Quanyang Photoelectric Technology Co., Ltd.	Production and sale of other metal products, electronic materials and semiconductor components and parts	(12,556)	A new company still at the stage of trial production.	

Note 1: Pursuant to the requirements, the Company may be exempted from disclosing the investment income recognized for the current period.

(3) Investment plans for next year: None.

VI. Risk analysis and assessment from the most recent year until the date of publication of the annual report

(I) Impacts of interest rate/foreign exchange rate fluctuation and inflation to the Company's income, and future responsive measures:

1. Changes in interest rate

Unit: NTD thousand; %

Item	2021		2022	
	amount	To net operating revenue (%)	amount	To net operating revenue (%)
Interest revenue	1,256	0.15	2,569	0.21
Interest expenses	6,376	0.74	16,529	1.32

A. Impact to the income:

The interest revenues of the Company and its subsidiaries were NT\$1,256 thousand and NT\$2,569 thousand, respectively, in 2021 and 2022, i.e. 0.15% and 0.21% of the net operating revenue. The impact posed therefor is considered minor. The interest expenses of the Company and its subsidiaries were NT\$6,376 thousand and NT\$16,529 thousand, respectively, in 2021 and 2022, i.e. 0.74% and 1.32% of the net operating revenue. The impact posed therefor is considered minor. Therefore, the changes in interest posed no significant impact to the Company. The increase in the interest expenses by NT\$10,153 thousand was primarily a result of the financing for the Company's capital increase in the subsidiaries, Etch Home Technology Co., Ltd. and Vietnam Plant.

B. Future responsive measures:

The Group doesn't necessarily rely on the loans from financial institutions, but it still will maintain good relationship with banks, verify changes in interest rates at any time, and strive for preferential interest rates.

2. Changes in interest rate

Unit: NTD thousand; %

Item	2021		2022	
	amount	To net operating revenue (%)	amount	To net operating revenue (%)
Net exchange gain (loss)	480	0.06	7,424	0.59

A. Impact to the income:

The net exchange gains (losses) of the Company and its subsidiaries were NT\$480 thousand and NT\$7,424 thousand, respectively, in 2021 and 2022, i.e. 0.06% and 0.59% of the net operating revenue. The exchange gains (losses) were generated primarily due to the volatility in the foreign exchange rate for USD, while they impose no significant impact to the entire income.

B. Future responsive measures:

For the foreign exchange fund allocation, the Company will offset the foreign currency claims against debts through regular export and import of goods, in order to achieve the natural hedging effect and mitigate the foreign exchange rate risk. In the future, the Company will keep adopting the foreign exchange position natural hedging as the main strategy to control the foreign interest rate risk, and exercise the forward exchange transactions in a timely manner to mitigate the risk over changes in foreign exchange rate. The finance unit keeps close connection with the financial institutions and continue observing the changes in foreign exchange rates.

3. Inflation:

No significant impact has been posed by the inflation to the Company's income by the date of publication of the annual report. Therefore, the inflation is expected to pose limited impact to the Company's income. In the future, the Company will still continue observing the inflation status and take appropriate actions to mitigate the impact posed by it to the Company's operations.

(II) Policies on high-risk and highly leveraged investments, loans to third parties, endorsements/guarantees, and derivatives trading, main causes of profit or loss incurred and future responsive measures:

1. The Company has adopted the "Operating Procedure for Loaning to Others," "Operating Procedure for Making of Endorsements/Guarantees" and "Procedure for Acquisition or Disposal of Assets," et al., to be followed by the Company.
2. The Company never engaged in the business activities such as high-risk and highly leveraged investments by the date of publication of the annual report.
3. Until the date of publication of the annual report, the Company has engaged in the derivatives trading to evade the risk from recorded foreign currency financial assets or financial liabilities.
All transactions were conducted in accordance with the "Procedure for Acquisition or Disposal of Assets."
4. Until the date of publication of the annual report, the recipients of the endorsements/guarantees and loans provided by the Company and its subsidiaries have been limited to the affiliated companies of the Company or the subsidiaries.

(III) Future R&D plans and expected R&D expenditure:

The Company will continue to commit itself to the improvement of etching precision, upgrading of the mask size, precision net welding technology, multi-layer mask diffusion welding technology, design and construction of new process machine, and implementation and certification of materials subject to new specifications. The R&D expenses to be invested will be prepared subject to the product development progress. Meanwhile, the Company will continue to invest capital in professional technicians and development of equipment and new technology, in order to ensure the Company's competitive strength.

(IV) Impact on the Company's business and finance due to changes in domestic or foreign policies and laws, and responsive measures:

The Company runs its business following related domestic and foreign laws and regulations, and the management keep observing the development of important policies at home and abroad. Meanwhile, the Company will assign its professional staff to attend related training programs from time to time, in order to connect with the international trend and improve the Company's competitiveness in the world. No significant impact has been posed by the changes in important policies and laws at home and abroad to the Company's business and finance by the date of publication of the annual report.

(V) Impact on the Company's business and finance due to technological (including cyber security risk) or industrial changes, and responsive measures:

The Company keeps observing the technological or industrial changes in the industry which it is engaged in from time to time, and also verifies the industrial development rapidly. Meanwhile, the Company keeps improving its own R&D abilities, applies for patents to protect its innovative ideas and design developments, and expands the future market applications proactively, in order to deal with the impacts on the Company due to technological or industrial changes. The Company checks and takes an inventory of the information security equipment, services and human resource each year to prepare the resources related to information security management, ensure the maintenance of the Company's and subsidiaries' overall cyber security and mitigate the overall cyber security risk.

(VI) Impact on crisis management in the event of a change in corporate identity, and responsive measures:

Since the Company was incorporated, it has always complied with related laws and regulations, improved its internal management and also management quality and performance proactively, and maintained the harmonious labor-management relationship, in order to maintain the excellent corporate identity. No changes affecting the corporate identity have occurred from the most recent year until the date of publication of the annual report.

(VII) Expected benefits and possible risks of merger and acquisition, and responsive measures:

The Company has had no the plan for merger and acquisition of another company in the most recent year or by the date of publication of the annual report. If the Company is involved in, or has the plan for, merger & acquisition, it will conduct the evaluation on various effects and control the risk with care per the relevant operational requirements, in order to protect the Company's interest and shareholders' equity.

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

The plant expansion will cause the increase in operating cost, but will also result in the increase in operating revenue to cover the additional operating cost at the same time. In order to deal with the risk, the Company will improve the production capacity and market share proactively, in an attempt to expand the operating revenue. The new plant construction projects will be evaluated by the Company with care before they are executed; therefore, operating risk is not likely to be caused to the Group.

(IX) Risks and responsive measures associated with concentrated purchases or sales:

1. For purchases:

The Company purchases goods from suppliers primarily providing metal sheets. There are a great number of such suppliers engaged in selling multiple product types. Notwithstanding, in consideration of the stable quality and production capacity, the Company's purchases appear to be concentrated for the time being. Notwithstanding, in order to mitigate the concentrated purchases, the Company is also working with other domestic and foreign suppliers which provide quality products proactively. The Company has maintained the long-term cooperative and dependent partnership with most main suppliers. With the stably growing sales performance, the Company's cooperative relationship with suppliers becomes more and more advantageous. Therefore, as far as the Company is concerned, there is no risk associated with excessive concentrated purchases.

2. For sales:

The customers to whom the amount of sales accounted for more than 10% of the Company's 2022 sales value accounted for 58% of the total sales less the sales in the related party transaction. The amount of sales to them accounted for 53% of the total sales in 2021. The Company's main customer structure remained unchanged. The changes in metal masks were primarily a result of the production line of OLED panels in China turning to engage in

mass production successively and localization of the supply chain, enabling the Company to benefit from establishment of the factory in HuangshI. The sales value of the microwave and semiconductor components business grew by 21% from the previous period in 2022, due to the booming supply chain of semiconductor and demand in the military industry. The sales value of thermal materials accounted for 10% of the total sales value in 2022. The Group's sales of metal mask, microwave and semiconductor component, thermal materials and precision cleaning businesses all accounted for more than 10% of the total operating revenue. Apparently, the Group was free from the concentrated sales.

- (X) Impact and risk on the Company due to major transfer or conversion of equity by directors, supervisors, or shareholders with more than 10% ownership interest, and responsive measures:

From the most recent year until the date of publication of the annual report, no significant changes have occurred upon transfer of the equity by the Company's directors and major shareholders with more than 10% ownership interest. Therefore, there is no impact or risk on the Company's business due to major transfer or conversion of equity.

- (XI) Impact and risks on the Company due to a change of the right of management: None.

- (XII) Litigious and non-litigious matters: If there has been any material impact upon shareholders' equity or prices for the Company's securities as a result of any litigation, non-litigious proceeding, or administrative dispute involving any of the Company's directors, supervisors, President, de facto responsible person, or major shareholders with a stake of more than 10 percent, and the matter was finalized or remained pending, please disclose the facts in dispute, amount in dispute, commencement date, main parties involved, and current status of the case until the date of publication of the annual report: None.

- (XIII) Other important risks and responsive measures:

1. Information security:

In order to support the Company's overall business development and ensure effective application of the information resource, and balance the security of information system and operation, the Company has taken the following protection measures: establishment of fire walls and information security software as the preventive network security protection mechanism, daily backup and periodic remote storage of the server data, establishment of the local synchronization system backup measures, periodic exercise of system restoration drills, and performance of information security evaluation each year to improve the information system's security protection ability and mitigate the damage caused to the information system effectively.

2. Labor health and safety:

The Company has adopted related EHS operation management regulations governing wastewater, drinking water, waste gas, waste, chemicals, water and electricity resources, stackers, lifting equipment and production equipment, etc., and also passed ISO 14001 certification to have the eco-friendly waste reduction, pollution prevention and zero labor disaster.

Occupational accidents in 2022

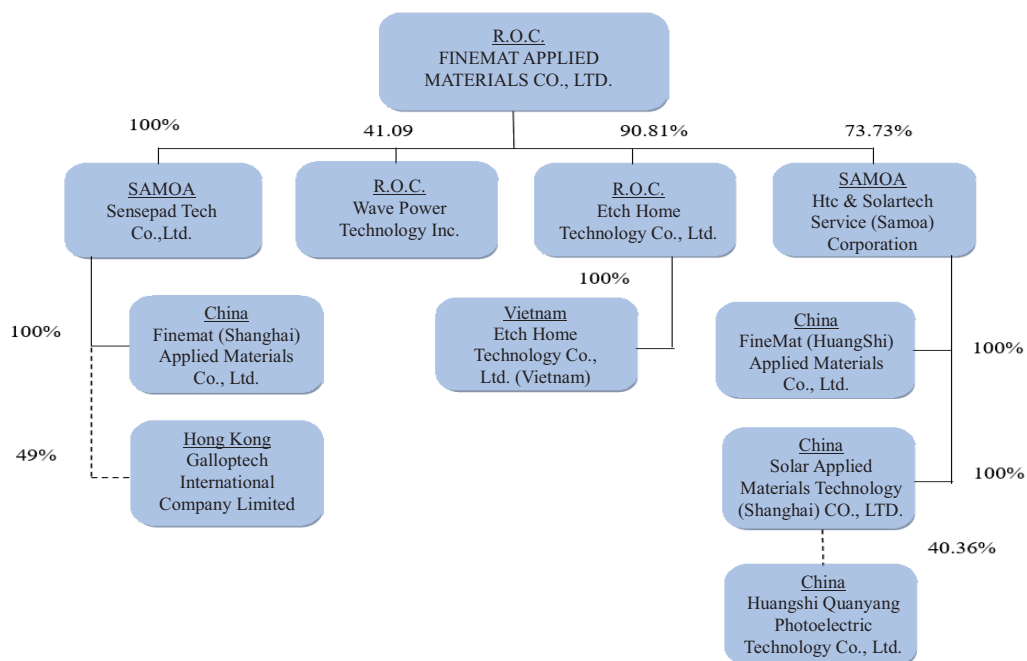
	Number of case	Number of person	As % of the employees	Related improvement measures
Disability accident	0 case	0 person	0	Not applicable.
Death accident	0 case	0 person	0	Not applicable.
Total	0 case	0 person	0	

- VII. Other important matters: None.

Eight. Special Notes

I. Information about affiliated companies:

(I) Organizational Chart of Affiliated Companies (December 31, 2022)



(II) Name, Date of Establishment, Address, Paid-in Capital and Main Business Lines of Affiliated Companies

December 31, 2022

Unit: NTD thousand or thousand in foreign currency

Name of Enterprise	Date of Establishment	Address	Paid-in capital	Main business or product lines
Sense Pad TECHCO., LTD.	February 15, 2007	Level 2, Lotemau Centre, Vaea Street, Apia, Samoa.	USD 750	General investment
Htc & Solartech Service (Samoa) Corporation	October 31, 2011	MF chambers, P.O. Box 3269, Apia, Samoa	USD11,631	General investment
Galloptech International Company Limited.	January 7, 2008	Unit B1, 2/F., Morlite Building 40 Hung To Road, Kwun Tong, Kowloon, Hong Kong.	HKD3,948	Sale of semiconductor equipment, electromechanical equipment and optical equipment, and after-sale service
Finemat (Shanghai) Applied Materials Co., Ltd.	August 8, 2016	Room A3069, Apt. 10, No. 1088, Fanghe Rd., Minhang Dist., Shanghai City	CNY3,000	Sale of electronic components and parts, general instruments and electronic materials
Solar Applied Materials Technology (Shanghai) CO., LTD.	May 9, 2012	Room 201, Apt. 4, No. 51, Chengyin Rd., Baoshan Dist., Shanghai City	USD1,000	Production of other metal products, electronic components and parts, computers and peripheral devices, and sale of electronic materials
FineMat (HuangShi) Applied Materials Co., Ltd.	October 12, 2017	No. 116, East Pengcheng Avenue, Economic-Technological Development Area, Huangshi City, Hubei Province	USD12,575	Production of other metal products, electronic components and parts, computers and peripheral devices, and sale of electronic materials
Wave Power Technology Inc.	December 31, 2002	Zhongzheng Rd., Neighborhood 11, Xinhua Vil., Tufen City, Miaoli County No. 31, Lane 598	310,000	Production and sale of microwave and semiconductor components and parts
Etch Home Technology Co., Ltd. (Vietnam)	November 24, 2010	No. 196, Changrong Rd., Zhangxin Vil., Luzhu Dist., Taoyuan City	47,000	Production and sale of electronic components and communication machine & equipment, wholesale and retail of electronic materials, telecommunications equipment and machine & equipment
Etch Home Technology Co., Ltd. (Vietnam)	August 21, 2020	Heping Province, Liangshan County, Heshanshe, No. 6 National Road, km36, Liangshan Industrial Park	USD4,680	Production and sale of electronic components and parts, communication machine & equipment, and other metal products
Huangshi Quanyang Photoelectric Technology Co., Ltd.	September 23, 2021	Room 402, R&D Bldg., Apt. B, No. 189, Jinshan Avenue, Tieshan Dist., Development Zone in Huangshi, Hubei Province	CNY29,736	Production and sale of other metal products, electronic materials and semiconductor components and parts

(III) Information about the same shareholder presumed to have control and affiliation: None.

(IV) Overall Relationship Between the Industries Covered by the Business Operations of the Affiliated Companies: production of the metal masks, pad printing molds and spare parts of LED TVs, NBs, mobile phones, semiconductors, contact lenses, medical parts and thermal modules, etc. requiring precision etching, spare parts cleaning and regeneration services, and microwave and semiconductor parts.

(V) Names of directors, supervisors and presidents of the affiliated companies, and their shareholdings in or capital contribution to the affiliated companies:

Company	Title	Name or representative	December 31, 2022 Shares held	
			Number of shares (share)	Shareholding %
Sense Pad TECH CO.,LTD.	Director	Representative of FINEMAT APPLIED MATERIALS CO., LTD.: Chao Ching-Hsiao	7,580,000	100.00
Htc & Solartech Service (Samoa) Corporation	Director	Representative of FINEMAT APPLIED MATERIALS CO., LTD.: Chao Ching-Hsiao	8,575,900	73.73
WAVE POWER. TECHNOLOGY INC.	Chairman	Representative of FINEMAT APPLIED MATERIALS CO., LTD.: Chao Ching-Hsiao	12,736,987	41.09
	Director-cum-President	Representative of FINEMAT APPLIED MATERIALS CO., LTD.: Chen Han-Ying		
	Director	Representative of FINEMAT APPLIED MATERIALS CO., LTD.: Li Fan-Chun		
GalloptechInternational Company Limited.	Director	Representative of Sense Pad TECH CO., LTD.: Chao Ching-Hsiao	1,934,400	49.00
Finemat (Shanghai) Applied Materials Co., Ltd.	Professional Computer Electronics (Shenzhen) Co., Ltd.	Representative of Sense Pad TECH CO., LTD.: Chao Ching-Hsiao	(Note)	100.00
	Supervisor	Representative of Sense Pad TECH CO., LTD.: Tsai Tsung-Hung		
Solar Applied Materials Technology (Shanghai) CO., LTD.	Executive Director and also President	Htc & Solartech Service(Samoa)Corporation Representative: Ni Hui-Min	(Note)	100.00
	Supervisor	Htc & Solartech Service(Samoa) Corporation Representative: Li Wei-Cheng		
FineMat (HuangShi) Applied Materials Co., Ltd.	Executive Director and also President	Htc & Solartech Service(Samoa) Corporation Representative: Ni Hui-Min	(Note)	100.00
	Supervisor	Htc & Solartech Service(Samoa) Corporation Representative: Li Wei-Cheng		
Etch Home Technology Co., Ltd. (Vietnam)	Chairman	Representative of FINEMAT APPLIED MATERIALS CO., LTD.: Chao Ching-Hsiao	4,268,000	90.81
	Director	Representative of FINEMAT APPLIED MATERIALS CO., LTD.: Li Fan-Chun		
	Director	Representative of FINEMAT APPLIED MATERIALS CO., LTD.: Chao Ching-Hsiao		
Etch Home Technology Co., Ltd. (Vietnam)	Professional Computer Electronics (Shenzhen) Co., Ltd.	Representative of Etch Home Technology Co., Ltd.: Chao Ching-Hsiao	4,680,000	100.00
Huangshi Quanyang Photoelectric Technology Co., Ltd.	Chairman	Representative of Solar Applied Materials Technology (Shanghai) CO., LTD.: Chao Ching-Hsiao	(Note)	40.36
	Director-cum-President	Representative of Solar Applied Materials Technology (Shanghai) CO., LTD.: Tsai Tsung-Hung		
	Supervisor	Representative of Solar Applied Materials Technology (Shanghai) CO., LTD.: Peng Ming-Liu		

Note: No information about shares is available, since it is a limited company.

(VI) Overview of operations of affiliated companies

Name	Capital (Note 1)	Total assets (Note 2)	Total liabilities (Note 2)	Net worth (Note 2)	Operating revenue (Note 2)	Operating income (Note 2)	Current income (after tax) (Note 2)	December 31, 2022; Unit: NTD thousand	
								Earnings per share (EPS) (after tax/NT\$)	
Sense Pad TECH CO.,LTD.	23,719	91,105	38,294	52,811	135,694	(2,791)	485	0.65	
Htc & Solartech Service (Samoa) Corporation	351,698	778,327	179,420	598,907	128,089	(7,874)	(2,983)	(0.26)	
GalloptechInternational Company Limited.	15,480	28,917	5,973	22,945	57,861	5,371	5,008	0.32	
Finemat (Shanghai) Applied Materials Co., Ltd.	12,817	77,533	38,294	39,239	139,817	(2,835)	(2,307)	(Note 3)	
Solar Applied Materials Technology (Shanghai)	CO., LTD.	30,710	244,431	3,297	241,134	34,811	2,219	(14,852)	
FineMat (HuangShi) Applied Materials Co., Ltd.	386,178	596,596	216,637	379,959	121,656	(10,295)	36,468		
WAVE POWER. TECHNOLOGY INC.	310,000	751,416	119,417	631,999	437,189	141,789	113,762	3.67	
Etch Home Technology Co., Ltd. (Vietnam)	47,000	261,955	173,647	88,307	130,321	(22,134)	(34,120)	(7.26)	
Etch Home Technology Co., Ltd. (Vietnam)	139,637	190,647	84,904	105,743	3,663	(18,833)	(23,278)	(Note 3)	
Huangshi Quanyang Photoelectric Technology Co., Ltd.	131,044	515,274	109,451	405,823	121,844	(40,682)	(39,394)	(Note 3)	

Note 1: If the affiliated company is a foreign company, its capital is converted into NTD at the historical exchange rate.

Note 2: If the affiliated company is a foreign company, the total assets and liabilities of it are presented in NTD converted at the foreign exchange rate prevailing on the reporting date. The operating revenue, operating income and current income are presented at NTD converted at the average foreign exchange rate in the current year.

Note 3: N/A, as it is a limited company.

(VII) Consolidated financial statements of affiliated companies: Please refer to Page 84 herein.

(VIII) Affiliation Report: N/A.

- II. Private placement of securities during the most recent year and up to the date of publication of the annual report: None.
- III. Holding or disposal of shares in the Company by the Company's subsidiaries during the most recent and up to the date of publication of the annual report: None.
- IV. Other Supplementary Notes: None.
- V. Any occurrences of events defined under Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act in the most recent year up till the date of publication of the annual report that significantly impacted shareholders' equity or security price: None.

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of FINEMAT APPLIED MATERIALS CO., LTD.

Opinion

We have audited the accompanying consolidated balance sheets of FINEMAT APPLIED MATERIALS CO., LTD. and its subsidiaries (collectively referred herein as the “Group”) as at December 31, 2022 and 2021, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, International Financial Reporting Interpretations Committee Interpretations, and Standing Interpretations Committee Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

Basis for opinion

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

Key audit matters

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

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

Valuation of impairment provision for accounts receivable

Description

Refer to Note 4(9) for the accounting policy on accounts receivable valuation, Note 5(2) for the information on accounting estimation and assumption uncertainty in relation to accounts receivable valuation, and Note 6(2) for details of impairment provision for accounts receivable and its disclosures. As of December 31, 2022, the balances of accounts receivable and impairment provision for accounts receivable were \$399,116 thousand and \$3,039 thousand, respectively.

The Group's provision policy on accounts receivable is based on a comprehensive evaluation of customer characteristics, historical collection experience, economic situation, and financial condition of the region where the customer is located. The Group applies the simplified approach using a provision matrix to estimate the loss rates for each aging range and recognizes the impairment losses accordingly.

The provision for accounts receivable, which is based on the estimation of loss rate, usually involves subjective judgment and contains estimation uncertainty. Considering that the Group's accounts receivable and its impairment provision are material to the financial statements, we considered the valuation of impairment provision for accounts receivable as one of the key audit matters.

How our audit addressed the matter

We performed the following audit procedures in response of the above key audit matter:

- A. Obtained an understanding of the reasonableness of the provision policy and procedure for accounts receivable.
- B. Verified whether the dates used in the aging reports that the Group applied to value accounts receivable were accurate.
- C. Selected samples and ascertained the reasonableness of loss rates of each aging range determined by management based on the provision policy.
- D. Tested the report used in the valuation of accounts receivable to assess the adequacy of allowance for uncollectible accounts.

Operating revenue - Cut-off of revenue from microwave semiconductor devices

Description

Refer to Note 4(27) for the accounting policy on revenue recognition, and Note 6(17) for details of operating revenue.

Operating revenue from microwave semiconductor devices are recognized at a point in time when the risk and rewards of the goods are transferred to customers upon acceptance according to the terms specified in the contracts. As the sales require confirmation as to whether the significant risk and rewards in relation to the ownership of the goods have been transferred to the customer, it involves manual procedures and subjective judgement. Given that there is a risk of material misstatement from improper revenue recognition, we considered the cut-off of revenue from microwave semiconductor devices a key audit matter in our audit.

How our audit addressed the matter

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

- A. Obtained an understanding and assessed the accounting policies of revenue recognition.
- B. Obtained an understanding and assessed the internal controls over revenue recognition on microwave semiconductor devices, and tested the effectiveness of internal controls including the delivery process and the timing of revenue recognition.
- C. Performed cut-off tests on sales revenue transactions that took place during a certain period before and after the balance sheet date to ascertain whether the revenue was recognized when risk and rewards of goods have been transferred and revenue was recognized and recorded in the proper period.

Other matter - Parent company only financial statements

We have audited and expressed an unqualified opinion on the parent company only financial statements of FINEMAT APPLIED MATERIALS CO., LTD. as at and for the years ended December 31, 2022 and 2021.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, International Financial Reporting Interpretations Committee Interpretations, and Standing Interpretations Committee Interpretations that came into effect as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including 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:

- A. 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.

- B. 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.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- D. 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.
- E. 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.
- F. Obtain sufficient appropriate audit evidence regarding the consolidated financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period 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.

Lin, Tzu-shu

Independent Accountants

Lin, Yung-Chih

PricewaterhouseCoopers, Taiwan

Republic of China

March 15, 2023

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

FINEMAT APPLIED MATERIALS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Assets			December 31, 2022		December 31, 2021	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 565,971	18	\$ 451,077	17
1136	Financial assets at amortized cost - current	6(1) and 8	9,800	-	62,100	3
1140	Current contract assets	6(17)	17,866	1	18,418	1
1150	Notes receivable, net	6(2) and 7	3,128	-	4,666	-
1170	Accounts receivable, net	6(2), 7 and 12	396,077	13	300,047	11
1200	Other receivables		5,160	-	5,766	-
1210	Other receivables - related parties	7	59,033	2	-	-
1220	Current income tax assets	6(24)	122	-	-	-
130X	Inventories	6(3)	281,392	9	166,742	6
1410	Prepayments		43,235	1	30,137	1
1476	Other current financial assets	6(1) and 8	1,036	-	1,028	-
11XX	Total current assets		1,382,820	44	1,039,981	39
Non-current assets						
1535	Financial assets at amortized cost - non-current	6(1) and 8	4,700	-	-	-
1550	Investments accounted for under equity method	6(4)	149,782	5	60,770	2
1600	Property, plant and equipment	6(5)(6)(9), 7 and 8	1,350,136	43	1,304,085	49
1755	Right-of-use assets	6(5)(6) and 8	64,493	2	66,389	3
1760	Investment property, net	6(7)(9) and 8	584	-	890	-
1780	Intangible assets	6(8)	65,964	2	74,536	3
1840	Deferred income tax assets	6(24)	45,100	2	40,945	2
1915	Prepayments for equipment	6(5)	21,660	1	26,187	1
1920	Guarantee deposits paid	6(5) and 8	24,251	1	30,012	1
1990	Other non-current assets		5,146	-	5,852	-
15XX	Total non-current assets		1,731,816	56	1,609,666	61
1XXX	Total assets		\$ 3,114,636	100	\$ 2,649,647	100

(Continued)

FINEMAT APPLIED MATERIALS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			December 31, 2022		December 31, 2021	
			AMOUNT	%	AMOUNT	%
Liabilities						
Current liabilities						
2100	Short-term borrowings	6(10) and 8	\$ 510,617	16	\$ 192,994	7
2130	Current contract liabilities	6(17)	6,142	-	530	-
2150	Notes payable		34	-	7,930	-
2170	Accounts payable		117,477	4	96,711	4
2180	Accounts payable - related parties	7	54,034	2	9,575	-
2200	Other payables	6(11)	151,566	5	106,684	4
2220	Other payables - related parties	7	273	-	41,796	2
2230	Current income tax liabilities	6(24)	19,030	1	24,219	1
2250	Current provisions		859	-	512	-
2280	Current lease liabilities		3,162	-	3,491	-
2320	Long-term liabilities, current portion	6(12) and 8	126,658	4	176,834	7
21XX	Total current liabilities		989,852	32	661,276	25
Non-current liabilities						
2540	Long-term borrowings	6(12) and 8	259,579	8	260,102	10
2570	Deferred income tax liabilities	6(24)	23,500	1	24,782	1
2580	Non-current lease liabilities		1,658	-	4,495	-
25XX	Total non-current liabilities		284,737	9	289,379	11
2XXX	Total liabilities		1,274,589	41	950,655	36
Equity attributable to owners of parent						
Share capital						
3110	Common stock	6(14)	663,898	21	663,898	25
Capital reserves						
3200	Capital surplus	6(4)(15)(26)	503,465	16	396,701	15
Retained earnings						
3310	Legal reserve	6(16)(26)	41,495	1	38,886	2
3320	Special reserve		16,526	1	13,982	1
3350	Unappropriated retained earnings		93,936	3	140,650	5
3400	Other equity interest	6(4)	(10,808)	-	(16,525)	(1)
3500	Treasury stocks	6(14)	(24,187)	(1)	(24,187)	(1)
31XX	Equity attributable to owners of the parent		1,284,325	41	1,213,405	46
36XX	Non-controlling interest	4(3), 6(4)(26) and 7	555,722	18	485,587	18
3XXX	Total equity		1,840,047	59	1,698,992	64
Significant Contingent Liabilities and Unrecognized Contract Commitments						
Total liabilities and equity			\$ 3,114,636	100	\$ 2,649,647	100

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

FINEMAT APPLIED MATERIALS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except for (loss) earnings per share amounts)

	Items	Notes	Year ended December 31			
			2022		2021	
			AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(17) and 7	\$ 1,250,628	100	\$ 856,083	100
5000	Operating costs	6(3)(8)(13)(22)(23) and 7	(929,447)	(74)	(569,662)	(66)
5900	Gross profit		321,181	26	286,421	34
	Operating expenses	6(8)(13)(22)(23), 7 and 12	(299,449)	(24)	(222,737)	(26)
6100	Selling expenses		(55,341)	(5)	(42,467)	(5)
6200	General and administrative expenses		(163,749)	(13)	(118,935)	(14)
6300	Research and development expenses		(79,164)	(6)	(70,471)	(8)
6450	Expected credit impairment (loss) gain		(1,195)	-	9,136	1
6000	Total operating expenses		(299,449)	(24)	(222,737)	(26)
6900	Operating profit		21,732	2	63,684	8
	Non-operating income and expenses					
7100	Interest income	6(18)	2,569	-	1,256	-
7010	Other income	6(6)(19) and 7	47,436	4	38,906	5
7020	Other gains and losses	6(6)(7)(20), 7 and 12	6,900	-	(821)	-
7050	Finance costs	6(5)(6)(21)	(16,529)	(1)	(6,376)	(1)
7060	Share of (loss) profit of associates and joint ventures accounted for under equity method	6(4)	(14,738)	(1)	1,107	-
7000	Total non-operating income and expenses		25,638	2	34,072	4
7900	Profit before income tax		47,370	4	97,756	12
7950	Income tax expense	6(24)	(24,661)	(2)	(23,099)	(3)
8200	Profit for the year		<u>\$ 22,709</u>	<u>2</u>	<u>\$ 74,657</u>	<u>9</u>
	Other comprehensive income (loss) (Net Components of other comprehensive income (loss) that will be reclassified to profit or loss)					
8361	Financial statements translation differences of foreign operations		\$ 35,224	2	(\$ 907)	-
8370	Share of other comprehensive loss of associates and joint ventures accounted for under equity method - will be reclassified to profit or loss	6(4)	(26,154)	(2)	(3,228)	(1)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	6(24)	(1,578)	-	1,064	-
8300	Other comprehensive income (loss) for the year		<u>\$ 7,492</u>	<u>-</u>	<u>(\$ 3,071)</u>	<u>(1)</u>
8500	Total comprehensive income for the year		<u>\$ 30,201</u>	<u>2</u>	<u>\$ 71,586</u>	<u>8</u>
	(Loss) profit attributable to:					
8610	Owners of the parent		(\$ 36,049)	(3)	\$ 26,094	3
8620	Non-controlling interest		58,758	5	48,563	6
	Profit for the year		<u>\$ 22,709</u>	<u>2</u>	<u>\$ 74,657</u>	<u>9</u>
	Comprehensive (loss) income attributable to:					
8710	Owners of the parent		(\$ 30,332)	(3)	\$ 23,551	2
8720	Non-controlling interest		60,533	5	48,035	6
	Total comprehensive income for the year		<u>\$ 30,201</u>	<u>2</u>	<u>\$ 71,586</u>	<u>8</u>
	(Loss) earnings per share (in dollars)	6(25)				
9750	Basic		(\$ 0.55)		\$ 0.39	
9850	Diluted		(\$ 0.55)		\$ 0.39	

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

FINEMAT APPLIED MATERIALS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Equity attributable to owners of the parent							Non-controlling interest	Total	Total equity
	Notes	Retained Earnings		Other Equity		Treasury shares				
		Share capital - common stock	Total capital surplus, additional paid-in capital	Legal reserve	Special reserve		Total unappropriated retained earnings (accumulated deficit)				Interest Financial statements translation differences of foreign operations
Year ended December 31, 2021										
Balance at January 1, 2021		\$ 663,898	\$ 396,582	\$ 38,401	\$ 17,586	\$ 144,632	(\$ 13,982)	\$ -	\$ 1,247,117	\$ 1,698,673
Profit for the year		-	-	-	-	26,094	-	-	26,094	74,657
Other comprehensive loss for the year		-	-	-	-	-	(2,543)	-	(528)	(3,071)
Total comprehensive income (loss) for the year		-	-	-	-	26,094	(2,543)	-	23,551	71,586
Appropriations of 2020 earnings:										
Legal reserve		-	-	485	-	(485)	-	-	-	-
Special reserve		-	-	-	(3,604)	3,604	-	-	-	-
Cash dividends	6(16)	-	-	-	-	(33,195)	-	-	(33,195)	(33,195)
Adjustment for change in capital reserve of investee companies	6(15)	-	119	-	-	-	-	-	119	281
Acquisition of treasury stocks	6(14)	-	-	-	-	-	-	(24,187)	(24,187)	(24,187)
Decrease in non-controlling interest	4(3)	-	-	-	-	-	-	-	-	(32,243)
Effect of business combination		-	-	-	-	-	-	-	-	18,077
Balance at December 31, 2021		\$ 663,898	\$ 396,701	\$ 38,886	\$ 13,982	\$ 140,650	(\$ 16,525)	(\$ 24,187)	\$ 1,213,405	\$ 1,698,992
Year ended December 31, 2022										
Balance at January 1, 2022		\$ 663,898	\$ 396,701	\$ 38,886	\$ 13,982	\$ 140,650	(\$ 16,525)	(\$ 24,187)	\$ 1,213,405	\$ 1,698,992
(Loss) profit for the year		-	-	-	-	(36,049)	-	-	(36,049)	22,709
Other comprehensive income for the year		-	-	-	-	-	5,717	-	5,717	7,492
Total comprehensive income (loss) for the year		-	-	-	-	(36,049)	5,717	-	(30,332)	30,201
Adjustment of capital reserve due to change in interest of investee companies	6(4)(15)	-	95,778	-	-	-	-	-	95,778	129,904
Adjustment for change in capital reserve of investee companies	6(15)	-	274	-	-	-	-	-	274	664
Adjustment of retained earnings due to change in interest of subsidiaries	6(26)	-	-	-	-	(4,449)	-	-	(4,449)	-
Adjustment of capital reserve and retained earnings due to change in interests of investee companies	6(15)(26)	-	(2,070)	-	-	(1,063)	-	-	(3,133)	(3,450)
Difference between acquisition or disposal price and carrying amounts of subsidiaries	6(15)(26)	-	12,782	-	-	-	-	-	12,782	10,087
Appropriations of 2021 earnings										
Legal reserve		-	-	2,609	-	(2,609)	-	-	-	-
Special reserve		-	-	-	2,544	(2,544)	-	-	-	-
Decrease in non-controlling interest		-	-	-	-	-	-	-	-	(26,351)
Balance at December 31, 2022		\$ 663,898	\$ 503,465	\$ 41,495	\$ 16,526	\$ 93,936	(\$ 10,808)	(\$ 24,187)	\$ 1,284,325	\$ 1,840,047

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

FINEMAT APPLIED MATERIALS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 47,370	\$ 97,756
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit impairment loss (gain)	12	1,195	(9,136)
Loss on inventory market price decline	6(3)	4,051	2,850
Share of profit (loss) of associates and joint ventures accounted for under equity method	6(4)	14,738	(1,107)
Gain recognized in bargain purchase transaction	6(19)(28)	-	(6,384)
Depreciation	6(5)(6)(7)	113,333	90,180
(Gain) loss on disposal of property, plant and equipment	6(20)	(548)	388
Property, plant and equipment transferred to expense	6(5)	-	100
Gain from lease modification	6(6)(20)	-	(4)
Revenue on rent concession	6(6)(19)	-	(190)
Amortization	6(8)(22)	11,895	11,273
Interest income	6(18)	(2,569)	(1,256)
Interest expense	6(21)	16,529	6,376
Changes in assets and liabilities			
Changes in operating assets			
Current contract assets		552	(18,418)
Notes receivable		1,538	6,285
Accounts receivable	(	97,241)	(114,103)
Other receivables		606	(5,260)
Other receivables - related parties	(	59,033)	-
Inventories	(	118,701)	(27,543)
Prepayments	(	13,098)	28,871
Changes in operating liabilities			
Current contract liabilities		5,612	(1,105)
Notes payable	(	7,896)	141
Accounts payable		20,766	47,906
Accounts payable - related parties		44,459	(2,178)
Other payables		24,808	11,899
Other payables - related parties		171	181
Current provisions		347	246
Cash inflow generated from operations		8,884	117,768
Interest received		2,569	1,256
Interest paid	(	12,569)	(6,183)
Income tax paid	(	36,987)	(16,908)
Net cash flows (used in) from operating activities	(	38,103)	95,933

(Continued)

FINEMAT APPLIED MATERIALS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2022	2021
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Decrease (increase) in financial assets at amortized cost		\$ 47,600	(\$ 62,100)
(Increase) decrease in other financial assets - current		(8)	992
Acquisition of investments accounted for under equity method	6(4)	-	(52,338)
Cash paid for acquisition of property, plant and equipment	6(28)	(144,208)	(236,862)
Interest paid for acquisition of property, plant and equipment	6(5)(21)(28)	-	(208)
Proceeds from disposal of property, plant and equipment		15,163	2,789
Acquisition of intangible assets	6(8)	(3,251)	(4,252)
Increase in prepayments for equipment		(18,747)	(18,576)
Decrease (increase) in guarantee deposits paid		5,761	(16,053)
Decrease in other current financial assets		-	5,000
Decrease (increase) in other non-current assets		706	(462)
Cash paid for the acquisition of subsidiaries	6(28)	-	(23,843)
Net cash flows used in investing activities		(96,984)	(405,913)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings	6(29)	1,619,302	507,633
Decrease in short-term borrowings	6(29)	(1,310,240)	(403,592)
Decrease in other payables - related parties		(14,484)	-
Payments of lease liabilities	6(29)	(3,647)	(3,501)
Increase in long-term borrowings	6(29)	115,704	198,886
Decrease in long-term borrowings	6(29)	(170,024)	(66,398)
Payment of cash dividends	6(16)	-	(33,195)
Acquisition of treasury stocks	6(14)	-	(24,187)
Decrease in non-controlling interests		(26,351)	(32,243)
Net cash flows from financing activities		210,260	143,403
Effect of exchange rate changes on cash and cash equivalents		39,721	(2,129)
Net increase (decrease) in cash and cash equivalents		114,894	(168,706)
Cash and cash equivalents at beginning of year	6(1)	451,077	619,783
Cash and cash equivalents at end of year	6(1)	\$ 565,971	\$ 451,077

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

FINEMAT APPLIED MATERIALS CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

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

1. HISTORY AND ORGANIZATION

- (1) FineMat Applied Materials Co., Ltd. (the “Company”) was incorporated on May 25, 2007 as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) and other relevant regulations. The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in the manufacture of electronic components and computers and its peripherals, duplication of data storage media, wholesale of electronic materials, secondary processing of steel materials, and other metal products, microwave and semiconductor devices and provide services for precision equipment clearing and recycling.
- (2) The common shares of the Company have been listed on the Taiwan Stock Exchange since November 25, 2019.

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

These consolidated financial statements were authorized for issuance by the Board of Directors on March 15, 2023.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

- (1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC and became effective from 2022 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board (“IASB”)
Amendments to IFRS 3, ‘Reference to the conceptual framework’	January 1, 2022
Amendments to IAS 16, ‘Property, plant and equipment: proceeds before intended use’	January 1, 2022
Amendments to IAS 37, ‘Onerous contracts–cost of fulfilling a contract’	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

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

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by IASB
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, 'Lease liability in a sale and leaseback'	January 1, 2024
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9—comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

- A. The consolidated financial statements have been prepared under the historical cost convention.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5, ‘Critical accounting judgements, estimates and key sources of assumption uncertainty’.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealized gains or losses on transactions between company within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. 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.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial

recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Business activities	Ownership (%)		Note
			December 31, 2022	December 31, 2021	
FineMat Applied Materials Co., Ltd. ("FineMat")	Sense Pad TECH. CO., LTD. ("Sense Pad")	Professional investment	100.00	100.00	-
FineMat Applied Materials Co., Ltd. ("FineMat")	HTC & Solartech Service (Samoa) Corporation ("HTC")	Professional investment	73.73	73.73	-
FineMat Applied Materials Co., Ltd. ("FineMat")	WAVE POWER TECHNOLOGY INC. ("WAVE POWER")	Manufacture and sales of microwaves and semiconductor components	41.09	42.22	Note 1
FineMat Applied Materials Co., Ltd. ("FineMat")	ETCH HOME TECHNOLOGY CO., LTD. ("ETCH HOME")	Manufacture and sales of electronic components and communication equipment and apparatus, and wholesale and retail of electronic materials, telecommunication apparatus and machinery and tools	90.81	80.36	Note 2
Sense Pad TECH. CO., LTD. ("Sense Pad")	FineMat (Shanghai) Applied Material ("FineMat (Shanghai)")	Sales of electronic components, general instrument and electronic materials	100.00	100.00	-
HTC & Solartech Service (Samoa) Corporation ("HTC")	Solar Applied Materials Technology (Shanghai) Co., Ltd. ("Solar (Shanghai)")	Manufacture of other metal products, electronic components, computers and its peripherals, and sales of electronic materials	100.00	100.00	-

Name of investor	Name of subsidiary	Business activities	Ownership (%)		Note
			December 31, 2022	December 31, 2021	
HTC & Solartech Service (Samoa) Corporation (“HTC”)	FineMat (HuangShi) Applied Material (“FineMat (HuangShi)”)	Manufacture of other metal products, electronic components, computers and its peripherals, and sales of electronic materials	100.00	100.00	-
ETCH HOME TECHNOLOGY CO., LTD. (“ETCH HOME”)	VN ETCH HOME TECHNOLOGY COMPANY LTD (“VN ETCH HOME”)	Manufacture and sales of electronic components and communication equipment and apparatus, and wholesale and retail of electronic materials, telecommunication apparatus and machinery and tools	100.00	70.00	Note 3

(Note 1) In August 2022, the subsidiary, WAVE POWER, filed for an initial public offering with the Taipei Exchange. As part of the public process, the Group allowed its underwriter to exercise the overallotment option. Refer to Note 6(26) for the transactions with non-controlling interest.

(Note 2) In December 2021, the Group acquired an 80.36% equity interest in ETCH HOME for a cash consideration of \$49,504 and obtained control over ETCH HOME and its subsidiaries. In January 2022, the Company participated in the capital increase of ETCH HOME, resulting in an increase in its shareholding ratio to 90.81% at the end of the year.

(Note 3) In January 2022, in order to develop the thermal module business and strengthen the equity structure, the Group acquired the remaining 30% equity interest in VN ETCH HOME for a cash consideration of \$14,934.

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

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

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interest that are material to the Group:

(a) As of December 31, 2022 and 2021, the non-controlling interest of the Group amounted to \$555,722 and \$485,587, respectively. The information on non-controlling interest and respective subsidiaries is as follows:

Name of subsidiary	Principal location of business	Non-controlling interest December 31, 2022		Description
		Amount	Ownership (%)	
WAVE POWER	Taiwan	\$ 389,277	58.91%	(Note 1)
Htc and its subsidiaries	Samoa	157,333	26.27%	—
ETCH HOME and its subsidiaries	Taiwan	9,112	9.19%	(Note 2)
		<u>\$ 555,722</u>		

Name of subsidiary	Principal location of business	Non-controlling interest December 31, 2021		Description
		Amount	Ownership (%)	
WAVE POWER	Taiwan	\$ 363,227	57.78%	(Note 1)
Htc and its subsidiaries	Samoa	103,838	26.27%	—
ETCH HOME and its subsidiaries	Taiwan	18,522	19.64%	(Note 2)
		<u>\$ 485,587</u>		

(Note 1) Refer to Note 4(3) B, ‘Subsidiaries included in the consolidated financial statements’ (Note 1).

(Note 2) Refer to Note 4(3) B, ‘Subsidiaries included in the consolidated financial statements’ (Note 2).

(b) Summarized financial information of the subsidiaries:

WAVE POWER TECHNOLOGY INC.

I. Balance sheets

	December 31, 2022	December 31, 2021
Current assets	\$ 529,375	\$ 457,099
Non-current assets	222,041	218,664
Current liabilities	(119,417)	(80,456)
Non-current liabilities	-	(234)
Total net assets	<u>\$ 631,999</u>	<u>\$ 595,073</u>

II. Statements of comprehensive income

	For the years ended December 31,	
	2022	2021
Revenue	<u>\$ 437,189</u>	<u>\$ 362,191</u>
Profit before income tax	142,640	112,357
Income tax expense	(28,878)	(21,977)
Net income	<u>\$ 113,762</u>	<u>\$ 90,380</u>
Total comprehensive income	<u>\$ 113,762</u>	<u>\$ 90,380</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 62,987</u>	<u>\$ 48,918</u>
Dividends paid to non-controlling interest	<u>\$ 44,782</u>	<u>\$ 32,243</u>

III. Statements of cash flows

	For the years ended December 31,	
	2022	2021
Net cash provided by operating activities	\$ 21,313	\$ 70,716
Net cash provided by (used in) investing activities	31,623 (	97,531)
Net cash used in financing activities	(77,588)	(46,308)
Decrease in cash and cash equivalents	(24,652)	(73,123)
Cash and cash equivalents at beginning of year	222,523	295,646
Cash and cash equivalents at end of year	\$ 197,871	\$ 222,523

Htc & Solartech Service (Samoa) Corporation and its subsidiaries

I. Balance sheets

	December 31, 2022	December 31, 2021
Current assets	\$ 226,159	\$ 126,153
Non-current assets	552,168	488,160
Current liabilities	(121,274)	(182,591)
Non-current liabilities	(58,146)	(36,450)
Total net assets	\$ 598,907	\$ 395,272

II. Statements of comprehensive income

	For the years ended December 31,	
	2022	2021
Revenue	\$ 128,089	\$ 152,399
Loss before income tax	(1,290)	(1,852)
Income tax expense	(1,693)	(12)
Net loss	(2,983)	(1,864)
Other comprehensive income (loss), net of tax	6,556	(3,189)
Total comprehensive income (loss)	\$ 3,573	(\$ 5,053)
Comprehensive income (loss) attributable to non-controlling interest	\$ 939	(\$ 1,327)
Dividends paid to non-controlling interest	\$ -	\$ -

III. Statements of cash flows

	For the years ended December 31,	
	2022	2021
Net cash provided by operating activities	\$ 1,949	\$ 90,882
Net cash used in investing activities	(17,893)	(144,650)
Net cash provided by (used in) financing activities	81,193	(5,271)
Increase (decrease) in cash and cash equivalents	65,249	(59,039)
Cash and cash equivalents at beginning of year	61,672	120,711
Cash and cash equivalents at end of year	<u>\$ 126,921</u>	<u>\$ 61,672</u>

ETCH HOME TECHNOLOGY CO., LTD., and its subsidiaries

I. Balance sheets

	December 31, 2022	December 31, 2021
Current assets	\$ 164,987	\$ 64,572
Non-current assets	180,500	105,342
Current liabilities	(223,679)	(75,354)
Non-current liabilities	(33,501)	(28,517)
Total net assets	<u>\$ 88,307</u>	<u>\$ 66,043</u>

II. Statements of comprehensive income

	For the years ended December 31,	
	2022	2021
Revenue	<u>\$ 130,926</u>	<u>\$ 52,748</u>
(Loss) profit before income tax	(\$ 40,760)	\$ 32,668
Income tax benefit (expense)	6,445	(7,628)
Net (loss) income	(34,315)	25,040
Other comprehensive income (loss), net of tax	595	(1,713)
Total comprehensive (loss) income	<u>(\$ 33,720)</u>	<u>\$ 23,327</u>
Comprehensive (loss) income attributable to non-controlling interest	<u>(\$ 3,931)</u>	<u>\$ 24,492</u>
Dividends paid to non-controlling interest	<u>\$ -</u>	<u>\$ -</u>

III. Statements of cash flows

	For the years ended December 31,	
	2022	2021
Net cash provided by operating activities	\$ 64,252	\$ 21,341
Net cash used in investing activities	(165,805)	(76,943)
Net cash provided by financing activities	163,351	19,267
Increase (decrease) in cash and cash equivalents	61,798	(36,335)
Cash and cash equivalents at beginning of year	18,457	54,792
Cash and cash equivalents at end of year	\$ 80,255	\$ 18,457

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - I. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - II. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - III. All resulting exchange differences are recognized in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realized within 12 months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than 12 months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
 - (a) Liabilities that are expected to be settled within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be settled within 12 months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than 12 months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

- A. Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amount of cash and subject to an insignificant risk of changes in value.
- B. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitment in operations are classified as cash equivalents.

(7) Financial assets at amortized cost

Financial assets at amortized cost are those that meet all of the following criteria:

- A. The objective of the Group's business model is achieved by collecting contractual cash flow.
- B. The assets' contractual cash flow represent solely payments of principal and interest.

(8) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(9) Impairment of financial assets

For financial assets at amortized cost, at each reporting date, the Group recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses ("ECLs") if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Group recognizes the impairment provision for lifetime ECLs.

(10) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(11) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expense. When the cost of inventory is lower than net realized value, a write-down is provided and recognized in operating costs. If the circumstances that caused the write-down cease to exist, such that all or part of the write-down is no longer needed, it should be reversed to that extent and recognized as deduction of operating costs.

(12) Investments accounted for using the equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes the Group's share of change in equity of the associate in 'capital reserves' in proportion to its ownership.
- D. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(13) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

<u>Asset name</u>	<u>Useful lives</u>
Buildings and structures	3 ~ 50 years
Machinery and equipment	2 ~ 15 years
Instruments and equipment	1 ~ 10 years
Transportation equipment	3 ~ 15 years
Office equipment	1 ~ 30 years
Other equipment	2 ~ 12 years

(14) Leasing arrangements (lessee) — right-of-use assets/lease liabilities

- A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable. The Group subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
- (a) The amount of the initial measurement of lease liability;
 - (b) Any lease payments made at or before the commencement date; and
 - (c) Any initial direct costs incurred by the lessee.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

(15) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Investment property is depreciated on a straight-line basis over its estimated useful life of 10 ~ 50 years.

(16) Intangible assets

A. Computer software

Computer software is stated initially at cost and amortized on a straight-line basis over its estimated useful life of 3 ~ 10 years.

B. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method.

C. Other intangible assets

Expertise and customer relation acquired in business combination are recognized at fair value at the acquisition date and are amortized on a straight-line basis over their estimated lives of 7~ 17 year.

(17) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(18) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(19) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(20) Derecognition of financial liabilities

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

(21) Offsetting financial instruments

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

(22) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognized as interest expense. Provisions are not recognized for future operating losses.

(23) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expense in that period when the employees render service.

B. Pensions

For defined contribution plans, the contributions are recognized as pension expense when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(24) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.
- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognized for the unused tax losses to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(25) Share capital

- A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.
- B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(26) Dividends

Cash dividends are recorded as liabilities in the Company's financial statements in the period in which they are resolved by the Board of Directors. Stock dividends are recorded as stock dividends to be distributed in which they are resolved by the Company's shareholders, and are reclassified to ordinary shares on the effective date of new shares issuance.

(27) Revenue recognition

A. Sales of goods

- (a) Sales are recognized when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- (b) Sales revenue is recognized based on the contract price, net of the estimated sales taxes, returns and discounts. For collection terms for sales transactions, as the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.
- (c) A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Sales of service

- (a) The Group provides equipment cleaning services. Revenue from providing services is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual costs performed to the end of the reporting period relative to the total estimated service costs.

- (b) The Group's estimate about revenue, costs and progress towards complete satisfaction of a performance obligation is subject to a revision whenever there is a change in circumstances. Any increase or decrease in revenue or costs due to an estimate revision is reflected in profit or loss during the period when the management become aware of the changes in circumstances.

(28) Business combinations

- A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.
- B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquiree recognized and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognized directly in profit or loss on the acquisition date.

(29) Government grants

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

(30) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Group's chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these parent company only financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

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

None.

(2) Critical accounting estimates and assumptions

Valuation of accounts receivable

A. The Group considers customers' characteristics, incorporates the forecast ability, historical collection experience and economic situation, financial condition of the region where the customer is located, and applies under the simplified approach using a provision matrix to estimate the expected credit losses. Since the amount of impairment loss is measured and calculated based on the loss rates established for that assets, significant impairment losses may incur if the future expected credit losses are greater than expected.

B. As of December 31, 2022, the carrying amount of accounts receivable (including related parties) amounted to \$396,077.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash:		
Cash on hand	\$ 738	\$ 672
Demand deposits	<u>547,605</u>	<u>424,347</u>
	<u>\$ 548,343</u>	<u>\$ 425,019</u>
Cash Equivalents:		
Time deposits	<u>17,628</u>	<u>26,058</u>
	<u>\$ 565,971</u>	<u>\$ 451,077</u>

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. Details of the Group's cash and cash equivalents pledged to others as collateral (shown as 'financial assets at amortized cost-current', 'other current financial assets' and 'financial assets at amortized cost-non-current') are described in Note 8.

(2) Notes and accounts receivable, net

	December 31, 2022	December 31, 2021
Notes receivable	\$ 3,128	\$ 4,666
Accounts receivable	\$ 399,116	\$ 301,875
Less: Allowance for doubtful accounts	(3,039)	(1,828)
	<u>\$ 396,077</u>	<u>\$ 300,047</u>

A. As of December 31, 2022 and 2021, the Group's notes receivable were not past due.

B. The ageing analysis of the Group's notes and accounts receivable is as follows:

	December 31, 2022	December 31, 2021
Not past due	\$ 372,186	\$ 276,003
Up to 30 days	15,991	14,088
31 to 90 days	8,679	10,223
91 to 180 days	435	-
Over 181 days	1,825	1,561
	<u>\$ 399,116</u>	<u>\$ 301,875</u>

The above ageing analysis was based on past due date.

C. As of December 31, 2022 and 2021, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2021, the balance of receivables from contracts with customers amounted to \$177,125.

D. As of December 31, 2022 and 2021, the Group did not hold any collateral as security for notes receivable and accounts receivable.

E. As of December 31, 2022 and 2021, the Group has no accounts and notes receivable pledged to others.

F. Information relating to credit risk of notes receivable and accounts receivable is provided in Note 12(2), 'Financial instruments'.

(3) Inventories

	December 31, 2022		
	Cost	Allowance for market price decline	Book value
Merchandise	\$ 12,169	(\$ 57)	\$ 12,112
Raw materials	186,681	(20,395)	166,286
Supplies	2,943	(508)	2,435
Work in progress	55,041	(1,060)	53,981
Finished goods	51,012	(4,434)	46,578
	<u>\$ 307,846</u>	<u>(\$ 26,454)</u>	<u>\$ 281,392</u>

	December 31, 2021		
	Cost	Allowance for market price decline	Book value
Merchandise	\$ 16,094	(\$ 57)	\$ 16,037
Raw materials	128,620	(18,809)	109,811
Supplies	3,034	(618)	2,416
Work in progress	22,172	(1,140)	21,032
Finished goods	19,225	(1,779)	17,446
	<u>\$ 189,145</u>	<u>(\$ 22,403)</u>	<u>\$ 166,742</u>

The cost of inventories recognized as expense for the year:

	For the years ended December 31,	
	2022	2021
Cost of goods sold	\$ 930,020	\$ 566,812
Allowance for inventory market price decline	4,051	2,850
Underapplied fixed manufacturing overhead	1,184	-
Revenue from sales of scraps	(5,808)	-
	<u>\$ 929,447</u>	<u>\$ 569,662</u>

(4) Investments accounted for under the equity method

A. Movements in investments accounted for under equity method are as follows:

	For the years ended December 31,	
	2022	2021
At January 1	\$ 60,770	\$ 10,553
Addition of investments accounted for under equity method	-	52,338
Share of profit (loss) of associates and joint ventures accounted for under equity method	(14,738)	1,107
Changes in capital reserves — Adjustment of retained earnings due to change in interests of subsidiaries (Note)	129,904	-
Other equity interest - financial statements translation differences of foreign operations	(26,154)	(3,228)
At December 31	<u>\$ 149,782</u>	<u>\$ 60,770</u>

(Note) FineMat Optoelectronics (HuangShi) Applied Materials Co., LTD. (“FineMat Optoelectronics”) increased its capital for the year ended December 31, 2022. The Group did not acquire shares proportionally to its interest, which decreased the Group’s ownership

percentage in FineMat Optoelectronics from 50.8475% to 40.36%. The Group recognized the change in the investment accounted for under equity method not proportionate to its ownership (shown as “capital reserves”) and an increase in non-controlling interest amounting to \$95,778 and \$34,126, respectively.

B. Details of investments accounted for under equity method:

<u>Name of investee companies</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Associates		
FineMat Optoelectronics (HuangShi) Applied Materials Co., LTD. (Note)	\$ 138,629	\$ 50,851
Galloptech International Company Limited	11,153	9,919
	<u>\$ 149,782</u>	<u>\$ 60,770</u>

(Note)The Group held a 40.36% equity interest in FineMat Optoelectronics. Considering the quantity and distribution of voting rights between the Group and other shareholders, evaluating the control that the Group and other shareholders have over the market operation resources in the local country and assessing the operational policy-making process, there is no specific indicator which indicates that the Group has control over the investee and the Group has no current ability to direct the relevant activities of the investee. Thus, the Group has no control, but only has significant influence, over the investee.

C. The summarized financial information of the associates that are material to the Group is as follows:

(a) FineMat Optoelectronics (HuangShi) Applied Materials Co., LTD.

Balance sheet

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current assets	\$ 281,950	\$ 99,889
Non-current assets	233,323	1,547
Current liabilities	(109,451)	(1,428)
Non-current liabilities	-	-
Total net assets	<u>\$ 405,822</u>	<u>\$ 100,008</u>
Share in associate’s net assets	\$ 163,790	\$ 50,851
Intangible assets (Note)	(25,161)	-
Carrying amount of the associate	<u>\$ 138,629</u>	<u>\$ 50,851</u>

(Note) In August 2022, the Group agreed to sell and transfer the intellectual property rights related to the etching technology developed by FineMat (HuangShi) and to FineMat Optoelectronics.

Statement of comprehensive income

	For the years ended December 31,	
	2022	2021
Revenue	\$ 122,287	\$ -
Loss for the year	(\$ 39,537)	(\$ 2,486)
Total comprehensive loss for the year	(\$ 39,537)	(\$ 2,486)
Dividends received from associates	\$ -	\$ -

(b) Based on the Group's assessment, Galloptech International Company Limited was immaterial to the Group, and therefore the disclosure of its financial information is not required.

D. For the years ended December 31, 2022 and 2021, the share of (loss) profit of associates and joint ventures accounted for under equity method was (\$14,738) and \$1,107, respectively, which were assessed based on the investees' financial statements audited by independent auditors for the corresponding periods.

E. As of December 31, 2022 and 2021, no investments accounted for under equity method held by the Group were pledged to others.

(5) Property, plant and equipment

	At January 1, 2022	Land	Buildings and structures	Machinery and equipment	Instruments and equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress and equipment before acceptance inspection	Total
Cost	\$ 287,034	\$ 287,034	\$ 682,520	\$ 445,609	\$ 80,737	\$ 8,937	\$ 15,509	\$ 79,583	\$ 60,934	\$ 1,660,863
Accumulated depreciation	-	-	(138,741)	(137,669)	(48,031)	(4,194)	(5,817)	(21,144)	-	(355,596)
Accumulated impairment	-	-	(1,182)	(1,182)	-	-	-	-	-	(1,182)
	<u>\$ 287,034</u>	<u>\$ 287,034</u>	<u>\$ 543,779</u>	<u>\$ 306,758</u>	<u>\$ 32,706</u>	<u>\$ 4,743</u>	<u>\$ 9,692</u>	<u>\$ 58,439</u>	<u>\$ 60,934</u>	<u>\$ 1,304,085</u>
2022										
At January 1	\$ 287,034	\$ 287,034	\$ 543,779	\$ 306,758	\$ 32,706	\$ 4,743	\$ 9,692	\$ 58,439	\$ 60,934	\$ 1,304,085
Additions	1,594	1,594	32,670	32,389	9,348	2,110	1,542	10,091	43,292	133,036
Transfers after acceptance inspection	-	-	26,053	41,917	4,913	867	42	414	(74,206)	-
Transfers from prepayments for equipment	-	-	2,478	6,415	5,754	184	505	1,937	6,001	23,274
Transfers from inventory	-	-	-	-	-	-	-	-	2,215	2,215
Depreciation	-	(25,705)	(52,593)	(14,095)	(2,194)	(2,194)	(3,760)	(9,409)	-	(107,756)
Disposals — Cost	(6,680)	(6,680)	(4,256)	(6,940)	(1,979)	(190)	-	(5,959)	-	(26,004)
— Accumulated depreciation	-	-	970	2,340	1,979	158	-	5,942	-	11,389
Net currency exchange differences	-	-	4,485	3,849	4	149	96	39	1,275	9,897
At December 31	<u>\$ 281,948</u>	<u>\$ 281,948</u>	<u>\$ 580,474</u>	<u>\$ 334,135</u>	<u>\$ 38,630</u>	<u>\$ 5,827</u>	<u>\$ 8,117</u>	<u>\$ 61,494</u>	<u>\$ 39,511</u>	<u>\$ 1,350,136</u>
December 31, 2022										
Cost	\$ 281,948	\$ 281,948	\$ 744,075	\$ 523,523	\$ 98,777	\$ 13,443	\$ 17,746	\$ 86,109	\$ 39,511	\$ 1,805,132
Accumulated depreciation	-	(163,601)	(188,206)	(60,147)	(60,147)	(7,616)	(9,629)	(24,615)	-	(453,814)
Accumulated impairment	-	-	(1,182)	(1,182)	-	-	-	-	-	(1,182)
	<u>\$ 281,948</u>	<u>\$ 281,948</u>	<u>\$ 580,474</u>	<u>\$ 334,135</u>	<u>\$ 38,630</u>	<u>\$ 5,827</u>	<u>\$ 8,117</u>	<u>\$ 61,494</u>	<u>\$ 39,511</u>	<u>\$ 1,350,136</u>

	Land	Buildings and structures	Machinery and equipment	Instruments and equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress and equipment before acceptance inspection	Total
At January 1, 2021									
Cost	\$ 177,911	\$ 539,740	\$ 274,277	\$ 72,765	\$ 9,597	\$ 10,448	\$ 31,584	\$ 127,828	\$ 1,244,150
Accumulated depreciation	- (	( 118,197)	(90,655)	(33,042)	(3,242)	(2,177)	(6,828)	- (	( 254,141)
Accumulated impairment	-	-	(1,470)	-	-	-	-	- (	( 1,470)
	<u>\$ 177,911</u>	<u>\$ 421,543</u>	<u>\$ 182,152</u>	<u>\$ 39,723</u>	<u>\$ 6,355</u>	<u>\$ 8,271</u>	<u>\$ 24,756</u>	<u>\$ 127,828</u>	<u>\$ 988,539</u>
2021									
At January 1	\$ 177,911	\$ 421,543	\$ 182,152	\$ 39,723	\$ 6,355	\$ 8,271	\$ 24,756	\$ 127,828	\$ 988,539
Additions	-	18,720	52,802	8,084	230	3,333	6,204	98,596	187,969
Transfers after acceptance inspection	102,442	122,075	7,243	560	-	898	25,945	(259,163)	-
Transfers from prepayments for equipment	-	-	89,791	2,512	-	-	2,395	7,901	102,599
Transfers to expense	-	-	-	-	-	-	- (	( 100)	(100)
Acquired from business combinations	6,681	3,751	12,713	-	365	291	6,896	28,445	59,142
Transfers from right-of-use assets (Note)	-	-	-	-	-	-	-	54,053	54,053
Transfers from guarantee deposits paid (Note)	-	-	-	-	-	-	-	3,409	3,409
Depreciation charge	- (	( 20,566)	(36,636)	(15,785)	(2,039)	(3,044)	(7,757)	- (	( 85,827)
Disposals—Cost	- (	( 400)	(5,897)	(3,180)	(776)	-	-	- (	( 10,253)
— Accumulated depreciation	-	400	4,944	795	649	-	-	-	6,788
— Accumulated impairment	-	-	288	-	-	-	-	-	288
Net currency exchange differences	- (	( 1,744)	(642)	(3)	(41)	(57)	-	(35)	(2,522)
At December 31	<u>\$ 287,034</u>	<u>\$ 543,779</u>	<u>\$ 306,758</u>	<u>\$ 32,706</u>	<u>\$ 4,743</u>	<u>\$ 9,692</u>	<u>\$ 58,439</u>	<u>\$ 60,934</u>	<u>\$ 1,304,085</u>
December 31, 2021									
Cost	\$ 287,034	\$ 682,520	\$ 445,609	\$ 80,737	\$ 8,937	\$ 15,509	\$ 79,583	\$ 60,934	\$ 1,660,863
Accumulated depreciation	- (	( 138,741)	(137,669)	(48,031)	(4,194)	(5,817)	(21,144)	- (	( 355,596)
Accumulated impairment	-	-	(1,182)	-	-	-	-	- (	( 1,182)
	<u>\$ 287,034</u>	<u>\$ 543,779</u>	<u>\$ 306,758</u>	<u>\$ 32,706</u>	<u>\$ 4,743</u>	<u>\$ 9,692</u>	<u>\$ 58,439</u>	<u>\$ 60,934</u>	<u>\$ 1,304,085</u>

(Note) For more information about the Group's sub-acquisition of the original leased land, refer to Note 6(6) 'leasing arrangement-lease'.

A. Property, plant and equipment of the Group were all for its own use as of December 31, 2022 and 2021.

B. Amount of borrowing costs capitalized as part of property, plant and equipment and the range of the interest rates for such capitalization are as follows:

	For the years ended December 31,	
	2022	2021
Amount capitalized	\$ -	\$ 208
Range of the interest rates for capitalization	-	0.4968%

C. Impairment information on the property, plant and equipment is provided in Note 6(9), 'Impairment of non-financial assets'.

D. Information about property, plant and equipment that were pledged to others as collateral as of December 31, 2022 and 2021 is provided in Note 8, 'Pledged assets'.

(6) Lease transactions — lessee

A. The Group leases various assets including land and business vehicles. Rental contracts are typically made for periods of 1 to 36 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants.

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

Carrying amounts:

	December 31, 2022	December 31, 2021
Land	\$ 59,651	\$ 58,371
Transportation equipment (Business vehicles)	4,842	8,018
	<u>\$ 64,493</u>	<u>\$ 66,389</u>

Depreciation charge:

	For the years ended December 31,	
	2022	2021
Land	\$ -	\$ 939
Land use rights	1,614	713
Transportation equipment (Business vehicles)	3,657	2,396
	<u>\$ 5,271</u>	<u>\$ 4,048</u>

C. For the years ended December 31, 2022 and 2021, the additions to right-of-use assets were \$481 and \$8,740, respectively; and the right-of-use assets acquired from business combinations were \$ — and \$43,416, respectively.

D. The information on income and expense accounts relating to lease contracts is as follows:

	For the years ended December 31,	
	2022	2021
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 90	\$ 345
Expense on short-term lease contracts	11,004	2,262
Gain from lease modification	-	4
Rental concessions income	-	190

E. For the years ended December 31, 2022 and 2021, the Group's total cash outflow for leases were \$14,741 and \$6,108, respectively.

F. On January 29, 2021, the Company's Board of Directors resolved the purchase of leased land and obtained approval from Tainan Technology Industrial Park Service Center on February 5, 2021. The total area of the purchased land was 7,653.49 square meters and the total purchase price was \$149,980. According to the regulations of lease-to-acquisition, the rents paid during the lease period of \$47,507 and guarantee deposits of \$3,409 can be used to offset the land price. The actual purchase price of the land was \$99,064, which has been fully paid and the transfer procedure was completed on July 27, 2021.

G. Information about right-of-use assets that were pledged to others as collateral as of December 31, 2022 and 2021 is provided in Note 8, 'Pledged assets'.

H. The Group has applied the practical expedient to "Covid-19-related rent concessions", and recognized the gain from changes in lease payments arising from the rent concessions amounting to \$190 by increasing other income for the year ended December 31, 2021. There was no such situation for the year ended December 31, 2022.

(7) Investment property, net

Movements of investment property are as follows:

<u>Buildings and structures</u>	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
At January 1		
Cost	\$ 30,454	\$ 30,454
Accumulated depreciation	(2,126)	(1,821)
Accumulated impairment	(27,438)	(27,438)
	<u>\$ 890</u>	<u>\$ 1,195</u>
Net value at January 1	\$ 890	\$ 1,195
Depreciation	(306)	(305)
Net value at December 31	<u>\$ 584</u>	<u>\$ 890</u>
At December 31		
Cost	\$ 30,454	\$ 30,454
Accumulated depreciation	(2,432)	(2,126)
Accumulated impairment	(27,438)	(27,438)
	<u>\$ 584</u>	<u>\$ 890</u>

A. Rental income from investment property and direct operating expenses arising from investment property are shown below:

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Direct operating expenses arising from the investment property that did not generate rental income during the year	<u>\$ 306</u>	<u>\$ 305</u>

- B. The fair value of the investment property held by the Group as at December 31, 2022 and 2021 was \$589 and \$897, respectively, which was valued by referring to the actual price registration. Valuation is categorized within Level 3 in the fair value hierarchy.
- C. For the years ended December 31, 2022 and 2021, no borrowing cost was capitalized as part of investment property.
- D. Impairment information on the investment property is provided in Note 6(9), 'Impairment of non-financial assets'.
- E. Information about investment property that was pledged to others as collateral as of December 31, 2022 and 2021 is provided in Note 8, 'Pledged assets'.

(8) Intangible assets

	Software	Goodwill	Expertise	Customer relations	Total
<u>At January 1, 2022</u>					
Cost	\$ 21,762	\$ 11,896	\$ 44,497	\$ 13,473	\$ 91,628
Accumulated amortization	(6,964)	-	(9,005)	(1,123)	(17,092)
	<u>\$ 14,798</u>	<u>\$ 11,896</u>	<u>\$ 35,492</u>	<u>\$ 12,350</u>	<u>\$ 74,536</u>
<u>2022</u>					
At January 1	\$ 14,798	\$ 11,896	\$ 35,492	\$ 12,350	\$ 74,536
Additions	3,251	-	-	-	3,251
Amortization	(4,745)	-	(6,357)	(793)	(11,895)
Net currency exchange differences	72	-	-	-	72
At December 31	<u>\$ 13,376</u>	<u>\$ 11,896</u>	<u>\$ 29,135</u>	<u>\$ 11,557</u>	<u>\$ 65,964</u>
<u>At December 31, 2022</u>					
Cost	\$ 25,096	\$ 11,896	\$ 44,497	\$ 13,473	\$ 94,962
Accumulated amortization	(11,720)	-	(15,362)	(1,916)	(28,998)
	<u>\$ 13,376</u>	<u>\$ 11,896</u>	<u>\$ 29,135</u>	<u>\$ 11,557</u>	<u>\$ 65,964</u>
	Software	Goodwill	Expertise	Customer relations	Total
<u>At January 1, 2021</u>					
Cost	\$ 16,521	\$ 11,896	\$ 44,497	\$ 13,473	\$ 86,387
Accumulated amortization	(2,838)	-	(2,650)	(330)	(5,818)
	<u>\$ 13,683</u>	<u>\$ 11,896</u>	<u>\$ 41,847</u>	<u>\$ 13,143</u>	<u>\$ 80,569</u>
<u>2021</u>					
At January 1	\$ 13,683	\$ 11,896	\$ 41,847	\$ 13,143	\$ 80,569
Additions—acquired separately	4,252	-	-	-	4,252
Additions—acquired through business combinations	989	-	-	-	989
Amortization	(4,125)	-	(6,355)	(793)	(11,273)
Net currency exchange differences	(1)	-	-	-	(1)
At December 31	<u>\$ 14,798</u>	<u>\$ 11,896</u>	<u>\$ 35,492</u>	<u>\$ 12,350</u>	<u>\$ 74,536</u>
<u>At December 31, 2021</u>					
Cost	\$ 21,762	\$ 11,896	\$ 44,497	\$ 13,473	\$ 91,628
Accumulated amortization	(6,964)	-	(9,005)	(1,123)	(17,092)
	<u>\$ 14,798</u>	<u>\$ 11,896</u>	<u>\$ 35,492</u>	<u>\$ 12,350</u>	<u>\$ 74,536</u>

A. For the years ended December 31, 2022 and 2021, no borrowing cost was capitalized as part of intangible assets.

B. Details of amortization on intangible assets are as follows:

	For the years ended December 31,	
	2022	2021
Manufacturing expense	\$ 223	\$ -
Selling expenses	30	-
General and administrative expenses	8,952	9,230
Research and development expenses	2,690	2,043
	<u>\$ 11,895</u>	<u>\$ 11,273</u>

C. The recoverable amount of intangible assets acquired from business combinations was determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial forecasts estimated by the management covering a five-year period as well as the following estimated growth rates when the period of cash-flow over a five-year period. The recoverable amount of all cash-generating units calculated using the value-in-use exceeded their carrying amount, so intangible assets acquired from business combinations was not impaired. The key assumptions used for value-in-use calculations are as follows

<u>Gross profit margin</u>	<u>Growth rate</u>	<u>Discount Rate</u>
48% ~ 50%	12% ~ 23%	15.47%

Management determined budgeted gross margin based on its expectations of market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments.

(9) Impairment of non-financial assets

A. There was no such situation for the years ended December 31, 2022 and 2021.

B. As of December 31, 2022 and 2021, the accumulated impairment losses on property, plant and equipment and investment property recognized both amounted to \$28,620, after the transfers from disposals and market price recovery.

(10) Short-term borrowings

<u>Nature</u>	<u>December 31, 2022</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank unsecured bank borrowings	\$ 388,617	1.725%~5.79%	None
Bank secured bank borrowings	122,000	1.75%~2.229%	Note
	<u>\$ 510,617</u>		

Nature	December 31, 2021	Interest rate range	Collateral
Bank unsecured bank borrowings	\$ 132,994	1.19%~1.36%	None
Bank secured bank borrowings	60,000	1.20%~1.35%	Note
	<u>\$ 192,994</u>		

(Note) Information about the collateral for the above borrowings is provided in Note 8, ‘Pledged assets’.

For more information about interest expenses recognized by the Group for the years ended December 31, 2022 and 2021, refer to Note 6(21), ‘Finance cost’.

(11) Other payables

	December 31, 2022	December 31, 2021
Employees’ compensation and directors’ remuneration payable	\$ 32,420	\$ 16,546
Accounts payable financing	30,493	-
Wages and salaries and bonuses payable	24,053	26,216
Equipment payable	9,915	21,087
Others	54,685	42,835
	<u>\$ 151,566</u>	<u>\$ 106,684</u>

(12) Long-term borrowings

Nature	Borrowing period	Interest rate range	Collateral	December 31, 2022
NTD secured borrowings	2020.7.27~2026.9.24	1.1575%~1.8%	Note	\$ 204,558
Foreign currency secured borrowings	RMB 5,481 thousand VND 6,216,477 thousand	4.75%~7.53%	Note	32,141
NTD unsecured borrowings	2020.12.15~2025.12.15	1.095%~1.975%	None	80,432
Foreign currency unsecured borrowings	USD 900 thousand RMB 9,400 thousand 2020.12.21~2024.3.22	3.2955%~6.12%	None	69,106
				386,237
Less: Current portion				(126,658)
				<u>\$ 259,579</u>

Nature	Borrowing period	Interest rate range	Collateral	December 31, 2021
NTD secured borrowings	2020.1.20~2034.8.12	0.497%~1.55%	Note	\$ 206,650
Foreign currency secured borrowings	RMB 7,167 thousand 2021.1.25~2026.12.25	4.95%	Note	31,127
NTD unsecured borrowings	2020.9.25~2026.3.5	0.47%~2.15%	None	151,167
Foreign currency unsecured borrowings	USD 1,420 thousand RMB 2,000 thousand 2020.6.17~2024.3.7	1.711%~3.815%	None	<u>47,992</u>
				436,936
Less: Current portion				(<u>176,834</u>)
				<u>\$ 260,102</u>

(Note) Information about the collateral for the above borrowings is provided in Note 8, ‘Pledged assets’.

For more information about interest expenses recognized by the Company for the years ended December 31, 2022 and 2021, refer to Note 6(21), ‘Finance cost’.

(13) Pensions

Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The other subsidiaries are subject to local government sponsored defined contribution plan. In accordance with related laws of the respective local government, the independent pension fund of employees is administered by the government. Other than the monthly contributions, these subsidiaries do not have further obligations. The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2022 and 2021 were \$9,521 and \$8,328, respectively.

(14) Share capital

- A. Movements in the number of the Company's ordinary shares outstanding are as follows (in thousands of shares):

	For the years ended December 31,	
	2022	2021
Balance at beginning of year	65,788	66,390
Acquisition of treasury stocks	-	(602)
Balance at end of year	<u>65,788</u>	<u>65,788</u>

B. Treasury stocks

- (a) Reason for share reacquisition and movements in the number of the Company's treasury stocks are as follows (in thousands of shares):

Reason for reacquisition	For the year ended December 31, 2022			
	Shares at beginning of year	Increase	Decrease	Shares at end of year
To be reissued to employees	<u>602</u>	<u>-</u>	<u>-</u>	<u>602</u>
Reason for reacquisition	For the year ended December 31, 2021			
	Shares at beginning of year	Increase	Decrease	Shares at end of year
To be reissued to employees	<u>-</u>	<u>602</u>	<u>-</u>	<u>602</u>

- (b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital surplus. As of December 31, 2022 and 2021, the balances of treasury shares purchased by the Company both amounted to \$24,187.
- (c) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.
- (d) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within 5 years from the reacquisition date and shares not reissued within the 5 years period are to be retired.
- C. As of December 31, 2022, the Company's authorized capital was \$1,000,000 (including \$60,000 reserved for employee stock options), and the paid-in capital was \$663,898, consisting of 66,390 thousand shares of ordinary stock, with a par value of \$10 (in dollars) per share, which were issued in instalments. All proceeds from shares issued have been collected.

(15) Capital reserve

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. However, capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient. Movements in capital surplus are as follows:

For the year ended December 31, 2022	Share premium	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Changes in ownership interests in subsidiaries	Net change in equity of associates	Total
At January 1	\$ 394,674	\$ -	\$ 2,027	\$ -	\$ 396,701
Transactions with non-controlling interests shareholders of subsidiaries	-	12,782	-	-	12,782
Adjustments for changes in capital reserve of investee companies	-	-	274		274
Changes in subsidiaries, associates and joint ventures accounted for under equity method	-	-	-	95,778	95,778
Adjustments for changes in retained earnings of investee companies	-	-	(2,070)	-	(2,070)
At December 31	<u>\$ 394,674</u>	<u>\$ 12,782</u>	<u>\$ 231</u>	<u>\$ 95,778</u>	<u>\$ 503,465</u>

For the year ended December 31, 2021	Share premium	Changes in ownership interests in subsidiaries	Total
At January 1	\$ 394,674	\$ 1,908	\$ 396,582
Adjustments for changes in capital reserve of investee companies	-	119	119
At December 31	<u>\$ 394,674</u>	<u>\$ 2,027</u>	<u>\$ 396,701</u>

(16) Retained earnings

- A. The legal reserve shall be exclusively used to cover accumulated deficit, to issue new stocks, or to distribute cash to shareholders in proportion to their share ownership. The use of legal reserve for the issuance of stocks or each dividends to shareholders in proportion to their share ownership is permitted provided that the balance of such reserve exceeds 25% of the Company's paid-in capital.
- B. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve, but if legal reserve has accumulated to an amount equal to the paid-in capital, then legal reserve is no longer required to be set aside. In addition, after special reserve is set aside or reversed in accordance with relevant regulations, the remainder along with accumulated unappropriated earnings will be proposed by the Board of

Directors and resolved at the shareholders' meeting to be distributed as dividends. The Company's dividend policy takes into account not only the Company's current and future investment environment, capital needs, domestic and foreign competition, and capital budget, etc. but also the shareholders' interests, balanced dividends and the Company's long-term financial plan, etc. Each year, the appropriation is proposed by the Board of Directors and then reported to the shareholders' meeting for approval. The Company is in the growth stage and has a plan to expand its production lines and capital needs in the coming years, and thus the balanced dividend policy is adopted to have a sound financial structure and maintain a good capital adequacy ratio. In addition to appropriating the earnings in accordance with the aforementioned regulations, the dividend and bonus may be distributed in the form of cash or shares, and if there are any earnings in the current year, 10% ~ 80% of distributable earnings of the current year shall be appropriated as dividends and bonuses to shareholders, of which cash dividends shall account for at least 10% of the total dividends distributed. The Board of Directors of the Company may, upon resolution adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors, distribute dividends and bonus, legal reserve or capital surplus, in whole or in part, in the form of cash, which shall also be reported at the shareholders' meeting. The above distribution is not subject to approval by the shareholders.

- C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

The special reserve previously set aside by the Company on initial application of IFRSs in accordance with the Order No. Financial-Supervisory-Securities-Corporate-1010012865, dated April 6, 2012, amounted to \$369.

- D. The Company recognized dividends distributed to owners amounting to \$33,195 (\$0.5 (in dollars) per share) for the year ended December 31, 2021. On March 15, 2023, the Board of Directors resolved not to distribute earnings due to loss incurred during the year.

(17) Operating revenue

A. The Group's revenue is mainly from sales contracts of products sales and equipment cleaning with customers, and such revenue is derived from the transfer of goods at a point in time in the following major product or service lines:

	For the years ended December 31,	
	2022	2021
Recognize at a point in time:		
Metal masks	\$ 547,580	\$ 357,433
Microwave and semiconductor parts	437,189	360,706
Thermal module	123,909	-
Optical bonding materials	10,475	19,404
Others	5,895	4,981
	<u>1,125,048</u>	<u>742,524</u>
Recognize over time:		
Semi clean and regeneration process	125,580	113,559
	<u>\$ 1,250,628</u>	<u>\$ 856,083</u>

B. The Group has recognized the following revenue-related contract liabilities:

	December 31, 2022	December 31, 2021	January 1, 2021
Current contract assets	<u>\$ 17,866</u>	<u>\$ 18,418</u>	<u>\$ -</u>
Current contract liabilities	<u>\$ 6,142</u>	<u>\$ 530</u>	<u>\$ 1,635</u>

(18) Interest income

	For the years ended December 31,	
	2022	2021
Interest income from bank deposits	\$ 1,765	\$ 1,237
Other interest income	804	19
	<u>\$ 2,569</u>	<u>\$ 1,256</u>

(19) Other income

	For the years ended December 31,	
	2022	2021
Revenue from etching technology transferred	\$ 39,351	\$ -
Waste liquid recycling income	2,502	-
Government grant income (Note)	2,249	29,369
Administrative service income	1,392	2,021
Gain recognized in bargain purchase transaction	-	6,384
Rent concession income	-	190
Other income	1,942	942
	<u>\$ 47,436</u>	<u>\$ 38,906</u>

(Note) The Company recognized government grant income of \$ — and \$27,077 for the years ended December 31, 2022 and 2021, respectively, for salary and working capital subsidies from the Ministry of Economic Affairs under the ‘Relief and Revitalization Measures for Industries and Enterprises Experiencing Operational Difficulties Due To the Impact of Severe Pneumonia with Novel Pathogens (COVID-19)’. However, the aforementioned regulation specifies that the Company must not be a landowner on the list of industrial idle land announced in accordance with the Article 46-1 of Statute for Industrial Innovation and shall comply with other rules set in the regulation. Provided that the Company did not comply with the rules, the Industrial Development Bureau of the Ministry of Economic Affairs may revoke or abolish the subsidies and retrieve all the funds appropriated.

(20) Other gains and losses

	For the years ended December 31,	
	2022	2021
Currency exchange gain	\$ 7,424	\$ 480
Gain (loss) on disposals of property, plant and equipment	548 (	388)
Depreciation charges on investment property	(306) (	305)
Gain from lease modification	-	4
Other losses	(766) (	612)
	<u>\$ 6,900</u>	<u>(\$ 821)</u>

(21) Finance costs

	For the years ended December 31,	
	2022	2021
Interest expense:		
Bank borrowings	\$ 13,309	\$ 6,239
Other finance expense	3,130	-
Lease liabilities	90	345
	<u>16,529</u>	<u>6,584</u>
Less: Capitalization of qualifying assets	-	(208)
	<u>\$ 16,529</u>	<u>\$ 6,376</u>

(22) Expenses by nature

For the year ended December 31, 2022			
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Employee benefit expense	\$ 164,818	\$ 145,843	\$ 310,661
Depreciation	87,863	25,164	113,027
Amortization	223	11,672	11,895
	<u>\$ 252,904</u>	<u>\$ 182,679</u>	<u>\$ 435,583</u>
For the year ended December 31, 2021			
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Employee benefit expense	\$ 133,305	\$ 116,279	\$ 249,584
Depreciation	68,444	21,431	89,875
Amortization	-	11,273	11,273
	<u>\$ 201,749</u>	<u>\$ 148,983</u>	<u>\$ 350,732</u>

(23) Employee benefit expense

For the year ended December 31, 2022			
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Wages and salaries	\$ 139,583	\$ 126,523	\$ 266,106
Labour and health insurance fees	10,831	8,188	19,019
Pension costs	5,152	4,369	9,521
Other personnel expenses	9,252	6,763	16,015
	<u>\$ 164,818</u>	<u>\$ 145,843</u>	<u>\$ 310,661</u>
For the year ended December 31, 2021			
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Wages and salaries	\$ 113,618	\$ 98,530	\$ 212,148
Labour and health insurance fees	8,563	6,951	15,514
Pension costs	4,101	4,227	8,328
Other personnel expenses	7,023	6,571	13,594
	<u>\$ 133,305</u>	<u>\$ 116,279</u>	<u>\$ 249,584</u>

A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year shall be distributed as employees' compensation and directors' remuneration. The ratio shall be 8%~15% for employees' compensation and shall not be higher than 5% for directors' remuneration. Provided that the Company has accumulated deficit, earnings shall be first used to cover accumulated deficit. Directors' remuneration is distributed in the form of cash while employees' compensation may be distributed in the form of cash or shares. The employees, including the employees of the Company's subsidiaries, who meet certain specific requirements are entitled to receive the above cash or shares. The profit of the current year is the profit before

deducting tax, employees' compensation and directors' remuneration. The distribution of employees' compensation and directors' remuneration is subject to the approval of more than half of directors present at a meeting where more than two-thirds of the directors are in attendance and shall also be reported at the shareholders' meeting.

- B. For the years ended December 31, 2022 and 2021, employees' compensation were \$— and \$2,670, respectively; while directors' remuneration were both \$—. The aforementioned amounts were recognized in salary expenses and were estimated and accrued based on the earnings of current year and the percentage specified in the Articles of Incorporation of the Company. The employees' compensation and directors' remuneration for 2021 as resolved by the Board of Directors was \$2,670, which is consistent with the amount recognized in the financial statements for 2021. As the Company had no profit in 2022, there was no need to estimate and pay remuneration to employees and directors.

Information about employees' compensation and directors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(24) Income tax

A. Income tax expense:

(a) Components of income tax expense:

	For the years ended December 31,	
	2022	2021
Current income tax:		
Income tax incurred in current year	\$ 30,656	\$ 23,138
Tax on undistributed earnings	1,520	70
Prior year income tax over estimation	(500)	(801)
Total current income tax	31,676	22,407
Deferred income tax:		
Origination and reversal of temporary differences	(7,015)	692
Income tax expense	<u>\$ 24,661</u>	<u>\$ 23,099</u>

(b) The income tax relating to components of other comprehensive income is as follows:

	For the years ended December 31,	
	2022	2021
Financial statements translation differences of foreign operations	<u>\$ 1,578</u>	<u>(\$ 1,064)</u>

B. Reconciliation between income tax expense and accounting profit:

	For the years ended December 31,	
	2022	2021
Tax calculated based on profit before tax and statutory tax rate	\$ 37,707	\$ 29,159
Effects from items disallowed by tax regulation	(4,036)	(4,393)
Effects form permanent difference	(7,501)	-
Change in assessment of realisation of deferred tax assets	(2,970)	(936)
Tax on undistributed earnings	1,520	70
Prior year income tax over estimation	(500)	(801)
Separate taxation	441	-
Income tax expense	<u>\$ 24,661</u>	<u>\$ 23,099</u>

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

	2022				
	January 1	Business combinations	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets:					
Temporary differences:					
Financial statements translation					
differences of foreign operations	\$ 4,560	\$ -	\$ -	(\$ 1,578)	\$ 2,982
Allowance for doubtful accounts	71	-	-	-	71
Loss on inventory market value decline	4,481	-	810	-	5,291
Loss on investments accounted for under equity method	1,291	-	4,617	-	5,908
Impairment loss	3,069	-	(131)	-	2,938
Unrealized loss on foreign currency exchange	100	-	(66)	-	34
Unrealized warranty provision expense	102	-	70	-	172
Book-tax difference on land cost	9,501	-	-	-	9,501
Unused compensated absences	226	-	(225)	-	1
Tax losses	<u>17,544</u>	<u>-</u>	<u>658</u>	<u>-</u>	<u>18,202</u>
	<u>\$ 40,945</u>	<u>\$ -</u>	<u>\$ 5,733</u>	<u>(\$ 1,578)</u>	<u>\$ 45,100</u>

2022					
	January 1	Business combinations	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax liabilities:					
Temporary differences:					
Gain on investments accounted for under equity method	(\$ 13,705)	\$ -	\$ 343	\$ -	(\$ 13,362)
Provision for land appreciation tax	(232)	-	23	-	(209)
Unrealized gain on foreign currency exchange	-	-	(542)	-	(542)
Unrealized expense	(9,568)	-	1,458	-	(8,110)
Gain recognized in bargain purchase transaction	(1,277)	-	-	-	(1,277)
	<u>(\$ 24,782)</u>	<u>\$ -</u>	<u>\$ 1,282</u>	<u>\$ -</u>	<u>(\$ 23,500)</u>
	<u>\$ 16,163</u>	<u>\$ -</u>	<u>\$ 7,015</u>	<u>(\$ 1,578)</u>	<u>\$ 21,600</u>
2021					
	January 1	Business combinations	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets:					
Temporary differences:					
Financial statements translation differences of foreign operations	\$ 3,496	\$ -	\$ -	\$ 1,064	\$ 4,560
Allowance for doubtful accounts	354	-	(283)	-	71
Loss on inventory market value decline	3,141	-	1,340	-	4,481
Loss on investments accounted for under equity method	-	-	1,291	-	1,291
Impairment loss	3,201	-	(132)	-	3,069
Unrealized loss on foreign currency exchange	10	-	90	-	100
Unrealized warranty provision expense	53	-	49	-	102
Book-tax difference on land cost	-	-	9,501	-	9,501
Unused compensated absences	176	-	50	-	226
Tax losses	<u>30,779</u>	<u>-</u>	<u>(13,235)</u>	<u>-</u>	<u>17,544</u>
	<u>\$ 41,210</u>	<u>\$ -</u>	<u>(\$ 1,329)</u>	<u>\$ 1,064</u>	<u>\$ 40,945</u>

	2021				
	<u>January 1</u>	<u>Business combinations</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehensive income</u>	<u>December 31</u>
Deferred tax liabilities:					
Temporary differences:					
Gain on investments accounted for under equity method	(\$ 14,189)	\$ -	\$ 484	\$ -	(\$ 13,705)
Provision for land appreciation tax	(209)	(23)	-	-	(232)
Unrealized gain on foreign currency exchange	(10,998)	-	1,430	-	(9,568)
Unrealized expense	-	-	(1,277)	-	(1,277)
Gain recognized in bargain purchase transaction	<u>(\$ 25,396)</u>	<u>(\$ 23)</u>	<u>\$ 637</u>	<u>\$ -</u>	<u>(\$ 24,782)</u>
	\$ 15,814	(\$ 23)	(\$ 692)	\$ 1,064	\$ 16,163

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

December 31, 2022					
Year incurred	Amount filed/ assessed	Unused amount	Unrecognized deferred tax assets	Expiry year	
2012	\$ 50,807	\$ 50,807	\$ 50,807	2022	
2013	12,636	12,636	-	2023	
2014	16,383	16,383	-	2024	
2020	1,642	1,642	-	2030	
2022	60,349	60,349	-	2032	

December 31, 2021					
Year incurred	Amount filed/ assessed	Unused amount	Unrecognized deferred tax assets	Expiry year	
2012	\$ 50,807	\$ 50,807	\$ -	2022	
2013	12,636	12,636	-	2023	
2014	16,383	16,383	-	2024	
2020	7,896	7,896	-	2030	

E. The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority. There were no disputes existing between the Company and the Tax Authority as of March 15, 2023.

(25) (Loss) earnings per share

For the year ended December 31, 2022			
	Amount after tax	Weighted average number of shares outstanding (shares in thousands)	Loss per share (in dollars)
<u>Basic loss per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ 36,049)	65,788	(\$ 0.55)
For the year ended December 31, 2021			
	Amount after tax	Weighted average number of shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 26,094	66,314	\$ 0.39
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 26,094	66,314	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	52	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 26,094	66,366	\$ 0.39

For the year ended December 31, 2022, potential common shares were excluded from the calculation of diluted loss per share because of their anti-dilutive effect.

(26) Transactions with non-controlling interest

A. ETCH HOME TECHNOLOGY CO., LTD.

In January 2022, ETCH HOME increased capital by issuing new shares. The Group did not acquire shares proportionally to its interest, which resulted in a decrease in the equity attributable to owners of the parent and an increase in the non-controlling interest both by \$4,449.

B. VN ETCH HOME TECHNOLOGY COMPANY LTD.

In February 2022, ETCH HOME acquired the remaining 30% equity interest in its subsidiary, VN ETCH HOME, for a consideration of \$14,934. The carrying amount of related non-controlling interest was \$11,484 at the acquisition date. This transaction resulted in a decrease in

the non-controlling interest by \$3,450 and a decrease in the equity attributable to owners of ETCH HOME TECHNOLOGY CO., LTD. by \$3,450. The Company decreased capital reserves, retained earnings and non-controlling interest by \$2,070, \$1,063 and \$10,152, respectively, proportionately to its ownership percentage.

- C. In August 2022, the subsidiary, WAVE POWER, filed for an initial public offering with Taipei Exchange. As part of the public trading process, the Group partially disposed its shares in WAVE POWER through public market for a total cash consideration of \$20,239. The carrying amount of investment accounted for under the equity method was \$7,457 at the disposal date. These transactions resulted in an increase in the equity attributable to owners of the parent (shown as “capital reserves”) and the non-controlling interest by \$12,782 and \$7,457, respectively.

(27) Business combinations

- A. In order to meet the needs of business development strategy, the Group acquired an 80.36% equity interest in ETCH HOME for a cash consideration of \$49,504 and obtained control over the entity and its subsidiary in December 2021. The entity specializes in the copper etching process and has officially entered the domestic thermal module supply chain. The Vietnam factory of its subsidiary had been completed and will be able to supply thermal module to customers nearby in the future. As a result of the acquisition, the Group is expected to increase its presence in these markets. It also expects to reduce costs through economies of scale.
- B. The following table summarizes the consideration paid for ETCH HOME and the fair values of the assets acquired and liabilities assumed at the acquisition date, as well as the fair value of the non-controlling interest at the acquisition date:

Consideration acquisition	
Cash	\$ 49,504
Fair value of non-controlling interests	18,077
	<u>67,581</u>
Fair value of acquisition of identifiable assets and liabilities assumed	
Current assets	72,168
Property, plant and equipment	59,142
Right-of-use assets	43,416
Identifiable intangible assets	989
Other non-current assets	1,732
Short-term borrowings	(3,000)
Current liabilities	(64,059)
Long-term borrowings	(36,400)
Identifiable deferred tax liabilities	(23)
Total of identifiable net assets	<u>73,965</u>
Gain recognized in bargain purchase transaction	<u>(\$ 6,384)</u>

- C. Fair value of ETCH HOME’s non-controlling interest is estimated based on the consideration of the purchase price of equity interest net of implicit control premium.

D. The operating revenue included in the consolidated statement of comprehensive income since December 2021 contributed by ETCH HOME was \$3,282. ETCH HOME also contributed loss before income tax of \$1,483 over the same period. Had ETCH HOME been consolidated from January 1, 2021, the consolidated statement of comprehensive income would show operating revenue of \$905,549 and loss before income tax of \$131,907 for the year ended December 31, 2021.

(28) Supplemental cash flow information

A. Investing activities with partial cash payments:

	For the years ended December 31,	
	2022	2021
Purchase of property, plant and equipment	\$ 133,036	\$ 187,969
Add: Opening balance of other payables	21,087	15,494
Lease liabilities transferred to payments	-	54,694
Less: Ending balance of other payables	(9,915)	(21,087)
Capitalization of interest payments	-	(208)
Cash paid during the year	<u>\$ 144,208</u>	<u>\$ 236,862</u>

B. Investing and financing activities with no cash flow effects:

	For the years ended December 31,	
	2022	2021
(a) Inventories transferred to property, plant and equipment	<u>\$ 2,215</u>	<u>\$ -</u>
(b) Right-of-use assets transferred to property, plant and equipment	<u>\$ -</u>	<u>\$ 54,053</u>
(c) Prepayments for equipment transferred to property, plant and equipment	<u>\$ 23,274</u>	<u>\$ 102,599</u>
(d) Guarantee deposits paid transferred to property, plant and equipment	<u>\$ -</u>	<u>\$ 3,409</u>
(e) Other payables - related parties transferred to other payables (note)	<u>\$ 41,694</u>	<u>\$ -</u>

(Note) In February 2022, Supremo Technology Limited sold the remaining 30% equity interest in VN ETCH HOME to ETCH HOME. Consequently, Supremo Technology Limited was no longer a related party of the Group since February 2022.

C. Cash acquired from initial consolidation of subsidiaries:

On November 30, 2021, the Group obtained the control over the subsidiary, ETCH HOME and the fair value of assets acquired and liabilities assumed are as follows:

	<u>November 30, 2021</u>
Cash and cash equivalents	\$ 25,661
Notes receivable, net	618
Accounts receivable, net	20,980
Inventories	5,378
Prepayments	19,531
Property, plant and equipment	59,142
Right-of-use assets	43,416
Identifiable intangible assets	989
Guarantee deposits paid	1,732
Short-term borrowings	(3,000)
Notes payable	(7,789)
Accounts payable	(7,131)
Other payables	(7,564)
Other payables to related parties	(41,575)
Long-term borrowings	(36,400)
Deferred tax liabilities	(23)
Non-controlling interests	(18,077)
Gain recognized in bargain purchase transaction	(6,384)
Total purchase price paid in cash	49,504
Less: acquisition of subsidiaries - cash of ETCH HOME	(25,661)
Cash paid to acquire control	<u>\$ 23,843</u>

(29) Changes in liabilities from financing activities

	<u>Other payables</u>	<u>Short-term borrowings</u>	<u>Lease liabilities</u>	<u>Long-term borrowings (including current portion)</u>	<u>Liabilities from financing activities - gross</u>
At January 1, 2022	\$ -	\$ 192,994	\$ 7,986	\$ 436,936	\$ 637,916
Changes in cash flow from financing activities	(14,484)	309,062	(3,647)	(54,320)	236,611
Changes in cash flow from other non-financing activities	41,694	-	481	-	42,175
Impact of changes in foreign exchange rate	3,283	8,561	-	3,621	15,465
At December 31, 2022	<u>\$ 30,493</u>	<u>\$ 510,617</u>	<u>\$ 4,820</u>	<u>\$ 386,237</u>	<u>\$ 932,167</u>

	Short-term borrowings	Lease liabilities	Long-term borrowings (including current portion)	Liabilities from financing activities - gross
At January 1, 2021	\$ 88,377	\$ 57,839	\$ 269,742	\$ 415,958
Changes in cash flow from financing activities	104,041	(3,501)	132,488	233,028
Acquisition of changes in subsidiaries	3,000	-	36,400	39,400
Changes in cash flow from other non- financing activities	-	(46,352)	-	(46,352)
Impact of changes in foreign exchange rate	(2,424)	-	(1,694)	(4,118)
At December 31, 2021	<u>\$ 192,994</u>	<u>\$ 7,986</u>	<u>\$ 436,936</u>	<u>\$ 637,916</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Group
Galloptech International Company Limited (“Galloptech”)	Associate
FineMat Optoelectronics (HuangShi) Applied Materials Co., LTD. (“FineMat Optoelectronics”)	Associate
HTC & SOLAR TECH SERVICE LIMITED (“HTC & SOLAR TECH”)	Other related party
YOUNG SAM INDUSTRIAL CO., LTD. (“YOUNG SAM”)	Other related party
SOLAR APPLIED MATERIALS TECHNOLOGY CORP. (“SOLAR APPLIED”)	Other related party
Supremo Technology Limited (“Supremo”)	Other related party (Note)

(Note) In February 2022, Supremo sold the remaining 30% equity interest in VN ETCH HOME to ETCH HOME. Consequently, Supremo Technology Limited was no longer a related party of the Group since February 2022.

(2) Significant related party transactions

A. Operating revenue

	For the years ended December 31,	
	2022	2021
Sales of goods and services:		
FineMat Optoelectronics	\$ 57,989	\$ -
Other related parties	3,347	2,836
Associates	-	4,676
	<u>\$ 61,336</u>	<u>\$ 7,512</u>

The sales prices and credit terms from related parties were the same with third parties. Collection terms are 60 ~ 90 days after monthly statements for related parties and 30 ~120 days after monthly statements for third parties.

B. Purchases

	For the years ended December 31,	
	2022	2021
FineMat Optoelectronics	\$ 84,596	\$ -
Other related parties	35,704	25,958
	<u>\$ 120,300</u>	<u>\$ 25,958</u>

The purchase prices and payment terms from related parties were the same with third parties. Payment terms are 30 ~90 days after monthly statements for related parties and third parties.

C. Processing expenses

	For the years ended December 31,	
	2022	2021
FineMat Optoelectronics	\$ 4,557	\$ -

D. Other income

In August 2022, the Group agreed to sell and transfer the related intellectual property on etching special technology which was developed by FineMat (HuangShi) to FineMat Optoelectronics in the amount of \$67,199 (RMB 1,500 thousand). FineMat Optoelectronics recognized intellectual property as intangible assets and amortized over its estimated useful life of 20 years. Hence, the Group recognized realized transferred revenue of \$39,351 for the year ended December 31, 2022. There was no such transaction for the year ended December 31, 2021.

E. Receivables from related parties

	December 31, 2022	December 31, 2021
Notes receivable:		
Other related parties	<u>\$ 16</u>	<u>\$ -</u>
Accounts receivable:		
FineMat Optoelectronics	15,605	2,935
Other related parties	<u>-</u>	<u>53</u>
	<u>\$ 15,621</u>	<u>\$ 2,988</u>
Other receivables:		
FineMat Optoelectronics	<u>\$ 59,033</u>	<u>\$ -</u>

The receivables from related parties arise mainly from sales transactions and technical services. The receivables are unsecured in nature and bear no interest. The receivables from related parties have no provisions.

F. Payables to related parties

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts payable:		
FineMat Optoelectronics	\$ 38,241	\$ 1,270
HTC & SOLAR TECH	10,061	3,136
YOUNG SAM	5,732	5,169
	<u>\$ 54,034</u>	<u>\$ 9,575</u>
Other payables (excluded loans to related parties)		
Other related parties	\$ 136	\$ 64
Associates	137	38
	<u>\$ 273</u>	<u>\$ 102</u>

The payables to related parties arise mainly from purchase transactions and administrative service expense and are unsecured in nature and bear no interest.

G. Property transactions

(a) Acquisition of property, plant and equipment

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Other related parties	\$ -	\$ 145

(b) Disposal of property, plant and equipment

	<u>For the year ended December 31, 2022</u>	
	<u>Proceeds from disposal</u>	<u>Loss (gain) on disposal</u>
FineMat Optoelectronics	\$ 1,542	\$ 597
Other related parties	1,878	(657)
	<u>\$ 3,420</u>	<u>(\$ 60)</u>

There was no such situation as of December 31, 2021.

(c) Transactions of acquisition

				<u>For the year ended December 31, 2022</u>
	<u>Item</u>	<u>Number of shares</u>	<u>Object of transaction</u>	<u>Acquisition of price</u>
Supremo Technology Limited	Investments accounted for using equity method	504 thousand shares	VN ETCH HOME	
				<u>\$ 14,934</u>

There was no such situation as of December 31, 2021.

H. Loan from related parties

Ending balance of borrowings from related parties:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Supremo Technology Limited	\$ -	\$ 41,694

The terms of the borrowings from the related party are to provide a grace period of one year after the borrowing is made and to repay the principal in three years after the grace period without additional interest.

(3) Key management compensation

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 17,596	\$ 18,350

8. PLEDGED ASSETS

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

<u>Pledged asset</u>	<u>Book value</u>		<u>Purpose</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>	
Restricted time deposits (Note 1)	\$ 15,536	\$ 63,128	Customs deposit, performance guarantees and warranty
Land (Note 2)	280,354	280,443	Financing
Buildings and structures, net (Note 2)	461,296	479,181	"
Right-of-use of land (Note 3)	15,270	15,383	"
Machinery equipment (Note 2)	4,731	-	"
Guarantee deposits paid	17,078	22,842	Performance guarantees and warranty
	<u>\$ 794,265</u>	<u>\$ 860,977</u>	

(Note 1) Shown as 'financial assets at amortized cost - current', 'other current financial assets' and 'financial assets at amortized cost - non - current'.

(Note 2) Shown as 'property, plant and equipment' and 'investment property, net'.

(Note 3) Shown as 'use-of-right assets'.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) As of December 31, 2022 and 2021, the Group's remaining balance due for construction in progress and prepayments for equipment were \$51,708 and \$15,724, respectively.

(2) Endorsements and guarantees provided by the Group to subsidiaries are as follows:

	<u>Nature</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
VN ETCH HOME TECHNOLOGY COMPANY LTD	Financing facilities	\$ 197,835	\$ -
Htc & Solartech Service (Samoa) Corporation	Financing facilities	140,140	143,050
FineMat (HuangShi) Applied Material	Financing facilities	112,789	112,789
ETCH HOME TECHNOLOGY CO., LTD.	Financing facilities	50,000	-
		<u>\$ 500,764</u>	<u>\$ 255,839</u>

As of December 31, 2022 and 2021, the actual amount provided by the Group for above subsidiaries were \$225,673 and \$144,163, respectively.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. The Group also ensures it has sufficient financial resources and operating plans to support the working capital needs, capital expenditures, dividend payments, etc. in the future.

(2) Financial instruments

A. Information on the Group's financial instruments by category is provided in Note 6.

B. Financial risk management policies

(a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial position and financial performance.

(b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges

financial risks in close co-operation with the Group's operating units.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- I. The Group operates internationally and is exposed to exchange rate risk arising from various currencies, primarily with respect to the USD, RMB, JPY and VND. Foreign exchange rate risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.
- II. Management has set up a policy to require groups to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. Foreign exchange risk arises when future commercial transactions, recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.
- III. The Group treasury's risk management policy is to hedge anticipated cash flows (mainly sales exports and inventory purchases) in the major foreign currency in the future so as to reduce the risk exposure in the major foreign currency.
- IV. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. However, as the objective of the net investments in foreign operations is for strategic purposes, the Group does not hedge the investments.
- V. The Group's businesses involve some non-functional currency operations (the Company's functional currency: NTD, the subsidiaries' functional currency: USD, RMB and VND). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2022				
	Foreign currency			Book
	amount (In thousands)	Exchange rate		value
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	\$ 5,736	30.66	\$	175,881
RMB:NTD	9,942	4.383		43,628
JPY:NTD	9,536	0.2304		2,197
<u>Non-monetary items</u>				
USD:NTD	363	30.71		11,153
RMB:NTD	37,167	3.73		138,629

December 31, 2022			
	Foreign currency amount (In thousands)	Exchange rate	Book value
(Foreign currency: functional currency)			
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1,910	30.76	58,768
RMB:NTD	6,801	4.433	30,147
JPY:NTD	49,686	0.2344	11,566
December 31, 2021			
	Foreign currency amount (In thousands)	Exchange rate	Book value
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 6,423	27.63	\$ 177,466
RMB:NTD	4,122	4.319	17,801
<u>Non-monetary items</u>			
USD:NTD	358	27.68	9,919
RMB:NTD	11,709	4.343	50,851
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	3,518	27.73	97,561
RMB:NTD	271	4.369	1,183
JPY:NTD	38,396	0.2425	9,311
EUR:NTD	53	31.52	1,665

VI. Sensitivity analysis of foreign exchange risk is primarily for foreign currency monetary items at financial reporting date. If the exchange rate of NTD to other currencies had appreciated/depreciated by 1% with all other variables held constant, the Group's post-tax profit for the years ended December 31, 2022 and 2021 would increase/decrease by \$970 and \$684, respectively.

VII. Total exchange gain, including realized and unrealized, arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2022 and 2021 amounted to \$7,424 and \$480, respectively.

Price risk

The Group did not engage in any financial instrument transactions with price variations, and thus the Group does not expect market risk arising from variations in the market prices.

Cash flow and fair value interest rate risk

- I. The Group's main interest rate risk arises from short-term and long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. However, partial interest rate risk is offset by cash and cash equivalents held at variable rates. For the years ended December 31, 2022 and 2021, the Group's borrowings at variable rate were mainly denominated in NTD, USD and RMB.
- II. If the borrowing interest rate had increased/decreased by 10% with all other variables held constant, profit (loss), net of tax for the years ended December 31, 2022 and 2021 would have decreased/increased by \$1,065 and \$499, respectively. The main factor is that increases/decreases in interest expense result from floating rate borrowings.

(b) Credit risk

- I. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- II. The Group manages its credit risk taking into consideration the entire group's concern. According to the Group's credit policy, the Group is responsible for managing and analyzing the credit risk for each of the new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored.
- III. In line with the credit risk management procedure, payment reminders are sent when the contract payments are past due, and the default occurs when the contract payments are past due over a certain period of time.
- IV. The Group classifies customer's accounts receivable in accordance with credit risk on trade. The Company applied the modified approach using a provision matrix to estimate the expected credit loss, and used the forecast ability to adjust historical and timely information to assess the default possibility of accounts receivable. On December 31, 2022 and 2021, the provision matrix is as follows:

<u>December 31, 2022</u>	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Loss allowance</u>
Not past due	0.19%	\$ 372,186	\$ 715
Up to 30 days	0.07%	15,991	11
31 to 90 days	4.19%	8,679	364
91 to 180 days	28.51%	435	124
Over 181 days	100.00%	1,825	1,825
		<u>\$ 399,116</u>	<u>\$ 3,039</u>

<u>December 31, 2021</u>	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Loss allowance</u>
Not past due	0.17%	\$ 276,003	\$ 462
Up to 30 days	1.09%	14,088	153
31 to 90 days	0.77%	10,223	79
Over 181 days	72.65%	1,561	1,134
		<u>\$ 301,875</u>	<u>\$ 1,828</u>

V. Movements in relation to the Group applying the modified approach to provide loss allowance for accounts receivable are as follows:

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
At January 1	\$ 1,828	\$ 11,044
Expected credit impairment loss (gain)	1,195	(9,136)
Effect of foreign exchange	16	(80)
At December 31	<u>\$ 3,039</u>	<u>\$ 1,828</u>

(c) Liquidity risk

I. Cash flow forecasting is performed in finance division of the Group. Finance division monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.

II. Group treasury invests surplus cash in interest bearing current accounts and time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. The Group is expected to readily generate cash inflows for managing liquidity risk.

III. The Group has the following undrawn borrowing facilities:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Floating rate:		
Expiring within one year	\$ 620,723	\$ 514,188
Expiring beyond one year	109,612	178,632
	<u>\$ 730,335</u>	<u>\$ 692,820</u>

IV. The table below analyses the Group's non-derivative financial liabilities based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

<u>December 31, 2022</u>	<u>Less than 1 year</u>	<u>Between 1 and 3 years</u>	<u>Between 3 and 5 years</u>	<u>Over 5 years</u>
Non-derivative financial liabilities:				
Short-term borrowings	\$ 513,919	\$ -	\$ -	\$ -
Notes payable	34	-	-	-
Accounts payable (including related parties)	171,511	-	-	-
Other payables (including related parties)	151,839	-	-	-
Lease liabilities	3,204	1,666	-	-
Long-term borrowings (including current portion)	132,952	249,689	15,436	-
<u>December 31, 2021</u>	<u>Less than 1 year</u>	<u>Between 1 and 3 years</u>	<u>Between 3 and 5 years</u>	<u>Over 5 years</u>
Non-derivative financial liabilities:				
Short-term borrowings	\$ 193,760	\$ -	\$ -	\$ -
Notes payable	7,930	-	-	-
Accounts payable (including related parties)	106,286	-	-	-
Other payables (including related parties)	148,480	-	-	-
Lease liabilities	3,511	4,500	-	-
Long-term borrowings (including current portion)	181,011	174,384	87,017	4,821

V. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis to be significantly earlier, nor expect the actual cash flow amount to be significantly different.

(3) Fair value information

- A. Fair value information of investment property at cost is provided in Note 6(7), 'Investment property, net'.
- B. The carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables (including related parties), other current financial assets, guarantee deposits paid, short-term borrowings, notes payable, accounts payable (including related parties), other payables (including related parties) and long-term borrowings (including current portion)) are approximate to their fair values.

(4) Other matter

In response to the impact of the COVID-19 pandemic and the government's various pandemic prevention programs, the Group has implemented measures related to workplace sanitation management, continued to manage related matters and implemented a staggered work schedule to operate all its plants and management units in compliance with the "Guidelines for Enterprise Planning of Business Continuity in Response to the Coronavirus Disease 2019 (COVID-19)". There were no significant adverse effects on the Group's operations.

13. SUPPLEMENTARY DISCLOSURES

(According to the regulatory requirements, only information related to the year ended December 31, 2022 is disclosed.)

(1) Significant transactions information

- A. Loans to others: Refer to table 1.
- B. Provision of endorsements and guarantees to others: Refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Refer to table 3.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Refer to table 4.

(3) Information on investments in Mainland China

- A. Basic information: Refer to table 5.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Except for endorsements and guarantees as described in table 2, there is no such situation.

(4) Major shareholders information

Refer to table 6.

14. SEGMENT INFORMATION

(1) General information

The management of the Group has identified the operating segments based on how the Group's chief operating decision maker regularly reviews information in order to make decisions.

(2) Measurement segment information

The chief operating decision-maker evaluates the performance of operating segments based on pretax income excluding non-recurring income. For details of operating segments' accounting policies, refer to Note 4.

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

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

For the year ended December 31, 2022						
	FineMat	WAVE POWER	FineMat (Shanghai)	FineMat (HuangShi)	Others	Total
Segment revenue	\$ 525,671	\$ 437,189	\$ 135,694	\$ 118,068	\$ 167,768	\$ 1,384,390
Inter-segment revenue	93,557	-	2,183	24,958	13,064	133,762
External revenue	432,114	437,189	133,511	93,110	154,704	1,250,628
Depreciation and amortization	55,752	27,712	908	27,895	12,961	125,228
Segment pre-tax (loss) income	(33,630)	135,491	(403)	12,357	(55,300)	58,515
Segment assets	1,084,269	810,595	76,990	596,596	546,186	3,114,636
Segment liabilities	773,069	127,765	37,941	114,130	221,684	1,274,589
For the year ended December 31, 2021						
	FineMat	WAVE POWER	Solar (Shanghai)	FineMat (HuangShi)	Others	Total
Segment revenue	\$ 356,988	\$ 362,190	\$ 29,194	\$ 145,901	\$ 69,827	\$ 964,100
Inter-segment revenue	33,577	1,485	150	61,237	11,568	108,017
External revenue	323,411	360,705	29,044	84,664	58,259	856,083
Depreciation and amortization	48,829	28,136	1,466	19,445	3,577	101,453
Segment pre-tax (loss) income	30,561	112,357	10,515	(12,788)	(4,061)	136,584
Segment assets	1,070,060	742,091	99,751	504,247	233,498	2,649,647
Segment liabilities	552,224	90,467	1,365	117,155	189,444	950,655

(4) Reconciliation for segment income

A. Sales between segments are carried out at arm's length. The revenue from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income. A reconciliation of reportable segments pre-tax income to profit before income tax from continuing operations is provided as follows:

	For the years ended December 31,	
	2022	2021
Reportable segments pre-tax income	\$ 113,815	\$ 140,645
Other segments pre-tax loss	(55,300)	(4,061)
Inter segments gain	(11,145)	(38,828)
Profit before income tax	<u>\$ 47,370</u>	<u>\$ 97,756</u>

B. The amounts provided to the chief operating decision-maker with respect to total assets and total liabilities are measured in a manner consistent with that of the financial statements. No reconciliation is needed.

(5) Information on products and services

Revenue from external customers is mainly from manufacturing and sales of metal masks, microwave and semiconductor components, thermal modules and optical adhesive materials and equipment cleaning business. Details of operating revenue are provided in Note 6(17), "Operating revenue".

(6) Geographical information

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

	Year ended December 31, 2022		Year ended December 31, 2021	
	Revenue (Note)	Non-current assets	Revenue (Note)	Non-current assets
China	\$ 616,677	\$ 417,996	\$ 404,462	\$ 442,593
Taiwan	617,892	940,513	435,669	961,502
Others	16,059	149,474	15,952	73,844
	<u>\$ 1,250,628</u>	<u>\$ 1,507,983</u>	<u>\$ 856,083</u>	<u>\$ 1,477,939</u>

(Note) The revenue is classified based on the location of the customer's country.

(7) Major customer information

Major customer information of the Group for the years ended December 31, 2022 and 2021 is as follows:

Client	Year ended December 31, 2022		Year ended December 31, 2021	
	Revenue	Segment	Revenue	Segment
A	\$ 240,281	FineMat, Solar (Shanghai) and others	\$ 119,350	FineMat, Solar (Shanghai) and others
B	199,296	FineMat	100,111	FineMat
C	139,073	WAVE POWER	140,604	WAVE POWER
D	25,989	WAVE POWER	92,097	WAVE POWER

FINEMAT APPLIED MATERIALS CO., LTD. AND SUBSIDIARIES

Loans to others

For the year ended December 31, 2022

Table 1

Expressed in thousands of NTD

Number (Note 1)	Financing Company	Name of counterparty	Account	Related parties	Maximum balance	Ending balance (Note 3)	Actual amount		Interest rate	Nature for financing	Total transaction amount	Assets pledged		Maximum amount available for loan (Note 5)	Footnote
							drawn down (Note 4)	drawn down (Note 4)				Allowance for doubtful accounts	Item	Value	
0	FINEMAT APPLIED MATERIALS CO., LTD.	VN ETCH HOME TECHNOLOGY COMPANY LTD.	Other receivables	Y	\$ 69,850	\$ 69,850	\$ 5,670	\$ 5,670	3.00%	(Note 2)	\$ -	-	-	\$ -	-
		ETCH HOME TECHNOLOGY CO., LTD.	Other receivables	Y	33,000	33,000	33,000	33,000	4.50%	(Note 2)	-	-	-	265,865	-
1	Htc & Solartech Service (Samoa) Corporation	FineMat (HuangShi) Applied Materials Co., Ltd.	Other receivables	Y	153,410	153,410	60,660	60,660	3.96% (1-year Libor rate+1.5%)	(Note 2)	-	-	-	479,126	-
2	FineMat (Shanghai) Applied Materials Co., Ltd.	FineMat (HuangShi) Applied Materials Co., Ltd.	Other receivables	Y	65,395	65,395	39,052	39,052	1.00%	(Note 2)	-	-	-	192,907	-
3	ETCH HOME TECHNOLOGY CO., LTD.	VN ETCH HOME TECHNOLOGY COMPANY LTD.	Other receivables	Y	11,123	5,566	-	-	3.00%	(Note 2)	-	-	-	70,646	-

(Note 1) The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

1. Parent company is '0'.

2. The subsidiaries are numbered in order starting from '1'.

(Note 2) For short-term financing.

(Note 3) It was translated into New Taiwan dollars based on the exchange rate on the date approved by Board of Director (USD:NTD 1:28.35; USD:NTD 1:30.00; USD:NTD 1:32.09; USD:NTD 1:30.85; USD:NTD 1:4.360; RMB:NTD 1:27.83).

(Note 4) It was translated into New Taiwan dollars based on the exchange rate on the actual drawdown date (USD:NTD 1:28.35; USD:NTD 1:30.00; USD:NTD 1:30.48; USD:NTD 1:30.18; RMB:NTD 1:4.226; RMB:NTD 1:4.372; RMB:NTD 1:4.477; RMB:NTD 1:4.45).

(Note 5) In accordance with the provisions of the operating procedures for loaning to others, the calculation of the capital loan limit of individual objects and the total limit of capital loan is as follow:

1. Loan total limit:

(1) 40% of net worth in the most recent financial statements.

(2) For loans granted by the Company's subsidiaries to domestic and foreign entities whose voting shares are 100% directly or indirectly owned by the Company's subsidiaries or loans granted between domestic and foreign entities, is the creditor's net worth in the most recent financial statements.

2. Limit for a single Company:

(1) Trading partner: each company does not exceed the amount of business transactions.

(2) Short-term financing: each company does not exceed 20% net worth of the Company's most recent financial statements; 40% net worth of the subsidiaries's most recent financial statements.

(3) For loans granted by the Company's subsidiaries to domestic and foreign entities whose voting shares are 100% directly or indirectly owned by the Company's subsidiaries or loans granted between domestic and foreign entities, is 80% of the creditor's net worth in the most recent financial statements.

FINEMAT APPLIED MATERIALS CO., LTD. AND SUBSIDIARIES

Provision of endorsements and guarantees to others

For the year ended December 31, 2022

Table 2

Expressed in thousands of NTD

Number (Note 1)	Endorser/guarantor	Name of counterparty	Relationship (Note 2)	Endorsements limit for a single entity (Note 3)	Highest balance during the year	Outstanding balance at December 31, 2022 (Note 4)	Actual amount drawn down (Note 5)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
0	FINEMAT APPLIED MATERIALS CO., LTD.	Htc & Solartech Service (Samoa) Corporation	1	\$ 256,865	\$ 154,920	\$ 140,140	\$ 60,678	\$ -	11%	\$ 513,730	Y	N	N	-
		FineMat (HuangShi) Applied Materials Co., Ltd.	1	256,865	112,789	112,789	67,674	-	9%	513,730	Y	N	Y	-
		ETCH HOME TECHNOLOGY CO., LTD.	1	256,865	50,000	50,000	50,000	-	4%	513,730	Y	N	N	-
		VN ETCH HOME TECHNOLOGY COMPANY LTD.	1	256,865	153,135	153,135	18,541	-	12%	513,730	Y	N	N	-
1	ETCH HOME TECHNOLOGY CO., LTD.	ETCH HOME TECHNOLOGY COMPANY LTD.	1	128,431	44,700	44,700	28,780	-	51%	79,476	Y	N	N	-

(Note 1) The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

1. Parent company is '0'.

2. The subsidiaries are numbered in order starting from '1'.

(Note 2) The numbers filled in for the relationship with the Company are as follows:

1. The endorser/guarantor company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(Note 3) 1. The limit of total amount of endorsements is 40% of the Company's net worth, and the limit for a single party is 20% of the Company's net worth. The limit of total amount of endorsements provided by ETCH HOME TECHNOLOGY CO., LTD. is 90% of net worth, and the limit for a single party is 40% of ETCH HOME TECHNOLOGY CO., LTD.'s net worth.

2. For endorsements/guarantees provided by the Company due to business dealings, except to the amount endorsements/guarantees shall be limited to the business dealing amount. The business dealing amount is the higher of purchase or sales amount between the entities.

3. Between subsidiaries whose parent Company directly and indirectly holds more than 90% of the voting shares, an endorsement guarantee may be made, and its amount shall not exceed 10% of the net worth of the parent Company.

However, this does not apply to inter-company endorsement guarantees where the Company directly and indirectly holds 100% of the voting shares.

(Note 4) It was translated into New Taiwan dollars based on the exchange rate on the board approval date (USD:NTD 1:30.230; USD:NTD 1:28.840; USD:NTD 1:28.265; USD:NTD 1:27.87; USD:NTD 1:30.00; USD:NTD 1:32.09).

(Note 5) It was translated into New Taiwan dollars based on the exchange rate on the actual drawdown date (USD:NTD 1:30.895; USD:NTD 1:30.500; USD:NTD 1:29.980; USD:NTD 1:29.610; USD:NTD 1:28.490; USD:NTD 1:27.78 USD:NTD 1:31.195; USD:NTD 1:30.900 ; RMB:NTD 1:4.230).

FINEMAT APPLIED MATERIALS CO., LTD. AND SUBSIDIARIES

Significant inter-company transactions during the reporting period

For the year ended December 31, 2022

Table 3

Expressed in thousands of NTD

Number (Note 1)	Company name	Counterparty	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
			Relationship (Note 2)	Account	Amount	
0	FINEMAT APPLIED MATERIALS CO., LTD.	Htc & Solartech Service (Samoa) Corporation	1	Endorsements and guarantees	\$ 140,140	4%
		FineMat (HuangShi) Applied Materials Co., Ltd.	1	Endorsements and guarantees	112,789	4%
		ETCH HOME TECHNOLOGY CO., LTD.	1	Endorsements and guarantees	50,000	2%
				Other receivables	33,889	1%
				Sales revenue	58,686 90 days after monthly closing by T/T	5%
				Accounts receivable	40,717	1%
		VN ETCH HOME TECHNOLOGY CO., LTD.	1	Endorsements and guarantees	153,135	5%
				Other receivables	22,699	1%
				Sales revenue	2,943 Collection according to contract terms	—
				Accounts receivable	2,943	—
1	Htc & Solartech Service (Samoa) Corporation	WAVE POWER TECHNOLOGY INC.	1	Other income	3,196	—
		FineMat (HuangShi) Applied Materials Co., Ltd.	3	Other receivables	62,371	2%
				Interest income	2,585	—
2	Solar Applied Materials Technology (Shanghai) Co., Ltd.	FineMat (HuangShi) Applied Materials Co., Ltd.	3	Sales revenue	2,183 90 days after monthly closing by T/T	—
3	FineMat (Shanghai) Applied Materials Co., Ltd.	FineMat (HuangShi) Applied Materials Co., Ltd.	3	Other receivables	39,662	1%
			3	Sales revenue	1,314 90 days after monthly closing by T/T	—
4	FineMat (HuangShi) Applied Materials Co., Ltd.	FineMat (Shanghai) Applied Materials Co., Ltd.	3	Sales revenue	23,762 The end of the current month by T/T	2%
		WAVE POWER TECHNOLOGY INC.	3	Sales revenue	1,196 Payment before the delivery of goods	—
6	ETCH HOME TECHNOLOGY CO., LTD.	FineMat Applied Materials Co., Ltd.	1	Sales revenue	8,693 90 days after monthly billings by T/T	1%
		VN ETCH HOME TECHNOLOGY CO., LTD.	3	Endorsements and guarantees	44,700	1%
				Other receivables	1,380	—
				Sales revenue	3,057 120 days after monthly closing by T/T	—

(Note 1) The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

(Note 2) Relationship between transaction company and counterparty is classified into the following three categories;

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

(Note 3) Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

(Note 4) If transactions between the parent company and its subsidiaries or between its subsidiaries refer to the same transaction, they are only in the opposite direction of the transaction and are not disclosed separately; only transactions with amount over NTS1 million are disclosed.

(Note 5) Foreign currencies were translated into New Taiwan dollars at exchange rates (USD:NTD 1:30.71; RMB:USD 1:0.1435) as at December 31, 2022.

FINEMAT APPLIED MATERIALS CO., LTD. AND SUBSIDIARIES

Names, locations and other information of investee companies (not including investees in Mainland China)

For the year ended December 31, 2022

Table 4

Expressed in thousands of NTD

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022			Net profit (loss) of the investee for the year ended December 31, 2022		Investment income (loss) recognized by the Company for the year ended December 31, 2022		Footnote
				Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value	2022	2022	2022	2022	
FINEMAT APPLIED MATERIALS CO., LTD.	Sense Pad TECH CO., LTD.	Samoa	Professional investments	\$ 23,719	\$ 23,719	7,580,000	100.00	\$ 52,811	\$ 485	\$ 485	485	Subsidiary	
	ETCH HOME TECHNOLOGY CO., LTD.	Taiwan	Manufacture and sales of electronic components and communication equipment and apparatus, and wholesale and retail of electronic materials, telecommunication apparatus and machinery and tools	119,504	49,504	4,268,000	90.81	85,460	(34,120)	(34,120)	32,196	Subsidiary	
	Htc & Solartech Service (Samoa) Corporation	Samoa	Professional investments	310,579	258,850	8,575,900	73.73	441,574	(2,983)	(2,983)	2,199	Subsidiary	
	WAVE POWER TECHNOLOGY INC.	Taiwan	Manufacture and sales of microwaves and semiconductor components	245,715	253,172	12,736,987	41.09	293,553	113,762	113,762	45,055	Subsidiary	
Sense Pad TECH CO., LTD.	Galloptech International Company Limited	Hong Kong	Sales of semiconductor equipment, mechanical and electrical equipment and optic equipment and after-sales services	7,616	7,616	1,934,400	49.00	11,153	2,689	2,689	-	(Note 1)	
ETCH HOME TECHNOLOGY CO., LTD.	VN ETCH HOME TECHNOLOGY COMPANY LTD.	Vietnam	Manufacture of sales of electronic components, communication equipment and apparatus and other metal products	139,735	34,618	4,680,000	100.00	105,743	(23,278)	(23,278)	-	Subsidiary (Note 1)	

(Note 1) Not required to disclose income (loss) recognized by the Company.

(Note 2) Foreign currencies were translated into New Taiwan dollars at exchange rates (USD:NTD 1:30.71) as at December 31, 2022.

FINEMAT APPLIED MATERIALS CO., LTD. AND SUBSIDIARIES

Information on investments in Mainland China

For the year ended December 31, 2022

Table 5

Expressed in thousands of NTD

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2022				Accumulated amount of remittance from Taiwan to Mainland China as of				Net income of investee for the year ended December 31, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2022	Book value of investments in Mainland China as of December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022	Footnote
				January 1, 2022	December 31, 2022	Remitted to Mainland China	Remitted back to Taiwan	December 31, 2022	December 31, 2022	December 31, 2022	December 31, 2022	December 31, 2022					
				\$	\$	\$	\$	\$	\$	\$	\$	\$					
Solar Applied Materials Technology (Shanghai) Co., Ltd.	Sales of electronic components, general instruments and electronic materials	13,817	Note 1	13,817	13,817	-	-	13,817	100.00%	1,891	1,891	1,891	100.00%	1,891	39,239	-	(Note 4)
FineMat (Shanghai) Applied Materials Co., Ltd.	Manufacture of other metal products, electronic components, computers and its peripherals, and sales of electronic materials	30,710	Note 2	-	-	-	-	-	73.73%	14,852	10,950	177,788	73.73%	10,950	-	-	(Note 4)
FineMat (Huangshi) Applied Materials Co., Ltd.	Manufacture of other metal products, electronic components, computers and its peripherals, and sales of electronic materials	386,178	Note 2	261,649	313,161	51,512	-	11,307	73.73%	8,337	261,592	-	73.73%	8,337	-	-	(Note 4)
Huangshi Quanyang Photoelectric Technology Co., Ltd.	Manufacture and sales of other metal products, electronic materials, semiconductor components	131,043	Note 3	-	-	-	-	39,393	29.76%	12,556	138,629	-	29.76%	12,556	-	-	(Note 5)

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022		Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 6)
	\$	\$		
FINEMAT APPLIED MATERIALS CO., LTD.	326,978	1,104,028		

(Note 1) Investing in the investee in Mainland China through a company incorporated in the third area (Sense Pad TECH CO., LTD.).

(Note 2) Investing in the investee in Mainland China through a company incorporated in the third area (Htc & Solartech Service (Samoa) Corporation).

(Note 3) Investing in the investee in Mainland China through a company in Mainland China (FineMat (Shanghai) Applied Materials Co., Ltd.).

(Note 4) It was recognised based on the investee's financial statements that were audited and attested by R.O.C. parent company's CPA for the year ended December 31, 2022.

(Note 5) It was recognised based on the investee's financial statements that were audited by other independent auditors for the year ended December 31, 2022.

(Note 6) The ceiling amount is 60% of the higher of net worth or consolidated net worth.

(Note 7) Foreign currencies were translated into New Taiwan dollars at exchange rates (USD:NTD 1:30.71; RMB:USD 1:0.1435) as at December 31, 2022.

FINEMAT APPLIED MATERIALS CO., LTD. AND SUBSIDIARIES

Major shareholders information

December 31, 2022

Table 6

	Name of major shareholders	Name of shares held		Ownership (%)	Footnote
		Ordinary stock	Preference stock		
Elan Investment Corp.		8,900,373	-	13.40%	-
Chao Chin Hsiao		6,396,814	-	9.63%	-
Wistron Corporation		4,589,258	-	6.91%	-

Expressed in shares

(Note) The major shareholders information was derived from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded in the financial statements may differ from the actual number of shares issued in dematerialised form because of a different calculation basis.

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of FINEMAT APPLIED MATERIALS CO., LTD.

Opinion

We have audited the accompanying parent company only balance sheets of FINEMAT APPLIED MATERIALS CO., LTD. (the “Company”) as at December 31, 2022 and 2021, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the parent company only financial statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant 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 judgement, were of most significance in our audit of the Company's 2022 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

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

Valuation of impairment provision for accounts receivable

Description

Refer to Note 4(6) for the accounting policy on accounts receivable valuation, Note 5(2) for the information on accounting estimation and assumption uncertainty in relation to accounts receivable valuation, and Note 6(2) for details of impairment provision for accounts receivable and its disclosures. As of December 31, 2022, the balances of accounts receivable and impairment provision for accounts receivable were NT\$182,366 thousand and NT\$1,338 thousand, respectively.

The Company's provision policy for accounts receivable is based on a comprehensive evaluation of customer characteristics, historical collection experience, economic situation, and financial condition of the region where the customer is located. The Company applies the simplified approach using a provision matrix to estimate the loss rates for each aging range and recognizes the impairment losses accordingly.

The provision for accounts receivable, which is based on the estimation of loss rate, usually involves subjective judgment and contains estimation uncertainty. Considering that the Company's accounts receivable and its impairment provision are material to the financial statements, we consider the valuation of impairment provision for accounts receivable as one of the key audit matters.

How our audit addressed the matter

We performed the following audit procedures in response of the abovementioned key audit matter:

- A. Obtained an understanding of the reasonableness of the provision policy and procedure for accounts receivable.
- B. We verified the dates used in the aging reports that the Company applied to value accounts receivable were accurate.
- C. We selected samples and reviewed the reasonableness of loss rates of each aging range determined by management based on the provision policy.
- D. Tested the report used in the valuation of accounts receivable to assess the adequacy of allowance for uncollectible accounts.

Responsibilities of management and those charged with governance for the parent company only financial statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' responsibilities for the audit of the parent company only financial statements

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

- B. 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.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- D. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- E. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- F. Obtain sufficient appropriate audit evidence regarding the parent company only financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements of the current period 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.

Lin, Tzu-Shu

Independent Accountants

Lin, Yung-Chih

PricewaterhouseCoopers, Taiwan

Republic of China

March 15, 2023

The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

FINEMAT APPLIED MATERIALS CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Assets			December 31, 2022		December 31, 2021	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 132,101	6	\$ 138,438	8
1150	Notes receivable, net	6(2)	2,541	-	3,004	-
1170	Accounts receivable, net	5(2), 6(2) and 12	121,921	6	126,209	7
1180	Accounts receivable - related parties, net	5(2) and 7	59,107	3	19,666	1
1200	Other receivables		3,210	-	3,683	-
1210	Other receivables - related parties	7	56,588	3	-	-
130X	Inventories	6(3)	97,900	5	81,557	5
1410	Prepayments		14,485	1	5,749	-
1476	Other current financial assets	6(1) and 8	1,036	-	1,028	-
11XX	Total current assets		488,889	24	379,334	21
Non-current assets						
1550	Investments accounted for under equity method	6(4) and 7	873,398	42	685,082	39
1600	Property, plant and equipment	6(5)(6)(9), 7 and 8	650,932	32	654,842	37
1755	Right-of-use assets	6(5)(6)	4,230	-	6,984	1
1760	Investment property, net	6(7)(9) and 8	584	-	890	-
1780	Intangible assets	6(8)	1,277	-	2,279	-
1840	Deferred income tax assets	6(23)	33,248	2	37,148	2
1920	Guarantee deposits paid	6(5)(6)	4,883	-	4,883	-
1990	Other non-current assets		869	-	1,329	-
15XX	Total non-current assets		1,569,421	76	1,393,437	79
1XXX	Total assets		\$ 2,058,310	100	\$ 1,772,771	100

(Continued)

FINEMAT APPLIED MATERIALS CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			December 31, 2022		December 31, 2021	
			AMOUNT	%	AMOUNT	%
Liabilities						
Current liabilities						
2100	Short-term borrowings	6(10) and 8	\$ 377,000	18	\$ 95,000	6
2130	Current contract liabilities	6(16)	878	-	64	-
2170	Accounts payable		60,513	3	66,178	4
2180	Accounts payable - related parties	7	11,104	1	5,576	-
2200	Other payables		50,398	3	48,716	3
2230	Current income tax liabilities	6(23)	9	-	-	-
2280	Current lease liabilities		2,768	-	2,738	-
2320	Long-term liabilities, current portion	6(11) and 8	86,546	4	126,715	7
21XX	Total current liabilities		589,216	29	344,987	20
Non-current liabilities						
2540	Long-term borrowings	6(11) and 8	168,444	8	195,135	11
2570	Deferred income tax liabilities	6(23)	14,831	1	14,982	1
2580	Non-current lease liabilities		1,494	-	4,262	-
25XX	Total non-current liabilities		184,769	9	214,379	12
2XXX	Total liabilities		773,985	38	559,366	32
Equity						
Share capital						
3110	Common stock	6(13)	663,898	32	663,898	37
Capital reserves						
3200	Capital surplus	6(14)	503,465	25	396,701	22
Retained earnings						
3310	Legal reserve	6(15)	41,495	2	38,886	2
3320	Special reserve		16,526	1	13,982	1
3350	Unappropriated retained earnings		93,936	4	140,650	8
3400	Other equity interest		(10,808)	(1)	(16,525)	(1)
3500	Treasury stocks	6(13)	(24,187)	(1)	(24,187)	(1)
3XXX	Total equity		1,284,325	62	1,213,405	68
Significant Contingent Liabilities and						
Unrecognized Current Commitments						
3X2X	Total liabilities and equity		\$ 2,058,310	100	\$ 1,772,771	100

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

FINEMAT APPLIED MATERIALS CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except for (loss) earnings per share amounts)

			Year ended December 31			
	Items	Notes	2022		2021	
			AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(16) and 7	\$ 525,671	100	\$ 356,988	100
5000	Operating costs	6(3)(8)(12)(21)(22) and 7	(463,997)	(88)	(304,884)	(85)
5900	Gross profit		<u>61,674</u>	<u>12</u>	<u>52,104</u>	<u>15</u>
	Operating expenses	6(8)(12)(21)(22) and 12				
6100	Selling expenses		(34,455)	(7)	(22,084)	(6)
6200	General and administrative expenses		(53,306)	(10)	(47,477)	(13)
6300	Research and development expenses		(37,463)	(7)	(24,049)	(7)
6450	Expected credit impairment (loss) gain		(783)	-	641	-
6000	Total operating expenses		(126,007)	(24)	(92,969)	(26)
6900	Operating loss		(64,333)	(12)	(40,865)	(11)
	Non-operating income and expenses					
7100	Interest income	6(17) and 7	1,378	-	65	-
7010	Other income	6(4)(6)(18) and 7	9,491	2	36,682	10
7020	Other gains and losses	6(7)(19) and 12	15,481	3	1,798	-
7050	Finance costs	6(5)(6)(20)	(6,792)	(1)	(2,351)	(1)
7070	Share of profit of subsidiaries, associates and joint ventures accounted for under equity method	6(4)	<u>11,145</u>	<u>2</u>	<u>38,828</u>	<u>11</u>
7000	Total non-operating income and expenses		<u>30,703</u>	<u>6</u>	<u>71,426</u>	<u>20</u>
7900	(Loss) profit before income tax		(33,630)	(6)	30,561	9
7950	Income tax expense	6(23)	(2,419)	(1)	(4,467)	(1)
8200	(Loss) profit for the year		<u>(\$ 36,049)</u>	<u>(7)</u>	<u>\$ 26,094</u>	<u>8</u>
	Other comprehensive (loss) income(Net)					
	Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(4)	\$ 7,146	1	(\$ 3,179)	(1)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	6(23)	(1,429)	-	636	-
8300	Other comprehensive income (loss) for the year		<u>\$ 5,717</u>	<u>1</u>	<u>(\$ 2,543)</u>	<u>(1)</u>
8500	Total comprehensive (loss) income for the year		<u>(\$ 30,332)</u>	<u>(6)</u>	<u>\$ 23,551</u>	<u>7</u>
	(Loss) earnings per share	6(24)				
9750	Basic		(\$ 0.55)		\$ 0.39	
9850	Diluted		(\$ 0.55)		\$ 0.39	

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

FINEMAT APPLIED MATERIALS CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Share capital - common stock	Retained Earnings				Treasury stocks	Total
			Capital reserve	Legal reserve	Special reserve	Unappropriated retained earnings	Other Equity Interest Financial statements translation differences of foreign operations	
<u>Year ended December 31, 2021</u>								
Balance at January 1, 2021		\$ 663,898	\$ 396,582	\$ 38,401	\$ 17,586	\$ 144,632	\$ 13,982)	\$ 1,247,117
Profit for the year		-	-	-	-	26,094	-	26,094
Other comprehensive loss for the year		-	-	-	-	-	2,543)	(2,543)
Total comprehensive income (loss) for the year		-	-	-	-	26,094	2,543)	23,551
Appropriations of 2020 earnings:								
Legal reserve		-	-	485	-	(485)	-	-
Special reserve		-	-	-	(3,604)	3,604	-	-
Cash dividends	6(15)	-	-	-	-	33,195	-	(33,195)
Adjustment for change in capital reserve of investee companies	6(4)(14)	-	119	-	-	-	-	119
Purchase of treasury stocks	6(13)	-	-	-	-	-	(24,187)	(24,187)
Balance at December 31, 2021		<u>\$ 663,898</u>	<u>\$ 396,701</u>	<u>\$ 38,886</u>	<u>\$ 13,982</u>	<u>\$ 140,650</u>	<u>\$ 16,525)</u>	<u>\$ 1,213,405</u>
<u>Year ended December 31, 2022</u>								
Balance at January 1, 2022		\$ 663,898	\$ 396,701	\$ 38,886	\$ 13,982	\$ 140,650	\$ 16,525)	\$ 1,213,405
Loss for the year		-	-	-	-	(36,049)	-	(36,049)
Other comprehensive income for the year		-	-	-	-	-	5,717	5,717
Total comprehensive (loss) income for the year		-	-	-	-	(36,049)	5,717	(30,332)
Adjustment of capital reserve due to change in interests of investee companies	6(4)(14)	-	-	-	-	-	-	-
Adjustment of retained earnings due to change in interests of subsidiaries	6(4) and 7	-	95,778	-	-	-	-	95,778
Adjustment for change in capital reserve of investee companies	6(4)(14)	-	-	-	-	(4,449)	-	(4,449)
Adjustment of and capital reserve and retained earnings due to change in interests of investee companies	6(4)(14)	-	274	-	-	-	-	274
Difference between acquisition or disposal price and carrying amounts of subsidiaries	6(14) and 7	-	(2,070)	-	-	(1,063)	-	(3,133)
Appropriations of 2021 earnings:								
Legal reserve	6(15)	-	-	2,609	-	(2,609)	-	-
Special reserve	6(15)	-	-	-	2,544	(2,544)	-	-
Balance at December 31, 2022		<u>\$ 663,898</u>	<u>\$ 503,465</u>	<u>\$ 41,495</u>	<u>\$ 16,526</u>	<u>\$ 93,936</u>	<u>\$ 10,808)</u>	<u>\$ 1,284,325</u>

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

FINEMAT APPLIED MATERIALS CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2022	2021
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
(Loss) profit before tax		(\$ 33,630)	\$ 30,561
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit impairment (loss) gain	12	783 (	641)
Loss on inventory market price decline	6(3)	3,420	2,257
Gain recognized in bargain purchase transaction	6(4)(18)	- (	6,384)
Share of profit of subsidiaries, associates and joint ventures accounted for under equity method	6(4)	(11,145 ) (	38,828)
Depreciation	6(5)(6)(7)	54,667	47,774
(Gain) loss on disposal of property, plant and equipment	6(19)	(606)	470
Revenue on rent concessions	6(6)(18)	- (	190)
Amortization	6(8)(21)	1,085	1,055
Interest income	6(17)	(1,378 ) (	65)
Interest expense	6(20)	6,792	2,351
Changes in assets and liabilities			
Changes in operating assets			
Notes receivable		463	2,493
Accounts receivable		3,505 (	54,001)
Accounts receivable - related parties		(39,441 ) (	6,394)
Other receivables		473 (	3,683)
Other receivables - related parties		(16,730)	-
Inventories		(19,763 ) (	34,622)
Prepayments		(8,736)	5,779
Changes in operating liabilities			
Current contract liabilities		814 (	725)
Accounts payable		(5,665)	46,318
Accounts payable - related parties		5,528 (	1,633)
Other payables		<u>2,643</u>	<u>14,420</u>
Cash (outflow) inflow generated from operations		(56,921)	6,312
Interest received		1,378	65
Dividends received	6(4)	32,717	30,251
Interest paid		(6,527 ) (	2,244)
Income tax paid		(<u>90</u>)	(<u>3,210</u>)
Net cash flows (used in) from operating activities		(29,443)	31,174

(Continued)

FINEMAT APPLIED MATERIALS CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2022	2021
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Increase in other receivables - related parties		(\$ 39,858)	\$ -
Increase in other current financial assets		(8)	(8)
Aquisition of investments accounted for under equity method - subsidiary	7	(121,729)	(49,504)
Proceeds from disposal of investments accounted for under equity method-subsidiaries	7	20,239	-
Cash paid for acquisition of property, plant and equipment	6(25)	(50,144)	(188,625)
Interest paid for acquisition of property, plant and equipment	6(5)(20)(25)	-	(208)
Proceeds from disposal of property, plant and equipment		1,827	2,580
Acquisition of intangible assets	6(8)	(83)	(262)
Increase in guarantee deposits paid		-	(4,433)
Decrease(increase) in other non-current assets		460	(880)
Net cash flows used in investing activities		(189,296)	(241,340)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings	6(26)	1,253,300	95,000
Decrease in short-term borrowings	6(26)	(971,300)	-
Payments of lease liability	6(26)	(2,738)	(2,712)
Increase in long-term borrowings	6(26)	35,024	140,100
Decrease in long-term borrowings	6(26)	(101,884)	(3,900)
Payments of cash dividends	6(15)	-	(33,195)
Purchase of treasury stocks	6(13)	-	(24,187)
Net cash flows from financing activities		212,402	171,106
Net decrease in cash and cash equivalents		(6,337)	(39,060)
Cash and cash equivalents at beginning of year	6(1)	138,438	177,498
Cash and cash equivalents at end of year	6(1)	\$ 132,101	\$ 138,438

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

FINEMAT APPLIED MATERIALS CO., LTD.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

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

1. HISTORY AND ORGANISATION

- (1) FINEMAT APPLIED MATERIALS CO., LTD. (the “Company”) was incorporated on May 25, 2007 as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) and other related regulations. The Company primarily engages in the manufacture of electronic components and computers and its peripherals, duplication of data storage media, wholesale of electronic materials, secondary processing of steel materials and other metal products.
- (2) The common shares of the Company have been listed on the Taiwan Stock Exchange since November 25, 2019.

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

These parent company only financial statements were authorized for issuance by the Board of Directors on March 15, 2023.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

- (1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC and became effective from 2022 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board ("IASB")</u>
Amendments to IFRS 3, ‘Reference to the conceptual framework’	January 1, 2022
Amendments to IAS 16, ‘Property, plant and equipment: proceeds before intended use’	January 1, 2022
Amendments to IAS 37, ‘Onerous contracts—cost of fulfilling a contract’	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by IASB</u>
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by ISAB</u>
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by IASB
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Statement of compliance

The parent company only financial statements of the Company have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(2) Basis of preparation

- A. The parent company only financial statements have been prepared under the historical cost convention.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5, critical accounting judgements, estimates and key sources of assumption uncertainty.

(3) Foreign currency translation

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The parent company only financial statements are presented in New Taiwan dollars, which is the Company’s functional and presentation currency.

- A. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- B. Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- C. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- D. All foreign exchange gains and losses are based on the nature of those transactions are presented in the statement of comprehensive income within ‘other gains and losses’.

(4) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

- (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realized within 12 months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than 12 months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- (a) Liabilities that are expected to be settled within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be settled within 12 months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than 12 months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Accounts and notes receivable

A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(6) Impairment of financial assets

For debt instruments measured as financial assets at amortized cost, at each reporting date, the Company recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Company recognizes the impairment provision for lifetime ECLs.

(7) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(8) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expense. When the cost of inventory is higher than net realized value, a write-down is provided and recognized in operating costs. If the circumstances that caused the write-down cease to exist, such that all or part of the write-down is no longer needed, it should be reversed to that extent and recognized as deduction of operating costs.

(9) Investments accounted for using the equity method / subsidiaries

- A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- B. Unrealized gains or losses resulting from inter-company transactions with subsidiaries are eliminated. Necessary adjustments are made to the accounting policies of subsidiaries, to be consistent with the accounting policies of the Company.
- C. After acquisition of subsidiaries, the Company recognizes proportionately the share of profit and loss and other comprehensive income in the income statement as part of the Company's profit and loss and other comprehensive income, respectively. When the share of loss from a subsidiary exceeds the carrying amount of Company's interest in that subsidiary, the Company continues to recognize its share in the subsidiary's loss proportionately.
- D. According to Regulations Governing the Preparation of Financial Statements by Securities Issuers, "Profit for the year" and "Other comprehensive income for the year" reported in an entity's nonconsolidated statement of comprehensive income, shall equal to "profit for the year" and "Other comprehensive income" attributable to owners of the parent reported in that entity's consolidated statement of comprehensive income. Total equity reported in an entity's non-consolidated financial statements, shall equal to equity attributable to owners of parent reported in that entity's consolidated financial statements.

(10) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

<u>Asset</u>	<u>Useful lives</u>
Buildings and structures	3 ~ 50 years
Machinery and equipment	3 ~ 12 years
Instruments and equipment	3 ~ 5 years
Office equipment	3 ~ 5 years
Other equipment	2 ~ 10 years

(11) Leasing arrangements (lessee) — right-of-use assets/ lease liabilities

- A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable. The Company subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

- (a) The amount of the initial measurement of lease liability;
- (b) Any lease payments made at or before the commencement date; and
- (c) Any initial direct costs incurred by the lessee.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term.

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

(12) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Investment property is depreciated on a straight-line basis over its estimated useful life of 10 ~ 50 years.

(13) Intangible assets

Intangible assets comprise computer software, which is stated at cost and amortized on a straight-line basis over its estimated useful life of 3 to 5 years.

(14) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(15) Borrowings

Borrowings comprise long-term and short-term bank loans. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(16) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(17) Derecognition of financial liabilities

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

(18) Offsetting financial instruments

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

(19) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expense in that period when the employees render service.

B. Pensions

For defined contribution plans, the contributions are recognized as pension expense when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(20) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.
- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognized for the carryforward of unused tax credits to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(21) Share capital

- A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.
- B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is resolved from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(22) Dividends

Cash dividends are recorded as liabilities in the Company's financial statements in the period in which they are resolved by the Board of Directors. Stock dividends are recorded as stock dividends

to be distributed in which they are resolved by the Company's shareholders and are reclassified to ordinary shares on the effective date of new shares issuance.

(23) Revenue recognition

A. Sales of goods

- (a) Sales are recognized when control of the products has been transferred, being when the products are delivered to the customer, the customer has full discretion to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.
- (b) Sale revenue is recognized based on the contract price, net of the estimated sales taxes, returns and discounts. For collection terms for sales transactions, as the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Company does not adjust the transaction price to reflect the time value of money.
- (c) A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(24) Government grants

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

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these parent company only financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year ; and the related information is addressed below:

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

None.

(2) Critical accounting estimates and assumptions

Valuation of accounts receivable

- A. The Company considers customers' characteristics, incorporates the forecast ability, historical collection experience and economic situation, financial condition of the region where the customer is located, and applies under the simplified approach using a provision matrix to estimate the expected credit losses. Since the amount of impairment loss is measured and calculated based on the loss rates established for that assets, significant impairment losses may incur if the future expected credit losses are greater than expected.
- B. As of December 31, 2022, the carrying amount of accounts receivable (including related parties) was \$181,028.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand	\$ 246	\$ 209
Demand deposits	131,855	138,229
	<u>\$ 132,101</u>	<u>\$ 138,438</u>

- A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- B. Details of the Company's cash and cash equivalents pledged to others as collateral (shown as 'other current financial assets') refer to Note 8.

(2) Notes and accounts receivable, net

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes receivable	\$ 2,541	\$ 3,004
Accounts receivable	\$ 123,259	\$ 126,764
Less: Allowance for doubtful accounts	(1,338)	(555)
	<u>\$ 121,921</u>	<u>\$ 126,209</u>

- A. As of December 31, 2022 and 2021, the Company's notes receivable were not past due.
- B. The ageing analysis of accounts receivable (including related parties) is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Not past due	\$ 181,070	\$ 138,144
Up to 30 days	82	8,228
31 to 90 days	539	58
91 to 180 days	675	-
	<u>\$ 182,366</u>	<u>\$ 146,430</u>

The above ageing analysis was based on past due date.

C. As of December 31, 2022 and 2021, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2021, the balance of receivables from contracts with customers amounted to \$91,532.

D. As of December 31, 2022 and 2021, the Company did not hold any collateral as security for notes receivable and accounts receivable.

E. As of December 31, 2022 and 2021, the Company has no accounts and notes receivable pledged to others.

F. Information relating to credit risk of notes receivable and accounts receivable is provided in Note 12(2), 'Financial instruments'.

(3) Inventories

	December 31, 2022		
	Allowance for market		
	Cost	price decline	Book value
Merchandise	\$ 57	(\$ 57)	\$ -
Raw materials	99,502	(13,653)	85,849
Supplies	2,691	(508)	2,183
Work in progress	1,278	-	1,278
Finished goods	11,522	(2,932)	8,590
	<u>\$ 115,050</u>	<u>(\$ 17,150)</u>	<u>\$ 97,900</u>

	December 31, 2021		
	Allowance for market		
	Cost	price decline	Book value
Merchandise	\$ 57	(\$ 57)	\$ -
Raw materials	86,871	(12,711)	74,160
Supplies	3,034	(618)	2,416
Work in progress	983	-	983
Finished goods	4,342	(344)	3,998
	<u>\$ 95,287</u>	<u>(\$ 13,730)</u>	<u>\$ 81,557</u>

The cost of inventories recognized as expense for the year:

	For the years ended December 31,	
	2022	2021
Cost of goods sold	\$ 466,385	\$ 302,627
Allowance for inventory market price decline	3,420	2,257
Revenue from sales of scraps	(5,808)	-
	<u>\$ 463,997</u>	<u>\$ 304,884</u>

(4) Investments accounted for using the equity method

A. Movements in investments accounted for under equity method were as follows:

	For the years ended December 31,	
	2022	2021
At January 1	\$ 685,082	\$ 623,677
Addition of investments accounted for using equity method	117,280	55,888
Disposal of investments accounted for using equity method	(7,457)	-
Share of profit or loss of investments accounted for using equity method	11,145	38,828
Net change in equity of investments accounted for using equity method	92,919	119
Earnings distribution of investments accounted for using equity method	(32,717)	(30,251)
Other equity interest-financial statements translation differences of foreign operations	7,146	(3,179)
At December 31	<u>\$ 873,398</u>	<u>\$ 685,082</u>

B. Details of investments accounted for under equity method:

	December 31, 2022	December 31, 2021
ETCH HOME TECHNOLOGY CO., LTD.	\$ 85,460	\$ 54,697
Sense Pad TECH. CO., LTD.	52,811	50,553
Htc & Solartech Service (Samoa) Corporation	441,574	291,434
WAVE POWER TECHNOLOGY INC.	293,553	288,398
	<u>\$ 873,398</u>	<u>\$ 685,082</u>

C. Subsidiaries

- (a) For more information regarding the subsidiaries of the Company, refer to Note 4(2) 'Basis of consolidation' in the 2022 consolidated financial statements'.

- (b) In December 2021, the Company acquired an 80.36% equity interest in ETCH HOME TECHNOLOGY CO., LTD. for a cash consideration of \$49,504 and obtained control over ETCH HOME TECHNOLOGY CO., LTD. and its subsidiaries. For more information regarding the transacts, refer to Note 6(28), 'Business combinations' in the 2022 consolidated financial statements. The gain on bargain purchase arising from the acquisition of ETCH HOME TECHNOLOGY CO., LTD. amounted to \$6,384 (shown as 'other income').
- D. For the years ended December 31, 2022 and 2021, the share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method was \$11,145 and \$38,828, respectively, which were assessed based on the investees' financial statements of the year audited by independent auditors.
- E. As of December 31, 2022 and 2021, no investments accounted for under equity method held by the Company were pledged to others.

(5) Property, plant and equipment

	Land	Buildings and structures	Machinery and equipment	Instruments and equipment	Office equipment	Other equipment	Construction in progress and equipment before acceptance inspection	Total
At January 1, 2022								
Cost	\$ 227,865	\$ 390,209	\$ 174,421	\$ 53,348	\$ 1,892	\$ 38,130	\$ 30,655	\$ 916,520
Accumulated depreciation	-	(126,740)	(88,016)	(37,708)	(598)	(7,434)	-	(260,496)
Accumulated impairment	-	-	(1,182)	-	-	-	-	(1,182)
	<u>\$ 227,865</u>	<u>\$ 263,469</u>	<u>\$ 85,223</u>	<u>\$ 15,640</u>	<u>\$ 1,294</u>	<u>\$ 30,696</u>	<u>\$ 30,655</u>	<u>\$ 654,842</u>
2022								
At January 1	\$ 227,865	\$ 263,469	\$ 85,223	\$ 15,640	\$ 1,294	\$ 30,696	\$ 30,655	\$ 654,842
Additions	-	4,094	17,407	2,948	286	2,712	21,471	48,918
Transfers after acceptance inspection	-	-	14,353	4,913	-	414	(19,680)	-
Depreciation	-	(15,924)	(22,454)	(8,540)	(498)	(4,191)	-	(51,607)
Disposals — Cost	-	(751)	(253)	(2,000)	-	(2,770)	-	(5,774)
— Accumulated depreciation	-	751	199	833	-	2,770	-	4,553
At December 31	<u>\$ 227,865</u>	<u>\$ 251,639</u>	<u>\$ 94,475</u>	<u>\$ 13,794</u>	<u>\$ 1,082</u>	<u>\$ 29,631</u>	<u>\$ 32,446</u>	<u>\$ 650,932</u>
At December 1, 2022								
Cost	\$ 227,865	\$ 393,552	\$ 205,928	\$ 59,209	\$ 2,178	\$ 38,486	\$ 32,446	\$ 959,664
Accumulated depreciation	-	(141,913)	(110,271)	(45,415)	(1,096)	(8,855)	-	(307,550)
Accumulated impairment	-	-	(1,182)	-	-	-	-	(1,182)
	<u>\$ 227,865</u>	<u>\$ 251,639</u>	<u>\$ 94,475</u>	<u>\$ 13,794</u>	<u>\$ 1,082</u>	<u>\$ 29,631</u>	<u>\$ 32,446</u>	<u>\$ 650,932</u>

	Land	Buildings and structures	Machinery and equipment	Instruments and equipment	Office equipment	Other equipment	Construction in progress and equipment before acceptance inspection	Total
At January 1, 2021								
Cost	\$ 125,423	\$ 250,219	\$ 159,274	\$ 55,600	\$ 386	\$ 6,621	\$ 120,741	\$ 718,264
Accumulated depreciation	-	(114,477)	(71,585)	(29,824)	(280)	(5,537)	-	(221,703)
Accumulated impairment	-	-	(1,470)	-	-	-	-	(1,470)
<u>2021</u>	<u>\$ 125,423</u>	<u>\$ 135,742</u>	<u>\$ 86,219</u>	<u>\$ 25,776</u>	<u>\$ 106</u>	<u>\$ 1,084</u>	<u>\$ 120,741</u>	<u>\$ 495,091</u>
At January 1	\$ 125,423	\$ 135,742	\$ 86,219	\$ 25,776	\$ 106	\$ 1,084	\$ 120,741	\$ 495,091
Additions	-	18,536	14,074	368	1,197	5,819	99,303	139,297
Transfers after acceptance inspection	102,442	121,854	3,390	560	309	25,690	(254,245)	-
Transfers from right-of-use assets (Note)	-	-	-	-	-	-	54,053	54,053
Transfers from prepayments for equipment	-	-	3,580	-	-	-	7,394	10,974
Transfers from guarantee deposits paid (Note)	-	-	-	-	-	-	3,409	3,409
Depreciation	-	(12,663)	(21,375)	(8,679)	(318)	(1,897)	-	(44,932)
Disposals — Cost	-	(400)	(5,897)	(3,180)	-	-	-	(9,477)
— Accumulated depreciation	-	400	4,944	795	-	-	-	6,139
— Accumulated impairment	-	-	288	-	-	-	-	288
<u>At December 31</u>	<u>\$ 227,865</u>	<u>\$ 263,469</u>	<u>\$ 85,223</u>	<u>\$ 15,640</u>	<u>\$ 1,294</u>	<u>\$ 30,696</u>	<u>\$ 30,655</u>	<u>\$ 654,842</u>
At December 1, 2021								
Cost	\$ 227,865	\$ 390,209	\$ 174,421	\$ 53,348	\$ 1,892	\$ 38,130	\$ 30,655	\$ 916,520
Accumulated depreciation	-	(126,740)	(88,016)	(37,708)	(598)	(7,434)	-	(260,496)
Accumulated impairment	-	-	(1,182)	-	-	-	-	(1,182)
<u>2021</u>	<u>\$ 227,865</u>	<u>\$ 263,469</u>	<u>\$ 85,223</u>	<u>\$ 15,640</u>	<u>\$ 1,294</u>	<u>\$ 30,696</u>	<u>\$ 30,655</u>	<u>\$ 654,842</u>

(Note) For more information about the Company's sub-acquisition of the original leased land, refer to Note 6(6) 'leasing arrangement-lease'.

A. Property, plant and equipment of the Company were all for its own use as of December 31, 2022 and 2021.

B. Amount of borrowing costs capitalized as part of property, plant and equipment and the range of the interest rates for such capitalization are as follows:

	For the years ended December 31,	
	2022	2021
Amount capitalized	\$ -	\$ 208
Range of the interest rates for capitalization	-	0.4968%

C. Impairment information on the property, plant and equipment is provided in Note 6(9) 'Impairment of non-financial assets'.

D. Information about property, plant and equipment that were pledged to others as collateral as of December 31, 2022 and 2021 is provided in Note 8, 'Pledged assets'.

(6) Leasing arrangements — lessee

A. The Company leases various assets including land and business vehicles. Rental contracts are typically made for a periods of 1 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants.

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

Carrying amounts:

	December 31, 2022	December 31, 2021
Land	\$ -	\$ -
Transportation equipment (Business vehicles)	4,230	6,984
	<u>\$ 4,230</u>	<u>\$ 6,984</u>

Depreciation charge:

	For the years ended December 31,	
	2022	2021
Land	\$ -	\$ 939
Transportation equipment (Business vehicles)	2,754	1,598
	<u>\$ 2,754</u>	<u>\$ 2,537</u>

C. For the years ended December 31, 2022 and 2021, the additions to right-of-use assets were \$— and \$8,309, respectively.

D. The information on income and expense accounts relating to lease contracts is as follows:

	For the years ended December 31,	
	2022	2021
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 62	\$ 309
Expense on short-term lease contracts	1,126	838
Rent concession income	-	190

E. For the years ended December 31, 2022 and 2021, the Company's total cash outflow for leases were \$3,926 and \$3,859, respectively.

F. On January 29, 2021, the Company's Board of Directors resolved the purchase of leased land and obtained approval from Tainan Technology Industrial Park Service Center on February 5, 2021. The total area of the purchased land was 7,653.49 square meters and the total purchase price was \$149,980. According to the regulations of lease-to-acquisition, the rents paid during the lease period of \$47,507 and guarantee deposits of \$3,409 can be used to offset the land price. The actual purchase price of the land was \$99,064, which has been fully paid and the transfer procedure was completed on July 27, 2021.

G. The Company has applied the practical expedient to "Covid-19-related rent concessions", and recognized the gain from changes in lease payments arising from the rent concessions amounting to \$— and \$190 by increasing other income for the years ended December 31, 2022 and 2021, respectively.

(7) Investment property, net

Movements of investment property are as follows:

	For the years ended December 31,	
	2022	2021
<u>Buildings and structures</u>		
At January 1		
Cost	\$ 30,454	\$ 30,454
Accumulated depreciation	(2,126)	(1,821)
Accumulated impairment	(27,438)	(27,438)
	<u>\$ 890</u>	<u>\$ 1,195</u>
Net value at January 1	\$ 890	\$ 1,195
Depreciation	(306)	(305)
Net value at December 31	<u>\$ 584</u>	<u>\$ 1,195</u>
At December 31		
Cost	\$ 30,454	\$ 30,454
Accumulated depreciation	(2,432)	(2,126)
Accumulated impairment	(27,438)	(27,438)
	<u>\$ 584</u>	<u>\$ 890</u>

A. Rental income from investment property and direct operating expenses arising from investment property are shown below:

	For the years ended December 31,	
	2022	2021
Direct operating expenses arising from the investment property that did not generate rental income during the year	\$ 306	\$ 305

B. The fair value of the investment property held by the Company as at December 31, 2022 and 2021 was \$589 and \$897, respectively, which was valued by referring to the actual price registration. Valuation is categorized within Level 3 in the fair value hierarchy.

C. For the years ended December 31, 2022 and 2021, no borrowing cost were capitalized as part of investment property.

D. Impairment information on the investment property is provided in Note 6(9) 'Impairment of non-financial assets'.

E. Information about investment property that was pledged to others as collateral as of December 31, 2022 and 2021 is provided in Note 8, 'Pledged assets'.

(8) Intangible assets

	Computer software cost	
	For the years ended December 31,	
	2022	2021
At January 1		
Cost	\$ 5,361	\$ 5,099
Accumulated amortization	(3,082)	(2,027)
	<u>\$ 2,279</u>	<u>\$ 3,072</u>
Net value at January 1	\$ 2,279	\$ 3,072
Additions	83	262
Amortization	(1,085)	(1,055)
Net value at December 31	<u>\$ 1,277</u>	<u>\$ 2,279</u>
At December 31		
Cost	\$ 5,444	\$ 5,361
Accumulated amortization	(4,167)	(3,082)
	<u>\$ 1,277</u>	<u>\$ 2,279</u>

A. For the years ended December 31, 2022 and 2021, no borrowing cost were capitalized as part of intangible assets.

B. Details of amortization on intangible assets are as follows:

	For years ended December 31,	
	2022	2021
Manufacturing expenses	\$ 217	\$ -
Selling expenses	30	-
General and administrative expenses	675	1,055
Research and development expenses	163	-
	<u>\$ 1,085</u>	<u>\$ 1,055</u>

(9) Impairment of non-financial assets

A. There was no such situation for the years ended December 31, 2022 and 2021, respectively.

B. As of December 31, 2022 and 2021, the accumulated impairment losses on property, plant and equipment and investment property recognized both amounted to \$28,620, after the transfers from disposals and market price recovery.

(10) Short-term borrowings

Nature	December 31, 2022	Interest rate range	Collateral
Bank unsecured borrowings	\$ 265,000	1.725%~2.099%	None
Bank secured borrowings	112,000	1.75%~2.229%	Note
	<u>\$ 377,000</u>		

Nature	December 31, 2021	Interest rate range	Collateral
Bank secured borrowings	\$ 50,000	1.20%	Note
Bank unsecured borrowings	45,000	1.19%~1.20%	None
	<u>\$ 95,000</u>		

(Note) Information about the collateral for the above borrowings is provided in Note 8, 'Pledged assets'.

For more information about interest expenses recognized by the Company for the years ended December 31, 2022 and 2021, refer to Note 6(20), 'Finance cost'.

(11) Long-term borrowings

<u>Nature</u>	<u>Borrowing period</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2022</u>
Bank secured borrowings	2020.7.27~2026.9.24	1.1575%~ 1.8%	Note	\$ 204,558
Bank unsecured borrowings	2020.12.15~2025.12.15	1.095%~ 1.975%	None	50,432
				254,990
Less: Current portion				(86,546)
				<u>\$ 168,444</u>

<u>Nature</u>	<u>Borrowing period</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2021</u>
Bank secured borrowings	2020.1.20~2026.9.24	0.497%~ 1.35%	Note	\$ 199,450
Bank unsecured borrowings	2020.9.25~2025.12.15	0.47%~ 0.497%	None	122,400
				321,850
Less: Current portion				(126,715)
				<u>\$ 195,135</u>

(Note) Information about the collateral for the above borrowings is provided in Note 8, ‘Pledged assets’.

For more information about interest expenses recognized by the Company for the years ended December 31, 2022 and 2021, refer to Note 6(20), ‘Finance cost’.

(12) Pensions

Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under defined contribution pension plans of the Company for the years ended December 31, 2022 and 2021 were \$4,880 and \$4,639, respectively.

(13) Share capital

A. Movements in the number of the Company's ordinary shares outstanding are as follows (in thousands of shares):

	For year ended December 31,	
	2022	2021
Balance at beginning of year	65,788	66,390
Purchase of treasury stocks	-	(602)
Balance at end of year	<u>65,788</u>	<u>65,788</u>

B. Treasury stocks

(a) Reason for share reacquisition and movements in the number of the Company's treasury stocks are as follows (in thousands of shares):

	For the year ended December 31, 2022			
Reason for reacquisition	Shares at beginning of year	Increase	Decrease	Shares at end of year
To be reissued to employees	<u>602</u>	<u>-</u>	<u>-</u>	<u>602</u>
	For the year ended December 31, 2021			
Reason for reacquisition	Shares at beginning of year	Increase	Decrease	Shares at end of year
To be reissued to employees	<u>-</u>	<u>602</u>	<u>-</u>	<u>602</u>

(b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital surplus. As of December 31, 2022 and 2021, the balances of treasury shares purchased by the Company both amounted to \$24,187.

(c) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.

(d) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within 5 years from the reacquisition date and shares not reissued within the 5 year period are to be retired.

C. As of December 31, 2022, the Company's authorized capital was \$1,000,000 (including \$60,000 reserved for employee stock options), and the paid-in capital was \$663,898, consisting of 66,390 thousand shares of ordinary stock, with a par value of \$10 (in dollars) per share, which were issued in instalments. All proceeds from shares issued have been collected.

(14) Capital reserve

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. However, capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient. Movements in capital surplus are as follows:

For the year ended December 31, 2022	Share premium	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Changes in ownership interests in subsidiaries	Net change in equity of associates	Total
At January 1	\$ 394,674	\$ -	\$ 2,027	\$ -	\$ 396,701
Transactions with non-controlling interests shareholders of subsidiaries	-	12,782	-	-	12,782
Adjustments for changes in capital reserve of investee companies	-	-	274		274
Changes in subsidiaries, associates and joint ventures accounted for under equity method	-	-	-	95,778	95,778
Adjustments for changes in retained earnings of investee companies	-	-	(2,070)	-	(2,070)
At December 31	\$ 394,674	\$ 12,782	\$ 231	\$ 95,778	\$ 503,465

For the year ended December 31, 2021	Share premium	Changes in ownership interests in subsidiaries	Total
At January 1	\$ 394,674	\$ 1,908	\$ 396,582
Adjustments for changes in capital reserve of investee companies	-	119	119
At December 31	\$ 394,674	\$ 2,027	\$ 396,701

(15) Retained earnings

- A. The legal reserve shall be exclusively used to cover accumulated deficit, to issue new stocks, or to distribute cash to shareholders in proportion to their share ownership. The use of legal reserve for the issuance of stocks or each dividends to shareholders in proportion to their share ownership is permitted provided that the balance of such reserve exceeds 25% of the Company's paid-in capital.
- B. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve, but if legal reserve has accumulated to an amount equal to the paid-in capital, then legal reserve is no longer required to be set aside. In addition, after special reserve is set aside or reversed in accordance with relevant regulations, the remainder along with accumulated unappropriated earnings will be proposed by the Board of Directors and resolved at the shareholders' meeting to be distributed as dividends. The

Company's dividend policy takes into account not only the Company's current and future investment environment, capital needs, domestic and foreign competition, and capital budget, etc. but also the shareholders' interests, balanced dividends and the Company's long-term financial plan, etc. Each year, the appropriation is proposed by the Board of Directors and then reported to the shareholders' meeting for approval. The Company is in the growth stage and has a plan to expand its production lines and capital needs in the coming years, and thus the balanced dividend policy is adopted to have a sound financial structure and maintain a good capital adequacy ratio. In addition to appropriating the earnings in accordance with the aforementioned regulations, the dividend and bonus may be distributed in the form of cash or shares, and if there are any earnings in the current year, 10% ~ 80% of distributable earnings of the current year shall be appropriated as dividends and bonuses to shareholders, of which cash dividends shall account for at least 10% of the total dividends distributed. The Board of Directors of the Company may, upon resolution adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors, distribute dividends and bonus, legal reserve or capital surplus, in whole or in part, in the form of cash, which shall also be reported at the shareholders' meeting. The above distribution is not subject to approval by the shareholders.

- C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

The special reserve previously set aside by the Company on initial application of IFRSs in accordance with the Order No. Financial-Supervisory-Securities-Corporate-1010012865, dated April 6, 2012, amounted to \$369.

- D. The Company recognized cash dividends distributed to owners amounting to \$33,195 (\$0.5 (in dollars) per share) for the years ended December 31, 2021. On March 15, 2023, the Board of Directors resolved no distribution due to no profit for the year.

(16) Operating revenue

- A. The Company's revenue is mainly from sales contracts with customers, and such revenue is derived from the transfer of goods at a point in time in the following major product lines:

	For the years ended December 31,	
	2022	2021
Metal masks	\$ 446,996	\$ 334,599
Thermal module	39,537	-
Optical bonding materials	10,475	19,404
Others	28,663	2,985
	<u>\$ 525,671</u>	<u>\$ 356,988</u>

B. The Company has recognized the following revenue-related contract liabilities:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Current contract liabilities:			
Advance receipts	<u>\$ 878</u>	<u>\$ 64</u>	<u>\$ 789</u>
		<u>For the years ended December 31,</u>	
		<u>2022</u>	<u>2021</u>
Revenue recognized that was included in the contract liability balance at the beginning of the year:			
Advance receipts		<u>\$ -</u>	<u>\$ 364</u>

(17) Interest income

		<u>For the years ended December 31,</u>	
		<u>2022</u>	<u>2021</u>
Interest income from bank deposits	\$	577	\$ 49
Other interest income		801	16
	\$	<u>1,378</u>	<u>\$ 65</u>

(18) Other income

		<u>For the year ended December 31,</u>	
		<u>2022</u>	<u>2021</u>
Director's remuneration income	\$	3,196	\$ -
Waste liquid recycling income		2,502	-
Administrative service income		1,392	2,021
Government grant income (Note)		-	27,077
Gain recognized in bargain purchase transaction		-	6,384
Rent concession income		-	190
Other income		<u>2,401</u>	<u>1,010</u>
	\$	<u>9,491</u>	<u>\$ 36,682</u>

(Note) The Company recognized government grant income of \$ — and \$27,077 for the years ended December 31, 2022 and 2021 for salary and working capital subsidies from the Ministry of Economic Affairs under the ‘Relief and Revitalisation Measures for Industries and Enterprises Experiencing Operational Difficulties Due To the Impact of Severe Pneumonia with Novel Pathogens (COVID-19)’. However, the aforementioned regulation specifies that the Company must not be a landowner on the list of industrial idle land announced in accordance with the Article 46-1 of Statute for Industrial Innovation and shall comply with other rules set in the regulation. Provided that the Company did not comply with the rules, the Industrial Development Bureau of the Ministry of Economic Affairs may revoke or abolish the subsidies and retrieve all the funds appropriated.

(19) Other gains and losses

	For the years ended December 31,	
	2022	2021
Currency exchange gain (loss)	\$ 15,181	(\$ 972)
Gain (loss) on disposal of property, plant and equipment	606	(470)
Depreciation charges on investment property	(306)	(305)
Other losses	-	(51)
	<u>\$ 15,481</u>	<u>(\$ 1,798)</u>

(20) Finance costs

	For the years ended December 31,	
	2022	2021
Interest expense:		
Interest expense bank borrowings	\$ 6,730	\$ 2,250
Interest expense on lease liabilities	62	309
	<u>6,792</u>	<u>2,559</u>
Less: Capitalization of qualifying assets	-	(208)
	<u>\$ 6,792</u>	<u>\$ 2,351</u>

(21) Expenses by nature

	For the year ended December 31, 2022,		
	Operating costs	Operating expenses	Total
Employee benefit expense	\$ 80,923	\$ 68,334	\$ 149,257
Depreciation expense	45,994	8,367	54,361
Amortization expense	217	868	1,085
	<u>\$ 127,134</u>	<u>\$ 77,569</u>	<u>\$ 204,703</u>

	For the year ended December 31, 2021,		
	Operating costs	Operating expenses	Total
Employee benefit expense	\$ 70,572	\$ 51,126	\$ 121,698
Depreciation expense	41,207	6,262	47,469
Amortization expense	-	1,055	1,055
	<u>\$ 111,779</u>	<u>\$ 58,443</u>	<u>\$ 170,222</u>

(22) Employee benefit expense

	For the year ended December 31, 2022,		
	Operating costs	Operating expenses	Total
Wages and salaries	\$ 67,593	\$ 53,458	\$ 121,051
Labor and health insurance expense	6,423	4,295	10,718
Pension costs	2,629	2,251	4,880
Directors' remuneration	-	4,792	4,792
Other personnel expenses	4,278	3,538	7,816
	<u>\$ 80,923</u>	<u>\$ 68,334</u>	<u>\$ 149,257</u>

	For the year ended December 31, 2021,		
	Operating costs	Operating expenses	Total
Wages and salaries	\$ 59,002	\$ 39,734	\$ 98,736
Labor and health insurance expense	5,776	4,134	9,910
Pension costs	2,395	2,244	4,639
Directors' remuneration	-	1,449	1,449
Other personnel expenses	3,399	3,565	6,964
	<u>\$ 70,572</u>	<u>\$ 51,126</u>	<u>\$ 121,698</u>

- A. As of December 31, 2022 and 2021, the Company had 187 and 180 workers, among these, 7 and 6 directors were non-employee directors, respectively.
- B. The average employee benefit expense and average wages and salaries for the years ended December 31, 2022 and 2021, were \$803 and \$691, \$673 and \$567, respectively. The average wages and salaries in 2022 increased by approximately 19% compared with 2021.
- C. In accordance with the Company's compensation policy, directors' remuneration is determined by considering the extent of their contribution in the Company's operations and the general pay levels in the same industry; managers' remuneration is assessed based on their positions, responsibilities of the job, contribution to the Company and performance evaluations during the year, and by reference to the general pay levels in the same industry. The aforementioned directors' and managers' remunerations shall be reviewed by the Remuneration Committee and submitted to the Board of Directors for resolution. Employees' compensation is determined by reference to the pay levels in the industry and their job titles, levels, types, responsibilities, etc.,

and the professional capacities, education and work experience and education levels are also the main factors considered in the salary evaluation.

- D. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year shall be distributed as employees' compensation and directors' remuneration. The ratio shall be 8%~15% for employees' compensation and shall not be higher than 5% for directors' remuneration. Provided that the Company has accumulated deficit, earnings shall be first used to cover accumulated deficit. Directors' remuneration is distributed in the form of cash while employees' compensation may be distributed in the form of cash or shares. The employees, including the employees of the Company's subsidiaries, who meet certain specific requirements are entitled to receive the above cash or shares. The profit of the current year is the profit before deducting tax, employees' compensation and directors' remuneration. The distribution of employees' compensation and directors' remuneration is subject to the approval of more than half of directors present at a meeting where more than two-thirds of the directors are in attendance and shall also be reported at the shareholders' meeting.
- E. For the years ended December 31, 2022 and 2021, employees' compensation were \$— and \$2,670, respectively; while directors' remuneration were both \$—. The aforementioned amounts were recognized in salary expenses and were estimated and accrued based on the earnings of current year and the percentage specified in the Articles of Incorporation of the Company. The employees' compensation and directors' remuneration for 2021 as resolved by the Board of Directors was \$2,670, it is consistent with the amount recognized in the financial statements for 2021. The Company had no profit in 2022, there is no need to estimate and pay remuneration to employees and directors.

Information about employees' compensation and directors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(23) Income tax

A. Income tax expense:

(a) Components of income tax expense:

	For the years ended December 31,	
	2022	2021
Current income tax:		
Tax on undistributed earnings	\$ 99	-
Under provision of prior year's income tax payable	-	53
Total current income tax	99	53
Deferred income tax:		
Origination and reversal of temporary differences	2,320	4,414
Income tax expense	<u>\$ 2,419</u>	<u>\$ 4,467</u>

(b) The income tax relating to components of other comprehensive income is as follows:

	For the years ended December 31,	
	2022	2021
Financial statements translation differences of foreign operations	<u>\$ 1,429</u>	<u>(\$ 636)</u>

B. Reconciliation between income tax expense and accounting profit:

	For the years ended December 31,	
	2022	2021
Tax calculated based on profit before tax and statutory tax rate	\$ -	\$ 6,112
Effects from items disallowed by tax regulation	(2,572)	(2,825)
Tax on undistributed earnings	99	-
Under provision of prior year's income tax payable	-	53
Change in assessment of realisation of deferred tax assets	4,892	1,127
Income tax expenses	<u>\$ 2,419</u>	<u>\$ 4,467</u>

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

	2022			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets:				
Temporary differences:				
Financial statements translation differences	\$ 4,132	\$ -	(\$ 1,429)	\$ 2,703
Allowance for doubtful accounts	71	-	-	71
Loss on inventory market value decline	2,746	684	-	3,430
Impairment loss	3,069	(131)	-	2,938
Unrealized loss on foreign currency exchange	85	(85)	-	-
Book-tax difference on land cost	9,501	-	-	9,501
Tax losses	17,544	(2,939)	-	14,605
	<u>\$ 37,148</u>	<u>(\$ 2,471)</u>	<u>(\$ 1,429)</u>	<u>\$ 33,248</u>
Deferred tax liabilities:				
Temporary differences:				
Investment income	(\$ 13,705)	\$ 343	\$ -	(\$ 13,362)
Unrealized gain on foreign currency exchange	-	(192)	-	(192)
Gain recognized in bargain purchase transaction	(1,277)	-	-	(1,277)
	<u>(\$ 14,982)</u>	<u>\$ 151</u>	<u>\$ -</u>	<u>(\$ 14,831)</u>
	<u>\$ 22,166</u>	<u>(\$ 2,320)</u>	<u>(\$ 1,429)</u>	<u>\$ 18,417</u>

2021				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets:				
Temporary differences:				
Financial statements translation differences of foreign operations	\$ 3,496	\$ -	\$ 636	\$ 4,132
Allowance for doubtful accounts	354	(283)	-	71
Loss on inventory market value decline	2,295	451	-	2,746
Impairment loss	3,201	(132)	-	3,069
Unrealized loss on foreign currency exchange	8	77	-	85
Book-tax difference on land cost	-	9,501	-	9,501
Tax losses	30,779	(13,235)	-	17,544
	<u>\$ 40,133</u>	<u>(\$ 3,621)</u>	<u>\$ 636</u>	<u>\$ 37,148</u>
Deferred tax liabilities:				
Temporary differences:				
Investment income	(\$ 14,189)	\$ 484	\$ -	(\$ 13,705)
Gain recognized in bargain purchase transaction	-	(1,277)	-	(1,277)
	<u>(\$ 14,189)</u>	<u>(\$ 793)</u>	<u>\$ -</u>	<u>(\$ 14,982)</u>
	<u>\$ 25,944</u>	<u>(\$ 4,414)</u>	<u>\$ 636</u>	<u>\$ 22,166</u>

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

December 31, 2022					
Year incurred	Amount filed/ assessed	Unused amount	Unrecognized deferred tax assets	Expiry year	
2012	\$ 50,807	\$ 50,807	\$ 50,807	2022	
2013	12,636	12,636	-	2023	
2014	16,383	16,383	-	2024	
2020	1,642	1,642	-	2030	
2022	42,364	42,364	-	2032	

December 31, 2021

Year incurred	Amount filed/ assessed	Unused amount	Unrecognized deferred tax assets	Expiry year
2012	\$ 50,807	\$ 50,807	\$ -	2022
2013	12,636	12,636	-	2023
2014	16,383	16,383	-	2024
2020	7,896	7,896	-	2030

E. The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority. There were no disputes existing between the Company and the Tax Authority as of March 15, 2023.

(24) (Loss) earnings per share

For the year ended December 31, 2022,			
	Amount after tax	Weighted average number of shares outstanding (shares in thousands)	Loss per share (in dollars)
<u>Basic loss per share</u>			
Loss for the year	(\$ 36,049)	65,788	(\$ 0.55)
For the year ended December 31, 2021,			
	Amount after tax	Weighted average number of shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit for the year	\$ 26,094	66,314	\$ 0.39
<u>Diluted earnings per share</u>			
Profit for the year	\$ 26,094	66,314	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	52	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	\$ 26,094	66,366	\$ 0.39

For the year ended December 31, 2022, potential ordinary shares were excluded from the calculation of diluted loss per share due to the anti-dilutive effect.

(25) Supplemental cash flow information

A. Investing activities with partial cash payments:

	For the years ended December 31,	
	2022	2021
Purchase of property, plant and equipment	\$ 48,918	\$ 139,297
Add: Opening balance of other payables	6,721	1,563
Lease liabilities transferred to payments	-	54,694
Less: Ending balance of other payables	(5,495)	(6,721)
Capitalization for interest	-	(208)
Cash paid during the year	<u>\$ 50,144</u>	<u>\$ 188,625</u>

B. Investing activities with no cash flow effects:

	For the years ended December 31,	
	2022	2021
(a) Right-of-use assets transferred to property, plant and equipment	\$ -	\$ 54,053
(b) Prepayments for equipment transferred to property, plant and equipment	\$ -	\$ 10,974
(c) Guarantee deposits paid transferred to property, plant and equipment	\$ -	\$ 3,409

C. The fair value of assets and liabilities of ETCH HOME TECHNOLOGY CO., LTD. on acquisition dates are as follows:

	For the years ended December 31,	
	2022	2021
Cash	\$ -	\$ 25,661
Total consideration paid for the acquisition of ETCH HOME TECHNOLOGY CO., LTD. (calculated in proportion to its ownership of 80.36% based on the fair value)	\$ -	\$ 49,504
Acquisition of cash on ETCH HOME TECHNOLOGY CO., LTD. (calculated in proportion to its ownership of 80.36% based on the fair value)	-	(25,661)
Cash paid from the acquisition of ETCH HOME TECHNOLOGY CO., LTD. (calculated in proportion to its ownership of 80.36% based on the fair value)	<u>\$ -</u>	<u>\$ 23,843</u>

(26) Changes in liabilities from financing activities

	Short-term borrowings	Lease liabilities	Long-term borrowings (including current portion)	Liabilities from financing activities - gross
At January 1, 2022	\$ 95,000	\$ 7,000	\$ 321,850	\$ 423,850
Changes in cash flow from financing activities	282,000	(2,738)	(66,860)	212,402
At December 31, 2022	<u>\$ 377,000</u>	<u>\$ 4,262</u>	<u>\$ 254,990</u>	<u>\$ 636,252</u>

	Short-term borrowings	Lease liabilities	Long-term borrowings (including current portion)	Liabilities from financing activities - gross
At January 1, 2021	\$ -	\$ 56,287	\$ 185,650	\$ 241,937
Changes in cash flow from financing activities	95,000	(2,712)	136,200	228,488
Changes in cash flow from other non-cash financing activities	-	(46,575)	-	(46,575)
At December 31, 2021	<u>\$ 95,000</u>	<u>\$ 7,000</u>	<u>\$ 321,850</u>	<u>\$ 423,850</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Htc & Solartech Service (Samoa) Corporation	Subsidiary
Solar Applied Materials Technology (Shanghai) Co., Ltd.	Subsidiary
FineMat (HuangShi) Applied Materials Co., Ltd.	Subsidiary
WAVE POWER TECHNOLOGY INC.	Subsidiary
ETCH HOME TECHNOLOGY CO., LTD.	Subsidiary
VN ETCH HOME TECHNOLOGY CO., LTD.	Subsidiary
Galloptech International Company Limited	Associate
Huangshi Quanyang Photoelectric Technology Co., Ltd.	Associate
HTC & SOLAR TECH SERVICE LIMITED	Other related party

(2) Significant related party transactions

A. Operating revenue

	For the years ended December 31,	
	2022	2021
Sales of goods:		
ETCH HOME TECHNOLOGY CO., LTD.	\$ 58,686	\$ 4
Huangshi Quanyang Photoelectric Technology Co., Ltd.	57,324	2,058
Subsidiaries	3,521	33,573
Associates	-	143
Other related parties	3,252	2,516
	<u>\$ 122,783</u>	<u>\$ 38,294</u>

The sales prices and credit terms from related parties were the same with third parties. Collection terms are 60 ~ 90 days after monthly statements for related parties and 90 days after monthly statements for third parties.

B. Purchases

	For the years ended December 31,	
	2022	2021
Purchases of goods:		
HTC & SOLAR TECH SERVICE LIMITED	\$ 17,557	\$ 12,391
ETCH HOME TECHNOLOGY CO., LTD.	8,691	21
Associates	900	-
Subsidiaries	-	1,903
	<u>\$ 27,148</u>	<u>\$ 14,315</u>

The purchase prices and payment terms from related parties were the same with third parties. Payment terms are 90 days after monthly statements for related parties and 30 ~ 90 days after monthly statements for third parties.

C. Processing expenses and other expenses (listed as ‘operating cost’)

	For the years ended December 31,	
	2022	2021
Huangshi Quanyang Photoelectric Technology Co., Ltd.	\$ 4,557	\$ 1,270
FineMat (HuangShi) Applied Materials Co., Ltd.	-	5,937
Other related parties	207	341
Subsidiaries	2	-
	<u>\$ 4,766</u>	<u>\$ 7,548</u>

D. Administrative service revenue

	For the years ended December 31,	
	2022	2021
HTC & SOLAR TECH SERVICE LIMITED	\$ 936	\$ 1,590
Galloptech International Company Limited	456	431
	<u>\$ 1,392</u>	<u>\$ 2,021</u>

E. Directors' remuneration income

	For the years ended December 31,	
	2022	2021
WAVE POWER TECHNOLOGY INC.	\$ 3,196	\$ -

F. Property transactions

	For the years ended December 31,	
	2022	2021
Acquisition of property, plant and equipment		
Other related parties	\$ -	\$ 145

G. Investment transactions

- (1) In January 2022, the Company participated in the capital increase of ETCH HOME TECHNOLOGY CO., LTD. in the total investments amount to \$70,000 in cash. Because the Company did not subscribes for new shares according to the shareholding ratio, the difference generated reduced the retained earnings by \$4,449.
- (2) In August 2011, the subsidiary, WAVE POWER TECHNOLOGY INC., filed for an initial public offering with Taipei Exchange. As part of the public process, the Company partially disposed its shares through public market for a total cash consideration of \$20,239. After deducting the book value of \$7,457 on the disposal date, the capital reserve was increase by \$12,782.
- (3) In December 2022, the Company participated in the capital increase of Htc & Solartech Service (Samoa) Corporation. in the total investments amount to \$51,729 in cash.

H. Receivables from related parties

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivable:		
ETCH HOME TECHNOLOGY CO., LTD.	\$ 40,717	\$ 4
Huangshi Quanyang Photoelectric Technology Co., Ltd.	15,130	2,058
VN ETCH HOME TECHNOLOGY CO., LTD.	2,943	-
Solar Applied Materials Technology (Shanghai) Co., Ltd.	176	2,011
FineMat (HuangShi) Applied Materials Co., Ltd.	141	15,593
	<u>\$ 59,107</u>	<u>\$ 19,666</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Other receivables (excluded loans to related parties) :		
VN ETCH HOME TECHNOLOGY CO., LTD.	\$ 16,567	\$ -
ETCH HOME TECHNOLOGY CO., LTD.	163	-
	<u>\$ 16,730</u>	<u>\$ -</u>

The receivables from related parties arise mainly from sale transactions and purchase of packaging materials and machinery. The receivables are unsecured in nature and bear no interest. There are no provisions held against receivables from related parties.

I. Payables to related parties

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Purchase of goods and services:		
HTC & SOLAR TECH SERVICE LIMITED	\$ 9,769	\$ 3,099
Subsidiaries	916	32
Huangshi Quanyang Photoelectric Technology Co., Ltd.	419	1,270
FineMat (HuangShi) Applied Materials Co., Ltd.	-	1,175
	<u>\$ 11,104</u>	<u>\$ 5,576</u>

The payables to related parties arise mainly from purchase transactions and are unsecured in nature and bear no interest.

J. Loans to related parties

Receivable from related parties:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
ETCH HOME TECHNOLOGY CO., LTD.	\$ 33,726	\$ -
VN ETCH HOME TECHNOLOGY CO., LTD.	6,132	-
	<u>\$ 39,858</u>	<u>\$ -</u>

The loan to related parties are repayable over 1 year and the interest income was \$763 and \$— for the years ended December 31, 2022 and 2021, respectively.

K. Endorsements and guarantees

Endorsements and guarantees provided by the Company to subsidiaries are as follows:

	Nature	December 31, 2022	December 31, 2021
Htc & Solartech Service (Samoa) Corporation	Financial guarantee	\$ 140,140	\$ 143,050
FineMat (HuangShi) Applied Materials Co., Ltd.	"	112,789	112,789
ETCH HOME TECHNOLOGY CO., LTD.	"	50,000	-
VN ETCH HOME TECHNOLOGY CO., LTD.	"	153,135	-
		<u>\$ 456,064</u>	<u>\$ 255,839</u>

As of December 31, 2022 and 2021, the actual amount guaranteed by the Company to the subsidiaries was \$196,893 and \$144,163, respectively.

(3) Key management compensation

	For the years ended December 31,	
	2022	2021
Short-term employee benefits	\$ 10,804	\$ 10,311

8. PLEDGED ASSETS

The Company's assets pledged as collateral are as follows:

Pledged asset	Book value		Purpose
	December 31, 2022	December 31, 2021	
Restricted time deposits (Note 1)	\$ 1,036	\$ 1,028	Customs deposits
Land (Note 2)	227,865	227,865	Financial guarantees
Buildings and structures, net (Note 2)	252,223	264,359	"
	<u>\$ 481,124</u>	<u>\$ 493,252</u>	

(Note 1) Listed as 'other current financial assets'.

(Note 2) Listed as 'property, plant and equipment' and 'investment property, net'.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) As of December 31, 2022 and 2021, the Company's remaining balance due for construction in progress and prepayments for equipment were \$22,635 and \$12,405, respectively.

(2) Information about endorsements and guarantees to subsidiaries is provided in Note 7(2)K.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. The Company also ensures it has sufficient financial resources and operating plans to support the working capital needs, capital expenditures, dividend payments, etc. in the future.

(2) Financial instruments

A. Information on the Company's financial instruments by category is provided in Note 6.

B. Financial risk management policies

(a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programmed focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial position and financial performance.

(b) Risk management is carried out by a central treasury department (Company treasury) under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

I. The Company operates internationally and is exposed to exchange rate risk arising from various currencies, primarily with respect to the USD, RMB and JPY. Foreign exchange rate risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

- II. Management has set up a policy to require companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Company treasury. Foreign exchange risk arises when future commercial transactions, recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.
- III. The Company treasury's risk management policy is to hedge anticipated cash flows (mainly sales exports and inventory purchases) in the major foreign currency in the future so as to decrease the risk exposure in the major foreign currency.
- IV. The Company has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. However, as the objective of the net investments in foreign operations is for strategic purposes, the Company does not hedge the investments.
- V. The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2022				
	Foreign currency			Book
	amount (In thousands)	Exchange rate		value
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	\$ 7,220	30.66	\$	221,362
RMB:NTD	9,919	4.383		43,472
JPY:NTD	9,323	0.2304		2,148
<u>Non-monetary items</u>				
USD:NTD	16,099	30.71		494,385
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	358	30.76		11,017
RMB:NTD	6,801	4.433		30,147
JPY:NTD	19,782	0.2344		4,637

December 31, 2021				
	Foreign currency amount (In thousands)		Exchange rate	Book value
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	\$	6,064	27.63	\$ 167,560
RMB:NTD		5,010	4.319	21,639
<u>Non-monetary items</u>				
USD:NTD		12,355	27.68	341,987
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD		2,026	27.73	56,174
RMB:NTD		271	4.369	1,183
JPY:NTD		22,668	0.2425	5,497
EUR:NTD		53	31.52	1,665

VI. Sensitivity analysis of foreign exchange risk is primarily for foreign currency monetary items at financial reporting date. If the exchange rate of NTD to other currencies had appreciated/depreciated by 1% with all other variables held constant, the Company's net profit after tax for the years ended December 31, 2022 and 2021 would increase/decrease by \$1,769 and \$997, respectively.

VII. Total exchange gain (loss), including realized and unrealized, arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2022 and 2021 amounted to \$15,181 and (\$972), respectively.

Price risk

The Company did not engage in any financial instrument transactions with price variations, thus, the Company does not expect market risk arising from variations in the market prices.

Cash flow and fair value interest rate risk

Regarding the sensitivity analysis of interest rate risk, if the borrowing interest rate had increased/decreased by 10% with all other variables held constant, profit (loss), net of tax for the years ended December 31, 2022 and 2021 would have decreased/increased by \$538 and \$180, respectively. The main factor is that increases/decreases in interest expense result from floating rate borrowings.

(b) Credit risk

I. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.

- II. The Company manages their credit risk taking into consideration the entire Company's concern. According to the Company's credit policy, each local entity in the Company is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored.
- III. In line with the credit risk management procedure, payment reminders are sent when the contract payments are past due, and the default occurs when the contract payments are past due over a certain period of time.
- IV. The Company classifies customer's accounts receivable in accordance with credit risk on trade. The Company applied the simplified approach using the provision matrix, loss rate methodology to estimate expected credit loss. The Company uses the forecastability of conditions to adjust historical and timely information to assess the default possibility of accounts receivable. On December 31, 2022 and 2021, the provision matrix is as follows:

<u>December 31, 2022</u>	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Loss allowance</u>
Not past due	0.34%	\$ 181,070	\$ 621
Up to 30 days	2.44%	82	2
31 to 90 days	7.42%	539	40
Over 181 days	100%	675	675
		<u>\$ 182,366</u>	<u>\$ 1,338</u>
 <u>December 31, 2021</u>			
Not past due	0.29%	\$ 138,144	\$ 397
Up to 30 days	1.86%	8,228	153
31 to 90 days	8.62%	58	5
		<u>\$ 146,430</u>	<u>\$ 555</u>

- V. Movements in relation to the Company applying the modified approach to provide loss allowance for accounts receivable are as follows:

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
At January 1	\$ 555	\$ 1,196
Expected credit loss (gain)	783	(641)
At December 31	<u>\$ 1,338</u>	<u>\$ 555</u>

(c) Liquidity risk

I. Cash flow forecasting is performed in finance division of the Company. Finance division monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs.

II. Company treasury invests surplus cash in interest bearing current accounts and time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. The Company is expected to readily generate cash inflows for managing liquidity risk.

III. The Company has the following undrawn borrowing facilities:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Floating rate:		
Expiring within one year	\$ 221,550	\$ 245,000
Expiring beyond one year	76,476	171,900
	<u>\$ 298,026</u>	<u>\$ 416,900</u>

IV. The table below analyses the Company's non-derivative financial liabilities based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

<u>December 31, 2022</u>	<u>Less than 1 year</u>	<u>Between 1 and 3 years</u>	<u>Between 3 and 5 years</u>	<u>More than 5 years</u>
Non-derivative financial liabilities:				
Short-term borrowings	\$ 378,553	\$ -	\$ -	\$ -
Accounts payable (including related parties)	71,617	-	-	-
Other payables	50,398	-	-	-
Lease liabilities	2,800	1,500	-	-
Long-term borrowings (including current portion)	89,154	157,160	13,555	-
<u>December 31, 2021</u>	<u>Less than 1 year</u>	<u>Between 1 and 3 years</u>	<u>Between 3 and 5 years</u>	<u>More than 5 years</u>
Non-derivative financial liabilities:				
Short-term borrowings	\$ 95,335	\$ -	\$ -	\$ -
Accounts payable (including related parties)	71,754	-	-	-
Other payables	48,716	-	-	-
Lease liabilities	2,738	4,262	-	-
Long-term borrowings (including current portion)	128,187	128,779	68,873	-

V. The Company does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis to be significantly earlier, nor expect the actual cash flow amount to be significantly different.

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Company's investment in forward foreign exchange contracts is included in Level 2.

Level 3: Unobservable inputs for the asset or liability.

B. Fair value information of investment property at cost is provided in Note 6(7) 'Investment property, net'.

C. The carrying amounts of the Company's financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables (including related parties), other current financial assets, guarantee deposits paid, short-term borrowings, accounts payable (including related parties), other payables, and long-term borrowings (including current portion)) are approximate to their fair values.

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

(4) Other matter

In response to the impact of the COVID-19 pandemic and the government's various pandemic prevention programs, the Company has implemented measures related to work place sanitation management, continued to manage related matters and implemented a staggered work schedule to operate all its plants and management units in cooperation with the "Guidelines for Enterprise Planning of Business Continuity in Response to the Coronavirus Disease 2019(COVID-19)". There were no significant adverse effects on the Company's operations.

13. SUPPLEMENTARY DISCLOSURES

(According to the regulatory requirements, only information related to the year ended December 31, 2022 is disclosed)

(1) Significant transactions information

- A. Loans to others: Refer to table 1.
- B. Provision of endorsements and guarantees to others: Refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Refer to table 3.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Refer to table 4.

(3) Information on investments in Mainland China

- A. Basic information: Refer to table 5.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Except for endorsements and guarantees as described in table 2 there is no such situation.

(4) Major shareholders information

Refer to table 6.

14. SEGMENT INFORMATION

Not applicable.

FINEMAT APPLIED MATERIALS CO., LTD.
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Cash:		
Cash on hand		\$ 246
Demand deposits — New Taiwan dollar		71,555
— Foreign Currencies	Including USD 1,064 thousand @ 30.66, RMB 6,309 thousand @4.383 and JPY 98 thousand @0.2304	60,300
		<u>\$ 132,101</u>

FINEMAT APPLIED MATERIALS CO., LTD.
STATEMENT OF ACCOUNTS RECEIVABLE, NET
DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>	<u>Footnote</u>
Company A	Accounts receivable	\$ 60, 558	—
Company B	"	33, 453	—
Others (individually less than 5%)	"	<u>29, 248</u>	—
		123, 259	
Less: Allowance for doubtful accounts		(<u>1, 338</u>)	—
		<u>\$ 121, 921</u>	

FINEMAT APPLIED MATERIALS CO., LTD.
STATEMENT OF ACCOUNTS RECEIVABLE — RELATED PARTIES, NET
DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>	<u>Footnote</u>
ETCH HOME TECHNOLOGY CO., LTD.	Accounts receivable	\$ 40,717	—
Huangshi Quanyang Photoelectric Technology Co., Ltd.	"	15,130	—
VN ETCH HOME TECHNOLOGY COMPANY LTD.	"	2,943	—
Solar Applied Materials Technology (Shanghai) Co., Ltd.		176	—
FineMat (HuangShi) Applied Materials Co., Ltd.	"	141	—
		<u>\$ 59,107</u>	

FINEMAT APPLIED MATERIALS CO., LTD.
STATEMENT OF OTHER ACCOUNTS RECEIVABLE — RELATED PARTIES
DECEMBER 31, 2022

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

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Footnote</u>
Receivable of loans to related parties	ETCH HOME TECHNOLOGY CO., LTD.	\$ 33,822	—
	VN ETCH HOME TECHNOLOGY COMPANY LTD.	6,285	—
Other receivables	VN ETCH HOME TECHNOLOGY COMPANY LTD.	16,414	—
	ETCH HOME TECHNOLOGY CO., LTD.	67	—
		<u>\$ 56,588</u>	

FINEMAT APPLIED MATERIALS CO., LTD.
STATEMENT OF INVENTORIES
DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Item	Amount		Footnote
	Cost	Net Realizable Value	
Merchandise	\$ 57	\$ -	(Note)
Raw materials	99,502	80,972	"
Supplies	2,691	2,201	"
Work in progress	1,278	1,278	"
Finished goods	11,522	9,586	"
	115,050	<u>\$ 94,037</u>	
Less: Allowance for inventory valuation losses	(17,150)		
	<u>\$ 97,900</u>		

(Note) Refer to Note 4(8) 'Inventories' of parent company only financial statements for the way the Company determines net realizable value of inventories.

FINEMAT APPLIED MATERIALS CO., LTD.
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

	Beginning Balance		Increase		Decrease		Ending Balance		Market value or net assets value		
	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Percentage of ownership	Amount	Unit price (in dollars)	Total amount
Investees											
Sense Pad TECH. CO., LTD.	7,580	\$ 50,553	-	\$ 2,258	-	\$ -	7,580	100.00%	\$ 52,811	\$ 6.97	\$ 52,811
ETCH HOME TECHNOLOGY CO., LTD.	1,768	54,697	2,500	70,540	-	(39,777)	4,268	90.81%	85,460	20.02	85,460
Htc & Solartech Service (Samoa) Corporation	7,286	291,434	1,290	152,339	-	(2,199)	8,576	73.73%	441,574	51.49	441,574
WAVE POWER TECHNOLOGY INC.	13,087	288,398	-	45,329	(350)	(40,174)	12,737	41.09%	293,553	82.83	1,055,005
	29,721	\$ 685,082	3,790	\$ 270,466	(350)	(\$ 82,150)	33,161		\$ 873,398		\$ 1,634,850

FINEMAT APPLIED MATERIALS CO., LTD.
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT – COST
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Refer to Note 6(5) ‘Property, plant and equipment’ of parent company only financial statements.

FINEMAT APPLIED MATERIALS CO., LTD.
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT – ACCUMULATED
DEPRECIATION FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Refer to Note 6(5) 'Property, plant and equipment' of parent company only financial statements.

Refer to Note 4(10) 'Property, plant and equipment' of parent company only financial statements for the depreciation method and useful lives of the assets.

FINEMAT APPLIED MATERIALS CO., LTD.
STATEMENT OF CHANGES IN DEFERRED TAX ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Refer to Note 6(23) 'Income tax' of parent company only financial statements.

FINEMAT APPLIED MATERIALS CO., LTD.
STATEMENT OF SHORT-TERM BORROWINGS
DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Nature	Description	Ending balance	Contract period	Interest rate	Loan commitment	Collateral	Footnote
Unsecured borrowings	Bank SinoPac	\$ 60,000	2022.04.27~2023.04.30	1.725%	\$ 70,000	None	—
"	Taishin International Bank	50,000	2022.12.31~2023.12.31	2.08%	50,000	"	—
"	Cathay United Bank	45,000	2022.12.25~2023.12.25	1.77%	100,000	"	—
"	Taiwan Shin Kong Commercial Bank	40,000	2022.6.15~2023.05.30	1.99%	60,000	"	—
"	Chang Hwa Commercial Bank	30,000	2022.07.12~2023.05.31	1.650%	30,000	"	—
"	Mega International Commercial Bank	20,000	2022.03.02~2023.03.01	1.925%	60,000	"	—
"	Taipei Fubon Bank	20,000	2022.09.01~2023.09.01	2.099%	48,550	"	—
Secured borrowings	E.SUN Commercial Bank	82,000	2022.05.23~2023.05.23	1.750%	100,000	Land, buildings and structures	—
"	O-Bank	30,000	2022.01.04~2023.01.03	1.963% ~ 2.229%	70,000	"	—
		<u>\$ 377,000</u>					

FINEMAT APPLIED MATERIALS CO., LTD.
STATEMENT OF ACCOUNTS PAYABLE
DECEMBER 31, 2022
 (Expressed in thousands of New Taiwan dollars)

<u>Vendor Name</u>	<u>Description</u>	<u>Amount</u>	<u>Footnote</u>
Company C	Accounts payable	\$ 32,468	—
Company D	"	11,365	—
Company E	"	4,498	—
Others (individually less than 5%)	"	12,182	—
		<u>\$ 60,513</u>	

FINEMAT APPLIED MATERIALS CO., LTD.
STATEMENT OF OTHER PAYABLES
DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Wages and salaries and bonuses payable	—	\$ 22,976
Payable on import/export (customs) expenses	—	5,512
Equipment payable	—	5,495
Others (individually less than 5%)	—	16,415
		<u>\$ 50,398</u>

FINEMAT APPLIED MATERIALS CO., LTD.
STATEMENT OF LONG-TERM LIABILITIES, CURRENT PORTION
DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Creditor	Nature	Contract period	Interest rate	Amount	Collateral	Footnote
O-Bank	Secured bank borrowings	2020.07.07~2025.07.06	1.1575%	\$ 68,490	Land, buildings and structures	Note 1
CTBC Bank	"	2021.09.24~2026.09.24	1.8%	2,079	"	Note 2
Cathay United Bank The Shanghai Commercial & Savings Bank	Unsecured bank borrowings	2020.12.15~2025.12.15	1.095%	15,144	None	Note 3
	"	2022.07.11~2025.07.11	1.975%	833	"	Note 4
				<u>\$ 86,546</u>		

(Note 1) The Company applied for a change of repayment method in March 2022. Principal is repayable in 31 equal monthly installments from January 15, 2023.
(Note 2) Principal is repayable in 43 monthly installments of \$189 from February 24, 2023 and the remaining amount is repayable at maturity.
(Note 3) Principal is repayable in 43 equal monthly installments from January 1, 2022.
(Note 4) Principal is repayable in 36 equal monthly installments from September 11, 2023.

FINEMAT APPLIED MATERIALS CO., LTD.
STATEMENT OF LONG-TERM BORROWINGS
DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Creditor	Nature	Contract period	Interest rate	Amount	Collateral	Footnote
O-Bank	Secured bank borrowings	2020.07.07~2025.07.06	1.1575%	\$ 184,558	Land, buildings and structures	Note 1
CTBC Bank	"	2021.09.24~2026.09.24	1.8%	20,000	"	Note 2
Cathay United Bank	Unsecured bank borrowings	2020.12.15~2025.12.15	1.095%	45,432	None	Note 3
The Shanghai Commercial & Savings Bank	"	2022.07.11~2025.07.11	1.975%	5,000	"	Note 4
				254,990		
	Less: Current portion			(86,546)		
				\$ 168,444		

(Note 1) The Company applied for a change of repayment method in March 2022. Principal is repayable in 31 equal monthly installments from January 15, 2023.

(Note 2) Principal is repayable in 43 monthly installments of \$189 from February 24, 2023 and the remaining amount is repayable at maturity.

(Note 3) Principal is repayable in 43 equal monthly installments from January 1, 2022.

(Note 4) Principal is repayable in 36 equal monthly installments from September 11, 2023.

FINEMAT APPLIED MATERIALS CO., LTD.
STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Item	Quantity	Amount		Footnote
		Subtotal	Total	
Metal masks	96 thousand pieces	\$ 447,464		—
Thermal Module	3,580 thousand pieces	39,537		—
Optical bonding materials	496 thousand pieces	10,475		—
Others		<u>28,663</u>		—
			\$ 526,139	
Less: Sales returns and discounts			(<u>468</u>)	—
Operating revenue			<u>\$ 525,671</u>	

FINEMAT APPLIED MATERIALS CO., LTD.
STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Item	Amount
Merchandise at January 1, 2022	\$ 57
Add: Merchandise purchase	103
Merchandise at December 31, 2022	(57)
Cost of purchasing and selling	103
Raw materials at January 1, 2022	86,871
Add: Raw materials purchased	262,798
Less: Sale of raw materials	(38,840)
Raw materials at December 31, 2022	(99,502)
Raw materials used during the year	211,327
Supplies at January 1, 2022	3,034
Add: Supplies purchased	29,285
Less: Sale of supplies	(5,085)
Supplies at December 31, 2022	(2,691)
Supplies used during the year	24,543
Direct labor	48,235
Manufacturing overhead	124,964
Manufacturing cost	409,069
Work in progress at January 1, 2022	983
Add: Transfers from finished goods	11,061
Process and transfer in	19,028
Work in progress at December 31, 2022	(1,278)
Cost of finished goods	438,863
Finished goods at January 1, 2022	4,342
Add: Finished goods purchased	1,735
Less: Transfers to work in progress	(11,061)
Finished goods at December 31, 2022	(11,522)
Cost of goods production and marketing	422,357
Sale of raw materials	38,840
Sale of supplies	5,085
Cost of goods sold	466,385
Allowance for inventory market price decline	3,420
Revenue from sale of scrap	(5,808)
Operating costs	\$ 463,997

FINEMAT APPLIED MATERIALS CO., LTD.
STATEMENT OF MANUFACTURING OVERHEAD
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Footnote</u>
Wages and salaries	—	\$ 21,987	—
Utilities expense	—	18,627	—
Insurance expense	—	6,620	—
Depreciation	—	45,994	—
Other expenses (individually less than 5%)	—	<u>31,736</u>	—
		<u>\$ 124,964</u>	

FINEMAT APPLIED MATERIALS CO., LTD.
STATEMENT OF SELLING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Footnote</u>
Wages and salaries	—	\$ 4,437	—
Freight	—	24,777	—
Import/export (customs) expense	—	2,401	—
Other expenses (individually less than 5%)	—	2,840	—
		<u>\$ 34,455</u>	

FINEMAT APPLIED MATERIALS CO., LTD.
STATEMENT OF GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Footnote</u>
Wages and salaries	—	\$ 30,944	—
Insurance expense	—	2,969	—
Depreciation	—	4,021	—
Professional service fees	—	3,716	—
Other expenses (individually less than 5%)	—	<u>11,656</u>	—
		<u>\$ 53,306</u>	

FINEMAT APPLIED MATERIALS CO., LTD.
STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Footnote</u>
Wages and salaries	—	\$ 25,120	—
Utilities expense	—	2,591	—
Depreciation	—	4,073	—
Other expenses (individually less than 5%)	—	<u>5,679</u>	—
		<u>\$ 37,463</u>	

FINEMAT APPLIED MATERIALS CO., LTD.
STATEMENT OF OTHER INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Refer to Note 6(18) 'Other income' of parent company only financial statements.

FINEMAT APPLIED MATERIALS CO., LTD.
STATEMENT OF OTHER GAINS AND LOSSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Refer to Note 6(19) 'Other gains and losses' of parent company only financial statements.

FINEMAT APPLIED MATERIALS CO., LTD.
STATEMENT OF FINANCE COST
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Refer to Note 6(20) 'Finance costs' of parent company only financial statements.

FINEMAT APPLIED MATERIALS CO., LTD.
STATEMENT OF SUMMARY EMPLOYEE BENEFITS, DEPRECIATION, DEPLETION AND
AMORTISZATION EXPENSES IN THE CURRENT PERIOD
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Refer to Note 6(21) 'Expenses by nature' and Note 6(22) 'Employee benefit expense' of parent company only financial statements.

FineMat Applied Materials Co., Ltd.

Chao Chin-Hsiao