

**FINEMAT APPLIED MATERIALS CO., LTD.  
AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT  
DECEMBER 31, 2022 AND 2021**

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For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

## 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

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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	Notes	December 31, 2022		December 31, 2021		
		AMOUNT	%	AMOUNT	%	
<b>Current assets</b>						
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	<b>Total current assets</b>		<u>1,382,820</u>	<u>44</u>	<u>1,039,981</u>	<u>39</u>
<b>Non-current assets</b>						
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	<b>Total non-current assets</b>		<u>1,731,816</u>	<u>56</u>	<u>1,609,666</u>	<u>61</u>
1XXX	<b>Total assets</b>		<u>\$ 3,114,636</u>	<u>100</u>	<u>\$ 2,649,647</u>	<u>100</u>

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**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		Notes	December 31, 2022		December 31, 2021	
			AMOUNT	%	AMOUNT	%
<b>Liabilities</b>						
<b>Current liabilities</b>						
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	<b>Total current liabilities</b>		<u>989,852</u>	<u>32</u>	<u>661,276</u>	<u>25</u>
<b>Non-current liabilities</b>						
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	<b>Total non-current liabilities</b>		<u>284,737</u>	<u>9</u>	<u>289,379</u>	<u>11</u>
2XXX	<b>Total liabilities</b>		<u>1,274,589</u>	<u>41</u>	<u>950,655</u>	<u>36</u>
<b>Equity attributable to owners of parent</b>						
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		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	<b>Equity attributable to owners of the parent</b>		<u>1,284,325</u>	<u>41</u>	<u>1,213,405</u>	<u>46</u>
36XX	Non-controlling interest	4(3), 6(4)(26) and 7	555,722	18	485,587	18
3XXX	<b>Total equity</b>		<u>1,840,047</u>	<u>59</u>	<u>1,698,992</u>	<u>64</u>
Significant Contingent Liabilities and Unrecognized Contract Commitments						
<b>Total liabilities and equity</b>			<u>\$ 3,114,636</u>	<u>100</u>	<u>\$ 2,649,647</u>	<u>100</u>

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		<u>321,181</u>	<u>26</u>	<u>286,421</u>	<u>34</u>
Operating expenses	6(8)(13)(22)(23), 7 and 12				
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		<u>21,732</u>	<u>2</u>	<u>63,684</u>	<u>8</u>
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		<u>25,638</u>	<u>2</u>	<u>34,072</u>	<u>4</u>
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>
<b>Other comprehensive income (loss) (Net)</b>					
<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>					
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)					
9750 Basic	6(25)		<u>0.55</u>		<u>0.39</u>
9850 Diluted			<u>0.55</u>		<u>0.39</u>

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										
	Notes	Share capital - common stock	Total capital surplus, additional paid-in capital	Retained Earnings		Total unappropriated retained earnings (accumulated deficit)	Other Equity Interest Financial statements translation differences of foreign operations	Treasury shares	Total	Non-controlling interest	Total equity
				Legal reserve	Special reserve						
<b>Year ended December 31, 2021</b>											
Balance at January 1, 2021		\$ 663,898	\$ 396,582	\$ 38,401	\$ 17,586	\$ 144,632	(\$ 13,982)	\$ -	\$ 1,247,117	\$ 451,556	\$ 1,698,673
Profit for the year		-	-	-	-	26,094	-	-	26,094	48,563	74,657
Other comprehensive loss for the year		-	-	-	-	-	( 2,543 )	-	( 2,543 )	( 528 )	( 3,071 )
Total comprehensive income (loss) for the year		-	-	-	-	26,094	( 2,543 )	-	23,551	48,035	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	119	162	281
Acquisition of treasury stocks	6(14)	-	-	-	-	-	-	( 24,187 )	( 24,187 )	-	( 24,187 )
Decrease in non-controlling interest	4(3)	-	-	-	-	-	-	-	-	( 32,243 )	( 32,243 )
Effect of business combination		-	-	-	-	-	-	-	-	18,077	18,077
Balance at December 31, 2021		\$ 663,898	\$ 396,701	\$ 38,886	\$ 13,982	\$ 140,650	(\$ 16,525)	(\$ 24,187)	\$ 1,213,405	\$ 485,587	\$ 1,698,992
<b>Year ended December 31, 2022</b>											
Balance at January 1, 2022		\$ 663,898	\$ 396,701	\$ 38,886	\$ 13,982	\$ 140,650	(\$ 16,525)	(\$ 24,187)	\$ 1,213,405	\$ 485,587	\$ 1,698,992
(Loss) profit for the year		-	-	-	-	( 36,049 )	-	-	( 36,049 )	58,758	22,709
Other comprehensive income for the year		-	-	-	-	-	5,717	-	5,717	1,775	7,492
Total comprehensive income (loss) for the year		-	-	-	-	( 36,049 )	5,717	-	( 30,332 )	60,533	30,201
Adjustment of capital reserve due to change in interest of investee companies	6(4)(15)	-	95,778	-	-	-	-	-	95,778	34,126	129,904
Adjustment for change in capital reserve of investee companies	6(15)	-	274	-	-	-	-	-	274	390	664
Adjustment of retained earnings due to change in interest of subsidiaries	6(26)	-	-	-	-	( 4,449 )	-	-	( 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 )	( 317 )	( 3,450 )
Difference between acquisition or disposal price and carrying amounts of subsidiaries	6(15)(26)	-	12,782	-	-	-	-	-	12,782	( 2,695 )	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 )	( 26,351 )
Balance at December 31, 2022		\$ 663,898	\$ 503,465	\$ 41,495	\$ 16,526	\$ 93,936	(\$ 10,808)	(\$ 24,187)	\$ 1,284,325	\$ 555,722	\$ 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)

	Notes	Year ended December 31	
		2022	2021
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
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

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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)

	Notes	Year ended December 31	
		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:

<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 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:

		<u>Non-controlling interest</u>		
		<u>December 31, 2022</u>		
<u>Name of subsidiary</u>	<u>Principal location of business</u>	<u>Amount</u>	<u>Ownership (%)</u>	<u>Description</u>
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>		

  

		<u>Non-controlling interest</u>		
		<u>December 31, 2021</u>		
<u>Name of subsidiary</u>	<u>Principal location of business</u>	<u>Amount</u>	<u>Ownership (%)</u>	<u>Description</u>
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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
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

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
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

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
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	<u>222,523</u>	<u>295,646</u>
Cash and cash equivalents at end of year	<u>\$ 197,871</u>	<u>\$ 222,523</u>

Htc & Solartech Service (Samoa) Corporation and its subsidiaries

#### I. Balance sheets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
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	<u>\$ 598,907</u>	<u>\$ 395,272</u>

#### II. Statements of comprehensive income

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Revenue	<u>\$ 128,089</u>	<u>\$ 152,399</u>
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	<u>6,556</u>	<u>( 3,189)</u>
Total comprehensive income (loss)	<u>\$ 3,573</u>	<u>(\$ 5,053)</u>
Comprehensive income (loss) attributable to non-controlling interest	<u>\$ 939</u>	<u>(\$ 1,327)</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	\$ 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	<u>\$ 80,255</u>	<u>\$ 18,457</u>

#### (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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
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:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
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

	<u>December 31, 2022</u>		
	<u>Cost</u>	<u>Allowance for market price decline</u>	<u>Book value</u>
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	<u>51,012</u>	<u>( 4,434)</u>	<u>46,578</u>
	<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:

Name of investee companies	December 31, 2022	December 31, 2021
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

	December 31, 2022	December 31, 2021
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

	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery and equipment</u>	<u>Instruments and equipment</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Other equipment</u>	<u>Construction in progress and equipment before acceptance inspection</u>	<u>Total</u>
<u>At January 1, 2022</u>									
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>
<u>2022</u>									
At January 1	\$ 287,034	\$ 543,779	\$ 306,758	\$ 32,706	\$ 4,743	\$ 9,692	\$ 58,439	\$ 60,934	\$ 1,304,085
Additions	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)	( 3,760)	( 9,409)	-	( 107,756)
Disposals – Cost	( 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>\$ 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>
<u>December 31, 2022</u>									
Cost	\$ 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)	( 7,616)	( 9,629)	( 24,615)	-	( 453,814)
Accumulated impairment	-	-	( 1,182)	-	-	-	-	-	( 1,182)
	<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
<u>At January 1, 2021</u>									
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>
<u>2021</u>									
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>
<u>December 31, 2021</u>									
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>	For the years ended December 31,	
	<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:

	For the years ended December 31,	
	<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

	<u>Software</u>	<u>Goodwill</u>	<u>Expertise</u>	<u>Customer relations</u>	<u>Total</u>
<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>
	<u>Software</u>	<u>Goodwill</u>	<u>Expertise</u>	<u>Customer relations</u>	<u>Total</u>
<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>		

<u>Nature</u>	<u>December 31, 2021</u>	<u>Interest rate range</u>	<u>Collateral</u>
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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
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

<u>Nature</u>	<u>Borrowing period</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2022</u>
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	47,992
				436,936
Less: Current portion				( 176,834)
				<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):

	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>

  

	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	\$ 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

(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

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
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

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
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:

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
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	<u>31,676</u>	<u>22,407</u>
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:

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
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				
	<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 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	30,779	-	( 13,235)	-	17,544
	<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	(\$ 25,396)	(\$ 23)	\$ 637	\$ -	(\$ 24,782)
	<u>\$ 15,814</u>	<u>(\$ 23)</u>	<u>(\$ 692)</u>	<u>\$ 1,064</u>	<u>\$ 16,163</u>

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

December 31, 2022					
<u>Year incurred</u>	<u>Amount filed/ assessed</u>	<u>Unused amount</u>	<u>Unrecognized deferred tax assets</u>	<u>Expiry year</u>	
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					
<u>Year incurred</u>	<u>Amount filed/ assessed</u>	<u>Unused amount</u>	<u>Unrecognized deferred tax assets</u>	<u>Expiry year</u>	
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

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

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:

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
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:

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
(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	<u>3,283</u>	<u>8,561</u>	<u>-</u>	<u>3,621</u>	<u>15,465</u>
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	\$ 16	\$ -
Accounts receivable:		
FineMat Optoelectronics	15,605	2,935
Other related parties	-	53
	<u>\$ 15,621</u>	<u>\$ 2,988</u>
Other receivables:		
FineMat Optoelectronics	\$ 59,033	\$ -

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	<u>\$ -</u>	<u>\$ 145</u>

(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>Item</u>	<u>Number of shares</u>	<u>Object of transaction</u>	<u>For the year ended December 31, 2022 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 amount (In thousands)	Exchange rate	Book 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:

<u>Client</u>	<u>Year ended December 31, 2022</u>		<u>Year ended December 31, 2021</u>	
	<u>Revenue</u>	<u>Segment</u>	<u>Revenue</u>	<u>Segment</u>
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 drawn down (Note 4)	Interest rate	Nature for financing	Total transaction amount	Reason for financing	Allowance for doubtful accounts	Assets pledged		Loan limit per entity (Note 5)	Maximum amount available for loan (Note 5)	Footnote
													Item	Value			
0	FINEMAT APPLIED MATERIALS CO., LTD.	VN ETCH HOME TECHNOLOGY COMPANY LTD.	Other receivables	Y	\$ 69,850	\$ 69,850	\$ 5,670	3.00%	(Note 2)	\$ -	Operating capital	\$ -	-	\$ -	\$ 265,865	\$ 513,730	-
		ETCH HOME TECHNOLOGY CO., LTD.	Other receivables	Y	33,000	33,000	33,000	4.50%	(Note 2)	-	Operating capital	-	-	-	265,865	513,730	-
1	Htc & Solartech Service (Samoa) Corporation	FineMat (HuangShi) Applied Materials Co., Ltd.	Other receivables	Y	153,410	153,410	60,660	3.96% (1-year Libor rate+1.5%)	(Note 2)	-	Operating capital	-	-	-	479,126	598,907	-
2	FineMat (Shanghai) Applied Materials Co., Ltd.	FineMat (HuangShi) Applied Materials Co., Ltd.	Other receivables	Y	65,395	65,395	39,052	1.00%	(Note 2)	-	Operating capital	-	-	-	192,907	241,134	-
3	ETCH HOME TECHNOLOGY CO., LTD.	VN ETCH HOME TECHNOLOGY COMPANY LTD.	Other receivables	Y	11,123	5,566	-	3.00%	(Note 2)	-	Operating capital	-	-	-	70,646	88,307	-

(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 1:30.01; RMB:NTD 1:4.360; USD: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)	Endorsed		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
				Endorsements limit for a single entity (Note 3)	Highest balance during the year									
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.	VN 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	Relationship (Note 2)	Account	Transaction		Percentage of consolidated total operating revenues or total assets (Note 3)		
					Amount	Transaction terms			
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%		
		VN ETCH HOME TECHNOLOGY CO., LTD.	1	Accounts receivable	40,717	—	1%		
				Endorsements and guarantees	153,135	—	5%		
				Other receivables	22,699	—	1%		
				Sales revenue	2,943	Collection according to contract terms	—		
		1	Htc & Solartech Service (Samoa) Corporation	FINE POWER TECHNOLOGY INC.	1	Other income	3,196	—	—
Accounts receivable	62,371					—	2%		
2	Solar Applied Materials Technology (Shanghai) Co., Ltd.	FINE POWER TECHNOLOGY INC.	3	Interest income	2,585	—	—		
				Sales revenue	2,183	90 days after monthly closing by T/T	—		
3	FineMat (Shanghai) Applied Materials Co., Ltd.	FINE POWER TECHNOLOGY INC.	3	Other receivables	39,662	—	1%		
				Sales revenue	1,314	90 days after monthly closing by T/T	—		
4	FineMat (HuangShi) Applied Materials Co., Ltd.	FINE POWER TECHNOLOGY INC.	3	Sales revenue	23,762	The end of the current month by T/T	2%		
				Sales revenue	1,196	Payment before the delivery of goods	—		
6	ETCH HOME TECHNOLOGY CO., LTD.	FINE POWER TECHNOLOGY INC.	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 NT\$1 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			
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	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)	( 32,196)	Subsidiary
	Htc & Solartech Service (Samoa) Corporation	Samoa	Professional investments	310,579	258,850	8,575,900	73.73	441,574	( 2,983)	( 2,199)	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	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	-	(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)	-	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 December 31, 2022	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
				Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022	Remitted to Mainland China	Remitted back to Taiwan							
Solar Applied Materials Technology (Shanghai) Co., Ltd.	Sales of electronic components, general instruments and electronic materials	\$ 13,817	Note 1	\$ 13,817	\$ -	\$ -	\$ 13,817	(\$ 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	-	-	-	-	( 14,852)	73.73%	( 10,950)	177,788	-	(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	51,512	-	313,161	11,307	73.73%	8,337	261,592	-	(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	-	(Note 5)
<b>Company name</b>		<b>Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022</b>		<b>Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)</b>		<b>Investment Commission of the Ministry of Economic Affairs (MOEA)</b>	<b>Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 6)</b>						
FINEMAT APPLIED MATERIALS CO., LTD.		\$ 326,978		\$ 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

Expressed in shares

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%	—

(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.