

Stock Code: 3338

TaiSol Electronics Co., Ltd. 2022 Annual Report

Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

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Website for Annual Report: <http://mops.twse.com.tw>

Website of the Company: www.taisol.com

Headquarters and plants

3F, No.302, Ruiguang Road., Neihu District,
Taipei City
Tel: 886-2-2656-2658
Fax: 886-2-2656-2659
Website: www.taisol.com

Tel: :86-527-8062-5777

Subsidiary in Vietnam

23rd Floor, CEO Building, HH2-1, Me Tri
Ha New Urban Area, Pham Hung Street,
Me Tri Ward, Nam Tu Liem District,
Hanoi City, Vietnam

Subsidiary in Hong Kong

Flat504,5/F., Premier Centre, No.20
Cheung Shun Street,Cheung Sha Wan,,
Kowloon
Tel: 852-2838-3719
Fax: 852-2838-7427

Spokesperson

Name: Liang, Chun-Hsin
Title: President
Tel: 886-2-2656-2658 Fax: 886-2-2656-2659
e-mail : jim.liang@taisol.com

Subsidiary in Japan

Meika Bldg.,6F 1-18-20 Yotsuya
Shinjuku-ku Tokyo 160-0004 Japan
Tel: 81-3-5367-5369
Fax: 81-3-5367-5379

Deputy Spokesperson

Name: Yu, Po-Hsin
Title: Special assistant of the Chairman
Tel: 886-2-2656-2658 Fax: 886-2-2656-2659
e-mail : benny.yu@taisol.com

Second-tier Subsidiary in Dongguan, the Mainland

No.373, Dalingshang Town Section, Daping,
Dalingshang Village, Dalingshang Town,
Dongguan City, Guangdong Province
Tel: 86-769-8532-1851
Fax: 86-769-8532-1852

Stock Transfer Agent

Registrar Agency Department, Capital
Securities Corporation
B2, No.97, Section 2, Dunhua South Road, Da'an
District, Taipei City 10601
Tel: 886-2- 2702-3999 Fax: 886-2-2706-3300
Website: www.capital.com.tw

Second-tier Subsidiary in Suzhou, the Mainland

No.248, Dong'an Road, Lili Town, Wujiang
District, Suzhou City, Jiangsu Province
Tel: :86-512-8067-3688
Fax: :86-512-8067-3630

The Certified Public Accountants for the Latest Financial Report

KPMG Taiwan
CPAs Derek Chen and Jason Yin
68F, No.7, Section 5, Xinyi Road, Taipei City
Tel: 886-2- 8101-6666 Fax: 886-2-8101-6667
Website: www.kpmg.com.tw

Subsidiary in Siyang, the Mainland

No.88, Huaihai East Road, East District, Siyang
Development Zone, Siyang County, Suqian City,
Jiangsu Province

Corporate Website : www.taisol.com
Overseas Securities Exchange : None

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One. Letter to Shareholders

Dear shareholders,

First of all, I would like to extend warm appreciation to all shareholders for their long-term support and encouragement of TaiSol on behalf of the Company. 2022 was a year of turbulence. Under the effects of the Zero-COVID policy adopted by China, the Russia-Ukraine War, conflicts between China and the U.S., inflation and interest rate increases, and other black swan events, the world recorded sluggish terminal demand. Facing difficult challenges, the TaiSol team continued to stride forward into the wind and actively focused on HPC, automotive-use products, server thermal modules, and other products of high performance. We accumulated R&D technologies and developed diversified new products, emphasized the adjustments and control of operating activities, and implemented Group procurements and strategic order-taking to reduce our inventories and strengthen our competitive strength.

The Company's business achievements in 2022 and the annual business plan in 2023 are described as follows:

I. Business achievements in 2022

1. The 2022 business plan implementation highlights and achievements

The Company's consolidated net operating revenue in 2022 was NT\$4,568,318 thousand, representing a decrease of 8.24% from 2021; the consolidated net operating income in 2022 was NT\$275,680 thousand, representing a decrease of 2.52% from 2021; net income after tax in 2022 was NT\$267,477 thousand, representing an increase of 42.69% from 2021; earnings per share in 2022 were NT\$3.05.

Even in the face of the lockdown control of the Mainland, competition with enterprises invested by Chinese investors, and other challenges in the first half of the year, TaiSol recorded favorable performances by adhering to its sustainable, innovative, and customer-oriented ideals. With the chaotic economic development in the second half of the year, TaiSol focused on selling inventories, streamlining the organization, adjusting and controlling costs and expenditures, and maintaining its high standard for its overall performance.

Regarding our profits, due to the material appreciation of USD and the adjustment to product structure and strategic order-taking of the Company, it strategically increased the selling price in response to the bumpy prices of raw materials and international freight. The gross margin in 2022 was 19.11%, representing an upswing of 1.37% from 2021; the profit margin in 2022 was 5.86%, representing an increase of 2.09% from 2021.

2. Budget implementation

According to the requirements of the "Regulations Governing the Publication of Financial Forecasts of Public Companies," the Company is not required to disclose the implementation status as it did not disclose its financial forecast for 2022.

3. Financial income/expenses and profitability analysis

Unit: NT\$000'

Item		Year	2022	2021
Financial income/expenses	Operating revenue		4,568,318	4,978,281
	Gross profit		872,984	883,375
	Net income after tax attributable to the parent company		267,477	187,449
Profitability	Return on assets (%)		7.23%	4.67%
	Return on equity (%)		15.02%	11.04%
	Ratio of net income before tax to paid-in capital (%)		41.64%	29.10%
	Profit margin (%)		5.86%	3.77%
	Basic earnings per share (NT\$)		3.05	2.13

4. R&D status

(1) R&D expenditures for the most recent two years

Unit: NT\$000'

Year	2022	2021
R&D expenses	177,758	204,347
Ratio of R&D expenses to operating revenue (%)	3.89%	4.10%

(2) R&D achievement

- A. EVAC air-cool thermal module for high-power servers
- B. Open and closed server liquid cooling system
- C. Thermal module solution for high-performance GPU & switch
- D. Thermal applications of high-performance VCs of business and gaming laptops
- E. Thermal application of single-sided flat head heat pipes of ultra-thin 5G handheld devices
- F. Thermal parts of new roll-bond chambers of gNB in combination with solid/semi-solid die-casting boxes
- G. Immersion liquid cooling thermal solution for data centers
- H. 3D VC thermal system application
- I. Development of coolant circuit thermosiphon thermal system
- J. Thermoelectric cooling chip thermal application
- K. ADAS system thermal solution
- L. SD 7.0 on-board and sub-board high-frequency product development project
- M. SD 8.0 on-board and sub-board high-frequency product development project

- N. Micro SD 7.1 on-board high-frequency product development project
- O. Micro SD 7.1 sub-board high-frequency product development project
- P. USB4-C high-frequency product design project

II. Business plan in 2023

1. Business policy

Facing the impacts of different economic variables in 2022, the TaiSol team has been actively implementing streamlined management, including cost control and trial establishment of supply/demand forecasts, carried out production according to customers' requirements, reduced the waste of resources, and cut down our inventories to improve the efficiency of turnover. For our plants, we carried out regular examinations of procedures in the hope of improving the quality of supplies. We also made QA, procurement, and relevant organizational adjustments to maintain our healthy business nature and cultivate our resilience to withstand the downturn of the macroeconomic environment and any other abrupt changes.

2. Material production and sales policy

(1) Marketing strategy

- A. Fully grasp the industrial dynamics and actively develop high-end products to stabilize the engagement of major international customers and secure businesses for new machine types.
- B. With Taiwanese companies decentralized their production systems and the evident relocation to Southeast Asia, India, and Mexico in recent years, in response to customers' acts, TaiSol established offices in relevant regions to expand its scope of services and is concurrently exploring new business opportunities.

(2) Production strategy

- A. Complete the relocation of the plant in Siyang, adjust the organization of different plant areas, clearly establish the positioning and production capacity plan, integrate the suitability of resources, and satisfy customers' requirements immediately.
- B. Actively make downward adjustments to the volume of inventories, set up an additional Procurement Section of the Group to avoid idle inventories and lock-up of capital and keep abreast of the pricing trends of supplies at all times through the centralized management of the Procurement Section so as to reduce costs, make flexible responses to internal/external risks, and reinforce our competitive strength.

(3) R&D strategy

- A. Invest in forward-looking technologies and nurture professional talents, improve R&D and innovation force and capacity, and focus on crucial core technologies and patent protection.
- B. Accelerate the development of new gNB, optical transceivers, smart devices of IoT, HPC servers, thermal products of CPE, smart phones, handheld and wearable devices,

CPU of EVs, automotive electronic control units, thermal modules for automotive systems, and technologies, maintain the leading position in R&D, and provide diverse products and services with high added value.

3. Future development strategies of the Company

With the increasing complexity of the overall operating environment, we will increase the ratio of automotive, energy storage, 5G, cloud server, and HPC products and provide water-cooling and air-cooling integrated thermal solutions to improve our profitability. In 2023, with the continuation of the growth momentum, we hope to create a more adaptable and efficient team by reinforcing the competitive strength of our internal parts, providing values that exceed customers' expectations, and continuing to provide stable compensation for shareholders and employees under the backdrop of the uncertain recovery of industrial circulations and share the business achievements in the future.

TaiSol Electronics Co., Ltd.

Chairman: Yu, Ching-Sung

President: Liang, Chun-Hsin

Chief accountant: Wu, Mei-Ling

Two. Company Profile

- I. **Date of Incorporation** : September 23,1994.
- II. **Company History** : Milestones of the Company

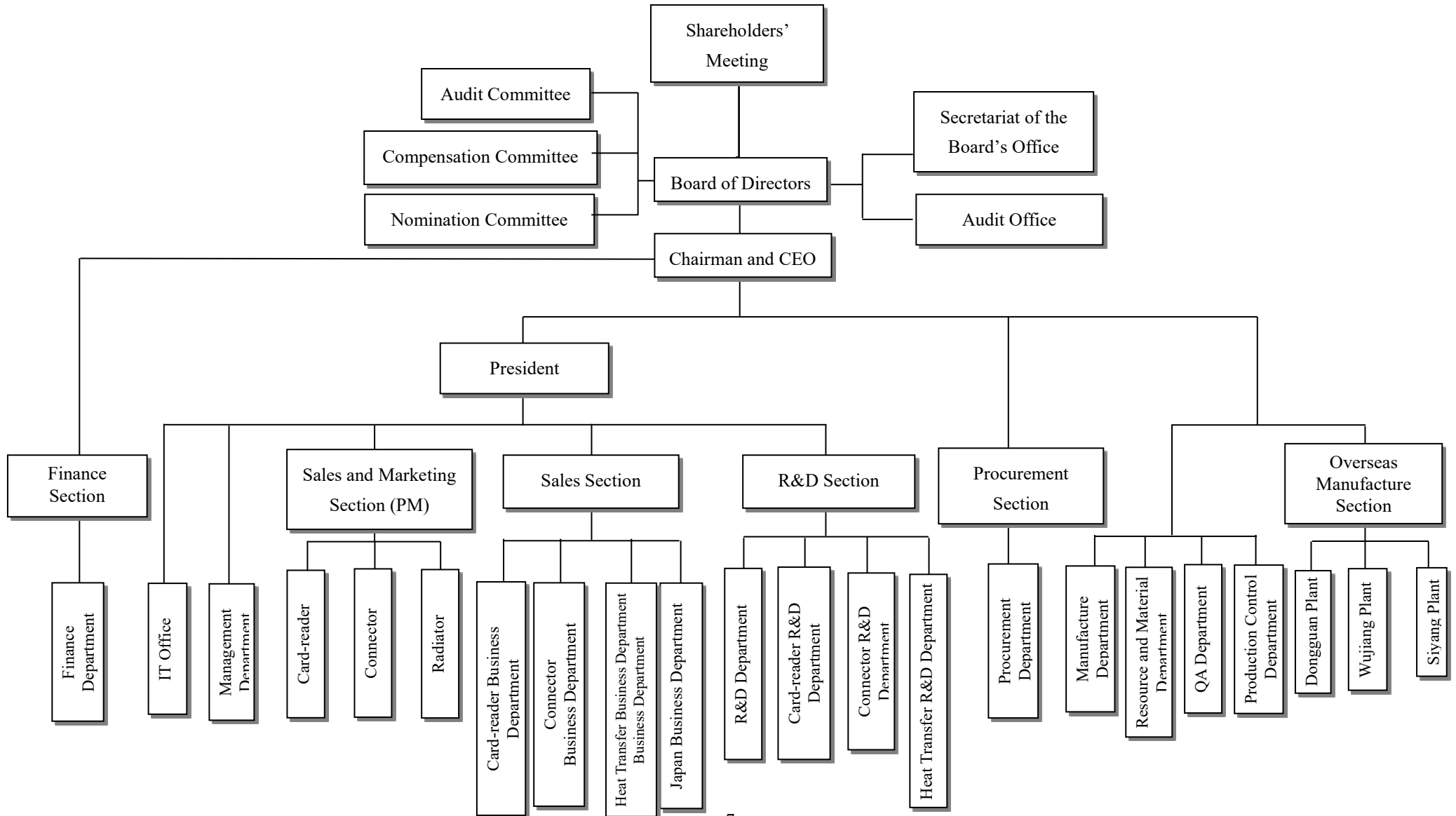
Year	Milestones
1994	The Company was established, with a capital of NT\$6 million, engaging in the manufacture and sales of connectors and electronic and computer parts and components.
2001	The Investment Commission, MOEA, approved the merger and acquisition of World Window Electronics (H.K.) Limited and indirect investments in the electronic plant of World Window in Xiabian, Chang'an, Dongguan.
2002	The Investment Commission, MOEA, approved the investments in TaiSol Electronics (Hong Kong) Co., Ltd. and the indirect investments in Suzhou TaiSol Electronics Co., Ltd..
2004	<ul style="list-style-type: none"> • The listing of the Company on the emerging stock market for trading was approved. • Obtained the 197th Certificate for Operation Headquarters of Enterprises issued by the Industrial Development Bureau, MOEA.
2007	Invested in the establishment of TaiSol Electronics Japan Co., Ltd..
2013	<ul style="list-style-type: none"> • The board of directors of the Taiwan Stock Exchange (TWSE) approved the listing application of the Company. • The Company was formally listed on TWSE.
2014	Passed the D-U-N-S® Registered™.
2015	<ul style="list-style-type: none"> • Issued the first tranche of secured convertible corporate bonds in the amount of NT\$300 million. • Issued the initial employee stock options.
2017	As of December 31 of the year, the paid-in capital was NT\$697,762,140.
2018	<ul style="list-style-type: none"> • Performed a conversion of stock options into shares, and the paid-in capital became NT\$697,922,140. • Performed a conversion of corporate bonds into shares, and the paid-in capital became NT\$698,359,850. • Rated the 726th in the Top 2,000 National Manufacturer in 2017 by the CommonWealth Magazine. Ranked 81st for computer peripherals and parts and components. • Performed a capital increase in cash of NT\$167,67 million, and the paid-in capital became NT\$865,029,850. • Performed a conversion of stock options into shares and a cancelation of treasury shares, and the paid-in capital became NT\$864,479,850. • The Investment Commission, MOEA, approved the investments in SiYang TaiSol Electronics Co., Ltd..
2019	<ul style="list-style-type: none"> • Performed a conversion of stock options into shares, and the paid-in capital became NT\$864,819,850. • Rated the 689th in the Top 2,000 National Manufacturer in 2018 by the CommonWealth Magazine. Ranked 79th for computer peripherals and parts and components. • Issued the second tranche of secured convertible corporate bonds in the amount of NT\$300 million.
2020	<ul style="list-style-type: none"> • Performed a conversion of stock options and corporate bonds into shares, and the paid-in capital became NT\$871,970,070.

Year	Milestones
	<ul style="list-style-type: none"> • Performed a conversion of stock options and corporate bonds into shares, and the paid-in capital became NT\$872,584,590. • Rated the 535th in the Top 2,000 National Manufacturer in 2019 by the CommonWealth Magazine. Ranked 67th for computer peripherals and parts and components and concurrently ranked 38th for Top 50 Fast-Growing Manufacturers. • Passed the D-U-N-S® Registered™. • Performed a conversion of corporate bonds into shares, and the paid-in capital became NT\$877,651,410. • Performed a conversion of stock options into shares, and the paid-in capital became NT\$878,011,410.
2021	<ul style="list-style-type: none"> • Performed a conversion of stock options into shares, and the paid-in capital became NT\$878,331,410. • Rated the 498th in the Top 2,000 National Manufacturers in 2020 by the CommonWealth Magazine. Ranked 57th for computer peripherals and parts and components. • Performed a conversion of stock options into shares, and the paid-in capital became NT\$878,771,410. • Performed a conversion of stock options into shares, and the paid-in capital became NT\$879,081,410.
2022	<ul style="list-style-type: none"> • The Investment Commission, MOEA, approved the investments in Vietnam TaiSol Electronics Company Limited. • Rated the 566th in the Top 2,000 National Manufacturer in 2021 by the CommonWealth Magazine. Ranked the 63rd for computer peripherals and parts and components.

Three. Corporate Governance Report

I. Organization

(I) Organizational Chart



(II) Major Corporate Functions

Department	Functions
Chairman and President's Office	Supervise the Company on behalf of the Board to maximize benefits for all shareholders; lead the overall operation of the organization for the continual growth and profits of the Company.
Board of Directors Secretariat	<ol style="list-style-type: none"> (1) Assist in promoting and performing tasks under the political orders of competent authorities. (2) Assist in planning and performing affairs for Board meetings. (3) Assist in convening shareholders' meetings, making announcements and declarations of the shareholders' meeting, preparing meeting handbooks, and keeping abreast of the equity in attendance and other affairs of meeting procedures.
Audit Office	<ol style="list-style-type: none"> (1) Review whether the design and execution of the internal control system are effective. (2) Perform audits of operations of different departments and promote the implementation of self-evaluations of internal control. (3) Implement project audits to discover recommendations for operation improvements, assist in the reinforcement of corporate governance, and establish a risk management system.
Finance Section	<ol style="list-style-type: none"> (1) Capital management and financing planning arrangements. (2) Short-term wealth management and long-term investments. (3) Coordinate matters related to stock affairs. (4) Credit loan control. (5) Regular announcements or declarations of the financial position. (6) Preparation and analysis of accounting and financial statements for the decision-making department to manage and establish policies. (7) Taxation planning and declaration. (8) Compilation and control of annual budgets and the analysis and reporting of the implementation results. (9) Establishment, amendment, evaluation, and implementation of an accounting system.
IT Office	<ol style="list-style-type: none"> (1) Maintenance of the ERP system and software integration. (2) Establishment of the intranet and the update and maintenance of the e-mail system. (3) Update and maintenance of the software and hardware equipment. (4) Maintenance and promotion of information safety.
Management Department	<ol style="list-style-type: none"> (1) Responsible for human resources management, administration, administrative management, and relevant affairs. (2) Management and maintenance of the fixed assets and intellectual property rights of the Company. (3) Responsible for labor safety and health planning and the management and determination of the Company's occupational disaster control measures.
Sales and Marketing Section	Responsible for market surveys, intelligence gathering, market analysis, and establishing marketing strategies and operation planning for product distribution with an objective of creating maximum profits for the Company; the Section is divided into Radiator, Connector, and Card-reader Marketing Departments by product.
Sales Section	Responsible for the market development and sales of products with an

Department	Functions
	objective to achieve the performance target; Japan, Heat Transfer, Connector, and Card-reader Business Departments are the four subordinated departments of the Section.
R&D Section	Responsible for assisting in solving technological issues of technology, quality, and cost from production to sales services, apart from managing the affairs of product development plans of the Company. The Heat Transfer R&D Department, Connector R&D Department, Card-reader R&D Department, and R&D Department are subordinated to the Section.
Procurement Section	Monitor and coordinate all procurement projects of the Group and is responsible for supplier development, evaluation, and management.

II. Directors, Supervisors and Management Team

(I) Directors

1. Directors and Independent Directors (I)

April 1, 2023

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remarks
							Number of shares	Share holding (%)	Number of shares	Share holding (%)	Number of shares	Share holding (%)	Number of shares	Share holding (%)			Title	Name	Relation	
Chairman	ROC	Yu, Ching-Sung	Male 61~70	07.05, 2021	3	11.06, 1999	14,463,046	16.46	14,463,046	16.45	773,431	0.88	2,044,000	2.33	Graduated from the Department of Business Administration of Tatung Institute of Technology Director and corporate representative of Techmaster Limited	CEO/Director of TaiSol Electronics Co., Ltd.. Director and corporate representative, TaiSol Electronics (Hong Kong) Co., Ltd. Director and corporate representative, TaiSol Electronics (Hong Kong) Co., Ltd. Director, TaiSol Elec. Japan Chairman, Vsell Enterprise Co., Ltd.	Director	Yu, Po-Hsin	Father and son	(Note 1)
Director	ROC	Lin, Chan-Lieh	Male 61~70	07.05, 2021	3	04.22, 2013	27,000	0.03	32,000	0.04	-	-	-	-	Department of Mechanical Engineering, National Tainan Industrial High School President, WanShih Electronic Co., Ltd. Director, WanShih Electronic Co., Ltd. CEO, TaiSol Electronics Co., Ltd. Director, TaiSol Elec. Japan Director, Suzhou TaiSol Electronics Co., Ltd. Director and corporate representative, SiYang TaiSol Electronics Co., Ltd.	Director, TaiSol Electronics Co., Ltd. Independent director, Hu Lane Associate Inc Professional consultation advisor, Mex Imex Inc.				
Director	ROC	Liang, Chun-Hsin	Male 61~70	07.05, 2021	3	06.19, 2018	28,813	0.04	27,813	0.03	-	-	-	-	Department of Economics, Tunghai University President/CEO/consultant, SINBON Electronics Co., Ltd.	President/Director, TaiSol Electronics Co., Ltd. Director, DongGuan TaiSol Electronics Co., Ltd. Director, Suzhou TaiSol Electronics Co., Ltd. Director, SiYang TaiSol Electronics Co., Ltd.				
Director	ROC	Hsieh, Chun-Shan	Male 61~70	07.05, 2021	3	04.22, 2013 (Note 2)	1,000,276	1.14	1,000,276	1.14	280,466	0.32	-	-	Department of Advanced Electronic Equipment Maintenance, National Tainan Industrial High School Consultant, Coolpc Computer Co., Ltd. Supervisor, TaiSol Electronics Co., Ltd.	Director, TaiSol Electronics Co., Ltd. Chairman, Weisheng Investment Co., Ltd. Supervisor, Coolpc Computer Co., Ltd.				
Director	ROC	Long-Thin Enterprise Co., Ltd.	Not applicable	07.05, 2021	3	07.05, 2021	2,044,000	2.33	2,044,000	2.33	-	-	-	-	Not applicable					
		Representative: Yu, Po-Hsin	Male 31~40	07.05, 2021	3	07.05, 2021	169,643	0.20	169,643	0.20	-	-	-	-	Corporate Finance MSc, Queen Mary University of London Department of Business Management, National Sun Yat-sun University Project section chief, Department of Corporate Finance, Capital Securities Corporation Manager, Market Development Department, Vsell Enterprise Co., Ltd. Senior specialist, Department of Corporate Finance, Taipei Fubon Bank Manager, Department of Investment, Paralink Asset Management Asia Ltd.	Special assistant of the Chairman and chief of procurement of the Group, Director, TaiSol Electronics Co., Ltd. Director and corporate representative, TaiSol Electronics (Hong Kong) Co., Ltd. Supervisor, Long-Thin Enterprise Co., Ltd. Director, TaiSol Elec. Japan	Director Chairman	Yu, Ching-Sung	Father and son	

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remarks
							Number of shares	Share holding (%)	Number of shares	Share holding (%)	Number of shares	Share holding (%)	Number of shares	Share holding (%)			Title	Name	Relation	
Independent Director	ROC	Chang, Wen-Tien	Male 61~70	07.05, 2021	3	04.22, 2013 (Note 3)	-	-	-	-	-	-	-	-	Institute of Business Administration, Chinese Culture University Vice president, Chiao Tung Bank Vice president and spokesperson, Federal Corp. Assistant vice president, chief of R&D, manager of the management department, and chief secretary, Bowa Bank Adjunct lecturer at Chinese Culture University, Fengchia University, and Shih Chien University Independent director, Taiwan Oasis Technology Co., Ltd.	Independent Director, TaiSol Electronics Co., Ltd.				
Independent Director	ROC	Tseng, Tien-Yun	Male 61~70	07.05, 2021	3	06.19, 2018	-	-	-	-	-	-	-	-	Graduate Institute of Technology Law, National Chung Hsing University Vice president of finance, Champion Building Materials Co., Ltd. Vice president of finance, Wonderful Hi-Tech Co., Ltd. Member of the remuneration committee, WanShih Electronic Co., Ltd. Independent director, Wonderful Hi-Tech Co., Ltd.	Independent Director, TaiSol Electronics Co., Ltd. Partner, Dazhe CPA's Firm Arbitrator, Chinese Arbitration Association, Taipei				
Independent Director	ROC	Chen, Chih-Hung	Male 61~70	07.05, 2021	3	06.19, 2018	-	-	-	-	-	-	-	-	Department of Business Management, Tatung Institute of Technology Southeast Cement Corporation Director of the chairman's office and manager of the QA department/ director of the Kaohsiung plant/special assistant of the chairman,	Independent Director, TaiSol Electronics Co., Ltd. President, Penghu Cable TV. Co., Ltd.				
Independent Director	ROC	Fang, Yen-Ling	Female 61~70	07.05, 2021	3	07.05, 2021	-	-	-	-	-	-	-	-	Ph.D. in Finance, Xiamen University EMBA, National Chengchi University Partner, KPMG	Independent Director, TaiSol Electronics Co., Ltd. CEO, Peace & Grace International Attorneys At Law Independent director, Wistron Information Technology and Services Corporation Director and corporate representative, Tainan Enterprises Independent director, Pharmosa Biopharm Inc.				

Note 1: The reason for the same person concurrently assuming the position of the Chairman and CEO of the Company is to improve our operating efficiency and the execution of decisions. To comply with the spirit of corporate governance and strengthen the independence of the Board, the Company has the following substantial measures at present:

- (1) Over half of the Board members are not concurrently an employee or manager.
- (2) The number of Independent Directors was increased to four to strengthen the independence of the Board.
- (3) Independent Directors may carry out comprehensive discussions at the meetings of functional committees and propose recommendations for the Board's reference to realize corporate governance.

Note 2: Hsieh, Chun-Shan resigned as a Director and was appointed as a supervisor on April 22, 2013 and was appointed as a Director on 5 July 2021.

Note 3: After resigning as a supervisor on 6 June 2006, Chang, Wen-Tien was appointed as an Independent Director of the Company.

Major shareholders of the institutional shareholders

April 1, 2023

Name of Institutional Shareholders	Major Shareholders	Shareholding (%)
Long-Thin Enterprise Co., Ltd.	Yeh, Li-Juan	41.50%
	Yu, Po-Ting	2.33%
	Yu, Po-Hsin	2.33%
	Yu, Ching-Sung	53.84%

2. Directors and Independent Directors (II)

I. Professional qualifications and independence analysis of directors :

Criteria Name	Professional qualifications and experience	Independence status	Concurrentin dependent director position in other publicly traded companies
Yu, Ching-Sung	Graduated from the Department of Business Administration of Tatung Institute of Technology. Currently, he is the Chairman of TaiSol Electronics Co., Ltd. and the chairman of Vsell Enterprise Co., Ltd.. He possesses over three decades of business management experience in industries related to electronic technologies. His field of expertise covers commerce, business planning for technology-related industries, marketing, and business management.	<ol style="list-style-type: none"> 1. Chairman and CEO of the Company, a Director who is concurrently a manager. 2. Concurrently a director of an affiliate (wholly-owned subsidiary) of the Company. 3. A top ten shareholder of the Company with over 5% shareholding who is a natural person. 4. A relative within the second degree of kinship with Yu,Po-Hsin, the legal representative of Long-Thin Enterprise Co., Ltd.. 5. For the remaining, the Company has verified the key factors of independence as set out in the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” promulgated by the Financial Supervisory Commission (FSC), and the Director complies with relevant independence requirements. 	

Criteria Name	Professional qualifications and experience	Independence status	Concurrentin dependent director position in other publicly traded companies
Lin, Chan-Lieh	Graduated from the Department of Mechanical Engineering, National Tainan Industrial High School. He was the President of WanShih Electronic Co., Ltd., and he possesses over 25 years of experience related to electronic connecting wire products. His field of expertise covers commerce, marketing, and business management.	The Company has verified the key factors of independence as set out in the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” promulgated by the Financial Supervisory Commission (FSC), and the Director complies with relevant independence requirements.	1
Liang, Chun-Hsin	Graduated from the Department of Economics, Tunghai University. He was the SINBON Electronics Co., Ltd. and possesses over 25 years of experience in business management in the electronic technology industry. His field of expertise covers corporate governance, commerce, marketing, and business management for industrial technologies.	<ol style="list-style-type: none"> 1. Concurrently the President of the Company, a Director who is concurrently a manager. 2. Concurrently a director of an affiliate (wholly-owned subsidiary) of the Company. 3. For the remaining, the Company has verified the key factors of independence as set out in the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” promulgated by the Financial Supervisory Commission (FSC), and the Director complies with relevant independence requirements. 	

Criteria Name	Professional qualifications and experience	Independence status	Concurrent in dependent director position in other publicly traded companies
Hsieh, Chun-Shan	Graduated from the Department of Advanced Electronic Equipment Maintenance, National Tainan Industrial High, and concurrently the supervisor of Coolpc Computer Co., Ltd. and the chairman of Weisheng Investment Co., Ltd., he possesses relevant experience in the IT industry. His field of expertise covers business management and marketing.	The Company has verified the key factors of independence as set out in the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” promulgated by the Financial Supervisory Commission (FSC), and the Director complies with relevant independence requirements.	
Long-Thin Enterprise Co., Ltd. Representative: Yu, Po-Hsin	Graduated from the Department of Business Finance, Queen Mary University Of London and obtained the master’s degree. He held positions in Capital Securities Corporation, Fubon Bank, and other finance and securities companies, and he possesses experience related to the finance and insurance industries. His field of expertise covers finance and accounting, marketing, startup investment, and finance and securities.	<ol style="list-style-type: none"> 1. Concurrently the special assistant of the Company’s Chairman and the chief of procurement of the Group, a Director who is concurrently a manager. 2. Concurrently a director of an affiliates (a wholly-owned subsidiary) of the Company. 3. A relative within the second degree of kinship with Yu, Ching-Sung, the Chairman of the Company. 4. For the remaining, the Company has verified the key factors of independence as set out in the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” promulgated by the Financial Supervisory Commission (FSC), and the Director complies with relevant independence requirements. 	

Criteria Name	Professional qualifications and experience	Independence status	Concurrentin dependent director position in other publicly traded companies
Chang, Wen-Tien	<p>Graduated from the Department of International Business Administration, Chineses Culture University, and obtained a master’s degree. He held positions in Chiao Tung Bank, Bowa Bank, and other financial companies; he has extensive practical experience in fields of M&A, startup investment, finance and securities, and corporate governance. His professional field covers financnace, lawm and business management. Currently is an Independent Director; none of the circumstances stated in subparagraphs of Article 30 of the Company has occurred.</p>	<p>According to the requirements of the Articles of Incorporation and “Corporate Governance Best Practice Principles” of the Company, a candidate nomination system shall be adopted for the election of Directors. Upon the nomination and selection of Board members, the Company has obtained the written declaration, work experience, current employment certificate, and a table of the relative relationship of each Director for verification and has confirmed the independence of each Director, its spouse, and relatives within the second degree of kinship with the Company. In addition, the Company has verified that the four Independent</p>	

Criteria Name	Professional qualifications and experience	Independence status	Concurrent independent director position in other publicly traded companies
Tseng, Tien-Yun	<p>Graduated from Institute of Law for Science and Technology, Chung Hsing University and obtained a master's degree and CPA qualification. Currently, he is the partner of Dazhe CPA's Firm, an Arbitrator of the Chinese Arbitration Association, Taipei. He possesses over 25 years of experience as an accountant; his field of expertise covers finance and accounting, law, and business management.</p> <p>Currently, he is the Independent Director of the Company, and his expertise will improve the quality of corporate governance of the Board and the monitoring functions of the Audit Committee.</p> <p>None of the circumstances stated in subparagraphs of Article 30 of the Company has occurred.</p>	<p>Directors listed on the left have complied with the key elements of qualification stated in "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" and Article 14-2 of the Securities and Exchange Act two years before being elected and during their tenure; the rights to fully participate in decision-making and opinion expression are granted to Independent Directors according to Article 14-3 of the Securities and Exchange Act for them to implement relevant powers independently.</p>	

Criteria Name	Professional qualifications and experience	Independence status	Concurrent independent director position in other publicly traded companies
Chen, Chih-Hung	<p>Graduated from the Department of Business Management of Tatung Institute of Technology.</p> <p>Currently the president of Penghu Cable TV. Co., Ltd.; he used to work at the Southeast Cement Corporation and possesses over two decades of experience in business management. His field of expertise covers marketing and business management.</p> <p>Currently, he is the Independent Director of the Company, and his expertise will improve the quality of corporate governance of the Board and the monitoring functions of the Audit Committee.</p> <p>None of the circumstances stated in subparagraphs of Article 30 of the Company has occurred.</p>	<p>According to the requirements of the Articles of Incorporation and “Corporate Governance Best Practice Principles” of the Company, a candidate nomination system shall be adopted for the election of Directors. Upon the nomination and selection of Board members, the Company has obtained the written declaration, work experience, current employment certificate, and a table of the relative relationship of each Director for verification and has confirmed the independence of each Director, its spouse, and relatives within the second degree of kinship with the Company. In addition, the Company has verified that the four Independent Directors listed on</p>	

Criteria Name	Professional qualifications and experience	Independence status	Concurrent independent director position in other publicly traded companies
Fang, Yen-Ling	<p>Graduated from the Institute of Finance, Xiamen University and obtained the doctoral degree and CPA qualification. She held a position at KPMG and possesses over three decades of experience as an accountant, and she is currently the CEO of Peace & Grace International Attorneys at Law. Her field of expertise covers finance and accounting, and law. Currently, she is the Independent Director of the Company, and her expertise will improve the quality of corporate governance of the Board and the monitoring functions of the Audit Committee. Currently is an Independent Director; none of the circumstances stated in subparagraphs of Article 30 of the Company has occurred.</p>	<p>the left have complied with the key elements of qualification stated in “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” and Article 14-2 of the Securities and Exchange Act two years before being elected and during their tenure; the rights to fully participate in decision-making and opinion expression are granted to Directors Independent Directors according to Article 14-3 of the Securities and Exchange Act for them to implement relevant powers independently.</p>	2

II. Diversity and independence of the Board of Directors:

(I) Diversification of the Board of Directors:

The Company promotes and respects the diversification policy of Directors. To improve corporate governance and facilitate the healthy development of the Board composition and structure, the Company is convinced that the diversification policy will help improve the overall performance of the Company. The election of Board members is based on the principle of meritocracy with diversified and complementing abilities from different industries and fields, including basic composition (i.e., age, gender, and nationality), the possession of industrial experience and relevant skills (i.e., electronics, finance and accounting, law, academy, marketing, and technology), and business decisions, business administration, leadership and decision-making, crisis management, and other abilities. To improve the functions of the Board and achieve the ideal objective of corporate governance, Article 20 of the “Corporate Governance Best Practice Principles” of the Company stipulates that the overall Board shall possess the abilities as follows:

1. Ability for business judgment; 2. ability for accounting and financial analysis; 3. ability for business management; 4. ability for crisis management; 5. industrial knowledge; 6. international market viewpoint; 7. leadership; 8. ability for decision-making. The diversification policy of the current Board members of the Company and the implementation is as follows:

Director	Basic composition							Industrial experience				Professional field							
	Nationality	Gender	Concurrently an employee	Age				Independent Director Tenure/ seniority			Finance and insurance	IT	Accountant/lawyer	Electronic manufacturing	Finance and accounting	Marketing	Law	Electronics and electrical engineering	Business management
				31 to 40 years old	41 to 50 years old	51 to 60 years old	61 to 70 years old	Less than 3 years	3 to 9 years	Over 9 years									
Yu Ching-Sung	R.O.C.	Male	V			V						V		V				V	
Liang, Chun-Hsin	R.O.C.	Male	V			V						V		V				V	
Lin, Chan-Lieh	R.O.C.	Male				V						V		V				V	
Hsieh, Chun-Shan	R.O.C.	Male				V				V				V				V	
Long-Thin Enterprise Co., Ltd. Representative: Yu, Po-Hsin	R.O.C.	Male	V	V						V				V					
Chang, Wen-Tien	R.O.C.	Male				V			V	V				V		V		V	
Tseng, Tien-Yun	R.O.C.	Male				V		V				V	V	V		V		V	
Chen, Chih-Hung	R.O.C.	Male				V		V				V		V				V	
Fang, Yen-Ling	R.O.C.	Female				V	V			V		V		V		V		V	

The substantial management objectives of the Company’s diversification policy and the achievement are as follows:

Management objectives	Achievement and description
Directors who are concurrently managers shall not exceed one-third of the Board members	Among nine Directors of the 13 th session of the Board of the Company, there are three Directors who are concurrently managers, and the Company has achieved the objective for the number of Directors set out in the diversification policy of the Board. In addition, considering the balance of corporate governance, the Company added a seat for a professional Independent Director to enhance external supervision. With the supervision of four Independent Directors, a more balanced development will be recorded for the operation of the Board.
Board composition and gender of members	There are four Independent Directors in the nine Directors of the 13th session of the Board of the Company, and their professional field covers finance and accounting, law, electronics and electrical engineering, marketing, and business management. The Company has always been attaching attention to the gender equality of Board members; at present, the ratio of female Directors is over 10%. There is one female Director among the nine Directors of the current session, and the ratio is 11.11%.
Tenure/seniority of Independent Directors	Among the four Independent Directors, the tenure/seniority of three Independent Directors is less than three sessions, and the remaining Independent Director has been the Independent Director of the Company for three sessions; however, due to the material benefits to business planning and decision-making of the Company as the Independent Director possesses extensive practical experience in fields of M&A, startup investment, finance and securities, and corporate governance, and it complies with relevant conditions of independence under Article 3 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies,” the Company continues their appointment as the Independent Director of the Company.

(II) Board independence:

1. Structure of the Board:

The Company has established its selection system for Directors; the election procedures of all Directors are open and fair and compliant with the requirements of the “Articles of Incorporation,” “Procedures for the Election of Directors,” “Corporate Governance Best Practice Principles” of the Company, “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies,” and “Article 14-2 of the

Securities and Exchange Act.” Regarding the composition and structure of the current Board, there are four Independent Directors (44.44%) and five non-Independent Directors (55.56%), of which three are Directors who are concurrently employees/managers (33.33%), and two are Directors who are relatives within the second degree of kinship (22.22%); the composition and structure comply with the requirements under paragraphs 3 and 4, Article 26-3 of the Securities and Exchange Act.

2. The Board possesses independence:

The Board of the Company provides guidance for the Company’s strategies, supervises the management, and is responsible for the Company and its shareholders. For the operations and arrangements of the corporate governance system, the Board exercises its powers according to laws and regulations, the Articles of Incorporation, or resolutions made by the shareholders’ meeting. The Board of the Company emphasizes the functions of independent operation and transparency; Directors and Independent Directors are independent individuals who independently exercise their powers. Four Independent Directors also comply with the requirements of relevant laws and regulations to supervise the control of the existing or potential risks of the Company with the powers of the Audit Committee so as to duly monitor the effective implementation of the internal control, the election (dismissal) of CPAs and independence, and the appropriate preparation of the financial statements of the Company. Furthermore, the Company has stated that a candidate nomination system shall be adopted for the election of Directors and Independent Directors according to the “Procedures for the Election of Directors” of the Company. The Company encourages shareholders’ participation, and shareholders with a certain shareholding or above may propose the list of candidates. The Company carries out the review of candidates’ qualifications, confirms whether they violate the circumstances stated in Article 30 of the Company Act, performs relevant acceptance operations according to the law and makes announcements to protect shareholders’ interests and avoid the rights of nomination from being monopolized or abused, maintaining independence.

(II) Management Team

April 1, 2023

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are spouses or relatives within the second degree of kinship			Remarks
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
CEO	R.O.C.	Yu, Ching-Sung	Male	2014.08.11	14,463,046	16.45	773,431	0.88	2,044,000	2.33	Department of Business Administration, Tatung Institute of Technology Director and corporate representative of Techmaster Limited	CEO/Director of TaiSol Electronics Co., Ltd. Director and corporate representative, TaiSol Electronics (Hong Kong) Co., Ltd. Director and corporate representative, TaiSol Electronics (Hong Kong) Co., Ltd. Director, TaiSol Elec. Japan Chairman, Vsell Enterprise Co., Ltd.	Vice President	Yu, Po-Hsin	Father and son	(Note 1)
President	R.O.C.	Liang, Chun-Hsin	Male	2015.05.15	27,813	0.03	-	-	-	-	Department of Economics, Tunghai University President/CEO/consultant, SINBON Electronics Co., Ltd.	President/Director, TaiSol Electronics Co., Ltd. Director, DongGuan TaiSol Electronics Co., Ltd. Director, Suzhou TaiSol Electronics Co., Ltd. Director, SiYang TaiSol Electronics Co., Ltd.	-	-	-	
Vice President	R.O.C.	Lin, Meng-Yi	Male	1996.12.30	132,379	0.15	17,322	0.02	-	-	Department of Japanese, Tamkang University	Director, TaiSol Elec. Director and representative of TaiSol Elec. Japan	-	-	-	
Executive Vice President	R.O.C.	Liu, Ke-Ping	Male	2013.01.01	-	-	-	-	-	-	EMBA, National Chengchi University Department of Mechanical Engineering, National Taiwan University	Director, SiYang TaiSol Electronics Co., Ltd.	-	-	-	
Vice President	R.O.C.	Yu, Jun-Yi	Male	2012.07.01	62,875	0.07	380	-	-	-	Department of Civil Engineering, Chung Cheng Institute of Technology Manager, Hwa-Pur Enterprise Co., Ltd.	Director and corporate representative, DongGuan TaiSol Electronics Co., Ltd. Director and corporate representative, Suzhou TaiSol Electronics Co., Ltd.	-	-	-	
Vice President	R.O.C.	Liu, Zhi-Ming	Male	2014.07.07	-	-	-	-	-	-	Department of Electrical Engineering, Shu-Teh Junior College of Technology Vice president, Robin Source International Co., Ltd.	President, Suzhou TaiSol Electronics Co., Ltd.	-	-	-	
Vice President	R.O.C.	Yu, Po-Hsin	Male	2021.07.15	169,643	0.20	-	-	-	-	Corporate Finance MSc, Queen Mary University of London Department of Business Management, National Sun Yat-sen University Project section chief, Department of Corporate Finance, Capital Securities Corporation Manager, Market Development Department, Vsell Enterprise Co., Ltd. Senior specialist, Department of Corporate Finance, Taipei Fubon Bank Manager, Department of Investment, Paralink Asset Management Asia Ltd.	Special assistant of the Chairman and chief of procurement of the Group, Director, TaiSol Electronics Co., Ltd. Director and corporate representative, TaiSol Electronics Co., Ltd. Supervisor, Long-Thin Enterprise Co., Ltd. Director, TaiSol Elec. Japan	Chairman	Yu, Ching-Sung	Father and son	
Chief of finance	R.O.C.	Wu, Mei-Ling	Female	2021.04.06	-	-	-	-	-	-	Institute of Business Administration, National Taipei University Deputy chief of finance, Sysgration Ltd. Special assistant of the president, Zhengxi Building Co., Ltd. Assistant vice president, PolarBlue International Co., Ltd. Manager of the finance department, Soloman Technology Corporation Assistant Vice President of Finance, TaiSol Electronics Co., Ltd.	Supervisor, Suzhou TaiSol Electronics Co., Ltd. Supervisor, SiYang TaiSol Electronics Co., Ltd.	-	-	-	

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are spouses or relatives within the second degree of kinship			Remarks
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Senior Assistant Vice President	R.O.C.	Lin, Jin-Xiang	Male	2000.03.01	177	-	-	-	-	-	Department of Electronic Engineering, Oriental Institute of Technology Engineer, Super Fair Enterprises Limited	Director and corporate representative, Vietnam TaiSol Electronics LLC	-	-	-	
Senior Assistant Vice President	R.O.C.	Guo, Zheng-Hong	Male	2003.03.03	738	-	-	-	-	-	Graduate Institute of Management, National Taiwan University of Science and Technology Technology project manager, Robin Source International Co., Ltd.	-	-	-		
Assistant Vice President	R.O.C.	Lu, Wen-Chi	Male	2005.07.01	91	-	-	-	-	-	Institute of Power Mechanical Engineering, National Tsing Hua University Manager, Inforise Technology Ltd.	-	-	-		
Assistant Vice President	R.O.C.	Wu, Wen-Han	Male	2017.08.11	15,657	0.02	-	-	-	-	Department of Mechanical Engineering, National Taipei Institute of Technology Product section manager, Ditronics Manufacturing Inc. Vice president of engineering, ANT Precision Industry Co., Ltd.	-	-	-		
Assistant Vice President	R.O.C.	Liu, Ming-Tien	Male	2019.01.01	2,505	-	-	-	-	-	Department of Mechanical Engineering, Hwa Hsia University of Technology Engineering assistant, Ange Electronics Co., Ltd. Procedure engineer, Weistech Technology Co., Ltd.	-	-	-		
Assistant Vice President	R.O.C.	Hsu, Bo-Chun	Male	2019.01.01	-	-	-	-	-	-	Department of Industrial Engineering, Feng Chia University Manager of resources and materials, Liteconn Co., Ltd. Section chief of resources and materials, Hotron Precision Electronic Industrial Co., Ltd. Manager of resources and materials, P-TWO Industries Inc.	-	-	-		
Assistant Vice President	R.O.C.	Liu, Yong-Ming	Male	2019.08.01	-	-	-	-	-	-	Department of Electric Engineering, Lunghwa University of Science and Technology Vice president of engineering, ADDA Electronic Machinery (Kunshan, China) Factory Manager of the production/engineering department, Kunshan Dingpei	-	-	-		

Note 1: The reason for the same person concurrently assuming the position of the Chairman and CEO of the Company is to improve our operating efficiency and the execution of decisions. To comply with the spirit of corporate governance and strengthen the independence of the Board, the Company has the following substantial measures at present:

- (1) Over half of the Board members are not concurrently an employee or manager.
- (2) The number of Independent Directors was increased to four to strengthen the independence of the Board.
- (3) Independent Directors may carry out comprehensive discussions at the meetings of functional committees and propose recommendations for the Board's reference to realize corporate governance.

Note 2: CEO Lin Chan-Lie resigned on July 31, 2022.

Note 3: Chief auditor Hsu, Chiu-Fen resigned on March 17, 2023.

III. Remuneration of Directors, Independent Directors, Supervisors, President, and Vice Presidents

1. Remuneration of Directors and Independent Directors

Unit: NT\$000'; 31 December 2022

Title	Name	Remuneration of Directors								Ratio of Total Remuneration (A+B+C+D) to Net Income (%) (Note 10)		Relevant Remuneration Received by Directors Who are Also Employees						Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%) (Note 10)		Remuneration from ventures other than subsidiaries or from the parent company (Note 11)		
		Base Compensation(A) (Note 2)		Severance Pay (B)		Directors Compensation (C) (Note 3)		Allowances (D) (Note 4)		The Company	All companies in the consolidated financial statements	Salary, Bonuses, and Allowances (E) (Note 5)		Severance Pay (F)		Employee Compensation (G) (Note 6)		The Company	All companies in the consolidated financial statements			
		The Company	All companies in the consolidated financial statements (Note 7)	The Company	All companies in the consolidated financial statements (Note 7)	The Company	All companies in the consolidated financial statements (Note 7)	The Company	All companies in the consolidated financial statements (Note 7)			The Company	All companies in the consolidated financial statements (Note 7)	The Company	All companies in the consolidated financial statements (Note 7)	Cash	Stock				Cash	Stock
Director	Yu, Ching-Sung (Note 1)	-	-	-	-	10,300	10,300	1,040	1,040	11,340 (4.24%)	11,340 (4.24%)	12,364	14,117	252	252	1,748	-	1,748	-	25,704 (9.61%)	27,457 (10.27%)	None
	Lin, Chan-Lieh	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	None
	Liang, Chun-Hsin	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	None
	Hsieh, Chun-Shan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	None
Independent Director	Long-Thin Enterprise Co., Ltd. Representative: Yu, Po-Hsin	-	-	-	-	10,300	10,300	1,040	1,040	11,340 (4.24%)	11,340 (4.24%)	12,364	14,117	252	252	1,748	-	1,748	-	25,704 (9.61%)	27,457 (10.27%)	None
	Chang, Wen-Tien	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	None
	Tseng, Tien-Yun	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	None
	Chen, chih-Hung	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	None
	Fang, Yen-Ling	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	None

1. Please describe the policy, system, standards, and structure of the remuneration of Directors and Independent Directors and describe the linkage of duties and risks assumed, time invested, and other factors to the amount of remuneration:
The Remuneration Committee and the Board are authorized to determine the compensation and the traffic allowance the of Directors and Independent Directors based on their level of participation in the Company's operations and relevant contributions. Remunerations of Directors and Independent Directors distributed from earnings are subject to the requirements of the Articles of Incorporation, and the Remuneration Committee and the Board are authorized to determine compensation based on the results of the performance evaluation of Directors.

2. Except as disclosed in the above table, the remuneration received by the Company's Directors for providing services (such as serving as a consultant in a non-employee capacity of the parent company/all companies in the financial report/investees) in the most recent year: None.

**Remunerations distributed from earnings are temporary estimations, and the actual distribution amount has not been finalized.

Note 1: A total of NT\$770 thousand was otherwise paid as the salaries and bonuses of the driver of the Chairman.

Table of remuneration ranges

Range of Remuneration	Director			
	Sum of A+B+C+D		Sum of A+B+C+D+E+F+G	
	The Company (Note 8)	Companies in the consolidated financial statements (Note 9) H	The Company (Note 8)	Companies in the consolidated financial statements (Note 9) I
Less than NT\$1,000,000	Lin, Chan-Lieh; Liang, Chun-Hsin; Hsieh, Chun-Shan; Yu, Bo-Xin; Chang, Wen-Tien; Tseng, Tien-Yun; Chen, Chih-Hung; Fang, Yen-Ling	Lin, Chan-Lieh; Liang, Chun-Hsin; Hsieh, Chun-Shan; Yu, Bo-Xin; Chang, Wen-Tien; Tseng, Tien-Yun; Chen, Chih-Hung; Fang, Yen-Ling	Hsieh, Chun-Shan; Chang, Wen-Tien; Tseng, Tien-Yun; Chen, Chih-Hung; Fang, Yen-Ling	Hsieh, Chun-Shan; Chang, Wen-Tien; Tseng, Tien-Yun; Chen, Chih-Hung; Fang, Yen-Ling
NT\$1,000,000 (inclusive)–NT\$2,000,000 (exclusive)				
NT\$2,000,000 (inclusive)–NT\$3,500,000 (exclusive)			Lin, Chan-Lieh; Yu, Po-Hsin	Lin, Chan-Lieh; Yu, Po-Hsin
NT\$3,500,000 (inclusive)–NT\$5,000,000 (exclusive)	Yu, Ching-Sung	Yu, Ching-Sung		
NT\$5,000,000 (inclusive)–NT\$10,000,000 (exclusive)			Liang, Chun-Hsin	Liang, Chun-Hsin
NT\$10,000,000 (inclusive)–NT\$15,000,000 (exclusive)			Yu, Ching-Sung	Yu, Ching-Sung
NT\$15,000,000 (inclusive)–NT\$30,000,000 (exclusive)				
NT\$30,000,000 (inclusive)–NT\$50,000,000 (exclusive)				
NT\$50,000,000 (inclusive)–NT\$100,000,000 (exclusive)				
Greater than or equal to NT\$100,000,000				
Total	A total of nine persons	A total of nine persons	A total of nine persons	A total of nine persons

Note 1: Names of the Directors shall be set out separately (for corporate shareholders, the name and representative of corporate shareholders shall be set out separately), general Directors and Independent Directors shall be set out separately, and the amount of payments shall be disclosed in aggregate.

Note 2: Refer to the compensation of Directors in the most recent year (including salaries, duty allowance, severance payment, bonuses, and incentives of Directors).

Note 3: Refer to the intended amount of distribution of remuneration of Directors approved as a resolution by the Board before the shareholders' meeting for the proposal for earning distribution in the most recent year.

Note 4: Refer to relevant business execution expenses of Directors in the most recent year (including traffic allowance, special allowance, allowances, dormitory, company car, and the provision of other benefits in kind). If houses, vehicles, and other transport or expenses exclusive to an individual are provided, the nature and costs of the assets provided, actual rental or rental calculated based on the fair market price, fuel costs, and other payments shall be disclosed. If a driver is appointed, please describe relevant compensation paid by the Company to the driver; however, such compensation is not included in the remuneration.

Note 5: Refer to salaries, duty allowance, severance payment, bonuses, incentives, traffic allowance, special allowance, allowances, dormitory, company car, and benefits in kind received by Directors who are concurrently employees (including the concurrent position of President, Vice Presidents, other managers, and employees) in the most recent year. If houses, vehicles, and other transport or expenses exclusive to an individual are provided, the nature and costs of the assets provided, actual rental or rental calculated based on the fair market price, fuel costs, and other payments shall be disclosed. If a driver is appointed, please describe relevant compensation paid by the Company to the driver; however, such compensation is not included in the remuneration. Furthermore, salary expenses (including the acquisition of employee stock warrants, restricted stock awards, and subscription of shares under capital increases in cash) recognized according to IFRS 2 "Share-based Payment" shall also be included in the remuneration.

Note 6: For employee remuneration (including stock and cash) received by Directors who are concurrently employees (including the concurrent position of President, Vice Presidents, other managers, and employees) in the most recent year, the amount of distribution of remuneration of employees approved as a resolution by the Board before in the most recent year shall be disclosed. If the amount cannot be estimated, calculate the intended amount of distribution for the year based on the actual distribution amount and ratio of the preceding year.

Note 7: The sum of remunerations paid by all companies in the consolidated report (including the Company) to the Directors of the Company shall be disclosed.

Note 8: For the sum of remunerations paid by the Company to the Directors, the name of the Directors shall be disclosed in the range where they belong.

Note 9: The sum of remunerations paid by all companies in the consolidated financial report (including the Company) to the Directors of the Company shall be disclosed, and the name of the Directors shall be disclosed in the range where they.

Note 10: Net profit after tax refers to the profit after tax stated in the individual or separate financial report for the most recent year.

Note 11: a. Please specify whether the Directors of the Company receive relevant remunerations from investees other than subsidiaries or the parent company (if not, please specify "No").

b. If Directors of the Company receive relevant remunerations from investees other than subsidiaries or the parent company, please combine the amount of remuneration received by the Directors from investees other than subsidiaries or the parent company into column I of the table of remuneration ranges and rename the columns "Parent company and all investees."

c. Remuneration refers to the compensation, remuneration (including remuneration of employees, Directors and supervisors), business execution expenses, and other relevant remunerations received by Directors of the Company in the nature of Directors, supervisors, or managers of investees other than subsidiaries.

* The content of remuneration disclosed in the table is different from the concept of the Income Tax Act; therefore, the purpose of the table is for information disclosures only instead of taxation.

2. Remuneration of President and Vice Presidents

Unit: NT\$000'; December 31, 2022

Title	Name	Salary (A) (Note 2)		Severance Pay (B)		Bonuses and Allowance (C) (Note 3)		Employee Compensation (D) (Note 4)				Ratio of total compensation (A+B+C+D) to net income (%) (Note 8)		Remuneration from ventures other than subsidiaries or from the parent company (Note 9)
		The Company	Companies in the consolidated financial statements (Note 5)	The Company	Companies in the consolidated financial statements (Note 5)	The Company	Companies in the consolidated financial statements (Note 5)	The Company		Companies in the consolidated financial statements (Note 5)		The Company	Companies in the consolidated financial statements (Note 5)	
								Cash	Stock	Cash	Stock			
CEO	Yu, Ching-Sung	23,361	26,723	5,600	5,600	2,294	3,341	3,548	-	3,548	-	34,803 (13.01%)	39,213 (14.66%)	None
Vice President	Lin, Meng-Yi													None
President	Liang, Chun-Hsin													None
CEO	Lin, Chan-Lieh (Note 1)													None
Executive Vice President	Liu, Ke-Ping													None
Vice President	Liu, Zhi-Ming													None
Vice President	Yu, Jun-Yi													None
Vice President	Guo Shang-Ren (Note 2)													None
Vice President	Yu, Po-Hsin													None
Chief of finance	Wu, Mei-Ling													None

* Regardless of titles, the remuneration of any position with a level equivalent to the President or Vice Presidents (president, CEO, chief inspector, and others) shall be disclosed.

Note 1: CEO Lin Chan-Lieh resigned on 31 July 2022.

Note 2: Vice President Guo Shang-Ren resigned on 19 January 2022.

Table of remuneration ranges

Range of Remuneration	Name of President and Vice Presidents	
	The Company (Note 6)	Companies in the consolidated financial statements (Note 7) E
Less than NT\$1,000,000		
NT\$1,000,000 (inclusive)–NT\$2,000,000 (exclusive)	Lin Chan-Lieh; Guo Shang-Ren	Guo Shang-Ren
NT\$2,000,000 (inclusive)–NT\$3,500,000 (exclusive)	Liu Ke-Ping; Liu Zhi-Ming; Yu Jun-Yi; Yu Po-Hsin; Wu Mei-Ling	Lin, Chan-Lieh; Liu Zhi-Ming; Yu, Po-Hsin; Wu, Mei-Ling
NT\$3,500,000 (inclusive)–NT\$5,000,000 (exclusive)	Liang, Chun-Hsin	Liang, Chun-Hsin; Liu Ke-Ping; Yu Jun-Yi
NT\$5,000,000 (inclusive)–NT\$10,000,000 (exclusive)	Yu Ching-Sung; Lin Meng-Yi	Yu, Ching-Sung; Lin Meng-Yi
NT\$10,000,000 (inclusive)–NT\$15,000,000 (exclusive)		
NT\$15,000,000 (inclusive)–NT\$30,000,000 (exclusive)		
NT\$30,000,000 (inclusive)–NT\$50,000,000 (exclusive)		
NT\$50,000,000 (inclusive)–NT\$100,000,000 (exclusive)		
Greater than or equal to NT\$100,000,000		
Total	A total of ten persons	A total of ten persons

Note 1: Name of the President and Vice Presidents shall be set out separately, and the amount of payments may be disclosed in aggregate.

Note 2: Refer to salaries, duty allowance, and severance payment of the President and Vice Presidents for the most recent year.

Note 3: Refer to bonuses, incentives, traffic allowance, special allowance, allowances, dormitory, company car, benefits in kind, and other remunerations of the President and Vice Presidents for the most recent year. If houses, vehicles, and other transport or expenses exclusive to an individual are provided, the nature and costs of the assets provided, actual rental or rental calculated based on the fair market price, fuel costs, and other payments shall be disclosed. If a driver is appointed, please describe relevant compensation paid by the Company to the driver; however, such compensation is not included in the remuneration. Furthermore, salary expenses (including the acquisition of employee stock warrants, restricted stock awards, and subscription of shares under capital increases in cash) recognized according to IFRS 2 “Share-based Payment” shall also be included in the remuneration.

Note 4: Refer to the amount of distribution of remuneration of employees (including stock and cash) to the President and Vice Presidents of the Company approved as a resolution by the Board in the most recent year. If the amount cannot be estimated, calculate the intended amount of distribution for the year based on the actual distribution amount and ratio of the preceding year.

Note 5: The sum of remunerations paid by all companies in the consolidated financial report (including the Company) to the President and Vice Presidents of the Company shall be disclosed.

Note 6: For the sum of remunerations paid by the Company to the President and Vice Presidents, the name of the President and Vice Presidents shall be disclosed in the range where they belong.

Note 7: The sum of remunerations paid by all companies in the consolidated report (including the Company) to the President and Vice Presidents of the Company shall be disclosed, and the name of the President and Vice Presidents shall be disclosed in the range where they are.

Note 8: Net profit after tax refers to the profit after tax stated in the individual or separate financial report for the most recent year.

Note 9: a. Please specify whether the President and Vice Presidents of the Company receive relevant remunerations from investees other than subsidiaries or the parent company (if not, please specify “No”).

b. If the President and Vice Presidents of the Company receive relevant remunerations from investees other than subsidiaries or the parent company, please combine the amount of remuneration received by the President and Vice Presidents from investees other than subsidiaries or the parent company into column E of the table of remuneration ranges and rename the columns “Parent company and all investees.”

c. Remuneration refers to the compensation, remuneration (including remuneration of employees, Directors and supervisors), business execution expenses, and other relevant remunerations received by the President and Vice Presidents of the Company in the nature of Directors, supervisors, or managers of investees other than subsidiaries.

* The content of remuneration disclosed in the table is different from the concept of the Income Tax Act; therefore, the purpose of the table is for information disclosures only instead of taxation.

3. Name of managers who distribute employee remuneration and the distribution status:

Names of managers who distribute employee remuneration
and the distribution status

December 31,2022 (Unit: NT\$000')

	Title (Note 1)	Name (Note 1)	Employee Compensation - in Stock	Employee Compensation - in Cash	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	CEO	Yu, Ching-Sung	-	4,940 (Note 4)	4,940	1.85%
	President	Liang, Chun-Hsin				
	CEO	Lin, Chan-Lieh				
	Vice President	Lin, Meng-Yi				
	Executive Vice President	Liu, Ke-Ping				
	Vice President	Liu, Zhi-Ming				
	Vice President	Yu, Jun-Yi				
	Vice President	Yu, Po-Hsin				
	Chief of finance	Wu, Mei-Ling				
	Senior Assistant Vice President	Lin, Jin-Xiang				
	Senior Assistant Vice President	Guo, Zheng-Hong				
	Assistant Vice President	Lu, Wen-Chi				
	Assistant Vice President	Wu, Wen-Han				
	Assistant Vice President	Liu, Ming-Tien				
	Assistant Vice President	Hsu, Po-Chun				
	Assistant Vice President	Liu, Yong-Ming				

Note 1: Names and titles shall be individually disclosed; however, the amount of profit distribution may be disclosed in aggregate.

Note 2: Refer to the amount of distribution of remuneration of employees (including stock and cash) to the managers of the Company approved as a resolution by the Board in the most recent year. If the amount cannot be estimated, calculate the intended amount of distribution for the year based on the actual distribution amount and ratio of the preceding year. Net profit after tax refers to the profit after tax for the most recent year. For companies that adopted the IFRSs, the net profit after tax refers to the net profit after tax on the individual or separate financial statements for the most recent year.

Note 3: The scope of the application of managers shall be subject to the requirements of Letter Tai-Cai-Zheng-San-Zi No.0920001301 in March 27,2003; the scope is as follows:

- (1) President and persons of equivalent level
- (2) Vice President and persons of equivalent level
- (3) Assistant Vice President and persons of equivalent level
- (4) Chief of the Finance Department
- (5) Chief of the Accounting Department
- (6) Other persons who are entitled to manage affairs and sign for the Company

Note 4: It has not been approved as a resolution at the shareholders' meeting in 2023.

(IV) Comparison of Remuneration for Directors, Supervisors, President and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, President and Vice Presidents.

- (1) The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, supervisors, president and vice presidents of the Company, to the net income.

Unit: NT\$000'

Item	Year	2021		2022	
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements
Remuneration of Directors		23,721	25,866	25,704	27,457
Ratio of the total remuneration of Directors to net income after tax (%)		12.65	13.80	9.61	10.27
Total remuneration of President and Vice Presidents		30,774	36,041	34,803	39,213
Ratio of the total remuneration of President and Vice Presidents to net income after tax (%)		16.42	19.23	13.01	14.66

- (2) The remuneration policies, standards, and packages, the procedures for determining remunerations, and its linkage to business performance and future risks

A. Directors: The Remuneration Committee and the Board are authorized to determine the traffic allowance and compensation of Directors based on the level of participation in the Company's operations and contributions. Remunerations of Directors distributed from earnings are subject to the requirements of the Articles of Incorporation, and the Remuneration Committee and the Board are authorized to determine based on the results of the performance evaluation of Directors.

B. President and Vice President: The salary paid to the President and Vice Presidents of the Company is determined based on the salary policies with reference to industry standards upon employment adjusted based on the annual salary adjustment policy of the Company and the results of the performance evaluation; bonuses and remuneration of employees are distributed according to the requirements of the Articles of Incorporation with reference to the business performance and their contributions to the Company; relevant distribution proposals are reviewed and discussed by the Remuneration Committee.

IV. Implementation of Corporate Governance :

(I) Operations of the Board of Directors

1. A total of 8 (A) meetings of the Board of Directors were held in the previous period. The attendance of director and supervisor were as follows::

Title	Name (Note 1)	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】 (Note 2)	Remarks
Chairman	Yu, Ching-Sung	8	0	100.00%	2022/01/01- 2022/12/31
Director	Lin, Chan-Lieh	8	0	100.00%	2022/01/01- 2022/12/31
Director	Liang, Chun-Hsin	8	0	100.00%	2022/01/01- 2022/12/31
Director	Hsieh, Chun-Shan	8	0	100.00%	2022/01/01- 2022/12/31
Director	Long-Thin Enterprise Co., Ltd. Representative: Yu Po-Hsin	8	0	100.00%	2022/01/01- 2022/12/31
Independent Director	Chang, Wen-Tien	8	0	100.00%	2022/01/01- 2022/12/31
Independent Director	Tseng, Tien-Yun	8	0	100.00%	2022/01/01- 2022/12/31
Independent Director	Chen, Chih-Hung	8	0	100.00%	2022/01/01- 2022/12/31
Independent Director	Fang, Yen-Ling	8	0	100.00%	2022/01/01- 2022/12/31

Other mentionable items:

- I. If any of the following circumstances occur,, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified:
- (I) Matters referred to in Article 14-3 of the Securities and Exchange Act: The Company has established its Audit Committee; therefore, the requirements under Article 14-3 of the Securities and Exchange Act shall not apply; please refer to the operation of the Audit Committee.
- (II) Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the board of directors: None.
- II. If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified:

Board of directors meeting	Board of directors	Content of proposal	Cause of conflict of interest and status of voting participation
2022/01/21 The 4 th meeting of the 13 th session	Chairman Yu, Ching-Sung Director Liang, Chun-Hsin Director Lin, Chan-Lieh Representative of Long-Thin Enterprise	Proposal for the distribution standard and amount of the year-end bonuses for 2021 and remuneration of employees for 2020	The Directors have interests in the proposal; therefore, they recused themselves from the discussion and voting; the proposal was approved by the

	Co., Ltd. Director Yu Po-Hsin		remaining attending Directors as proposed.
2022/08/05 The 9 th meeting of the 13 th session	Chairman Yu, Ching-Sung Director Liang, Chun-Hsin Representative of Long-Thin Enterprise Co., Ltd. Director Yu Po-Hsin	Salary adjustment to the Directors who are also managers in 2022	The Directors have interests in the proposal; therefore, they recused themselves from the discussion and voting under the circumstances for the conflicts of interests on an individual basis; the proposal was approved by the remaining attending Directors as proposed.
2022/11/04 The 10 th meeting of the 13 th session	Independent Director Fang, Yen-Ling	Proposal for the release of non-competition of the Director	The Directors have interests in the proposal; therefore, they recused themselves from the discussion and voting; the proposal was approved by the remaining attending Directors as proposed.
2022/12/15 The 11 th meeting of the 13 th session	Chairman Yu, Ching-Sung Representative of Long-Thin Enterprise Co., Ltd. Director Yu Po-Hsin	Proposal for the appointment of the chief of procurement of the Company and promotion	The Directors have interests in the proposal; therefore, they recused themselves from the discussion and voting; the proposal was approved by the remaining attending Directors as proposed.

III. TWSE/TPEX-listed companies are required to disclose the evaluation cycle and period, scope of evaluation, evaluation method, and evaluation items of the self (or peer) evaluations conducted by the Board of Directors, and to fill out “Implementation Status of Board Evaluations.”:

Evaluation cycle	Evaluation period	Scope of evaluation	Evaluation method	Evaluation items
Once a year	2022.01.01 ~ 2022.12.31	Board of Directors (40%)	Internal self-evaluation of the Board Peer evaluation	Performance evaluation aspects and weight ratio: 1. Level of participation in company operations 30% 2. Improvement of the quality of Board decisions 25% 3. Board composition and structure 10% 4. Appointment of directors and their continued development 15%

				5. Internal controls 20%
		Individual Director (30%)	Self-evaluation of Board members	Performance evaluation aspects and weight ratio: 1. Grasp of company targets and missions 10% 2. Understanding of the director's role and responsibilities 15% 3. Level of participation in company operations 30% 4. Internal relationship management and communication 15% 5. Director's specialty and continued development 10% 6. Internal control 20%
		Individual Board member (30%)	1. Evaluation of meeting departments of the Board 2. Evaluation of the Chairman 3. Peer evaluation	Performance evaluation aspects and weight ratio: 1. Compliance with relevant laws and regulations, and requirements 55% 2. Participation in the operation of the Company 45%
Once a year	2022.01.01 ~ 2022.12.31	Audit Committee Remuneration Committee Audit Committee	Self-evaluation of functional committees	Performance evaluation aspects and weight ratio: 1. Participation in company operations 20% 2. Understanding of the responsibilities of functional committees 25% 3. Improvement of the decision-making quality of functional committees 35% 4. Composition of functional committees, and member selection 15% 5. Internal control 5%

IV. The goals of strengthening functions of the Board in the current year and most recent year (e.g., establish Audit Committee, promote information transparency) and implementation status:

- (I) Audit Committee, Remuneration Committee, and Nomination Committee were established under the Board of the Company to assist the Board in performing their monitoring duties and regularly report to the Board about their operations.
- (II) Improve the disclosure of financial information and reinforce the disclosure of non-financial and ESG information.

(II) Audit Committee (or Attendance of Supervisors at Board Meetings) :

1. Operations of the Audit Committee

2. A total of 5 (A) Audit Committee meetings were held in the previous period. The attendance of the independent directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Independent Director (convener)	Fang, Yen-Ling	5	0	100.00%	
Independent Director	Chang, Wen-Tien	5	0	100.00%	
Independent Director	Tseng, Tien-Yun	5	0	100.00%	
Independent Director	Chen, Chih-Hung	5	0	100.00%	

Other mentionable items:

I. 1. If any of the following circumstances occur, the dates of meetings, sessions, contents of motion, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified:

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

Audit Committee	Contents of proposal	Items suggested or opposed by independent directors	Resolution result by the Audit Committee
2022/01/21 The 3 rd meeting of the 1 st session	<ol style="list-style-type: none"> Proposal for the business plan and budget in 2022 Proposal for the independence review and annual certification fees for 2022 Proposal for the application of forward exchange (hedging) transaction limits with a bank Proposal for the provision of endorsement and guarantee by the Company to SiYang TaiSol Electronics Co., Ltd. and Suzhou TaiSol Electronics Co., Ltd. 	None	The matter is approved by all the attendees
2022/02/25 The 4 th meeting of the 1 st session	<ol style="list-style-type: none"> Proposal for the "evaluation of the effectiveness of the internal control system" and the "Statement of Internal Control System" for 2021 Proposal for the preparation of the 2021 individual financial report and the consolidated financial report Proposal for the 2021 business report and earning distribution Proposal for the amendment to 	None	The matter is approved by all the attendees

	the “Procedures for the Acquisition or Disposal of Assets” of the Company		
2022/08/05 The 6 th meeting of the 1 st session	1. Proposal for the preparation of the 2022 Q2 consolidated financial statements 2. Proposal for the loans to Suzhou TaiSol Electronics Co., Ltd. by the Company	None	The matter is approved by all the attendees
2022/11/04 The 7 th meeting of the 1 st session	1. Proposal for the loans to Suzhou TaiSol Electronics Co., Ltd. by subsidiary SiYang TaiSol Electronics Co., Ltd. 2. Proposal for the loans to Suzhou TaiSol Electronics Co., Ltd. by subsidiary DongGuan TaiSol Electronics Co., Ltd. 3. Proposal for the amendment to the “internal control system” of the Company 4. Proposal for the release of non-competition of the Director	None	The matter is approved by all the attendees

(II) Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors: None.

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

Audit Committee	Name of Independent Director	Contents of proposal	Cause of conflict of interest	Status of voting participation
2022/11/04 The 7 th meeting of the 1 st session	Fang, Yen-Ling	Proposal for the release of non-competition of the Director	Has personal interest	The discussion was performed, and the resolution was made after the recusal, and the remaining attending Independent Director approved

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

(I) Communication between Independent Directors and chief auditor:

Meeting date	Meeting nature	Subject of communication	Communication results
2022/01/25	Information discussion	Report on the implementation of audit operations in 2022.	Independent Director acknowledged and had no opinion.
		The self-evaluation report for the internal control system and the “Statement of Internal Control System” for 2021.	After the discussion, the report and the statement were submitted to and approved by the Audit Committee and the Board.

2022/11/04	Information discussion	Report on the implementation of audit operations in 2022.	Independent Director acknowledged and had no opinion.
		Report of the amendment to the internal control system in 2022.	
	Report of the audit plan for 2023.	After the discussion, the report and the statement were submitted to and approved by the Audit Committee and the Board.	

(II) Communication between Independent Directors and CPAs:

Meeting date	Nature	Subject of communication
2022/02/25	Audit Committee (4 th meeting of the 1 st session)	Discussed the audit status of the financial statements and recommendations for internal control in 2021 and carried out discussions and communications regarding the effects of the newly amended laws and regulations.
2022/05/06	Audit Committee (5 th meeting of the 1 st session)	Discussed the review status of the 2022 Q1 financial statements and carried out discussions and communications regarding the effects of the newly amended laws and regulations.
2022/08/05	Audit Committee (6 th meeting of the 1 st session)	Discussed the review status of the 2022 Q2 financial statements and carried out discussions and communications regarding the effects of the newly amended laws and regulations.
2022/11/04	Information discussion	Carried out discussions and communications regarding the key audit matters for the audit of the financial statements in 2022, identification of related parties, and the remote audit methods for consolidated subsidiaries.
2022/11/04	Audit Committee (7 th meeting of the 1 st session)	Discussed the review status of the 2022 Q3 financial statements and carried out discussions and communications regarding the effects of the newly amended laws and regulations.

3. Attendance of Supervisors at Board Meetings : The Company has established its Audit Committee to replace supervisors on 5 July 2021.

(III) Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

Evaluation item	Implementation Status 1		Non-implementation and its reason(s)	
	Yes	No		
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	V		The Company formulated and disclosed its “Corporate Governance Best Practice Principles” on MOPS and its website.	No material differences.
2. The Company’s equity structure and shareholders’ equity				
(1) Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure?	V		(1) The Company has established its “Rules of Procedures for Shareholders’ Meetings” and “Corporate Governance Best Practice Principles” and complied with relevant operations. In addition, a “shareholder section” is established on the Company’s website, and there are dedicated personnel handling relevant matters.	No material differences.
(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	V		(2) The major shareholders of the Company are mostly the management team or their relatives; therefore, the Company may be kept abreast of such information at all times.	No material differences.
(3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	V		(3) The operations of assets, finance, and accounting of affiliates of the Company are separate, and the dealings between enterprises comply with the requirements of the internal control system; the Company has also established its “Regulations for Monitoring Subsidiaries” to reinforce our risk control.	No material differences.
(4) Does the company establish internal rules against insiders trading with undisclosed information?	V		(4) The Company has established its “Procedures for Handling Material Inside Information” and “Procedures for Ethical Corporate Management and	No material differences.

Evaluation item	Implementation Status 1		Non-implementation and its reason(s)
	Yes	No	
			Abstract Illustration Guidelines for Conduct” to specify that employees shall avoid conflicts of interest related to their duties and shall not make use of undisclosed information they acknowledged to engage in insider trading; the Company also regularly organizes educational training for promotion.
3. Composition and responsibilities of the Board of Directors			
(1) Does the Board develop and implement a diversified policy for the composition of its members?	V		(1) The “Procedures for the Election of Directors” and “Corporate Governance Best Practice Principles” of the Company have established the diversification policy of Board members; for the principles, substantial management targets, and implementation, please refer to the “Board diversification and independence” section.
(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	V		(2) Apart from establishing functional committees according to the law, the Company has also established its Nomination Committee; for relevant powers, please refer to the “data on members of the Nomination Committee and information on operations.”
(3) Does the company establish a standard to measure the performance of the Board and implement it annually, and are performance evaluation results submitted to the Board of Directors and referenced when determining the remuneration of individual directors and	V		(3) The Company has established the “Regulations for the Performance Evaluation of Directors and Managers.” Apart from executing internal evaluations for the performance of the Board, individual Board members, and functional committees each year, the Company executes an external evaluation for the

Evaluation item	Implementation Status 1			Non-implementation and its reason(s)
	Yes	No	Abstract Illustration	
<p>nominations for reelection?</p> <p>(4) Does the company regularly evaluate the independence of CPAs?</p>	V		<p>performance of the Board every three years to serve as the basis for the remuneration and nomination for re-appointment of individual Directors.</p> <p>(4) The Audit Committee regularly evaluates the independence, adequacy, and professionalism of CPAs each year, requires the CPAs to provide the Independence Declaration each year, and carries out evaluations based on the evaluation items for CPAs as formulated. In addition, when the Board discusses the appointment of CPAs, it requires CPAs to provide information about AQIs and carries out discussions and communications with CPAs to serve as the reference for the appointment of the CPAs.</p>	No material differences.
<p>4. Has the Company allocated an appropriate number of qualified persons and appointed a chief of corporate governance in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by Directors and supervisors, assisting Directors and supervisors to comply with laws, handling matters relating to Board meetings and shareholders' meetings according to laws, and preparing minutes of Board meetings and shareholders' meetings)?</p>	V		<p>As approved by the Board, the President shall hold the position of the chief of corporate governance and the Secretariat of the Board's Office shall be the dedicated department for corporate governance; the Secretariat shall be responsible for coordinating with different departments and furnishing information required for business execution by Directors for the execution of their duties, assist Directors and supervisors in complying with laws and regulations, and handling matters relating to Board meetings and shareholders' meetings according to laws.</p> <p>The business execution of the year is as follows:</p>	No material differences.

Evaluation item	Implementation Status 1		Non-implementation and its reason(s)
	Yes	No	
			<p>Abstract Illustration</p> <p>1. Assist Directors in performing their duties:</p> <p>(1) Assist in establishing or amending relevant regulations of the Company according to the amendments to laws and regulations for Directors' acknowledgment and reference.</p> <p>(2) Assist in maintaining the communications and exchanges between Directors and directors of different operations of the Company.</p> <p>(3) Assist in maintaining the communications and exchanges between Directors and CPAs.</p> <p>2. Assist in the convening of Board meetings and shareholders' meetings, agenda, and other relevant matters:</p> <p>(1) Assist in the compliance of the notice, convening, and agenda of Board meetings and shareholders' meetings with laws and regulations and corporate governance specifications.</p> <p>(2) Assist in providing meeting data for Board meetings and shareholders' meetings.</p> <p>(3) Confirm that the material information announcements for material resolutions after the Board meetings and shareholders' meetings are accurate and compliant with laws and regulations.</p> <p>(4) Complete meeting minutes and relevant data after the Board meetings and shareholders' meetings within the deadline prescribed by laws and</p>

Evaluation item	Implementation Status 1			Non-implementation and its reason(s)
	Yes	No	Abstract Illustration	
			<p>regulations.</p> <p>(5) Make promotions to Board members about laws and regulations (including no insider trading) and requirements of corporate governance from time to time.</p> <p>3. Assist the Directors in arranging continuing education according to the requirements of laws and regulations and requirements of duties.</p>	
5. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	V		<p>The Company has established communication channels with stakeholders; there are dedicated personnel making responses to important corporate social responsibility issues that are of concern to stakeholders, respectively, and disclose them in the “stakeholder section” on the Company’s website.</p> <p>https://www.taisol.com/esg/stakeholder-relation/</p>	No material differences.
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	V		<p>The Company has appointed a professional stock affairs agency to handle matters for shareholder meetings.</p>	No material differences.
7. Information disclosure (1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?	V		<p>(1) The Company has established an information disclosure website to regularly disclose information on our finance, business, and corporate governance.</p>	No material differences.
(2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a	V		<p>(2) The Company has established its website in Chinese and English, appointed dedicated personnel responsible for the collection and disclosure of the information, and implemented a spokesperson system. Information related to the convening of investor</p>	No material differences.

Evaluation item	Implementation Status 1			Non-implementation and its reason(s)
	Yes	No	Abstract Illustration	
<p>spokesman system, webcasting investor conferences)?</p> <p>(3) Does the company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit?</p>		V	<p>conferences is uploaded to the Company's website.</p> <p>(3) The Company has not published and declared its annual financial statements within two months from the end of the fiscal year. The Company has announce and report its Q1, Q2 and Q3 financial statements as well as monthly operation results, before the prescribed time limit.</p>	No material differences.
<p>8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors)?</p>	V		<p>(1) The Company has always deemed employees as important assets and values labor rights and welfare. Apart from providing various insurance and welfare and making retirement pension provisions, the Company also provides group insurance to protect the work and life safety of employees. Meanwhile, the Company arranges multiple welfare activities and provides educational training to improve the professional skills of employees.</p> <p>(2) The Company values the cooperating relationships with its suppliers/partners, assists suppliers in carrying out risk evaluations, and supervises suppliers in complying with safety, health, and environmental protection requirements. It attaches attention to the labor human rights of suppliers, ensures the safety of operators, and prevents property losses. Through supplier management, the Company promotes the philosophy of environmental protection to external parties and procures</p>	<p>No material differences.</p> <p>No material differences.</p>

Evaluation item	Implementation Status 1			Non-implementation and its reason(s)
	Yes	No	Abstract Illustration	
			<p>suppliers/partners to jointly care for environmental protection issues to join hands in improving the environment and society.</p> <p>(3) The Company has established communication channels with stakeholders and respects their legal rights.</p> <p>(4) Continuing education of Directors: Directors of the Company possess professional industrial backgrounds and practical experience in business management and participate in continuing education related to governance according to the law.</p> <p>(5) Implementation of risk management policies and risk measurement standards: The Company establishes various internal rules and systems and carries out various risk management and evaluations according to the law.</p> <p>(6) Implementation of customer policies: Adhering to the customer-oriented principle, the Company designs and produces high-quality products to satisfy customers' requirements for quality and volume, regularly examines the maintenance of customer relations, and carries out comprehensive communications with customers to maintain favorable long-term cooperating relationships.</p> <p>(7) The Company has purchased liability insurance for Directors.</p>	<p>No material differences.</p> <p>No material differences.</p> <p>No material differences.</p> <p>No material differences.</p> <p>No material differences.</p>
IX. Please indicate the improvement of the results of the corporate governance evaluation issued by the Company's Center for Corporate Governance in the last year of the TWSE				

Evaluation item	Implementation Status 1			Non-implementation and its reason(s)
	Yes	No	Abstract Illustration	
and provide priority measures and measures for those who have not yet improved (Note 2)				

(Note 1)

The Audit Committee evaluates the independence of CPAs each year, and the substantial indicators, standards, and results are set out in the following table:

Item	Substantial indicator	Measurement standard	Compliance
1	CPAs and the Company have no direct or significant indirect financial interest.	Are CPAs stakeholders?	Compliant
2	Do CPAs and the Company have any inappropriate interests?	Are there any inappropriate interest?	Compliant
3	CPAs shall not perform the audit and certification for the financial statements of an institution that the CPAs had provided services for it within two years.	Are there any violations?	Compliant
4	The name of CPAs shall not be used by others.	Are the names used by others?	Compliant
5	CPAs and all members of the audit service team shall not hold shares of the Company.	Is there any shareholding?	Compliant
6	Loans with the Company are forbidden.	Are there any loans?	Compliant
7	CPAs shall not have joint investments or share benefits with the Company.	Are there any loans?	Compliant
8	CPAs shall not concurrently hold a regular position in the Company and receive fixed salaries.	Are there any loans?	Compliant
9	CPAs shall not receive any commissions related to the operations.	Are there any loans?	Compliant
10	Is the tenure of the principal and associate CPAs exceeding seven consecutive years?	Is the tenure exceeding seven consecutive years?	Compliant
11	CPAs and the Company have no close business relationship.	Are there any loans?	Compliant
12	CPAs and the Company have no potential employment relationship.	Are there any loans?	Compliant
13	There are no contingent fees related to the audit cases between CPAs and the Company.	Are there any loans?	Compliant
14	There is no financing or guarantee between CPAs and the Company.	Are there any loans?	Compliant
15	Members of the audit service team were not the Company's Directors, supervisors, managers, or persons with duties that have material effects on the audit case at present or in the most recent two years.	Are there any loans?	Compliant
16	Non-audit services provided by CPAs are not directly affecting the material items in the audit case.	Are there any loans?	Compliant

Item	Substantial indicator	Measurement standard	Compliance
17	CPAs have not promoted or acted as an agent for the stocks or other securities issued by the Company.	Are there any loans?	Compliant
18	CPAs shall not represent the Company in defense of legal cases or other disputes with third parties.	Are there any loans?	Compliant
19	CPAs have no relative relationship with the Company's Directors, supervisors, managers, or persons with duties that have material effects on the audit case.	Are there any loans?	Compliant
20	None of the practicing CPAs who are released from their duties within one year are the Company's Directors, supervisors, managers, or persons with duties that have material effects on the audit case.	Are there any loans?	Compliant
21	CPAs shall not accept valuable gifts or special discounts from the Company, Directors, supervisors, managers, or major shareholders.	Are there any loans?	Compliant
22	The Company has not threatened to initiate litigation.	Are there any loans?	Compliant
23	There are no contingent fees related to the audit cases between CPAs and the Company.	Are there any loans?	Compliant

(Note 2)

Unscored/unimproved indicator for the 8 th Corporate Governance Evaluation	Description of improved/unimproved items
Has the Company uploaded its meeting handbook and supplementary data of the meeting in English 30 days prior to the annual shareholders' meeting?	The Company estimates to commence the implementation in 2023.
Has the Company uploaded its annual report in English seven days prior to the annual shareholders' meeting?	The Company estimates to commence the implementation in 2023.
Has the Company established the diversification policy of Board members and disclosed the implementation status of the diversification policy on its website and in the annual report?	The implementation status of the diversification policy of Board members of the Company has not reached the scoring standards of the evaluation. The Company has added a female (Independent) Director.
Are the Chairman and the President or persons of equivalent positions (chief managerial officer) the same person, spouses, or relatives within the first degree of kinship?	The nomination and appointment of the Company's Directors and CEO are based on the requirements by taking into account their professional literacy and industrial experience.
Among the Board members of the Company, is the number of persons who are concurrently employees of the Company, the parent company, subsidiaries, or sister companies less than one-third (inclusive) of the Board's seats?	

Unscored/unimproved indicator for the 8 th Corporate Governance Evaluation	Description of improved/unimproved items
Has the Company established the succession plan of Board members and significant management and disclosed the implementation status on its website or in the annual report?	The succession of Board members and significant management is based on professional literacy and industrial experience; the Company awaits appropriate candidates.
Has the Company established risk management policies and procedures that were approved by the Board, disclosed the scope of risk management, the organizational structure, and its implementation?	The Company has established its risk management standards.
Has the Company established its information safety risk management structure, formulated information safety policies and substantial management plans, and disclosed them on its website or in the annual report?	Operations related to the information safety of the Company are not comprehensive and are under planning.
Has the Company established an intellectual property management plan that is connected to the business objectives and disclosed the implementation status on its website or in the annual report, and reported to the Board at least once a year?	Operations related to the intellectual property management of the Company are not comprehensive and are under planning.
Has the annual financial report disclosed in English been uploaded to MOPS seven days prior to the annual shareholders' meeting?	The Company will upload its annual financial report and interim financial report in English in 2023.
Has the Company disclosed its interim financial report in English within two months from the declaration deadline for the interim financial report in Chinese?	
Has the Company voluntarily published the Q4 financial forecast report, and have relevant operations not been corrected by the competent authority or marked as deficiencies by the TWSE or TPEX?	The Company has no plan for voluntarily publishing the Q4 financial forecast report.
Has the annual report of the Company disclosed the substantial and accurate dividend policy?	The disclosure of the dividend policy of the Company has not reached the scoring standards and is being improved.
Has the annual report of the Company disclosed the remuneration of the individual Directors and supervisors?	The Company has no plan to voluntarily disclose the remuneration of the individual Directors.
Has the Company established its English website that includes information related to finance, business, and corporate governance?	The Company estimates to establish an English website for the Company in 2023.
Has the Company been invited to (or voluntarily) attended at least two investor conferences, and is the gap between the two investor conferences is three months or above for the year under evaluation?	The Company has convened two investor conferences in 2022 on 14 January 2022 and 16 December, respectively, and the gap between them is over three months.

Unscored/unimproved indicator for the 8 th Corporate Governance Evaluation	Description of improved/unimproved items
Has the annual report of the Company disclosed the remuneration of the individual President and Vice Presidents?	The Company has no plan to voluntarily disclose the individual remuneration of the President and Vice Presidents.
Has the Company established a dedicated (part-time) department to promote corporate social responsibility and conduct risk assessments on environmental, social and corporate governance issues related to the Company's operations in accordance with the materiality principle and formulated relevant risk management policies and strategies, and disclosed them on the Company's website?	The Company estimates to establish a sustainable development team in 2023 to execute ESG-related operations and perform GHG inventories according to the schedule.
Has the Company prepared its CSR Report in accordance with the internationally common report preparation guidelines and uploaded it to the MOPS and its website prior to September?	
Has the CSR Report prepared by the Company obtained a certification from a certifying institution?	
Has the Company formulated relevant management policies and procedures in accordance with reference to the International Bill of Human Rights and disclosed them on its website or in the annual report?	
Has the Company disclosed the annual GHG emissions, water consumption, and total weight of wastes for the past two years?	
Has the Company established energy-saving and carbon dioxide reduction, GHG reduction, water consumption reduction, or other waste management policies?	

(IV) Composition, Responsibilities and Operations of the Remuneration Committee :

1. Professional Qualifications and Independence Analysis of Remuneration Committee Members :

April 1, 2023

Criteria		Professional qualifications and experience	Independence status	Number of other public companies where the individual serves as a member of the remuneration committee concurrently
Identity	Name			
Independent Director (convener)	Chang, Wen-Tien	Please refer to relevant content in Directors and Independent Directors (II) on page 12	Please refer to relevant content in Directors and Independent Directors (II) on page 12	-
Independent Director	Tseng, Tien-Yun			-
Independent Director	Chen, Chih-Hung			-

2. Duties of the Remuneration Committee:

- (1) Regularly examine the “Remuneration Committee Charter” and propose amendment recommendations.
- (2) Establish and regularly establish the annual and long-term performance targets and policies, systems, standards, and structures for the remuneration of the Company’s Directors and managers.
- (3) Regularly evaluate the achievement of performance targets of the Company’s Directors and managers and establish the content and amount of their individual remuneration.

3. Attendance of Members at Remuneration Committee Meetings

(1) There are 3 members in the Remuneration Committee.

(2) The tenure of the current session of members: From 6 August 2021 to 4 July 2024. A total of 3 (A) Remuneration Committee meetings were held in the previous period. The attendance record of the Remuneration Committee members was as follows:

Title	Name	Attendance in Person B	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Convener	Chang, Wen-Tien	3	0	100.00%	Re-appointed on August 6,2021.
Member	Tseng, Tien-Yun	3	0	100.00%	Re-appointed on August 6,2021.
Member	Chen, Chih-Hung	3	0	100.00%	Re-appointed on August 6,2021.

Other mentionable items:

- I. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (eg., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None.
- II. Resolutions of the remuneration committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified:

Session	Meeting date	Resolution
The 2 nd meeting of the 5 th session	2022/01/21	<ol style="list-style-type: none"> 1. Approved the proposal for the performance evaluation indicators and evaluation results of the Company's Directors and managers in 2021. 2. The distribution standard and amount of the year-end bonuses for 2021 and remuneration of employees for 2020 of the Company were approved. 3. Approved the proposal for the appropriation of remunerations of employees, and Directors and supervisors for 2021 of the Company. 4. Approved the proposal for personnel promotion and remuneration of the Company.
The 3 rd meeting of the 5 th session	2022/08/05	<ol style="list-style-type: none"> 1. Proposal for the discussion of the salary adjustment to managers (excluding Directors who are also managers) in 2022. 2. Proposal for the discussion of the salary adjustment to the Directors who are also managers in 2022
The 4 th meeting of the 5 th session	2022/12/15	<ol style="list-style-type: none"> 1. Proposal for personnel promotion and remuneration.

4. Data on members of the Nomination Committee and information on operations:

- (1) Appointment qualification for members of the Remuneration Committee and its duties:

The Committee is composed of at least three Directors elected by the Board, and more than half of the members shall be Independent Directors; their tenure equivalent to that of the Board who was appointed; their duties are as follows:

- (a) Establish the standards for know-how, technologies, experiences, gender, diversified backgrounds, and independence required by Board members and the senior management, and based on which, seek, review, and nominate Director and senior management candidates.
- (b) Build and develop the organizational structures of the Board and the committees, carry out performance evaluations of the Board, committees, Directors, and senior management, and evaluate the independence of Independent Directors.
- (c) Establish and regularly examine the continuing education plan of Directors and succession plans of Directors and the senior management.
- (d) Amend the Corporate Governance Best Practice Principles of the Company.

- (2) Professional Qualifications and Independence Analysis of the Nomination Committee and its operation:

- (3) There are 3 members in the Nomination Committee.

- (a) The tenure of the current session of members: From July 5,2021 to July 4,2024. A total of 3 (A) Nomination Committee meetings were held in the previous period. The attendance record of the Nomination Committee members was as follows:

Title	Name	Professional qualifications and experience	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Convener	Chang, Wen-Tien	Obtained a master's degree from the Institute of Business Administration, Chinese Culture University. He held positions in Chiao Tung Bank, Bowa Bank, and other financial companies; his field of expertise covers finance and accounting, law, and business management, and he has extensive practical experience in fields of M&A, startup investment, finance and securities, and corporate governance, which will improve the quality of corporate governance of the Board and the monitoring functions of the Audit Committee. Currently is an Independent Director; none of the circumstances stated in subparagraphs of Article 30 of the Company has occurred.	3	0	100%	
Member	Yu, Ching-Sung	Graduated from the Department of Business Administration of Tatung Institute of Technology. Currently, he is the Chairman of TaiSol Electronics Co., Ltd. and the chairman of Vsell Enterprise Co., Ltd. He possesses over three decades of business management experience in industries	3	0	100%	

Title	Name	Professional qualifications and experience	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
		related to electronic technologies. His field of expertise covers commerce, business planning for technology-related industries, marketing, and business management.				
Member	Liang, Chun-Hsin	Graduated from the Department of Economics, Tunghai University. He was the SINBON Electronics Co., Ltd. and possesses over 25 years of experience in business management in the electronic technology industry. His field of expertise covers corporate governance, commerce, marketing, and business management for industrial technologies.	3	0	100%	
Member	Tseng, Tien-Yun	Obtained a master's degree from the Graduate Institute of Technology Law, National Chung Hsing, with professional qualification for accountants. Currently a partner of Dazhe CPA's Firm and the arbitrator of the Chinese Arbitration Association, Taipei. He possesses over 25 years of experience as an accountant; his field of expertise covers finance and accounting, law, and business management; his expertise will improve the quality of corporate governance of the Board and the monitoring functions of the Audit Committee. Currently is an Independent Director; none of the circumstances stated in subparagraphs of Article 30 of the Company has occurred.	3	0	100%	
Member	Chen, Chih-Hung	Currently the president of Penghu Cable TV. Co., Ltd.; he used to work at the Southeast Cement Corporation and possesses over two decades of experience in business management; his expertise improves the quality of corporate governance of the Board and the monitoring functions of the Audit Committee. Currently is an Independent Director; none of the circumstances stated in subparagraphs of Article 30 of the Company has occurred.	3	0	100%	

Other mentionable items :

Resolutions of the nomination committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified:

Date/ session	Content of proposal	Content of recommendations or opposing matters of the Nomination	Resolutions of the Nomination Committee and the Company's response to the opinions of the Nomination Committee
2022/01/21 The 2 nd meeting of the 2 nd session of the 5 th session	1. Proposal for personnel promotion 2. Proposal for the performance evaluation of the Board (including functional committees) and managers in 2021	None	Approved as proposed
2022/11/04 The 2 nd meeting of the 2 nd session of the 1 st session	1. Proposal for the amendment to partial provisions of the "Corporate Governance Best Practice Principles" of the Company	None	Approved as proposed
2022/12/15 The 2 nd meeting of the 2 nd session of the 13 th session	1. Proposal for the nomination and promotion of the Company's chief of procurement	None	Approved as proposed

(V) Corporate Sustainability and Deviations from “The Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”:

Evaluation items	Implementation Status			Non-implementation and its reason(s)
	Yes	No	Abstract Explanation	
1. Has the Company established a governance framework for promoting sustainable development and established an exclusively (or concurrently) dedicated unit to be in charge of promoting sustainable development? Has the Board authorized the senior management to handle related matters under the supervision of the Board?		V	The Company plans to establish its “Sustainable Development Committee” in 2023; the Chairman would be the chairperson, who shall jointly examine the establish a mid-to-long-term sustainable development plan with directors of different functions.	No material differences
2. Has the Company conducted risk assessments on environmental, social and corporate governance issues related to the Company’s operations in accordance with the materiality principle and formulated relevant risk management policies and strategies?	V		As a corporate citizen, the Company has established multiple regulations for environmental, social, and corporate management to serve as the basis for decision-making of the management and implementation by employees, and examines and improves the regulations with the time at all times for optimization.	No material differences
3. Environmental issues (1) Has the Company set up an appropriate environmental management system based on the characteristics of its industry? (2) Is the Company committed to improving energy efficiency and to the use of renewable materials with low environmental impact? (3) Has the Company evaluated the potential risks and opportunities of climate change to the Company at present and in the future and taken relevant countermeasures?	V	V	(1) The Company has joined and established its EICC specifications and includes appropriate management for work environments. (2) The plants of the Company in Dongguan, Suzhou, and Siyang established environmental management systems according to ISO 14001 and continuously obtained the certification of certifying institutions. The Company actively uses renewable supplies to improve the efficiency of resources. (3) The Company continues to focus on issues related to climate change and implements practices related to energy-saving and carbon dioxide reduction, and GHG reduction step by step. The examples are as follows: (a) The Company has adopted LED lighting in its offices to comply with the energy-saving and carbon dioxide reduction policy. (b) The Company adopts printing companies and papers certified by an SGS inspection company for relevant reference and date for the Company’s shareholders’ meeting to comply with the GHG reduction	No material differences No material differences No material differences

Evaluation items	Implementation Status			Non-implementation and its reason(s)
	Yes	No	Abstract Explanation	
(4) Has the Company made statistics on GHG emissions, water consumption, and the total weight of waste for the most recent two years and formulated policies for GHG emissions reduction, water consumption reduction, or other waste management?		V	<p>policy.</p> <p>(4) At present, the Company is unable to provide data on EGE emissions, water consumption, and the total weight of wastes; however, it has established various regulations for environmental protection for observation, and it plans to carry out GHG inventories in 2023.</p>	Under planning
4. Social issues				
(1) Has the Company formulated relevant management policies and procedures in accordance with relevant regulations as well as the International Bill of Human Rights?	V		(1) The Company complies with relevant domestic labor regulations, respects basic labor human rights principles recognized internationally, and has established relevant management systems for the protection of employees' legal rights, employment policy, and non-discriminatory treatment.	No material differences
(2) Has the Company established and implemented reasonable employee welfare measures (including remuneration, vacation, and other benefits) and appropriately reflected the business performance or results in employees' remuneration?	V		(2) The Company has established its working rules, which stipulate the rights, obligations, and reward and punishment requirements for employees. It has also stated the policy of remuneration of employees in the Article of Incorporation.	No material differences
(3) Does the Company provide employees with a safe and healthy working environment and regularly organize safety and health education for employees?	V		(3) To provide safe and healthy working environments, employees may regularly participate in health inspections and safety lectures.	No material differences
(4) Has the Company established an effective career development training program for employees?	V		(4) The Company encourages all employees to actively participate in external lectures and seminars and arranges external/internal educational training in due course to improve their career abilities.	No material differences
(5) Has the Company complied with relevant regulations and international standards with regard to customer health and safety, customer privacy, marketing, and labeling of products and services, and established relevant policies to protect the interests of consumers or customers and formulated complaint procedures?	V		(5) The Company has established a "stakeholder section" on its website, and there are dedicated personnel handling relevant matters. We also have customer complaint-handling operations in place to establish a customer-oriented quality system and evaluate customers' satisfaction with our products and services based on subjective methods and SOPs. The Company actively promotes compliance with laws and regulations	No material differences

Evaluation items	Implementation Status			Non-implementation and its reason(s)
	Yes	No	Abstract Explanation	
(6) Has the company formulated supplier management policies requiring suppliers to comply with relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights? What is the status of their implementation?	V		related to lead-free or ROHS of the EU to ensure the provision of optimized services and products to customers. (6) The Company strictly implements evaluations for suppliers that it intends to work with, including different records of the suppliers in the past. Contracts between the Company and suppliers strictly establish various conditions for observation; the Company may terminate or cancel the cooperating relationship based on the content of the contracts once any violation of relevant terms by suppliers is discovered.	No material differences
5. Has the Company referred to international reporting standards or guidelines in its preparation of the sustainability report and other reports which disclose the Company's non-financial information? Has the Company obtained the assurance or certification of a certifying institution for the reports above?		V	At present, the Company is unable to provide comprehensive information to complete the preparation of an ESG Report that is certified by a certifying institution.	Under planning
6. If the Company has established its own Sustainable Development Best Practice Principles based on the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies," please describe any differences from the Principles in the Company's operations: In December 2014, the Board approved the establishment of the "Sustainable Development Best Practice Principles"; subsequently, the Board approved the amendments to the Principles in August 2021 and November 2022; the Company examines the implementation statuses regularly in accordance with the Principles to make improvements and plans to establish its "Sustainable Development Committee" in 2023.				
7. Other important information to facilitate a better understanding of the Company's promotion of sustainable development: (1) Environmental protection: The Company actively promotes compliance with laws and regulations related to lead-free or ROHS, fully complies with environmental protection requirements, and improves self-awareness of environmental protection. (2) Community participation, social contributions, social services, and social welfare: The Company has established scholarships and grants under its Employee Welfare Committee to provide substantial encouragement for our employees' children who are excellent in character and learning. (3) Consumers' interest: Through a comprehensive quality management system, the Company carries out stringent quality management for different parts of the procedures to ensure the provision of optimized services and products to customers. (4) Human rights: For our labor-capital relations, laborers and the Company possess equivalent status. The Company respects the performance of employees at work and treats them with integrity; therefore, there has been no labor-capital dispute, fully exhibiting the attention that the Company attaches to human rights issues. (5) Safety and health: The Company provides a safe employment environment for employees and regularly accepts labor safety and health education, training for disaster prevention, and guidance for work safety to avoid the occurrence of occupational disasters and protect the life safety of employees. The Company				

Evaluation items	Implementation Status			Non-implementation and its reason(s)
	Yes	No	Abstract Explanation	
organizes safety and health educational training to improve employees' knowledge related to safety and health.				

(VI) Ethical Corporate Management and Deviations from “The Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies:

Evaluation items	Implementation Status			Non-implementation and its reason(s)
	Yes	No	Description	
<p>1. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures</p> <p>(1) Does the Company have an ethical corporate management policy approved by its Board, and rules and publicly available documents addressing its policy and measures of ethical corporate management, and commitment regarding active implementation of such policy from the Board and the senior management?</p> <p>(2) Has the Company established a risk assessment mechanism against unethical conduct, analyzed and assessed on a regular basis business activities within their business scope which are at a higher risk of being involved in unethical conduct, and established prevention programs accordingly which at least cover the prevention measures against the conducts listed in paragraph 2, Article 7 of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”?</p> <p>(3) Has the Company clearly specified operating procedures, guidelines for conduct, and a violation punishment and complaint system in the unethical conduct prevention plan and duly implemented them? Does the Company regularly review and revise said plan?</p>	V		<p>(1) The Company has established its “Procedures for Ethical Corporate Management and Guidelines for Conduct,” which was implemented after being approved at the Board meeting.</p> <p>(2) The Company implements risk evaluations and control appropriately according to the practices, and the scope and content are not restricted. If a dedicated department determines that any operating activities have a higher level of risk of unethical conduct, prevention and arrangements may be made according to relevant regulations.</p> <p>(3) The “Procedures for Ethical Corporate Management and Guidelines for Conduct” established by the Company have stated the violation standards and punishments; relevant arrangements shall be made according to relevant regulations for any violation.</p>	<p>No material differences</p> <p>No material differences</p> <p>No material differences</p>
<p>2. Implementation of ethical corporate management</p> <p>(1) Does the Company assess the ethics records of whom it has business relationships and include business conduct and ethics-related clauses in the business contracts?</p>	V		<p>(1) When entering into contracts with distributors, suppliers, customers, or other counterparties with business transactions, the Company gains comprehensive information about the ethical corporate management status of the counterparties and includes compliance with ethical</p>	<p>No material differences</p>

Evaluation items	Implementation Status		Non-implementation and its reason(s)
	Yes	No	
(2) Has the Company set up a dedicated department that is subordinated to the Board to promote ethical corporate management, and does it regularly (at least once a year) report to the Board on its ethical corporate management policy and unethical conduct prevention program and monitor their implementation?	V		<p>corporate operation in the term of contracts.</p> <p>(2) The Company has designated the Secretariat of the Board's Office as the dedicated department for operations related to the amendment, implementation, interpretation, and consultation services and reporting content registration and file-building of the "Procedures for Ethical Corporate Management and Guidelines for Conduct" and the monitoring of the implementation, and it shall report once a year to the Board.</p> <p>(3) The "Procedures for Ethical Corporate Management and Guidelines for Conduct" established by the Company have stated the standards of conflicts of interest and handling methods; relevant arrangements shall be made according to relevant regulations for any violation.</p> <p>(4) The internal control system of the Company has established relevant control methods for different operations; the audit department shall formulate appropriate audit plans each year based on the level of risk and implement the audit operations.</p> <p>(5) The Company promotes the principles of ethical corporate operations to Directors, managers, employees, and new employees and regularly organizes educational training (including online training) to engage in business activities in a fair, ethical, reliable, and transparent manner.</p>
(3) Has the Company established policies to prevent conflict of interests, provide appropriate communication and complaint channels, and implement such policies properly?	V		No material differences
(4) Has the Company established effective accounting and internal control systems in place for the implementation of ethical corporate management? Has the internal audit department formulated relevant audit plans based on the assessment results of unethical conduct risk to perform audits on compliance with the unethical conduct prevention program or engage CPAs to perform such audits?	V		No material differences
(5) Does the Company provide internal and external educational training in ethical corporate management on a regular basis?	V		No material differences
3. Implementation of the Company's whistleblowing system (1) Does the Company establish specific whistleblowing and reward procedures, set up conveniently accessible whistleblowing channels, and designate responsible individuals	V		<p>(1) The "Procedures for Ethical Corporate Management and Guidelines for Conduct" established by the Company and its website have stipulated the arrangements for</p>

Evaluation items	Implementation Status			Non-implementation and its reason(s)
	Yes	No	Description	
<p>to handle the complaints received?</p> <p>(2) Has the Company established its standard operating procedures for investigating the complaints received, subsequent measures to be adopted, and the related confidentiality system after the investigation?</p> <p>(3) Has the Company adopted proper measures to protect whistleblowers from inappropriate disposals due to whistleblowing?</p>	V		<p>whistleblowing, rewards and punishment, and dedicated personnel; arrangements shall be made according to relevant regulations for any violation.</p> <p>(2) With the whistleblowing mailbox and direct line set up by the Company, the Company may establish a whistleblowing case once a whistleblower provides the listed information to carry out relevant investigations immediately. Relevant procedures are subject to the “Procedures for Ethical Corporate Management and Guidelines for Conduct.”</p> <p>(3) The Company has disclosed its regulations for whistleblowing on its website and set up a whistleblowing mailbox and direct line for dedicated personnel to handle relevant matters. The Company will keep the identity of whistleblowers and the whistleblowing content fully confidential to protect the whistleblowers from being mistreated due to whistleblowing.</p>	<p>No material differences</p> <p>No material differences</p>
<p>4. Enhance information disclosure</p> <p>Has the Company disclosed the content and implementation results of its Ethical Corporate Management Best Practice Principles on its website and MOPS?</p>	V		<p>The Company has disclosed the content of the “Procedures for Ethical Corporate Management and Guidelines for Conduct” and the status of relevant educational training on its website.</p>	<p>No material differences</p>
<p>5. If the Company has established its own Ethical Corporate Management Best Practice Principles based on the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies,” please describe any differences from the Principles in the Company’s operations:</p> <p>The Company has established its “Procedures for Ethical Corporate Management and Guidelines for Conduct” and designated the Secretariat of the Board’s Office as the part-time department for promotion. The Company promotes the principles of ethical corporate operations to Directors, managers, employees, and new employees and regularly organizes educational training (including online training) each year to engage in business activities in a fair, ethical, reliable, and transparent manner; the Company also encourages opens up for all internal employees of the Company to submit reports at all times. After relevant information is collected, compiled, and evaluated, the Management Department shall handle after reporting the information to the Board. As of today, there has been no violation of ethical corporate management. The implementation status of the Company’s “Procedures for Ethical Corporate Management and Guidelines for Conduct” has no difference from the content specified.</p>				
<p>6. Other important information to facilitate a better understanding of the Company’s implementation of ethical corporate management (i.e., the examination and modification to the Ethical Corporate Management Best Practice Principles established by the Company, and other circumstances): The substantial implementation status of ethical corporate management of the Company is as follows:</p> <p>(1) Intellectual property protection: To create and protect the environment of technological innovation, technological advances, and continual growth, the Company emphasizes that the establishment of business relations shall be based on absolute respect for the intellectual property rights, confidential information, and business secrets of the Company, customers, and other relevant personnel.</p> <p>(2) Information disclosure: Under the supervision of the Board, the Company’s managers ensure the</p>				

Evaluation items	Implementation Status			Non-implementation and its reason(s)
	Yes	No	Description	
<p>financial and accounting information declared to the competent authority of securities or disclosed to other external parties by the Company is complete, fair, accurate, and timely, and the Company has adopted relevant measures to ensure the compliance with the abovementioned requirements.</p> <p>(3) Any amendment to the specifications of ethical practices specifications shall be reviewed and agreed upon by the Board to continue to ensure the high standards of ethical practices of the Company through the professional judgment of Independent Directors of the Board.</p> <p>(4) Implementation of specifications of ethical practices: The Company ensures the implementation of specifications of ethical practices through the following methods:</p> <p>(a) Self-examination of the organization and employees: Through the annual internal control self-evaluation of the Company, the internal departments of the Company and subsidiaries are required to carry out self-evaluations regarding whether employees in the departments have sufficient awareness of specifications of ethical practices to measure and reinforce the internal control functions of practicing ethics. Furthermore, specifications of ethical practices require all employees to actively report any conflict of interest at all times; the duties as directors and the work nature of partial employees require them to regularly report conflicts of interest or matters with suspected conflicts of interest each year for the management to review.</p> <p>(b) Internal audit: To achieve the accuracy, reliability, and timeliness of our financial, management, and operating information, and the objectives of the compliance of employees' behaviors with relevant policies, standards, procedures, and regulations, our auditors perform audits according to the annual audit plan approved by the Board and report the audit results and subsequent improvement plans to the Board and the management to realize the effects of audits.</p> <p>(c) Educational training and promotion: To allow employees to maintain their awareness of specifications of ethical practices at all times, apart from publishing policies and documents related to occupational ethics on the intranet, the Company also promotes the core values and compliance systems of the Company to employees through educational courses, posters, promotional essays, and diverse methods.</p> <p>(d) Except for the internal implementation, the Company has fully adopted EICC and, based on which, carries out relevant audits of suppliers and other business partners to duly understand whether there is any unethical or unjust behavior. Through audits on the Company by customers, the Company conveys its standards of ethical practices to customers and makes exchanges about relevant topics.</p> <p>(e) Whistleblowing channels and protection of whistleblowers: The Company provides channels for employees and external parties to report inappropriate practicing conducts related to finance, law, and ethics. Furthermore, to support the open and transparent culture of ethical practices, we encourage employees and external parties to report any suspected illegal conduct via relevant whistleblowing systems. The Company maintains a confidential and stringent attitude regarding the reports received and the subsequent investigations, and strictly prohibits the implementation of reprisal in any form against persons who reported with good intentions or who assisted in the investigations.</p> <p>(f) Punishment for conducts violating specifications of ethical practices: For any suspected conduct violating ethical practices, the Company maintains impartial for rewards and punishments and adopts a sober attitude to treat all cases verified; the Company imposes severe punitive measures on those who have committed violations, including the termination of employment or business relationships, and the adoption of legal actions.</p>				

- (VII) If the Company has formulated its Corporate Governance Best Practice Principles and related rules, it shall disclose the inquiry methods: The Corporate Governance Best Practice Principles and relevant rules established by the Company are disclosed on its website.
- (VIII) Other important information to facilitate a better understanding of the Company's implementation of corporate governance shall also be disclosed:

(IX) Implementation of the internal control system

1. Statement of Internal Control

TaiSol Electronics Co., Ltd.
Statement of Internal Control System

Date: February 24, 2023

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

- I. The Company is fully aware that the establishment, implementation, and maintenance of the internal control system are the responsibility of the Company's Board and managers, and the Company has established such a system. The system aims to provide reasonable assurance for the achievement of the objectives, namely the effectiveness and efficiency of operations (including profitability, performance, and asset security protection), the reliability, timeliness, and transparency of reporting, and compliance with applicable laws and regulations.
- II. Certain limitations are inherent in all internal control systems. Regardless of the comprehensive design, an effective internal control system may only provide reasonable assurance regarding the achievement of the three intended objectives above; moreover, due to changes in the environment and circumstances, the effectiveness of the internal control system may change accordingly. However, the Company's internal control system is equipped with a self-monitoring mechanism. Once a defect is identified, the Company will take action to rectify it.
- III. The Company judges whether the design and implementation of the internal control system are effective based on the criteria for judging the effectiveness of the internal control system set out in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (the "Regulations"). The said criteria adopted for the internal control system under the "Regulations" are divided into five constituent elements as per the management and control process: 1. control environment, 2. risk assessment, 3. control activities, 4. information and communication, and 5. monitoring activities. Each constituent element includes several items. For said items, please refer to the "Regulations."
- IV. The Company has adopted the aforesaid judgment criteria for the internal control system to determine whether the design and implementation of the internal control system are effective.
- V. Based on the results of the assessment in the preceding paragraph, the Company is of the opinion that, as of 31 December 2022, the internal control system (including the supervision and management of its subsidiaries), including understanding the effectiveness of operations and the extent to which efficiency targets are achieved, reliable, timely, and transparent reporting, and compliance with applicable rules and applicable laws and regulations, is effective and can reasonably assure the achievement of the foregoing objectives.
- VI. The statement will form the main content of the Company's annual report and prospectus and will be made public. If the disclosed content above is false, or if there is material information concealed deliberately or otherwise, the Company will be legally liable pursuant to Articles 20, Article 32, Article 171, and Article 174 of the Securities and Exchange Act.
- VII. The statement was approved by the Board on February 24, 2023. Among the nine Directors who attended, all of them agreed with the content of the statement; therefore, the statement is hereby declared.

TaiSol Electronics Co., Ltd.

Chairman: YU, Ching-Sung

President: Liang, Chun-Hsin

2. For those who appointed CPAs to review the internal control system, the CPAs' review report shall be disclosed: None.

(X) If the results of the punishments imposed on the Company and its internal personnel according to the law or the punishments imposed on its internal personnel by the Company for the violation of the internal control system may have material effects on shareholders' interest or securities' prices, the content of punishment, major deficiency, and improvement shall be specified: None.

(XI) Major Resolutions of Shareholders' Meeting and Board Meetings :

Item	Date	Major resolutions
Shareholders' meeting	2022/05/20	Proposal for the 2021 business report and financial report Execution status: Approved as a resolution.
		Proposal for the 2021 earning distribution Execution status: Approved as a resolution, and the distribution of cash dividends in the amount of NT\$131,862,212 was completed on July 15,2022 based on the resolution of the shareholders' meeting.
		Proposal for the amendment to the "Procedures for the Acquisition or Disposal of Assets" of the Company Execution status: Approved as a resolution.
		Proposal for the release of non-competition of the Director Execution status: Approved as a resolution.
Board of Directors	2022/01/21	Approved the proposal for the "business plan and budget in 2022"
		Approved the proposal for the "independence review and annual certification fees for 2022"
		Approved the proposal for the "distribution standard and amount of the year-end bonuses for 2021 and remuneration of employees for 2020"
		Approved the proposal for the "appropriation of remunerations of employees and Directors and supervisors for 2021"
		Approved the proposal for the "renewal of short-term financing limits and additional forward currency (hedging) transaction limits with a bank"
		Approved the proposal for the "provision of endorsement and guarantee by the Company to SiYang TaiSol Electronics Co., Ltd. and Suzhou TaiSol Electronics Co., Ltd."
	2022/02/25	Approved the proposal for the "evaluation of the effectiveness of the internal control system" and the "Statement of Internal Control System" for 2021'
		Approved the proposal for the "2021 individual financial report and the consolidated financial report"
		Approved the proposal for the "2021 business report and earning distribution"
		Approved the proposal for the 'amendment to the "Procedures for the Acquisition or Disposal of Assets" of the Company'
		Approved the proposal for the "matters related to the acceptance of

Item	Date	Major resolutions
		shareholders' rights to proposals for the annual shareholders' meeting" Approved the proposal for the "convening date, venue, and other relevant matters of the 2022 annual shareholders' meeting"
	2022/05/06	Approved the proposal for the "earning distribution of subsidiary DongGuan TaiSol Electronics Co., Ltd." Approved the proposal for the "2022 Q1 consolidated financial statements" Approved the proposal for "whether outstanding accounts receivable with a significant amount past the normal loan period for over three months of the Company as of 2022 Q1 is in the nature of loans"
	2022/05/20	Approved the proposal for the "establishment of the date of redemption, termination of listing on TPEx, and distribution of redemption considerations for the 2 nd tranche unsecured domestic convertible corporate bonds of the Company"
	2022/07/01	Approved the proposal for the "intended repurchase of the Company's shares for transfers to employees"
	2022/08/05	Approved the proposal for the "2022 Q2 consolidated financial statements" Approved the proposal for the "earning distribution of subsidiary World Window Electronics (H.K.) Limited" Approved the proposal for the "re-appointment of Directors and corporate representatives of subsidiaries" Approved the proposal for the "loans to Suzhou TaiSol Electronics Co., Ltd. by the Company" Approved the proposal for the "salary adjustment to managers (excluding Directors who are also managers) in 2022" Approved the proposal of the "salary adjustment to the Directors who are also managers in 2022"
	2022/11/04	Approved the proposal for the "2022 Q3 consolidated financial statements" Approved the proposal for the "audit plan for 2023 of the Company" Approved the proposal for the "loans to Suzhou TaiSol Electronics Co., Ltd. by subsidiary SiYang TaiSol Electronics Co., Ltd. " Approved the proposal for the "loans to Suzhou TaiSol Electronics Co., Ltd. by subsidiary DongGuan TaiSol Electronics Co., Ltd." Approved the proposal for the "registration cancelation of subsidiary Techmaster Limited" Approved the proposal for the 'amendment to the "Corporate Governance Best Practice Principles" of the Company' Approved the proposal for the 'amendment to the "Corporate Social Responsibility Best Practice Principles" of the Company' Approved the proposal for the 'amendment to the "Procedures for Handling Material Inside Information" of the Company' Approved the proposal for the 'amendment to the "Procedures for the Declaration of Alteration in Insiders" of the Company' Approved the proposal for the 'amendment to the "internal control system" of the Company' Approved the proposal for the "release of non-competition of the

Item	Date	Major resolutions
		Director”
	2022/12/15	Approved the proposal for the “appointment of the chief of procurement of the Company and promotion”
	2023/01/13	<p>Approved the proposal for the “2023 annual budget of the Company”</p> <p>Approved the proposal for the “independence review and annual certification fees for 2023 of the Company”</p> <p>Approved the proposal for the “intended formulation of general principles for the policy of non-assurance services with advance approval of the Company”</p> <p>The “distribution standard and amount of the year-end bonuses for 2021 and remuneration of employees for 2020 of the Company” were approved</p> <p>Approval for the proposal of the “settlement of seniority for the retirement pension of managers subject to the old system”</p> <p>Approval for the “additions or job scope of approval authority of the Procurement Section of the Group”</p> <p>Approved the proposal for the renewal of short-term financing with a bank”</p> <p>Approved the proposal for the “provision of endorsement and guarantee by the Company to SiYang TaiSol and Suzhou TaiSol”</p> <p>Approved the proposal for the “intended amendment to the standards for the monthly salary structure of the Company’s managers”</p> <p>Approved the proposal for the “amendment to the standards for the traffic allowance of the Company’s Directors for attending Board meetings”</p>
	2023/02/24	<p>Approved the proposal for the “self-evaluation report for the internal control system” and the “Statement of Internal Control System” for 2022’</p> <p>Approved the proposal for the “2022 individual financial report and the consolidated financial report”</p> <p>Approved the proposal for the “2022 business report and earning distribution of the Company”</p> <p>Approved the proposal for the “appropriation of remunerations of employees and Directors for 2022”</p> <p>Approved the proposal for the ‘amendment to partial provisions of the “Rules of Procedure for Board Meetings” of the Company’</p> <p>Approved the proposal for the ‘amendment to partial provisions of the “Rules of Procedure for Shareholders’ Meetings” of the Company’</p> <p>Approved the proposal for the “release of non-competition of the Director”</p> <p>Approved the proposal for the “matters related to the acceptance of shareholders’ rights to proposals for the annual shareholders’ meeting”</p> <p>Approved the proposal for the “convening date, method, venue, and other relevant matters of the 2023 annual shareholders’ meeting”</p>

- (XII) During the most recent year and up to the publication date of the annual report, where a Director or supervisor has expressed a dissenting opinion with respect to a material resolution passed by the Board, and the said dissenting opinion with records or written statements, disclose the principal content thereof: None.
- (XIII) Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit, Corporate Governance and R&D :

April 1, 2023

Title	Name	Date of Appointment	Date of Termination	Reasons for Resignation or Dismissal
CEO	Lin, Chan-Lieh	2015/05/15	2022/07/31	Resigned due to personal reasons

Note: "Relevant personnel of the Company" refers to the Chairman, President, chief accountant, chief of finance, chief auditor, chief of corporate governance, and chief of research and development.

V. Information Regarding the Company's Audit Fee :

- (I) The amount of the audit fees and non-audit fees paid to CPAs and CPA's firm, as well as the content of non-audit services, shall be disclosed:

CPA's firm	CPA	Audit period	Audit fees	Non-audit fees (Note)	Total	Remarks
KPMG	Derek Chen	2022.01.01~2022.12.31	2,915	700	3,615	
	Jason Yin					

Note: Content of services of non-audit fees: Taxation certification of NT\$250 thousand, transfer pricing report of NT\$250 thousand, and master file of the Group of NT\$200 thousand.

1. If the CPA Firm Changes, and the Audit Fee Paid in the Year of such Change is Reduced from the Audit Fee of the Previous Year, the Amounts of the Audit Fees Before and After such Change and the Reason of such Change Should Be Disclosed: None .
2. If the Audit Fee Is Reduced by More than 10% from Last Year, the Amount, Ratio, and Reason for the Reduction of the Audit Fee Should Be Disclosed: None.

VI. Information Regarding the Replacement of CPA: None.

- VII. If the chairman, president, and financial or accounting manager of the Company who had worked for the independent auditor or the related party in the most recent year, the name, title, and the term with the independent auditor or the related party must be disclosed: None.

VIII. Transfer of equity and changes in equity pledges of Directors, supervisors, managers, and shareholders with a shareholding of 10% and above in the most recent year and as of March 31, 2023:

- (I) Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders
Unit: shares

Title (Note 1)	Name	2022		As of March 31, 2023	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman/major shareholder	Yu, Ching-Sung	-	-	-	-
Director	Lin, Chan-Lieh	-	-	(18,000)	-
Director/President	Liang, Chun-Hsin	(9,000)	-	-	-
Director	Hsieh, Chun-Shan	-	-	-	-

Title (Note 1)	Name	2022		As of March 31, 2023	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Director	Long-Thin Enterprise Co., Ltd.	-	-	-	-
Representative of Director/Vice President	Yu, Po-Hsin	-	-	-	-
Independent Director	Chang, Wen-Tien	-	-	-	-
Independent Director	Tseng, Tien-Yun	-	-	-	-
Independent Director	Chen, Chih-Hung	-	-	-	-
Independent Director	Fang, Yen-Ling	-	-	-	-
Vice President	Lin, Meng-Yi	-	-	-	-
Executive Vice President	Liu, Ke-Ping	(24,000)	-	-	-
Vice President	Yu, Jun-Yi	-	-	-	-
Vice President	Liu, Zhi-Ming	-	-	(681)	-
Vice President	Liu, Zhi-Ming	-	-	-	-
Chief of finance	Wu, Mei-Ling	-	-	-	-
Senior Assistant Vice President	Lin, Jin-Xiang	-	-	-	-
Senior Assistant Vice President	Guo, Zheng-Hong	-	-	-	-
Assistant Vice President	Lu, Wen-Chi	-	-	-	-
Assistant Vice President	Wu, Wen-Han	(5,000)	-	-	-
Assistant Vice President	Liu, Ming-Tian	(14,000)	-	-	-
Assistant Vice President	Hsu, Po-Chun	-	-	-	-
Assistant Vice President	Liu, Yong-Ming	-	-	-	-
Chief auditor	Xu, Qiu-Fen	-	-	-	-

Note 1: Shareholders with a shareholding of 10% and above of the Company shall be marked as major shareholders and be listed separately.

(II) Shares Trading with Related Parties : None.

(III) Shares Pledge with Related Parties : None.

IX. Relationship among the Top Ten Shareholders :

April 1, 2023 Unit: share

Name (Note 1)	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees. (Note 3)		Remarks
	Shares	(%)	Shares	(%)	Shares	(%)	Name	Relationship	
Yu, Ching-Sung	14,463,046	16.45	773,431	0.88	2,044,000	2.33	Long-Thin Enterprise Yeh, Li-Juan	Related party Spouse	
Long-Thin Enterprise Co., Ltd. Corporate representative: Yeh, Li-Juan	2,044,000	2.33	-	-	-	-	Yu, Ching-Sung	Related party	
Lin, Qian-Ya	1,379,321	1.57	-	-	-	-	-	-	
Hsieh, Chun-Shan	1,000,276	1.14	280,466	0.32	-	-	-	-	
Yeh, Li-Juan	773,431	0.88	14,463,046	16.45	-	-	Long-Thin Enterprise Yu, Ching-Sung	Related party Spouse	
Treasury share account of Taisol Electronics Co., Ltd.	450,000	0.51	-	-	-	-	Yu, Ching-Sung	Related party	

Name (Note 1)	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees. (Note 3)		Remarks
	Shares	(%)	Shares	(%)	Shares	(%)	Name	Relationship	
DFA emerging market core securities investment account in the custodianship of Citibank	441,000	0.50	-	-	-	-	-	-	
Chen, Cai-Yun	415,000	0.47	-	-	-	-	-	-	
Asset Management investment account in the custodianship of JPMorgan Chase Bank	368,569	0.42							
Xiao, Ya-Teng	352,750	0.40	-	-	-	-	-	-	

Note 1: The top ten shareholders shall all be set out; for corporate shareholders, the title of the corporate shareholder and the name of the representative shall be set out separately.

Note 2: The calculation of shareholding refers to the shareholdings of the shareholder themselves, as well as those of their spouse, related minors, or those in the name of other persons.

Note 3: Regarding the shareholders (including corporation and natural persons) set out above, please disclose their relationships according to the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

X. Ownership of Shares in Affiliated Enterprises

Unit: thousand shares; %

Affiliated Enterprises (Note)	Ownership by the Company		Direct or Indirect Ownership by Directors/Supervisors/Man agers		Total Ownership	
	Shares	%	Shares	%	Shares	%
TaiSol Electronics (Hong Kong) Co., Ltd.	31,056	100%	-	-	31,056	100%
World Window Electronics (H.K.) Limited	64,210	100%	-	-	64,210	100%
Taisol Electronics Japan Co., Ltd.	0.1	100%	-	-	0.1	100%
SiYang TaiSol Electronics Co., Ltd.	-	100%	-	-	-	100%
Vietnam TaiSol Electronics Company Limited	-	100%	-	-	-	100%

Note: Long-term investments accounted for using the equity method.

Four. Capital Overview

I. Capital and shares

(I) Source of capital

1. Type of Stock

Unit: share

Share Type	Authorized capital			Remarks
	Issued shares	Un-issued shares	Total Shares	
Registered Common Stocks	87,908,141	12,091,859	100,000,000	The Company's stocks were approved for listing for trading on 13 December 2013

2. Issued Shares

Month/Year	Par Value (NT\$)	Authorized capital		Paid-in capital		Remarks		
		Shares	Amount (NT\$)	Shares	Amount (NT\$)	Source of capital	Capital increased by assets other than cash	Others
September 1994	1,000	6,000	6,000,000	6,000	6,000,000	Founding capital	—	-
August 1995	1,000	10,000	10,000,000	10,000	10,000,000	Capital increase	—	-
August 1998	10	4,000,000	40,000,000	4,000,000	40,000,000	Capital increase	—	Note 2
March 1999	10	9,100,000	91,000,000	9,100,000	91,000,000	Capital increase of NT\$29,399,800	Money claim (Note 1) NT\$21,600,200	Note 3
July 1999	10	12,400,000	124,000,000	12,400,000	124,000,000	Capital increase NT\$10,766,390	Money claim (Note 1) NT\$21,600,200	Note 4
February 2000	10	17,360,000	173,600,000	13,640,000	136,400,000	Capital increase	—	Note 5
June 2000	15	19,999,000	199,990,000	18,640,000	186,400,000	Capital increase	—	Note 6
August 2001	15	30,000,000	300,000,000	22,640,000	226,400,000	Capital increase	—	Note 7
June 2002	20	30,000,000	300,000,000	29,640,000	296,400,000	Capital increase	—	Note 8
June 2003	-	49,000,000	490,000,000	34,919,625	349,196,250	Capital increase from earnings and capital increase from employees' bonuses	—	Note 9
July 2004	20	49,000,000	490,000,000	38,919,625	389,196,250	Capital increase	—	Note 10
October 2004	-	49,000,000	490,000,000	43,429,196	434,291,960	Capital increase from earnings and capital increase from employees' bonuses of NT\$37,311,780 and capital increase from the capital reserve of NT\$7,783,930	—	Note 11
August 2007	-	100,000,000	1,000,000,000	49,373,568	493,735,680	Capital increase from earnings and capital increase from employees' bonuses of NT\$46,414,960 and capital increase from the capital reserve of NT\$13,028,760	—	Note 12
August 2009	8	100,000,000	1,000,000,000	59,373,568	593,735,680	Capital increase	—	Note 13
April 2013	15	100,000,000	1,000,000,000	62,000,000	620,000,000	Capital increase	—	Note 14
November 2013	20	100,000,000	1,000,000,000	69,750,000	697,500,000	Capital increase	—	Note 15
May 2015	37.3	100,000,000	1,000,000,000	69,790,214	697,902,140	Conversion of corporate bonds into shares	—	Note 16
July 2015						Issuance of employee stock options.		Note 17
January 2016		100,000,000	1,000,000,000	69,612,214	696,122,140	Cancelation of treasury shares	—	Note 18
October 2017	12.23	100,000,000	1,000,000,000	69,776,214	697,762,140	Issuance of new shares for options	—	Note 19
January 2018	12.23	100,000,000	1,000,000,000	69,792,214	697,922,140	Issuance of new shares for options	—	Note 20
March 2018	29.70	100,000,000	1,000,000,000	69,835,985	698,359,850	Conversion of corporate bonds into shares		Note 21
June 2018	29.70	100,000,000	1,000,000,000	69,835,985	698,359,850	Conversion of corporate bonds into shares		Note 22
September	18	100,000,000	1,000,000,000	86,502,985	865,029,850	Capital increase		Note 23

Month/ Year	Par Value (NT\$)	Authorized capital		Paid-in capital		Remarks		
		Shares	Amount (NT\$)	Shares	Amount (NT\$)	Source of capital	Capital increased by assets other than cash	Others
2018								
November 2018	11.82	100,000,000	1,000,000,000	86,447,985	864,479,850	Issuance of new shares for options Cancellation of treasury shares		Note 24
January 2019	11.82	100,000,000	1,000,000,000	86,481,985	864,819,850	Issuance of new shares for options		Note 25
January 2020	11.58	100,000,000	1,000,000,000	86,557,985	865,579,850	Issuance of new shares for options		Note 26
January 2020	74.80	100,000,000	1,000,000,000	87,197,007	871,970,070	Conversion of corporate bonds into shares		Note 26
May 2020	11.58	100,000,000	1,000,000,000	87,213,007	872,130,070	Issuance of new shares for options		Note 27
May 2020	74.80	100,000,000	1,000,000,000	87,258,459	872,584,590	Conversion of corporate bonds into shares		Note 27
August 2020	74.80	100,000,000	1,000,000,000	87,765,141	877,651,410	Conversion of corporate bonds into shares		Note 28
November 2020	11.31	100,000,000	1,000,000,000	87,801,141	878,011,410	Issuance of new shares for options		Note 29
January 2021	11.31	100,000,000	1,000,000,000	87,833,141	878,331,410	Issuance of new shares for options		Note 30
May 2021	11.31	100,000,000	1,000,000,000	87,877,141	878,771,410	Issuance of new shares for options		Note 31
November 2021	10.93	100,000,000	1,000,000,000	87,908,141	879,081,410	Issuance of new shares for options		Note 32

Note:

No.	Approval date	Approval No	Note
Note 1			Capital increased by money claims in an equivalent amount.
Note 2	September 9,1998	87-Jian-San-Jia-Zi No.225665	
Note 3	May 4,1999	88-Jian-San-Jia-Zi No.163417	
Note 4	August 10,1999	Jing-(088)-Shang-Zi No.088129255	
Note 5	April 6,2000	Jing-(089)-Shang No.110058	
Note 6	July 20,2000	Jing-(089)-Shang No.124351	
Note 7	September 14,2001	Jing-(090)-Shang No.09001359310	
Note 8	July 1,2002	Jing-Shou-Shang-Zi No.09101239070	
Note 9	July 24,2003	Jing-Shou-Zhong-Zi No.09232411880	
Note 10	July 20,2004	Fu-Jian-Shang-Zi No.09316062600	
Note 11	October 20,2004	Fu-Jian-Shang-Zi No.09321039310	
Note 12	August 13,2007	Fu-Jian-Shang-Zi No.09688140500	
Note 13	August 10,2009	Jin-Guan-Zheng-Fa-Zi No.0980039798	
Note 14	April 3,2013	Jin-Guan-Zheng-Fa-Zi No.1020010165	
Note 15	November 8,2013	Jin-Guan-Zheng-Fa-Zi No.1020045064	
Note 16	December 11,2014	Jin-Guan-Zheng-Fa-Zi No.1030049250	The issuance of secured convertible corporate bonds for raising NT\$300 million was approved.
Note 17	July 22,2015	Jin-Guan-Zheng-Fa-Zi No.1040027805	The issuance of employee stock options was approved.
Note 18	December 2,2015	Jin-Guan-Zheng-Jiao No.1040049810	
Note 19	October 17,2017	Jing-Shou-Shang-Zi No.10601144280	
Note 20	January 16,2018	Jing-Shou-Shang-Zi No.10701001870	
Note 21	March 23,2018	Jing-Shou-Shang-Zi No.10701023360	
Note 22	June 29,2018	Jing-Shou-Shang-Zi No.10701071610	
Note 23	September 14,2018	Jing-Shou-Shang-Zi No.10701112030	
Note 24	November 7,2018	Jing-Shou-Shang-Zi No.10701023360	
Note 25	January 16,2019	Jing-Shou-Shang-Zi No.10801005610	
Note 26	March 4,2020	Jing-Shou-Shang-Zi No.10901020270	
Note 27	May 29,2020	Jing-Shou-Shang-Zi No.10901085670	
Note 28	August 20,2020	Jing-Shou-Shang-Zi No.10901159700	
Note 29	December 1,2020	Jing-Shou-Shang-Zi No.10901221400	
Note 30	March 16,2021	Jing-Shou-Shang-Zi No.11001036760	
Note 31	June 30,2021	Jing-Shou-Shang-Zi No.11001098270	
Note 32	December 2,2021	Jing-Shou-Shang-Zi No.11001213800	

(II) Status of Shareholders

April 1, 2023

Items	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	0	0	213	37,142	68	37,423
Shareholding (shares)	0	0	2,819,205	81,949,568	3,139,368	87,908,141
Percentage	0.00%	0.00%	3.21%	93.22%	3.57%	100.00%

Note: A company having its primary listing on TWSE (TPEX) or a company listing on the emerging stock exchange shall disclose the shareholding of investors from Mainland China; investors from Mainland China refer to citizens, corporations, groups, other institutions in the Mainland area, or the companies which they have invested in a third-party region stated in Article 3 of the Measures Governing Investment Permit to the People of Mainland Area.

(III) Equity dispersion:

April 1, 2023

Shareholding tier	Number of shareholders	Increase (decrease)	Shareholding (%)
1 to 999	22,003	186,614	0.21
1,000 to 5,000	12,961	24,995,794	28.43
5,001 to 10,000	1,443	11,414,399	12.98
10,001 to 15,000	337	4,365,331	4.98
15,001 to 20,000	259	4,789,437	5.45
20,001 to 30,000	193	4,934,188	5.61
30,001 to 40,000	75	2,746,488	3.12
40,001 to 50,000	37	1,749,000	1.99
50,001 to 100,000	73	5,329,437	6.06
100,001 to 200,000	21	2,931,271	3.33
200,001 to 400,000	13	3,500,108	3.98
400,001 to 600,000	3	1,306,000	1.49
600,001 to 800,000	1	773,431	0.88
800,001 to 1,000,000	0	0	0.00
1,000,001 to 999,999,999	4	18,886,643	21.49
Total	37,423	87,908,141	100.00

(IV) List of major shareholders:

April 1, 2023

Name of major shareholder	Share	Increase (decrease)	Shareholding (%)
Yu, Ching-Sung		14,463,046	16.45
Long-Thin Enterprise Co., Ltd. Corporate representative: Yeh Li-Juan		2,044,000	2.33
Lin Qian-Ya		1,379,321	1.57
Hsieh, Chun-Shan		1,000,276	1.14
Yeh Li-Juan		773,431	0.88
Treasury share account of Taisol Electronics Co., Ltd.		450,000	0.51
DFA emerging market core securities investment account in the custodianship of Citibank		441,000	0.50
Chen Cai-Yun		415,000	0.47
J.P. Morgan Asset Management investment account in the custodianship of JPMorgan Chase Bank		368,569	0.42
Xiao Ya-Teng		352,750	0.40

(V) Market price, net value, earnings, and dividend per share, and relevant data for the most recent two years

Unit: NT\$; thousand shares

Item	Year		2021	2022	As of April 1 2022 (Note 8)
	Market Price Per share (Note 1)	Highest		67.70	62.70
Lowest		35.80	29.65	30.90	
Average		51.81	42.18	40.30	
Net Worth per share (Note 2)	Before Distribution		19.44	21.07	21.07
	After Distribution		17.94	Distribution not resolved	-
Earnings Per Share	Weighted average number of shares		87,860	87,708	87,708
	Earnings Per Share (Note 3)	Before distribution	2.13	3.05	3.05
		After distribution	2.13	3.05	3.05
Dividends Per Share	Cash dividends		NT\$1.50/share	NT\$2.00/share	-
	Stock dividends	Dividends from Retained Earnings	-	-	-
		Dividends from Capital Surplus	-	-	-
	Accumulated Undistributed Dividends (Note 4)		-	-	-
Analysis of return on investment	Price/earnings ratio (Note 5)		24.32	13.83	-
	Price/dividend ratio (Note 6)		34.54	Distribution not resolved	-
	Cash dividend yield rate (Note 7)		2.90%	Distribution not resolved	-

* If there is any stock grant from earnings or capital reserve, please disclose the information on market price and cash dividend adjusted retrospectively based on the number of shares distributed.

Note 1: List the highest and lowest market price of common shares in each fiscal year and calculate the average market price by weighing transacted prices against transacted volumes in each respective fiscal year.

Note 2: Calculate the net value per share based on the number of outstanding shares at the end of the year and set out the amount of distribution based on the resolution made by the Board at the shareholders' meeting in the following year.

Note 3: If retrospective adjustments are required because of the issuance of stock grants, the earnings per share should be disclosed in the amounts before and after the retrospective adjustments.

Note 4: If equity securities are issued with terms that allow undistributed dividends to be accrued and accumulated until the year the Company makes profits, the amount of cumulative undistributed dividends up until the current year should be disclosed separately.

Note 5: Price-to-earnings ratio = average closing price per share for the year/earnings per share.

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

Note 7: Cash dividend yield rate = cash dividend per share/average closing price per share for the year.

Note 8: Net value per share and earnings per share are based on the data audited (reviewed) by CPAs from the publication date of the annual report up to the latest quarter. For all other fields, calculations are based on the data for the current year as of the date of publication of the annual report.

(VI) Dividend Policy and Implementation Status

1. Dividend policy

The dividend policy of the Company considers the future capital requirements and long-term financial planning of the Company and satisfies the requirements for cash inflows of shareholders. If the Company records profits after the final account, it shall compensate prior losses and pay taxes, and then appropriate 10% of the remaining balance as the statutory surplus reserve; however, if the amount of statutory surplus reserve has reached the total capital of the Company, the appropriation shall be exempted. In addition, a special surplus reserve shall be appropriated based on the business requirements of the Company and legal requirements. If there are remaining earnings, they shall be combined with undistributed earnings at the beginning of the period, and the Board shall prepare the proposal for earning distribution and submit it to the shareholders' meeting for the resolution of distribution.

Regarding the distribution in the preceding paragraph, the shareholders' meeting may resolve to retain the entire or partial earnings as undistributed earnings for distribution in subsequent years.

The distribution of shareholders' bonuses may be made by way of cash dividend or stock dividend, and the distribution ratio of the cash dividend shall be no less than 20%, in principle; however, the ratio of cash dividend or stock dividend for the earning distribution may be adjusted through the resolution by shareholders' meeting based on the actual profits and capital status of the year.

2. Implementation status - status of dividend distribution discussed at the shareholders' meeting:

As approved at the Board meeting on 24 February 2023, the Company intends to distribute dividends as follows:

- (1) The net profit after tax of the Company in 2022 was NT\$267,476,601; after the deduction of the 10% legal surplus reserve of NT\$26,747,660 according to the law and adding the item of reduction for interest reversal - special surplus reserve (exchangeable differences from the translation of financial statements of foreign operations) of NT\$24,434,526 and undistributed earnings at the beginning of the period of NT\$179,307,248, the distributable earnings for the year shall be NT\$444,470,715.
- (2) The Company intends to appropriate NT\$174,916,282 as the shareholders' bonuses in cash from distributable earnings, and the distribution method shall be a distribution of NT\$2 per share (the amount shall be rounded down to the nearest NT\$1, and the sum of the fractional amount shall be included in other income of the Company) based on the number of shares held by shareholders set out in the shareholders' register on the base date of dividend distribution
- (3) After the annual shareholders' meeting has approved the proposal for earning distribution as a resolution, the Board is authorized to otherwise set the base date for dividend distribution and make arrangements for the distribution of cash dividends.
- (4) Subsequently, if any amendment is required due to changes in the dividend yield resulting from the effects of the changes in the Company's share capital on the volume of the number of issued shares, the Company intends to require the shareholders' meeting to authorize the Board to handle it at its full discretion.

3. Descriptions shall be provided if it is expected that there will be material changes in the

dividend policy: None.

(VII) Effects of the intended stock grants on the operating performance and earnings per share of the Company for the year: Not applicable.

(VIII) Remuneration of employees and Directors:

1. Percentage or scope of remuneration of employees and Directors stipulated in the Articles of Incorporation:

Article 20 of the Articles of Incorporation of the Company stipulates that if the Company records any profit for the year, it shall make appropriations according to the following principles; however, if the Company has accumulated losses, it shall preserve the amount for compensation.

(I) No more than 5% as the remuneration of Directors and supervisors.

(II) No more than 15% but not less than 3% as the remuneration of employees.

The counterparty for the distribution of remuneration of employees in stock or cash in the preceding paragraph may include employees in subordinated companies who fulfill the conditions established by the Board.

2. Basis for estimation of the amount of remuneration of employees and remuneration of Directors during the period, basis for the calculation of the number of shares for remuneration of employees distributed in stock, and the accounting treatment if the distribution amount is different from the estimated amount:

(1) Basis for estimation of the amount of remuneration of employees and remuneration of Directors during the period: It is estimated at a certain percentage within the percentage scope stated in the Articles based on the profit status of the year.

(2) Calculation of the number of shares for stock bonuses: Not applicable.

(3) Differences between the actual distribution amount and the estimated amount are accounted for as profit or loss in the following year.

3. Distribution of remuneration of employees approved by the Board:

(1) The amount of remuneration of employees and remuneration of Directors distributed in cash or stocks. If there are differences with the estimated amount in the year of expenses recognition, the differences, reason, and handling status shall be disclosed: The proposal for the earnings distribution of the Company for 2022 was approved at the Board meeting on 24 February 2023, and the intended remuneration of employees in cash and remuneration of Directors for distribution were NT\$11,189,309 and NT\$10,300,000, respectively. The intended amount of remuneration of employees and remuneration of Directors has no difference from the estimated amount in 2022.

(2) Ratio of the amount of remuneration of employees distributed in stocks and the total to the sum of net profit after tax and total remuneration of employees in the individual or separate financial report: Not applicable.

4. Actual distribution of remunerations of employees, Directors, and supervisors (including the number of shares distribution, amount, and stock price) for the preceding year; if there are differences with the remunerations of employees, Directors, and supervisors recognized, the differences, reason, and handling status shall be described:

(1) Distribution of remuneration of employees and remuneration of Directors and supervisors from earnings of 2021:

Unit: NT\$

Item	Actual distribution	21 January 2022 Approved as a resolution by the Board	Differences	Description of reasons for differences
Remuneration of employees	17,100,562	17,100,562	-	-
Remuneration of Directors / supervisors	8,200,000	8,200,000	-	-

(2) If there are differences with the remunerations of employees, Directors, and supervisors recognized, the differences, reason, and handling status shall be described: No difference.

(IX) Buy-back of Treasury Stock :

1. Repurchases already completed :

April 1, 2023

Treasury stocks: Batch Order	1 st Batch
Purpose of buy-back	Share transfer to employees
Timeframe of buy-back	1 July 2022 to 31 August 2022
Price range	NT\$35 to NT\$43 per share
Class, quantity of shares repurchased	450,000 ordinary shares
Value of shares repurchased	NT\$17,252,850
Quantity of repurchased shares as a percentage of total shares to be repurchased (%)	75
Shares sold/transferred	0 share
Accumulated number of company shares held	450,000 shares
Percentage of total company shares held (%)	0.51

2. In the course of implementation: None.

II. Bonds:

1. Corporate bonds:

Corporate Bond Type		The 2 nd tranche of unsecured domestic convertible corporate bonds
Issuance date		20 August 2019
Denomination		NT\$100,000
Issuing and transaction location		Not applicable
Issue price		NT\$101
Total price		NT\$303,000,000
Coupon rate		0%
Tenor		Three years; expires on 20 August 2022
Guarantee agency		Not applicable
Consignee		Trust Division, First Commercial Bank
Underwriting institution		Capital Securities Corporation
Certifying lawyer		Qiu Ya-Wen, Far East Law Offices
CPA		CPAs Isabel Lee and Jason Yin
Repayment method		One-off repayment of principal upon the expiry
Outstanding principal		NT\$0
Terms of redemption or advance repayment		Subject to Article 17 of the conversion methods
Restrictive clause		None
Name of credit rating agency, rating date, rating of corporate bonds		Not applicable
Other rights attached	As of the printing date of this annual report, converted amount of (exchanged or subscribed) ordinary shares, GDRs or other securities	Corporate bonds with a par value of NT\$89,100 thousand were converted
	Issuance and conversion (exchange or subscription) method	Refer to the issuance and conversion method for the 2 nd tranche of unsecured domestic convertible corporate bonds
Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity		Based on the latest conversion price of the 2 nd tranche of unsecured domestic convertible corporate bonds of NT\$70.62, the ratio of the additional shares after a full conversion to the paid-in capital at the time of issuance shall be 5.01%.
Transfer agent		None

2. Convertible Bonds :

Corporate bond type		The 2 nd Unsecured Domestic Convertible Corporate Bond		
Year		2020	2021	2022
Item				
Market price of the convertible bond	Highest	138.00	116.00	112.00
	Lowest	106.00	103.50	100.00
	Average	117.51	109.93	107.95
Convertible price		73.06	73.06	68.27
Issuance date and conversion price at issuance		Issuance date: 20 August 2019 Conversion price upon issuance: NT\$74.80		
Method to perform conversion obligations		Issuance of new shares		

Note: The convertible corporate bonds expired on 20 August 2022.

3. Exchangeable Bonds : None.

4. Shelf Registration for Issuing Bonds : None.

5. Corporate Bonds with Warrants : None.

III. Preferred shares: None.

IV. Global depository receipts: None.

V. Employee stock options and restricted stock awards: None.

VI. Status of New Shares Issuance in Connection with Mergers and Acquisitions : None.

VII. Financing Plans and Implementation : As of the quarter prior to the publication date of the annual report, there was no issuance of securities completed or completed in the most recent three years, but the effects of the plan are not fully exerted.

Five. Operational Highlights

I. Business Activities

(I) Business Scope

1. Main areas of business operations

The Company's scope of business covers the R&D, manufacturing, processing, and sales of its main products, including heat conductive elements, thermal modules, connectors, card readers, and NFC modules, which are used in EVs, netcom, cloud computing, industrial application, and consumer products. Radiator products primarily include thermal modules, heat conductive elements, crucial thermal components, and box products; connector products include SD cards, micro SD cards, micro SIM cards, Nano SIM cards, smart chip cards, NFC card readers and modules; compounded card readers were also released to satisfy different design requirements of customers.

2. Revenue distribution

Unit: NT\$000'

Item	Total Sales in Year 2022	(%) of Total Sales
Radiator products	3,652,097	79.94
Connector products	916,221	20.06
Total	4,568,318	100.00

3. Main products

Main product	Use description
Radiator products	The products are thermal modules that process and assemble cooling fin, aluminum or copper base, fan, heat pipe, and other thermal elements with the provision of solutions for VCs, water-cooling radiators, and roll-bond radiators; the products are primarily used in servers, data center and cloud computing, high-end projectors, 5G communication and network equipment, new energy EV, and rail traffic transportation systems, IGBT reinforced home appliances, and other high-end and industrial application products, including PCs, AIO, laptops, and tablets, mobiles phones, mobile devices, and other consumer electronic products.
Connector products	The Company engages in the R&D, manufacturing, and sales of memory card readers, I/O transmission connectors, USB series connectors, memory card & SIM card slot holders, and card reader modules; the products are primarily used in computer, communication, information, and consumer electronic industries and applicable to TVs, laptops, PCs, AIOs, multimedia displayers, STBs, smartphones, and other products.

4. New products development
 - A. EVAC (enhanced volume air cooling), a thermal module for high-watt, multi-node servers
 - B. Liquid cooling thermal system for direct-to-node (DTN)
 - C. Liquid immersion cooling system
 - D. Development of loop heat pipe
 - E. Loop thermosyphon
 - F. Direct touch heat pipe (DTH) high-performance CPU radiator
 - G. Radiator for the connecting 3D VC between the cavity of heat pipes and VCs
 - H. Heat pipes and VCs with thinner thickness and reinforced rigidity and hardness for high-end slim and light devices
 - I. Thermal products for automotive computers, central control, entertainment information, electrical and battery systems and LED light of EVs
 - J. Thermal technologies for AAU and RU gNB, CU, DU, Edge, CEP, and other communication equipment for 5G communication
 - K. SD 7.0/8.0/Micro SD 7.1/SIM/Nano SIM card holders and various insert/withdrawal card holders
 - L. USB 3.1-C ~ USB 4-C I/O connectors

(II) Industry overview

1. Current status and development of the industry

A. Thermal industry

With the breakthrough of AI achieved recently, together with the promotion of digital transformation, cloud computing, and other trends, human has greater demand for storage, real-time transmission, and mass data processing, which relies on the support of high-performance calculations of data centers; the derived changes of cooling down and energy consumption balance have become one of the drivers for the growth of the thermal industry in Taiwan.

Apart from the electronic technologies, governments in different countries have responded to the net-zero trend and rolled out complemented with relevant laws and regulations and auxiliary policies, which facilitate the formulation of EV and V2X industry chains. The requirements for car bodies are safety and stability. In the future, in response to advances in self-driving technology and development of relevant systems of different levels, there are complicated and higher-leveled requirements for the manufacture and development of heat conductive technologies and materials, opening up other opportunities of growth for thermal companies in Taiwan to set foot into the automotive field.

Given the effects of inflation, the increase in interest rate, geopolitics, uncertainties within the macroeconomic environment, and the PC inventory correction in the short run, in the mid-to-long term, the thermal industry in Taiwan has clear growth momentum. Apart from AI, cloud servers, and EVs that are under the spotlight, with the intensified competition in research and investment and the increasing maturity and combination of 5G infrastructure, IoT, industrial control, and other technologies, it is likely to generate extensive applications and business opportunities.

B. Connector industry

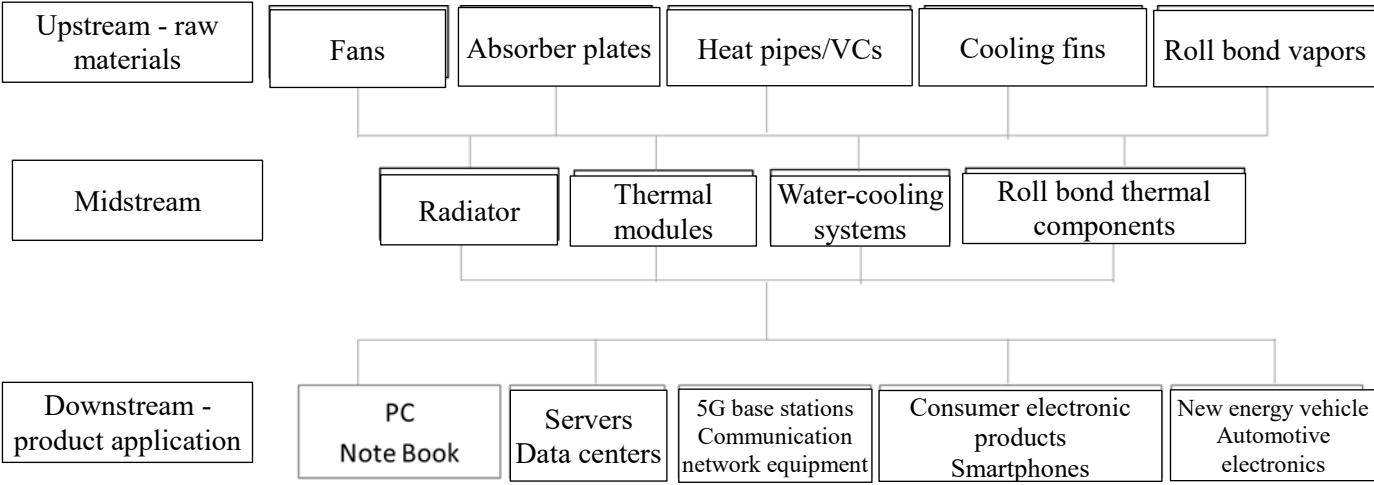
In the past, customers of the connector industry in Taiwan were mostly concentrated in the computer and communication markets, and the ratio of non-3C products was lower.

However, due to the rapid changes in the market, price and technological competition in recent years, a reversal of the PC market was recorded last year, resulting in a storm of inventory risks. In the same period, new applications of automotive, IoT, and AI were invented, and companies are accelerating the explorations for the abovementioned fields and 5G, military aerospace, industrial control, and medical fields; ups and downs were recorded for demands; the overall industry still possesses development prospects and potential for growth in the mid-to-long run.

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

A. Thermal industry

At present, the main connector products of the Company are heat pipes, VCs, thermal modules, and thermosyphon radiator parts, classified as the electronic part and component industry. The corresponding upstream elements include fans, aluminum/copper absorber plate, heat pipes/VCs, and aluminum roll-bond chambers; the corresponding midstream elements are thermal modules for radiators and fans, thermal components in combination with semi-solid die-casting parts and thermosyphon, and liquid cold plate/liquid cold system thermal solutions; the downstream product application includes PC/NB, server and data center, consumer electronic, 5G base station and network equipment, and EV and automotive electronics industries. The connectivity between the upstream, midstream, and downstream of the industry is set out as follows:



(1) Supply of upstream major raw materials

Heat pipes, VCs, and thermosyphon required by the production of thermal modules of the Company are majorly self-developed and produced. Raw materials purchased from external parties that are required will be supplied by suppliers with long-term cooperation and healthy relationships with us; therefore, the source of supply and prices of major raw materials are stable.

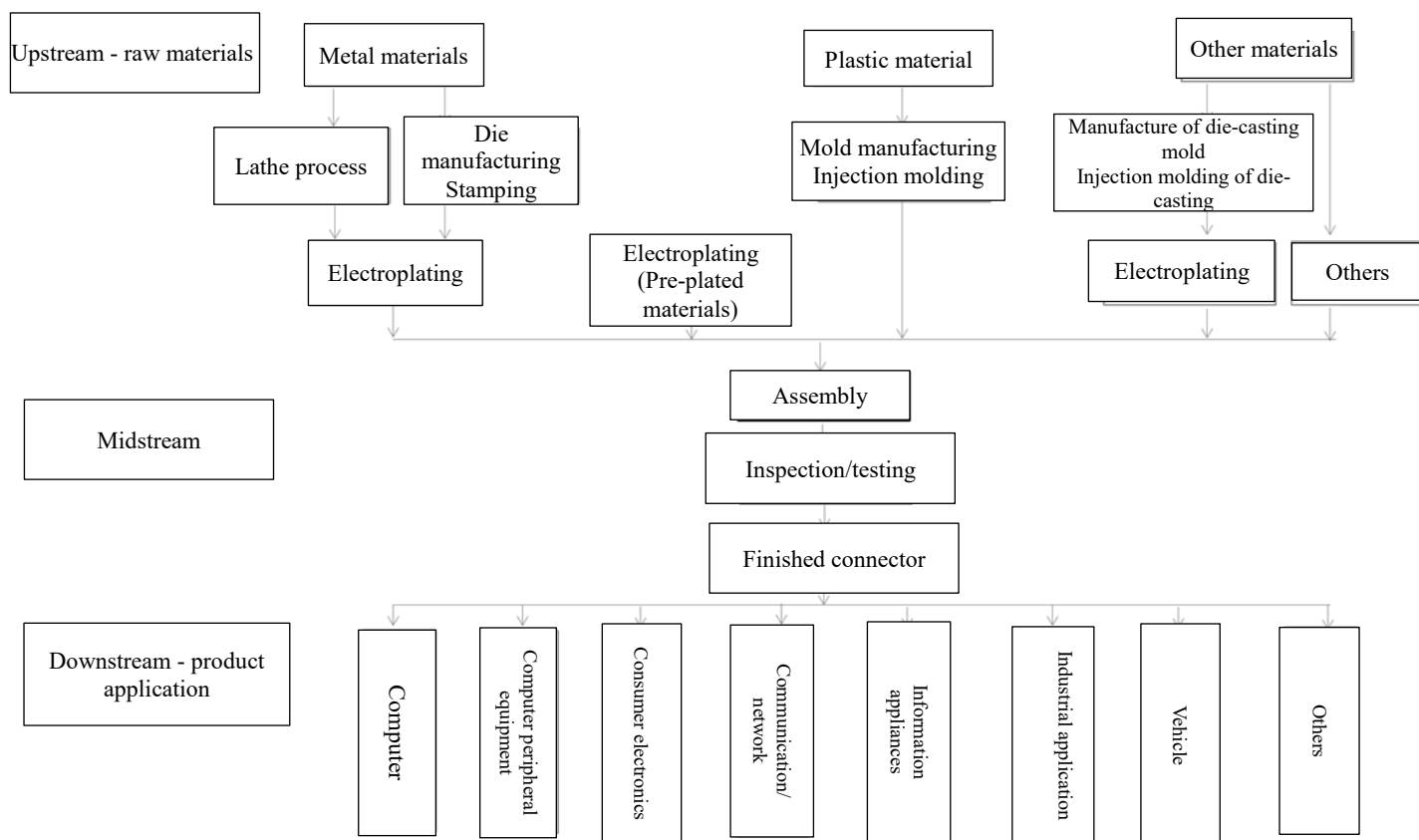
(2) Downstream product application fields

When “slim and light,” “high performance,” and “multi-function” become the key indicators for new electronic technology products, it shows that “radiating” has become the crucial consideration for product performance, reliability, and useful life; meanwhile, it is estimated to drive the downstream application fields of greater

growth in the scale of the thermal module/part and component market, such as server, 5G base station and netcom equipment, 5G smartphone, automotive electronic, and other product applications.

Given the reduced size of chips and electronic parts and components, the watt density has been rapidly increasing. Moreover, the trend of chip designs is the integration of multiple chips into a single chip. Under the trend of increase in frequency, transmission speed, and size reduction of products, the operating complexity and element heating power will be significantly increased, and such changes impose more stringent specifications and requirements for the thermal management technologies of electronic equipment. In the past, the thermal design of electronic products primarily made use of direct radiating by way of heat conductivity of copper and aluminum materials or thermal systems composed of silicon and fans to carry off the heat generated from electronic parts. With the increasing watt density of chips, VC and thermosyphon, thermal elements have become the mainstream for solving the “heat issue” and are extensively used in the radiating of CPU, ASIC, and other high-watt parts. As the world enters into the 5G era, the booming development of high-performance calculation servers, IoT, V2X, smart manufacture, smart city, and emerging applications has driven the demand for “radiating,” and the industry may continue to expand and grow in response to product upgrades.

B. Connector industry



The shipping product forms of connector products of the Company are card readers and I/O transmission connectors, and the main application fields are computer peripherals, communication and network, consumer electronics, information appliances, and other products. Meanwhile, in response to the development trends of individual markets and electronic products, the Company has expanded the application scope to vehicles, instruments and equipment, military, aerospace, medicine, industry, high-speed telecommunication, and other products. With the upsurge of 5G and AI, connector companies have also included the niche products of cloud, IoT, EV, smart home, and other high added-value fields; it is estimated to bring about the cross-industry diverse applications that form new business opportunities and momentum in the market, allowing the production value of connectors to continue to grow.

3. Development trends and competition of products

A. Radiator products

The development of technologies and products related to radiating starts from the natural convection of PCs at the beginning to the development of the air-cooling radiator with aluminum cooling fins as the core and enforced cooling fans as assistance. However, the heat generation of CPU due to rapid advances significantly increased as the clock rate increases, and the corresponding thermal solutions are required to be upgraded constantly for support, including copper cooling fin, heat pipe, VCs, thermal module, water-cooling plate, heat exchanger, and other solutions. With the popularization of the commercial

operation of 5G worldwide, the designed introduction of new 5G technologies (i.e., mm-wave communication and AiM) and the use in base stations, end equipment element, online transmission system hardware, and the installation and development of 5G communication network platform, products of the new era require thermal elements and designed introduction to achieve the optimum transmission performance and satisfy the demand for high reliability and costs at the same time under the increasing trend of frequency and speed. With the large-scale commercial use of 5G technologies and the application of IoT, a new wave of enormous demand and business opportunities for thermal products will be driven. Given our investments in the electronic industry in the early days, the Company is equipped with R&D and design experiences recognized by major international companies, and the customized heat management solutions that we provide for electronic products of different generations also grow with time with the advances in chip specifications. For the existing application equipment of the new 5G technologies (including 5G base stations, servers and data centers, cloud and netcom equipment, CPE, mobile phones, computers, gaming and other end devices) and to IoT, V2X, smart city, smart factory, and other application scenarios, the Company has developed high power thermal modules in combination with heat pipes and VCs, 3D thermal modules, liquid cooling thermal systems, thermoelectric cooling chip modules, thermosyphon radiator case, and various thermal elements and heat management solutions. In addition, for thermal elements, we further verified the new materials and introduced new crafts and new technologies to reinforce product structures and radiating effects, which effectively satisfies the requirement of small-sized, slim and light electronic products with the maintenance of high-speed processing functions at present.

As the technical threshold for the design of thermal modules is relatively higher, the Company possesses solid R&D innovation and technology capacity, owns multiple thermal patents, supplies high-performance calculation server platforms of Intel/AMD/IBM CPU and NVIDIA/AMD/Intel GPU, and is consistent with the thermal solutions on the cloud data central standard platform of OCP. Due to outstanding technologies and manufacturing strength, thermal companies in Taiwan hold a material role in the global industry chain. Based on different requirements, the Company provides comprehensive thermal modules and thermal solutions and integrates self-owned plants for production adjustment to ensure the quality of products and delivery on time. The Company adheres to the positioning of a highly customized service supplier. We not only grasped crucial technological and manufacturing advantages but also took the preemptive opportunity to launch a full production line in the 5G market; we became the optimal choice for cooperation for major large-scale companies at home and abroad and gained adoption and recognition from multiple international brands, representing the highly competitive strength maintains by the Company.

B. Connector products

Connectors refer to connecting elements and auxiliary accessories used for electronic signals and power in general. Connectors are the bridge between all signals; the quality not only affects the reliability of current and signal transmission but also influences the operating quality of the whole electronic machine. The Company primarily supplies card readers, I/O transmission connectors, and tray accessories; their market applications include computers and peripherals, consumer electronic products, and netcom equipment.

However, 3C electronics have short cycles and are replaced rapidly; in the future, small size, sensitivity and reliability, wireless transmission, intellectualization, and functional integrations will become the development trends. In addition, the EU passed a law to unify the interface of consumer electronics last year, and measurements are being adopted to initiate the specification conversion to use Type-C (with high charging efficiency and data transmission bandwidth) as the interface. The Company has invested in the self-owned design of Type-C and commended automated production in the early stage, and has shipped to large-scale companies of laptops, power bank, earphones, and connecting wire brands. For non-3C products, we focus on exploring the market of industrial computers, medicine, and automobiles of high-added value to improve our market share. In recent years, even though the connector industry faces competition from emerging Chinese companies, the Company continues to respond to customers' requirements to adjust the designs, improve processing procedures, and maintain the quality and stability of products leveraging on its experience in the connector industry for over 30 years and the production layout in the Mainland.

(III) Research and Development

1. Technical level of the scope of business

Under the effects of globalization, the Company cooperates with domestic and foreign customers to understand the market demand with a target of becoming the leading company within the industry. The Company has established its own core value at an early stage, upgraded to ODM or JDM development step by step due to its professional OEM team, and accumulated considerable technical experience to satisfy the diversifying application fields. The Company carries out element connection design and the complicated part and component assembly and integration by way of projects, proposes solutions or technical supports to keep abreast of the real-time development of downstream application markets and provides rapid development and flexible response capacity of products. Meanwhile, we make use of individualized services to provide customized products of special specifications, are able to jointly develop new products by allying with customers, and provide diverse products and technical services to serve as the foundation for expanding our global operations and long-term development.

2. R&D overview

Thermal modules are the main products of the Company; with the compounding increase in heat flux of electronic products, the application of cooling fins has reached its functional limit; therefore, new thermal elements (heat pipes, VCs, and thermosyphon), and thermal designs (liquid cooling system, die-casting box, and the combination with thermoelectric cooling chip) were developed. With real-time R&D efficiency, we launched solutions for new-generation CPUs in accordance with the development schedule of Intel, AMD, NVIDIA, and other major chip companies. Furthermore, we continued to provide customized thermal solutions and countermeasures for response and support regarding the OCP standard platform adopted by the cloud data center. For connector products, due to the slim and light trend of 3C devices, I/O ports and memory card sockets were removed from laptops, and the application development of its design structure turned to low-height, minor pitch, multi-pins, high frequency and high-speed; therefore, the latest SD7.0/MicroSD7.1 memory

card connectors, USB4.0 Type-C connectors, and drawer-type SIM card readers with trays made by introducing MIM procedures were developed. The Company has been operating in the industry for years, possesses a professional R&D team with in-depth capacities, and has accumulated multiple R&D achievements and product/technology patents. The Company works closely with the upstream and downstream of the industry, is familiar with industrial development, production technologies, and market trends, and continues to launch products that align with the market demand, standing out from the competition.

3. R&D expenses invested in the most recent year and up to the publication date of the annual report

Unit: NT\$000'

Year	R&D expenses	Net operating revenue	Ratio of R&D expenses to net operating revenue
2022	177,758	4,568,318	3.89%

Source: Financial statements audited or reviewed by CPAs.

4. Technologies or products successfully developed

Year	R&D achievements
2018	Complex VC unit
	Flat heat pipes with compounded capillary materials
	Card reader
	Card-reader device with clip structure
	Partial VC
	VC using capillary structures and embossments to form liquid and vapor channel
	Loop heat pipe with separate vapor channel and liquid channel
	Manufacturing method of VC with no degassing channel
	VC with channels formed by a ridged interior
	A type of water-proof connector
	A type of mixed connector
2019	Loop heat pipe with partial capillary materials at the condensation section
	Loop heat pipe with liquid elastic tube
	Loop VC
	Fixture for fin radiator
	Thermal device used when there is no forced convection
	A type of connector suction structure
	A type of connector compatible with USB Type Connector
2020	Card-reader with the function to detect the category of memory cards
	VC having internal support with through holes
	Anti-gravitation compounded VC, radiator, and electronic product with forced diversion
	Radiators and electronic products with forced diversions in multiple areas
	Electric connector contact
	Electric connector contact, SD card, and electronic product
2021	Electronic card tray
	Combination of electronic card and thermal modules
	Electric connector structure
	Tray structure used in electronic cards
2022	SD 7.0 /MSD 7.1 / SD 8.0

(IV) Long-term and Short-term Development

1. Short-term development

- A. For PCs, we will continue to explore the high-end business, gaming, and educational PCs to adjust our portfolio. Accelerate to align with the customers' development and mass production shipping schedule, establish a full product line, and provide new technologies and new products to customers in due course.
- B. Actively focus on new generation applications, expand the development in non-PC markets, and improve the market share in EV, cloud data center, 5G communication, IoT, industrial control and other fields.
- C. Reinforce our production efficiency, reduce costs, and improve our order-taking capacity with a pre-condition of retaining profits that the Company deserves. Stabilize long-term supply chain relationships, reasonably control the procurement prices of raw materials and parts and components; flexibly adjust the optimized output of our production plants to meet the delivery schedule; improve the production efficiency and yield by using semi-automated or automated assembly equipment, mechanical arms, and automated carriers of our own design.
- D. Realize an organizational structure focusing on profits, high efficiency, and economies of scale. Under the independent operations and self-borne gains and losses required under the profit-centered system, the business groups will attach greater attention to efficiency and costs, avoid organizational rigidity and bureaucracy, focus on development fields of advantages, and accumulate technical experiences to improve R&D and production efficiency, achieving the benefits of economies of scale.

2. Long-term development

- A. Focus on R&D innovation capacity, keep abreast of industry development, secure preemptive opportunities for market layout, take the lead in launching optimal design, manufacturing, and solutions among competitors, and develop high-end and high-added value products to maintain the long-term core competitive strength of the Company.
- B. Improve our operating efficiency, enhance the closed horizontal and vertical integration of business departments within the Group, share market and technological information, and integrate relevant parts and components and products through cross-plant resource integration and centralized procurement to fully exert the effects of economies of scale and improve the production efficiency and upstream and downstream engagement.
- C. Continue to expand the Company's products and scope of business, deeply root the protection of our crucial technologies and patents, observe market trends, and plan for R&D strategies and product development routes to improve our profits and customer engagement so as to continue investing in new development opportunities and momentum for business growth.
- D. Adhering to the business philosophy of professional technologies, high quality, and ethics and implementing the service spirit of customer satisfaction, the Company will combine the forces of the Group to optimize the management system, reinforce the financial structure and corporate nature, actively cultivate talents, and seek corporate growth and joint prosperity and co-existence with the environment and society. Meanwhile, focus on our corporate governance and duly fulfill our corporate social responsibility, building a favorable corporate image.

II. Market and Sales Overview

(I) Market analysis

(1) Sales region of major products

The major scope of business is divided into two major categories of radiators and connectors, and the major sales region in the most recent two years is set out in the following table:

Unit: NT\$000'

Year		2021		2022	
		amount	Ratio (%)	amount	Ratio (%)
Overseas sales	Europe	36,355	0.73	26,997	0.59
	Asia	4,721,825	94.85	4,102,284	89.80
	America	105,953	2.13	157,385	3.44
Domestic sales		114,148	2.29	281,652	6.17
Total		4,978,281	100.00	4,568,318	100.00

(2) Market share

In the past, the thermal industry focused on consumer electronics, and PC, NB, smartphone, and other product lines have matured; facing the increasing competitive pressure from China, automotive and server markets have become the field of competition between thermal companies. As compared to PCs and smartphones, the server supply chain remains primarily occupied by Taiwanese companies, accounting for 90%; therefore, the chances to enter the supply chain are relatively higher. EVs and self-driving vehicles have also broken through the fixed supply system of traditional vehicle companies, bringing new opportunities for automotive radiating.

The Company continues to make arrangements for servers. With the improvement in the calculation capacity of server processors, the radiating demand surged, and together with the evident growth momentum of servers, the level of dependence on thermal companies will only increase. For automotive radiating, given the years of relationships with our customers, with the shipping volume of EVs in China increases, the automotive radiating demand will rise, and the increase in revenue of relevant automotive products that is driven by the focus on the thermal system of the central control is beneficial for the continual growth of our performance.

(3) Market Analysis of Major Product Categories

The pandemic accelerated the digital transformation, rapid changes in industries, and the diverse applications of technological products, which further expedited the restructuring and adjustment of the supply chain ecology of industries; diverse supply channels were built to spread risks and distributed production, and regional manufacturing systems were developed so as to further reinforce the operating model of digital platforms. Meanwhile, such circumstances also facilitate industrial upgrades with a focus on high-added value application fields, participation in emerging industries, and establishing international cooperative R&D systems, and

further create new opportunities for market segregation and industry transformation.

Taiwanese companies have higher market shares in the thermal and connector industries. The advances in AI and the constant progress of 5G, cloud, IoT, industrial control, EVs, and automotive represent that the demand for high-speed calculation, wireless, and remote is driving the upgrade of product performance, and various thermal solutions were developed therefor, and such circumstances drove the significant growth in thermal elements. The Company has long been focusing on thermal technology development and product applications; apart from securing large orders in the 3C industry, it also expanded its production line to servers, data centers, 5G base stations, communication and CPE, EV power systems, IoT/V2X devices, medicine, industrial, and other diverse application patterns. Based on the global technological development trend, the Company continues to develop and provide new generation compatible thermal solutions and niche products and improve its production scale, and in turn, expands its market share and improves its profitability.

(4) Competition niche

A. Professional R&D and design teams that develop crucial technologies with market insights

The Company possesses over 20 years of practices based on its in-depth R&D capacity and has developed over a thousand thermal module solutions; it has long been pursuing technological innovation and new material development to improve the added value of products. The Company has been operating in the industry for years; it works closely with the upstream and downstream of the supply chain, is familiar with industrial development, production technologies, and market trends, and grasps the crucial technologies for thermal elements to launch new generation product solutions in time. It has built irreplaceable customer satisfaction, stably maintains its highly competitive advantage, holds a leading position in the market share, and records performance growth.

B. Provide diversified products and own long-term stable cooperative relationships with international customers

C. The Company has been focusing on the field of electronic product parts and components and thermal modules for years and possesses comprehensive thermal management product lines and production experiences for PC, handheld devices, servers, cloud computing, wireless communication equipment, high-performance calculation, and emerging applications. As customers deeply recognize our product quality and technologies, our sales targets are primarily major companies that are internationally renowned; the Company possesses a favorable cooperative understanding and a high level of trust with them to set a favorable foundation for the business expansion of the Company, and such relationships are also beneficial for new product development and securing new customers.

D. Self-developed crucial element technologies and highly vertically integrated manufacturing capacity

Given the rapid development of 5G, e-commerce, and cloud computing, the demand for servers, data centers, and communication equipment has also increased steeply. High-performance NB, gaming products, IoT devices, AI, and other emerging applications require thermal elements of higher efficiency to

assembling thermal modules for the improvement in radiating effects. The Company independently develops and produces major thermal elements, including the heat pipes, VCs, and roll-bond chambers, grasps crucial technologies to respond to the upstream and downstream vertical integration of thermal modules, continues to invest in procedure and yield improvement, and joins hands with raw material and part suppliers to achieve resource integration, cost reduction, and maintenance of the high-quality.

E. Flexible adjustment to operations via the global division of labor model

The headquarters of the Company has built a cross-region resource-sharing platform to effectively integrate market information and R&D cases and provide real-time solutions for products required by customers. It established a new manufacturing center in Taiwan and allocated the production of different production lines based on the manufacturing advantages of different places. It has accumulated multiple and sufficient cooperative supply chains to gain cost competitiveness and flexibly adjust its production operations. The Company makes arrangements for its global sales and service joint network with flexible development venues to provide real-time technologies to customers.

(5) Favorable and unfavorable factors in development prospects and solutions

A. Favorable factors

(1) The wave of AI development and the demands for radiating brought by high performance and high energy consumption

In light of the popular discussions about the combination of AI with different fields of applications, relevant investments increased significantly, and the digital transformation demand of enterprises will increase in the long run; due to the continual development of EV and automotive, IoT, industrial control and other technologies, high performance and high energy consumption CPUs will rapidly drive the demand for equipment and elements, and the demand for thermal solutions will also be increasing; the thermal industry will maintain a trend of strong growth in the following years.

(2) Continue to develop innovative technologies and diverse products based on its solid R&D and design capacity

The application of the Company's products includes computers and 3C products, servers, high-performance calculation, communication and network equipment, automotive electronics, AIoT applications, medicine and industry, and other extensive product items. It possesses extensive experience and solid capacity in terms of design and R&D, technology and crafts, and development schedule management. The Company utilizes the latest computer modulation technologies, with the complementation of various functional testing instruments, to strive for R&D innovation regarding procedures, quality improvement, and products. With over a thousand important patent items approved at home and abroad, we obtained recognition from multiple domestic and foreign major well-known international companies, showing the R&D capacity of the Company and the recognition of excellent product quality by customers.

(3) Radiating function has become the key to new technology development

From PC to NB, servers, and other high-performance calculations, new electronic applications have been emerging. Facing the new generation major industry trends of upgrading from 4G to 5G, establishment of cloud and data centers, AIoT end commercial devices, self-driving, and EVs, high performance and multi-function electronic products that require more embedded IC elements and modules within the limited space become the trend; therefore, the heat generation and power consumption also increased rapidly, and radiating has become the crucial consideration for product performance, reliability, and useful life; favorable radiating functions will ensure the stability of hardware equipment operations and high-speed data transmission. Given the trend of high specification of electronic products, the design and production capacity for heat pipes, VCs, roll-bond chambers, and other thermal elements has become more important; therefore, the demand for radiating will continue to grow, and in turn, help the stable growth and development of the Company's products and operations.

(4) Professional division of labor with the integration of R&D capacity and production capacity to exert the overall synergies

To advance the professional fields and operating efficiency of business departments and production areas within the Group, the headquarters takes the lead in reinforcing the integration of resources of the Group and strategic partners, effectively implementing the vertical integration of relevant upstream and downstream part and component supply chain to improve its overall competitive strength, and expands horizontally to relevant products and services to seek new markets and new opportunities. In addition, in response to the effects of the US-China trade war, the Company has newly established a manufacturing center in Taoyuan, Taiwan, for the dispersion of risks. We have continued to integrate the upstream, midstream, and downstream resources across regions to carry out resource adjustment and allocation of production bases to achieve economies of scale. We utilized our excellent price negotiation ability, flexibility, and self-procurement to control our costs, fully exerting the overall operating synergies to secure customer satisfaction and the leading position in the market.

B. Unfavorable factors and solutions

(1) Price competition initiated by new companies that intensified the market competition

Electronic products have been developed for a long time, and the procedures of electronic connectors and radiators are relatively mature; therefore, there are many competitors. Furthermore, under the effects of price competition initiated by the merging Chinese companies, the differences in quality resulted in intense market competition.

Countermeasures: Keep abreast of industry trends and preemptive market opportunities, accelerate the exploration of new customers and the development of diverse product lines, and continue to develop and launch new products with high added value. Adopt effective production management, actively improve production technologies and procedures, complemented by planned production

and introduction of automated equipment, to reduce production costs, develop substitute technologies or low-price materials. Analyze the changes in gross profits of product lines to adjust and allocate production bases and ratios.

- (2) Procurement and inventory management are required to be reinforced due to the volatility in prices of raw metal materials

Facing the unstable political development in the copper-producing countries, acceleration of lockdown release in China, and other factors, the international copper price may further fluctuate, and thermal companies are concerned about the stability of supply.

Countermeasures: The Company has raw material suppliers of long-term cooperation and maintains strategic partner relationships to introduce a list of prioritized suppliers to secure the price negotiation spaces. Meanwhile, the Company actively integrates the production scheduling of various production lines within the Group, adopts concentrated procurement and planned production, lengthens the material preparation cycle of suppliers, and improves the procurement volume to achieve optimized procurement efficiency. Moreover, we negotiated with customers for the reasonable pricing of products moderately in the hope of creating joint prosperity and securing our market share.

- (3) Risk of international currency fluctuation affects our overall profits

The marketing markets of the Company are primarily China, Europe, the U.S., and other overseas regions, and the sales of products to customers are mostly calculated in USD; given the difficulties in controlling the variables of international currency risks, our operating income and profits are affected.

Countermeasures: The Company has established a dedicated department to collect information related to currency fluctuation, keep abreast of the changes and trends of currencies at all times, and updates the current value of currencies instantly to serve as the sales department's reference for selling price adjustment, for the benefit of reflecting costs and avoiding losses; the Company may engage in forward exchange to avoid risks when necessary.

(II) Production Procedures of Main Products

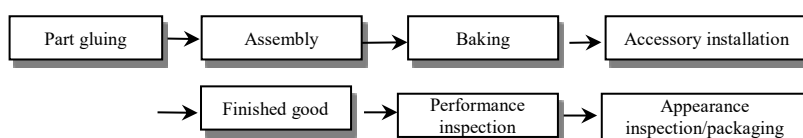
1. Major Products and Their Main Uses

Main product	Use description
Radiator product	<p>Connector products are majorly used in PCs, industrial computers, workstations, servers, storage equipment, data centers, peripheral computer equipment, LED-related products, wired/wireless communication and network equipment, new energy EVs, automotive and automotive electronics, transportation and IGBT-related industrial application products, as well as projectors, game machines, smartphones, tablets, drones, smart wearable devices, and other consumer products.</p> <p>The product category of the Company covers:</p> <ol style="list-style-type: none"> 1. Radiator (heat sink + fan) 2. Thermal modules (heat sink + heat pipe)

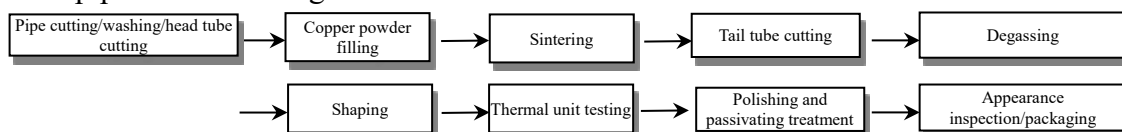
Main product	Use description
	3. Heat pipe 4. Vapor chamber 5. Cole plate & liquid cooling system 6. Roll-bond chamber + semi-solid die-casting piece (thermosyphon-assisted enclosure)
Connector product	Connectors of the Company may primarily be used in computers, communication, information, and consumer electronic industries and used for TVs, laptops, tablets, printers, STBs, smartphones, 5G Smart Hub (portable Wi-Fi router), and other products. The product category of the Company covers: <ol style="list-style-type: none"> 1. Memory card-reader and sim card reader 2. USB2.0, USB3.0, USB Type-C, and USB Cable 3. Reader module 4. Memory card adaptor

2. Major Products and Their Production Processes

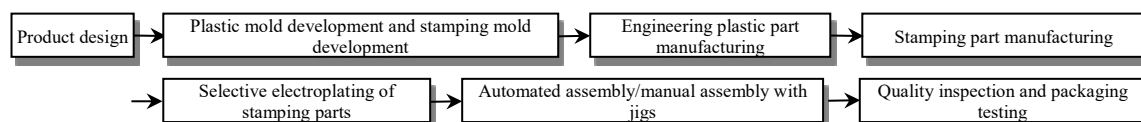
A. Thermal module assembly



B. Heat pipe manufacturing



C. Connector manufacturing



(III) Supply Status of Main Materials

Main product	Major raw material	Source of Supply	Supply Situation
Radiator	Fans, cooling fins, clips, and copper tubes	Domestic and foreign suppliers	Favorable
Connector	PIN, hardware, plastics, PCB, and IC	Domestic and foreign suppliers	Favorable

(IV) Major Suppliers and Clients

1. Major Clients in the Last Two Calendar Years

Unit: NT\$000'; %

Item	2021				2022			
	Title	amount	Percent (%)	Relation with issuer	Title	amount	Percent (%)	Relation with issuer
1	Company A	892,364	17.93	Non-related party	Company A	896,161	19.62	Non-related party
2	Company B	513,450	10.31	Non-related party	Company B	553,806	12.12	Non-related party
3					Company C	489,770	10.72	Non-related party
	Others (Note)	3,572,467	71.76		Others (Note)	2,628,581	57.54	
	Net sales	4,978,281	100.00		Net sales	4,568,318	100.00	

Note: When the sales to a single customer during the year fail to reach 10% of the sales amount of the Company or above, the customer is included in others.

Products of the Company are extensively used in computer systems and their peripheral equipment and consumer electronic information products; in recent years, the application extended to servers/data centers, the communication industry, and automotive products. However, the pandemic impacted global economic activities. Due to the slowdown of 5G infrastructure construction in China, interruption of the supply chain and slowdown of economic growth, the overall sales in 2022 reduced by 8.24% from the preceding year. With our technology R&D capacity accumulated over the years, the Company has been actively exploring diverse applications and selecting products with growth potentials and stable profits; together with our long-term relationships with customers, the Company will continue its growth momentum and obtain orders from renowned large-scale companies and jointly develop new products.

2. Major Suppliers in the Last Two Calendar Years

Unit: NT\$000'; %

Item	2021				2022			
	Title	Amount	Percent (%)	Relation with issuer	Title	Amount	Percent (%)	Relation with issuer
1	Company A	566,305	18.74	Non-related party	Company A	536,390	19.97	Non-related party
	Others (Note)	2,454,959	81.26	Non-related party	Others (Note)	2,149,514	80.03	Non-related party
	Net purchase sales	3,021,264	100.00		Net purchase sales	2,685,904	100.00	

Note: When the purchase from a single supplier during the year failed to reach 10% of the purchase amount of the Company or above, the customer is included in others.

Major products of the Company include radiators and connectors; the major raw materials are contacts, plastic particles, iron casing, copper aluminum alloy, metal parts, fans, and various categories of materials, and the supply of raw materials is primarily produced for the modules being developed and designed based on the specifications of the product. To seek stable product quality, the Company cooperates with contractors with long-term cooperation to develop molds and engage the contractors to produce the model supplies of raw materials required. Also, there are multiple suppliers for a single raw material; as the sources are dispersed, it is unlikely to have supply interruption and shortage. Therefore, the supply status of purchases of the Company in the most recent two years maintained stable, and the changes are reasonable.

(V) Production in the Last Two Years

Unit: NT\$000'; thousand pcs

Year	2021			2022		
	Capacity	Quantity	Value	Capacity	Quantity	Value
Total	-	104,624	2,814,466	-	57,016	2,205,278

Source: Provided by the Company.

Note: Heavy machinery and equipment are primarily used to produce heat pipes and plastic parts (finished goods). As the procedures for each product have slight differences, and the backend assembly work is mostly outsourced for processing, manual assembly, or by semi-automated equipment, and other flexible manufacturing; therefore, the general production capacity cannot be specified.

(VI) Shipments and Sales in the Last Two Years

Unit: NT\$000'; thousand pcs

Sales volume and value Major product	Year	2021				2022			
		Local		Export		Local		Export	
		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Connector		1,673	21,621	94,051	1,054,249	928	14,117	65,594	902,104
Radiator		201	92,527	61,134	3,809,884	358	139,002	40,744	3,513,095
Total		1,874	114,148	155,185	4,864,133	1,286	153,119	106,338	4,415,199

III. Number of employees in the most recent two years

Unit: person; year

Year		2021	2022	As of March 31, 2023
Number of employees	General employees	781	573	538
	Direct employees	1,367	801	721
	Total	2,148	1,374	1,259
Average age		31.60	35.24	35.93
Average years of service		3.83	4.65	5.02
Education	Ph.D.	0.05%	0.07%	0.08%
	Master	1.35%	1.67%	1.75%
	Bachelor's Degree	17.46%	22.49%	22.88%
	High school	19.09%	28.02%	30.18%
	Below high school	62.05%	47.75%	45.11%

IV. Environmental Protection Expenditure

- (I) According to laws and regulations, if it is required to apply for a permit for installing anti-pollution facilities, or for pollution drainage, or to pay anti-pollution fees, or organize and set up an exclusively responsible unit/office for environmental issues, the description of the status of such applications, payment or establishment shall be made: None.
- (II) Set out the investment in the major anti-pollution facilities, the use purpose of such facilities, and the possible effects to be produced: None.
- (III) Describing the process undertaken by the Company on environmental pollution improvement for the most recent two years and up to the publication date of the annual report. If there had been any pollution dispute, its handling process shall also be described: None.
- (IV) Describe losses (including compensation) that occurred to the Company due to environmental pollution and the total punishments imposed in the most recent two years and up to the publication date of the annual report and disclose the future countermeasures (including improvement measures) and potential expenditures (including the estimated amount of losses, punishments, and compensation that may occur for not adopting countermeasures; if the amount cannot be reasonably estimated, please describe the fact for the inability to make reasonable estimates): None.

- (V) Describe the losses that occurred to the Company due to environmental pollution and the total punishments imposed in the most recent two years and up to the publication date of the annual report and disclose the future countermeasures and potential expenditures: None.

V. Labor Relations

(I) Employee welfare

Valuing its employees, the Company has created a happy workplace and established a labor-capital relation of mutual trust and joint prosperity. The Company not only provides diverse and comprehensive welfare measures but has also established its Employee Welfare Committee on 1 May 1999 to complete the Company's welfare system. The existing employee welfare measures include:

1. Friendly workplace
 - (1) Adopt flexible working hours for employees to arrange their schedule and care for their family and leisure life.
 - (2) Provide taxis contracted with the Company to transport employees who get off work at night.
 - (3) Provide health inspections more favorable than laws and regulations to spare no effort in protecting the health of our employees and their family members.
 - (4) Provide family care leave and nursery leave without pay other care as meets employees' requirements.
 - (5) Provide ground coffee and tea bags all day to make employees feel comfort and warmth, just like being at home.
2. Warm benefits
 - (1) Bonuses for year-end, three material Chinese festivals, and birthday
 - (2) Patent bonuses, seniority bonuses, maternity, marriage, bereavement, celebration subsidies, hospitalization money and retirement bonus
 - (3) Provide various featured festive gifts for Chinese New Year and festivals to allow employees to enjoy warm festivals with their family members.
 - (4) Offer gifts, leisure uniforms, caps, luggage, and thermal and mugs from time to time to enrich the workplace life of employees.
 - (5) Organize diverse employee activities (i.e., year-end parties, sports competitions, company trips, Christmas events, and department gatherings).
3. Diversified subsidies
 - (1) Travel subsidies.
 - (2) Educational training subsidies.
 - (3) Sales personnel are entitled to a parking space (fee) subsidies, fixed-amount mobile charges subsidies, vehicle allowance, and fuel charges subsidies.
4. Insurance protection
 - (1) The Company registers employees for inclusion in the labor insurance according to the law.
 - (2) Employment insurance.
 - (3) Labor occupational disaster insurance.
 - (4) National Health Insurance.
5. Leave system
 - (1) Provide a leave system more favorable than laws and regulations.
 - (2) Provide family care leave and nursery leave without pay to protect the care

requirements of employees and a healthy working environment.

(II) Workplace environment

The Company implements care for employees with respect to employee safety, environmental health, and occupational health to provide a worry-free and healthy workplace to all employees.

1. Employee safety

- (1) The Company has established its “Workplace Health and Safety Rules,” “Rules for Occupational Safety and Health Management,” “Occupational Safety and Health Management Plan,” “Automatic Inspection Plan,” and other regulations and implements them accordingly.
- (2) The Company implements building public safety inspections every two years to ensure the safety of buildings.
- (3) The Company carries out fire safety equipment inspection and maintenance or relevant declarations each year to ensure fire safety.
- (4) The Company organizes fire safety exercises or relevant educational training at least once a year to improve the workplace disaster prevention response abilities.
- (5) Offices have access control, CCTV, and security systems, and there are securities performing patrol inspections to fully protect employees’ safety.

2. Environmental health

- (1) The Company regularly performs patrol inspections for water dispensers each month, changes filter every three months and carries out tank cleaning and maintenance to protect the hygiene of employees’ drinking water.
- (2) The Company employs dedicated cleaning staff for the sanitization and cleaning of office environments; professional institutions are engaged to perform carpet and A/C cleaning and maintenance each year to keep a healthy and comfortable environment.

3. Occupational health

- (1) The senior management has executed the “Written Declaration for the Prevention of Workplace Illegal Infringement” to openly announce our zero-tolerance toward workplace illegal infringements.
- (2) The Company has established the “Prevention Plan for Ergonomic Hazards, “Prevention Plan for Diseases Arising from Abnormal Word Load,” “Prevention Plan for Illegal Infringement When Executing Duties,” “Workplace Maternal Health Protection Plan,” “Workplace Sexual Harassment Prevention Methods,” and other hazard prevention plans and implements them accordingly.
- (3) The Company contracts with professional medical practitioners to provide on-site health services and promotes “occupational disease prevention,” “health improvement,” and relevant operations based on the four major plans of labor health protection.
- (4) The Company implements new employee physique inspections according to the law and regularly organizes employees’ health inspections that are more favorable than laws and regulations to comprehensively care for employees’ health through the follow-up management system of the on-site health services.
- (5) The Company provides ergonomic chairs for all employees and provides monitors over 24 inches, allowing employees to work comfortably, which effectively

minimizes ergonomic hazards.

- (6) Implement comprehensive pandemic control measures and implement employees' health protection.
 - A. Alcohol, masks, thermometers, test kits, and other pandemic control supplies are fully furnished in office environments.
 - B. The Company adopts pandemic control care leave, vaccination leave, and pandemic control isolation leave and implements work from home, shifts, and other pandemic control measures in response to the development of the outbreak.
 - C. Complies with national pandemic control policies and carries out pandemic control promotions to all employees from time to time.

(III) Employees' remuneration policy

1. Salary adjustment system

The Company carries out salary adjustments based on the operating status and employees' performances each year, with reference to external macroeconomic development, salaries within the industry, and other factors, to retain employees and encourage them to exhibit their greatest potential through constant learning, co-exist and enjoy joint prosperity with the Company.

2. Salary and reward system

According to the requirements under Article 20 of the Articles of Incorporation, "if there is any profit for the year, the Company shall appropriate 3% as remuneration of employees." For the distribution standards, apart from measuring the level of contributions to the profits of the Company of different business departments, salaries are also adjusted with reference to the performance evaluation and seniority of employees so as to provide incentives to all employees to jointly create a favorable operating performance, share in the operating achievements, and achieve mutual benefits and labor-capital harmony.

(IV) Retirement system

1. Retirement pension appropriation

The Company appropriates 6% as labor retirement pension to employees' individual accounts each month based on the requirements in the "Monthly Contribution Classification of Labor Pension" in accordance with the Labor Pension Act.

2. Qualification for retirement pension

If an employee of TaiSol fulfills any of the following requirements, it may apply for retirement, or a compulsory retirement may be performed:

(1) Self-applied retirement

- i. An employee who has provided services for the Company for 15 years or above and has reached the age of 55.
- ii. An employee who has provided services for the Company for 25 years.
- iii. An employee who has provided services for the Company for 10 years or above and has reached the age of 60.

(2) Compulsory retirement

- i. An employee who has reached the age of 65.
- ii. An employee who is not capable of work due to physical or mental disabilities.

(V) Talent cultivation

We are convinced that "employees" are crucial assets of the Company; continual talent

cultivation is a material strategy to improve employees' skills and service quality. Therefore, we have established relevant educational training methods and organized different categories of training to constantly improve employees' know-how and management skills in accordance with the short-term, mid-term, and long-term development plans.

(VI) Labor-capital agreement

All labor-capital measures of the Company are subject to the requirements of relevant laws and regulations, and the Company provides multiple channels for employees to reflect their opinions to improve labor-capital harmony; by doing so, the Company can understand the opinions of employees regarding the management system, leadership of directors, welfare system, and working environments. Furthermore, the establishment or amendment to material labor-capital systems shall be fully negotiated between both parties before being implemented; therefore, we have a harmonious labor-capital relationship.

(VII) Labor-capital agreements and measures to maintain employees' interest

The Company regularly convenes labor-capital meetings according to the requirements under Article 83 of the Labor Standard Act. Measures related to labor-capital relations are fully negotiated and communicated between both parties; therefore, there is no dispute.

(VIII) Any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to labor disputes (including labor inspection results found in violation of the Labor Standards Act, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions):

All labor-capital measures of the Company are subject to the requirements of relevant laws and regulations, and the Company provides multiple channels for employees to reflect their opinions to improve labor-capital harmony; by doing so, the Company can understand the opinions of employees regarding the management system, leadership of directors, welfare system, and working environments. Furthermore, the establishment or amendment to material labor-capital systems shall be fully negotiated between both parties before being implemented; therefore, we have a harmonious labor-capital relationship, and there is no labor-capital dispute.

VI. Cybersecurity management

(I) Describe the cybersecurity risk management structure, the cybersecurity policy, the specific management plan, and the resources invested in cybersecurity management:

1. Establish a domain to control all hardware resources. Unauthorized computer equipment may not log in to the domain and may not come into contact with any internal software/hardware or document.
2. Users may enter the intranet system after being verified. Complicated inputs that are recommended by Microsoft for the control of user passwords are adopted, and users shall regularly change their passwords every three months.
3. For the authority of users. Minimum authority is granted based on the actual requirements; users cannot access unauthorized data.
4. For guest network. We provide Wi-Fi services that are independent of our intranet; guests cannot access our internal resources or documents.
5. For internal virus attack. Anti-virus software is installed on all computers, and the virus patterns are updated concurrently. Anti-virus software gives rise to two lines of defense.

- (1) First line of defense: Attachments to e-mails and programs downloaded by users are screened by the anti-virus software to effectively find Trojan viruses and blackmail viruses.
 - (2) Second line of defense: If there is any neglected virus, the sandbox of the anti-virus software will keep the virus within the user's computer without further spread.
6. For external attacks (i.e., DDoS).
- (1) Engage ISP for protection; questionable external access would be blocked at this stage.
 - (2) External access that is not blocked would be detected and rejected by our self-built firewalls.
7. Due to the everchanging methods of hackers and online attacks, the IT Department of TaiSol will examine new attacking patterns from time to time and update our software, hardware, and other equipment when necessary.
8. For the usability of system services, TaiSol adopts virtual technologies. For any service closed due to mainframe anomaly, virtual technologies allow the system to re-run the services in short. If there is any hardware damage, there are also remote mainframes available. A remote mainframe may also provide services online within ten minutes.
9. For recovery after disasters, intensive backup is adopted for material databases, files, and other resources, and the backup location includes local backup and remote backup that is stored on the cloud. Azure services of Microsoft are adopted for remote backup.
10. In general, for the usability of the abovementioned system, the descriptions from accident to severity are as follows:
- For accidental shutdown, the virtual software would immediately re-run the services.
- For hardware damage, the parallel backup mainframe would provide services.
- For hardware recovery, local backup would recover the data and services.
- For severe accidents, remote backup would recover the data and services.
- (II) List any losses suffered by the Company in the most recent year and up to the publication date of the annual report due to significant cybersecurity incidents, the possible impacts therefrom, and countermeasures; if the amount cannot be reasonably estimated, please describe the fact for the inability to make reasonable estimates: There was no material cybersecurity event during the year.

VII. Important contracts

At present, apart from the financing contracts with banks that we transact with, there is no supply/sales contract, technical cooperation contract, engineering contract, or any material contract that may affect investors' interest. The major content of relevant material contracts is as follows:

Agreement	Counterparty	Period	Major Contents	Restrictions
Plant lease	DongGuan TaiSol Electronics Co., Ltd.	2019.01.16-2024.01.15	1. The leasing period is five years 2. The lessor shall propose the written renewal three months before the expiry of the leasing period	None
Plant lease	Xu Duo-Rong	2018.04.01-2023.03.31	1. The leasing period is five years 2. The lessor is entitled to the preemptive rights to rent upon the expiry of the leasing period	None

Agreement	Counterparty	Period	Major Contents	Restrictions
Royalty contract	Company A1	The contract was entered into on May 24, 2013 and became effective on April 1, 2013; the valid period is one year, and the contract will automatically be extended each year, unless a party proposes a formal written declaration to the other party three months before the termination of the contract	Use patent rights and pay royalties according to the requirements of the contract	None
Sales contract	Company A2	The contract became effective on May 19, 2009, and will automatically be extended each year, unless a party proposes a formal written declaration to the other party three months before the termination of the contract	<ol style="list-style-type: none"> 1. Payment collection method: T/T 2. Price calculation method: Establish according to the contract 3. Minimum sales amount: Not fixed 4. Regional restriction: Not restricted 5. Exclusive term: None 	Confidentiality term
Sales contract	Company A3	The contract became effective on April 16, 2018 with a period of five years; if no one proposes a written termination six months before the expiry, the contract will be extended for one year	<ol style="list-style-type: none"> 1. Payment collection method: T/T 2. Price calculation method: Establish according to the contract 	Confidentiality term
Commission contract	Company A4	The contract became effective on December 19, 2014; the contract continues to remain effective unless a party proposes a written termination 30 days in advance	<ol style="list-style-type: none"> 1. Payment collection method: T/T 2. Price calculation method: Establish according to the contract 	Confidentiality term
Procurement contract	Company A6	The contract became effective on December 3, 2019, the date of execution, with a valid period of three years; the contract will automatically be extended for three years upon the expiry, unless a party proposes a written termination three months before the termination date	<ol style="list-style-type: none"> 1. Payment method: Settled by month of 180 days; after the acceptance, the payment shall be made according to the payment method agreed upon by both parties 2. Price calculation method: Both parties shall negotiate and set the price based on the market development 	Confidentiality term
Procurement contract	Company A7	The contract became effective on 3 December 3, 2019, the date of execution, with a valid period of three years; the contract will automatically be extended for three years upon the expiry, unless a party proposes a written termination three months before the termination date	<ol style="list-style-type: none"> 1. Payment method: Settled by month of 180 days; after the acceptance, the payment shall be made according to the payment method agreed upon by both parties 2. Price calculation method: Both parties shall negotiate and set the price based on the market development 	Confidentiality term
Procurement contract	Company D1	The contract became effective on March 1, 2020, the date of execution, with a valid period of two years; the contract will automatically be extended for one year upon the expiry, unless a party proposes a written termination three months before the termination date	<ol style="list-style-type: none"> 1. Payment method: Settled by month of 120 days; after the acceptance, the payment shall be made according to the payment method agreed upon by both parties 2. Price calculation method: Both parties shall negotiate and set the price based on the market development 	Confidentiality term
Procurement contract	Company D2	The contract became effective on November 4, 2019, the date of	1. Payment method: Settled by month of 120 days; after the	Confidentiality term

Agreement	Counterparty	Period	Major Contents	Restrictions
		execution, with a valid period of two years; the contract will automatically be extended for one year upon the expiry, unless a party proposes a written termination three months before the termination date	acceptance, the payment shall be made according to the payment method agreed upon by both parties 2. Price calculation method: Both parties shall negotiate and set the price based on the market development	
Procurement contract	Company D3	The contract became effective on September 1, 2020, the date of execution, with a valid period of two years; the contract will automatically be extended for one year upon the expiry, unless a party proposes a written termination three months before the termination date	1. Payment method: Settled by month of 120 days; after the acceptance, the payment shall be made according to the payment method agreed upon by both parties 2. Price calculation method: Both parties shall negotiate and set the price based on the market development	Confidentiality term
Procurement contract	Company D4	The contract became effective on April 20, 2020, the date of execution, with a valid period of two years; the contract will automatically be extended for one year upon the expiry, unless a party proposes a written termination three months before the termination date	1. Payment method: Settled by month of 120 days; after the acceptance, the payment shall be made according to the payment method agreed upon by both parties 2. Price calculation method: Both parties shall negotiate and set the price based on the market development	Confidentiality term
Procurement contract	Company D5	The contract became effective on February 20, 2020, the date of execution, with a valid period of two years; the contract will automatically be extended for one year upon the expiry, unless a party proposes a written termination three months before the termination date	1. Payment method: Settled by month of 120 days; after the acceptance, the payment shall be made according to the payment method agreed upon by both parties. 2. Price calculation method: Both parties shall negotiate and set the price based on the market development	Confidentiality term
Procurement contract	Company D6	The contract became effective on February 14, 2020, the date of execution, with a valid period of two years; the contract will automatically be extended for one year upon the expiry, unless a party proposes a written termination three months before the termination date	1. Payment method: Settled by month of 120 days; after the acceptance, the payment shall be made according to the payment method agreed upon by both parties. 2. Price calculation method: Both parties shall negotiate and set the price based on the market development	Confidentiality term
Procurement contract	Company D7	The contract became effective on February 14, 2020, the date of execution, with a valid period of two years; the contract will automatically be extended for one year upon the expiry, unless a party proposes a written termination three months before the termination date	1. Payment method: Settled by month of 120 days; after the acceptance, the payment shall be made according to the payment method agreed upon by both parties. 2. Price calculation method: Both parties shall negotiate and set the price based on the market development	Confidentiality term

Six. Financial Information

I. Five Year Financial Summary

(I) Condensed balance sheet and statement of comprehensive income

(1) Consolidated Condensed Balance Sheet

Unit: NT\$000'

Year		Financial Summary for The Last Five Years (Note 1)				
		2018	2019	2020	2021	2022
Item						
Current assets		3,019,777	3,460,085	3,560,517	3,286,973	2,893,060
Property, plant and equipment (Note 2)		367,121	537,354	608,069	501,640	468,122
Right-of-use assets		-	181,112	121,899	98,755	61,511
Intangible assets		8,274	5,214	3,468	2,164	1,517
Other assets (Note 2)		129,867	148,564	94,709	146,420	131,256
Total assets		3,525,039	4,332,329	4,388,662	4,035,952	3,555,466
Current liabilities	Before distribution	1,917,102	2,206,581	2,304,953	2,165,070	1,575,229
	After distribution	2,020,880	2,389,695	2,463,053	2,296,932	Undistributed
Non-current liabilities		214,310	520,261	396,542	161,585	128,010
Total liabilities	Before distribution	2,131,412	2,726,842	2,701,495	2,326,655	1,703,239
	After distribution	2,235,190	2,909,956	2,859,595	2,458,517	Undistributed
Equity attributable to shareholders of the parent		1,393,627	1,605,487	1,687,167	1,709,297	1,852,227
Capital stock		864,820	872,090	878,283	879,081	879,081
Capital surplus		257,097	310,396	345,042	348,765	348,899
Retained earnings	Before distribution	314,435	497,066	537,716	567,065	702,680
	After distribution	210,657	313,952	379,616	435,203	Undistributed
Other equity interest		(42,725)	(74,065)	(73,874)	(85,614)	(61,180)
Treasury stock		-	-	-	-	(17,253)
Non-controlling interest		-	-	-	-	-
Total equity	Before distribution	1,393,627	1,605,487	1,687,167	1,709,297	1,852,227
	After distribution	1,289,849	1,422,373	1,529,067	1,577,435	Undistributed

*If the Company has prepared its individual financial report, it shall otherwise prepare the condensed individual balance sheet and statement of comprehensive income for the most recent five years.

Note 1: Please specify the years without CPA audits and certification.

Note 2: If the Company performs the revaluation of assets, the performing date and the revaluation appreciation amount shall be specified.

Note 3: As of the publication date of the annual report, if there is any latest financial data audited and certified or reviewed by CPAs of companies listed or with stocks listed on TWSE/TPEX for trading, such data shall also be disclosed.

Note 4: Please fill in the figures above referred to as "after distribution based on the resolution made at the annual shareholders' meeting in the following year.

Note 5: If the competent authority notifies the Company to correct or re-prepare the financial data, please set out the corrected or re-prepared figure and specify the circumstances and reasons.

Individual condensed balance sheet

Unit: NT\$000'

Item	Year	Financial Summary for The Last Five Years (Note 1)				
		2018	2019	2020	2021	2022
Current assets		1,296,842	1,470,022	1,813,940	1,787,067	1,536,358
Long-term investments by equity method		1,165,685	1,356,412	1,446,340	1,339,800	1,250,680
Property, plant and equipment (Note 2)		153,334	151,589	152,328	151,324	149,515
Right-of-use assets		-	4,081	5,602	6,551	4,725
Intangible assets		7,328	4,161	2,804	1,803	1,196
Other assets (Note 2)		96,034	62,350	45,023	62,571	84,799
Total assets		2,719,223	3,048,615	3,466,037	3,349,116	3,027,273
Current liabilities	Before distribution	1,111,286	1,032,169	1,447,588	1,512,277	1,050,238
	After distribution	1,215,064	1,215,283	1,605,688	1,644,139	Undistributed
Non-current liabilities		214,310	410,959	331,282	127,542	124,808
Total liabilities	Before distribution	1,325,596	1,443,128	1,778,870	1,639,819	1,175,046
	After distribution	1,429,374	1,626,242	1,936,970	1,771,681	Undistributed
Capital stock		864,820	872,090	878,283	879,081	879,081
Capital surplus		257,097	310,396	345,042	348,765	348,899
Retained earnings	Before distribution	314,435	497,066	537,716	567,065	702,680
	After distribution	210,657	313,952	379,616	435,203	Undistributed
Other equity interest		(42,725)	(74,065)	(73,874)	(85,614)	(61,180)
Treasury stock		-	-	-	-	(17,253)
Total equity	Before distribution	1,393,627	1,605,487	1,687,167	1,709,297	1,852,227
	After distribution	1,289,849	1,422,373	1,529,067	1,577,435	Undistributed

*If the Company has prepared its individual financial report, it shall otherwise prepare the condensed individual balance sheet and statement of comprehensive income for the most recent five years.

Note 1: Please specify the years without CPA audits and certification.

Note 2: If the Company performs the revaluation of assets, the performing date and the revaluation appreciation amount shall be specified.

Note 3: As of the publication date of the annual report, if there is any latest financial data audited and certified or reviewed by CPAs of companies listed or with stocks listed on TWSE/TPEX for trading, such data shall also be disclosed.

Note 4: Please fill in the figures above referred to as "after distribution based on the resolution made at the annual shareholders' meeting in the following year.

Note 5: If the competent authority notifies the Company to correct or re-prepare the financial data, please set out the corrected or re-prepared figure and specify the circumstances and reasons.

(2) Consolidated Condensed Statement of Comprehensive Income

Unit: NT\$000'

Item \ Year	Financial data for the most recent five years (Note 1)				
	2018	2019	2020	2021	2022
Operating revenue	3,459,839	4,669,367	5,257,058	4,978,281	4,568,318
Gross profit	703,497	1,097,765	1,063,082	883,375	872,984
Operating income	138,649	442,613	366,532	282,812	275,680
Non-operating income and expenses	25,757	(24,816)	(41,401)	(26,977)	90,375
Income before tax	164,406	417,797	325,131	255,835	366,055
Net profit of continuing operations	136,896	292,582	225,236	187,449	267,477
Losses from discontinued operations	-	-	-	-	-
Net income (Loss)	136,896	292,582	225,236	187,449	267,477
Other comprehensive income (income after tax)	(16,869)	(30,633)	(1,281)	(11,740)	23,179
Total comprehensive income	120,027	261,949	223,955	175,709	290,656
Net income attributable to shareholders of the parent	136,896	292,582	225,236	187,449	267,477
Net income attributable to Non-controlling interest	-	-	-	-	-
Comprehensive income attributable to Shareholders of the parent	120,027	261,949	223,955	175,709	290,656
Comprehensive income attributable to non-controlling interest	-	-	-	-	-
Earnings per share	1.80	3.38	2.58	2.13	3.05

*If the Company has prepared its individual financial report, it shall otherwise prepare the condensed individual balance sheet and statement of comprehensive income for the most recent five years.

Note 1: Please specify the years without CPA audits and certification.

Note 2: As of the publication date of the annual report, if there is any latest financial data audited and certified or reviewed by CPAs of companies listed or with stocks listed on TWSE/TPEX for trading, such data shall also be disclosed.

Note 3: Losses from discontinued operation may be presented in net after deducting income tax.

Note 4: If the competent authority notifies the Company to correct or re-prepare the financial data, please set out the corrected or re-prepared figure and specify the circumstances and reasons.

Individual Consolidated Condensed Statement of Comprehensive Income

Unit: NT\$000'

Item \ Year	Financial Summary for The Last Five Years (Note 1)				
	2018	2019	2020	2021	2022
Operating revenue	2,289,207	2,881,505	3,406,344	3,326,352	2,990,834
Gross profit	285,711	442,942	537,510	601,018	542,866
Operating income	5,470	135,823	220,606	344,115	272,085
Non-operating income and expenses	143,262	245,226	98,715	(88,298)	79,403
Income before tax	148,732	381,049	319,321	255,817	351,488
Net profit of continuing operations	136,896	292,582	225,236	187,449	267,477
Losses from discontinued operations	-	-	-	-	-
Net income (Loss)	136,896	292,582	225,236	187,449	267,477
Other comprehensive income (income after tax)	(16,869)	(30,633)	(1,281)	(11,740)	23,179
Total comprehensive income	120,027	261,949	223,955	175,709	290,656
Earnings per share	1.80	3.38	2.58	2.13	3.05

Note 1: Please specify the years without CPA audits and certification.

Note 2: As of the publication date of the annual report, if there is any latest financial data audited and certified or reviewed by CPAs of companies listed or with stocks listed on TWSE/TPEX for trading, such data shall also be disclosed.

Note 3: Losses from discontinued operation may be presented in net after deducting income tax.

Note 4: If the competent authority notifies the Company to correct or re-prepare the financial data, please set out the corrected or re-prepared figure and specify the circumstances and reasons.

(II) Auditors' Opinions from 2018 to 2022

Year	Accounting Firm	CPAs	Audit Opinion
2018	KPMG	CPAs Isabel Lee and Jason Yin	Unqualified opinion
2019	KPMG	CPAs Isabel Lee and Jason Yin	Unqualified opinion
2020	KPMG	CPAs Isabel Lee and Jason Yin	Unqualified opinion
2021	KPMG	CPAs Derek Chen and Jason Yin	Unqualified opinion
2022	KPMG	CPAs Derek Chen and Jason Yin	Unqualified opinion

II. Financial analysis for the most recent five years

(I) Financial analysis (consolidated)

Item of analysis (Note 3)		Year (Note 1)	Financial analysis for the most recent five years				
		2018	2019	2020	2021	2022	
Capital structure (%)	Debt ratio	60.46	62.94	61.56	57.65	47.90	
	Ratio of long-term capital to property, plant and equipment	418.20	395.60	342.68	372.95	423.02	
Solvency (%)	Current ratio	157.52	156.81	154.47	151.82	183.66	
	Quick ratio	124.13	127.33	124.44	116.76	151.86	
	Interest coverage ratio	38.96	25.05	21.24	23.08	42.23	
Operating performance	Receivables turnover (time)	2.42	2.47	2.49	2.38	2.46	
	Average collection days	151	148	147	153	148	
	Inventory turnover (time)	7.06	7.96	7.65	6.34	6.95	
	Payables turnover (time)	2.90	3.23	3.46	3.29	3.45	
	Average sales day	52	46	48	58	53	
	Property, plant and equipment turnover (time)	9.65	10.33	9.18	8.97	9.42	
	Total assets turnover (time)	1.14	1.19	1.21	1.18	1.20	
Profitability	Return on assets (%)	4.61	7.80	5.46	4.67	7.23	
	Return on equity (%)	11.49	19.51	13.68	11.04	15.02	
	Ratio to paid-in capital (%)	Operating gains	16.03	51.18	41.75	32.17	31.36
		Net profit before tax to	19.01	48.31	37.02	29.10	41.64
	Profit margin (%)	3.96	6.27	4.28	3.77	5.86	
	Earnings per share (NT\$) (Note 2)	1.80	3.38	2.58	2.13	3.05	
Cash flows	Cash flow ratio (%)	4.71	18.93	17.94	13.81	51.49	
	Cash flow adequacy ratio (%)	91.48	82.65	66.86	69.20	119.46	
	Cash reinvestment ratio (%)	7.37	12.54	9.39	6.14	28.25	
Leverage	Operating leverage	1.48	1.56	1.54	1.65	1.59	
	Financial leverage	1.03	1.04	1.05	1.04	1.03	
<p>Please describe the reason for changes in financial ratios in the most recent two years (if the changes are less than 20%, the analysis is not required).</p> <p>(1) Solvency: the increase in the current ratio and quick ratio was primarily due to the repayment in corporate bonds during the period; the increase in the interest coverage ratio is primarily due to the increase in profits and the reduction in interest expenses.</p> <p>(2) Profitability: The increase in return on assets, return on equity, ratio of net profit to paid-in capital, profit margin, and earnings per share was primarily due to the increase in gross margin from 17.74% to 19.11% during the year and the year-on-year growth of the overall operating profits due to the significant increase in the gains from currency exchange.</p> <p>(3) The increase in cash flow ratio, cash flow adequacy ratio, and cash reinvestment was primarily due to the increase in net cash inflows from operating activities.</p>							

Financial analysis (individual)

Item of analysis (Note 2)		Financial analysis for the most recent five years					
		2018	2019	2020	2021	2022	
Financial structure (%)	Debt ratio	48.75	47.34	51.32	48.96	38.82	
	Ratio of long-term capital to property, plant and equipment	1,001.27	1,330.21	1,325.07	1,213.85	1,322.30	
Solvency (%)	Current ratio	116.70	142.42	125.31	118.17	146.29	
	Quick ratio	103.58	118.52	104.39	101.00	129.58	
	Interest coverage ratio	35.34	60.72	48.72	53.98	84.53	
Operating ability	Receivables turnover (time)	2.73	2.89	3.35	2.89	2.95	
	Average collection days	134	126	109	126	124	
	Inventory turnover (time)	16.54	15.30	11.84	9.78	11.40	
	Payables turnover (time)	3.13	4.33	4.29	3.16	3.10	
	Average sales day	22	24	31	37	32	
	Property, plant and equipment turnover (time)	14.89	18.90	22.42	21.91	19.88	
	Total assets turnover (time)	0.95	1.00	1.05	0.98	0.94	
Profitability	Return on total assets (%)	5.85	10.33	7.08	5.61	8.50	
	Return on stockholders' equity (%)	11.49	19.51	13.68	11.04	15.02	
	Ratio to paid-in capital (%)	Operating gains	0.63	15.71	25.13	39.14	30.95
		Net inco before tax to	17.20	44.06	36.37	29.10	39.98
	Profit margin (%)	5.98	10.15	6.61	5.64	8.94	
	Earnings per share (NT\$) (Note 3)	1.80	3.38	2.58	2.13	3.05	
Cash flows	Cash flow ratio (%)	(4.42)	(2.69)	38.45	20.50	62.50	
	Cash flow adequacy ratio (%)	45.91	8.82	76.69	118.67	179.39	
	Cash reinvestment ratio (%)	(4.31)	(6.47)	24.00	8.17	26.22	
Leverage	Operating leverage	1.70	1.25	1.04	1.03	1.03	
	Financial leverage	4.80	1.05	1.03	1.01	1.02	

Please describe the reason for changes in financial ratios in the most recent two years (if the changes are less than 20%, the analysis is not required).

- (1) Solvency: the increase in the current ratio and quick ratio was primarily due to the repayment in corporate bonds during the period; the increase in the interest coverage ratio is primarily due to the increase in profits and the reduction in interest expenses.
- (2) Profitability: The increase in return on assets, return on equity, ratio of net profit to paid-in capital, profit margin, and earnings per share was primarily due to the year-on-year increase in the overall operating profits due to the significant growth in gains from currency exchange and operating profits of investees, even though our operating income and operating profit reduced during the year.
- (3) The increase in cash flow ratio, cash flow adequacy ratio, and cash reinvestment was primarily due to the increase in net cash inflows from operating activities.

* If the Company has prepared its individual financial report, it shall otherwise prepare the individual financial ratio analysis of the Company.

Note 1: Please specify the years without CPA audits and certification.

Note 2: As of the publication date of the annual report, if there is any latest financial data audited and certified or reviewed by CPAs of companies listed or with stocks listed on TWSE/TPEX for trading, such data shall also be analyzed.

Note 3: At the end of the table in the annual report, the following calculation formulas shall be presented:

1. Capital structure

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

(2) Ratio of long-term capital to property, plant and equipment = (Total equity + non-current liabilities)/net property, plant and equipment.

2. Solvency

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

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

(3) Interest coverage ratio = Net profit before tax and interest expenses/interest expenses for the period.

3. Operating ability

- (1) Receivables (including accounts receivable and notes receivable arising from the operation) turnover = Net sales/balance of average receivables (including accounts receivable and notes receivable arising from the operation) of each period.
- (2) Average collection day = 365/receivables turnover.
- (3) Inventory turnover = Cost of sales/average inventory.
- (4) Payables (including accounts payable and notes payables arising from the operation) turnover = Cost of sales/balance of average payables (including accounts payable and notes payables arising from the operation) of each period.
- (5) Average sales day = 365/inventory turnover.
- (6) Property, plant and equipment turnover = Net sales/average net property, plant and equipment.
- (7) Total asset turnover = Net sales/average total assets.

4. Profitability

- (1) Return on total assets = [Profit or loss after tax + interest expenses × (1 - tax rate)]/average total assets.
- (2) Return on stockholders' equity = Profit or loss after tax/average net equity.
- (3) Profit margin = Profit or loss after tax/net sales.
- (4) Earnings per share = (Profit or loss attributable to the owner of the parent company - preferred shares dividends)/weighted average number of issued shares. (Note 4)

5. Cash flows

- (1) Cash flow ratio = Net cash flows from operating activities/current liabilities.
- (2) Net cash flow adequacy ratio = Net cash flows from operating activities for the most recent five years/(capital expenditures + inventory increment + cash dividends) for the most recent five years.
- (3) Cash reinvestment ratio = (Net cash flows from operating activities - cash dividends)/(gross property, plant and equipment + long-term investment + other non-current assets + working capital). (Note 5)

6. Leverage:

- (1) Operating leverage = (Net operating income - variable operating costs and expenses)/operating gains (Note 6).
- (2) Financial leverage = Operating gains/(operating gains - interest expenses).

Note 4: For the calculation formula of earnings per share above, please be aware of the following matters when measuring:

1. The measurement shall be based on the weighted average number of ordinary shares, instead of the number of issued shares at the end of the year.
2. For any capital increase or treasury share transactions, the circulation period shall be considered when calculating the weighted average number of shares.
3. For any capital increase from earnings or capital increase from the capital reserve, a retrospective adjustment shall be made based on the ratio of the capital increase when calculating the earnings per share for the past year and the interim period, without considering the issuance period of the capital increase.
4. If preferred shares are non-convertible cumulative preferred shares, the dividend for the year (whether distributed or not) shall be deducted from net profit after tax, or be added to net loss after tax. If preferred shares are not cumulative, in the case of recording net profit after tax, dividends of the preferred shares shall be deducted from net profit after tax; if a loss is recorded, no adjustment is required.

Note 5: Please be aware of the following matters when measuring cash flow analysis:

1. Net cash flows from operating activities refer to net cash inflows from operating activities in the statement of cash flows.
2. Capital expenditure refers to the cash outflows from investments each year.
3. The increase in inventories is included when the balance at the end of the period is higher than the balance at the beginning of the period; if inventories decrease at the end of the year, it shall be calculated as 0.
4. Cash dividend includes cash dividend of ordinary shares and preferred shares.
5. Gross property, plant and equipment refers to total property, plant and equipment before deducting the accumulated depreciation.

Note 6: If the issuer divides its operating costs and expenses into the fixed group and variable group based on the nature, please be aware of the rationale and maintain consistency when involving any estimates or subjective judgments.

Note 7: If the stock of the Company has no par value or the par value is not NT\$10 per share, the calculation related to the ratio to paid-in capital shall be calculated by using the ratio attributable to owner of the parent company in the balance sheet.

- III. Audit committee's review report for the financial report for the most recent year: Please refer to page 120.
- IV. Financial report for the most recent year: Please refer to pages 121 to 185.
- V. Individual Financial Report of the Company for the Most Recent Year Audited and Certified by CPAs: Please refer to pages 186 to 246.
- VI. If any financial difficulties occurred to the Company and affiliates in the most recent year and up to the date of publication of the annual report, the effects on the financial position of the Company shall be specified: None.

Seven. Review of Financial Conditions, Financial Performance, and Risk Management

I. Analysis of Financial Status

Unit: NT\$000'

Item \ Year	2022	2021	Difference	
			amount	%
Current assets	2,893,060	3,286,973	(393,913)	(11.98)
Property, plant and equipment	468,122	501,640	(33,518)	(6.68)
Right-of-use assets	61,511	98,755	(37,244)	(37.71)
Intangible assets	1,517	2,164	(647)	(29.90)
Other assets	131,256	146,420	(15,164)	(10.36)
Total assets	3,555,466	4,035,952	(480,486)	(11.91)
Current liabilities	1,575,229	2,165,070	(589,841)	(27.24)
Non-current liabilities	128,010	161,585	(33,575)	(20.78)
Total liabilities	1,703,239	2,326,655	(623,416)	(26.79)
Capital stock	879,081	879,081	-	0.00
Capital surplus	348,899	348,765	134	0.04
Legal reserve	170,281	151,536	18,745	12.37
Retained earnings	702,680	567,065	135,615	23.92
Other equity	(61,180)	(85,614)	24,434	(28.54)
Treasury stocks	(17,253)	-	(17,253)	-
Total shareholders' equity	1,852,227	1,709,297	142,930	8.36

Note 1: Main reasons for the material changes (changes between the former and the latter period reaching 20% and the amount of change reaching NT\$10 million or above) in assets, liabilities, and shareholder's equity in the most recent two years and the effects and countermeasures in the future shall be described

Main reasons for the material changes and the effects and countermeasures in the future

1. Decrease in right-of-use assets: Primarily due to the depreciation provided by using the straight-line method during the leasing period.
2. Decrease in current liabilities: Primarily due to the repayment of short-term borrowings and corporate bonds payable.
3. Decrease in non-current liabilities: Primarily due to the repayment of the principal of lease liabilities.
4. Increase in retained earnings: Primarily due to the year-on-year increase in net profit for the period.
5. Increase in other equity: Primarily due to the increase in exchange differences due to the translation of financial statements of foreign operations.
6. Increase in treasury stocks: To provide incentives to improve employees' cohesiveness, the Company repurchased its shares from TWSE and transferred them to employees.

II. Financial performance

Unit: NT\$000'

Item	Year		Amount increased/decreased	Percentage of change (%)
	2022	2021		
Operating revenue	4,568,318	4,978,281	(409,963)	(8.24)
Operating cost	3,695,334	4,094,906	(399,572)	(9.76)
Gross profit	872,984	883,375	(10,391)	(1.18)
Operating expenses	597,304	600,563	(3,259)	(0.54)
Operating income	275,680	282,812	(7,132)	(2.52)
Non-operating income and expenses	90,375	(26,977)	117,352	(435.01)
Income before tax	366,055	255,835	110,220	43.08
Income tax expenses	98,578	68,386	30,192	44.15
Net income	267,477	187,449	80,028	42.69
Other comprehensive income for the period	23,179	(11,740)	34,919	(297.44)
Total other comprehensive income for the period	290,656	175,709	114,947	65.42

(I) Analysis and description of changes (changes reaching 20% or above and the amount of change reaching NT\$10):

1. Increase in non-operating income and expenditure: Primarily due to the year-on-year increase in currency exchange gains during the year.
2. Increase in net profit before tax and income tax expenses: Primarily due to the increase in overall operating profits of the year.
3. Increase in other comprehensive income: Primarily due to the increase in exchange differences due to the translation of financial statements of foreign operations.

(II) Estimated sales volume and its basis:

With the increasing complexity of the overall operating environment, we will increase the ratio of automotive, energy storage, 5G, cloud server, and HPC products and provide water-cooling and air-cooling integrated thermal solutions to improve our profitability. In 2023, with the continuation of the growth momentum, we hope to create a more adaptable and efficient team by reinforcing the competitive strength of our internal parts and providing values that exceed customers' expectations under the backdrop of the uncertain recovery of industrial circulations and share the business achievements in the future.

III. Cash flows

(I) Analysis of changes in cash flows in the most recent year

Unit: NT\$000'

Item \ Year	2022
Net cash flows from operating activities	811,098
Net cash flows used in investing activities	(52,766)
Net cash flows used in financing activities	(425,912)

Analysis and description of changes:

Net cash inflows from operating activities in 2022 were primarily due to the operating profits of the period; net cash outflows from financing activities were primarily due to the repayment of corporate bonds payable in the amount of NT\$213,009 thousand and the distribution of cash dividend in the amount of NT\$131,862 thousand. As of 31 December 2022, the Company has cash and bank deposits amounting to NT\$764,60 thousand, and the Company has financing limits with multiple banks available; therefore, the working capital of the Company is sufficient for its daily requirements on working days in the future.

(II) Cash flows analysis for the following year and remedial measures for cash deficit

Unit: NT\$000'

Cash balance - beginning (1)	Estimated net cash inflows from operating activities (2)	Estimated Cash Outflow (Inflow) (3)	Cash Surplus (Deficit) (1)+(2)+(3)	Leverage of Cash Surplus (Deficit)	
				Investment plans	Financing plans
764,603	171,572	(219,917)	716,258	-	-

It is estimated that the operating income in 2023 will grow, and net profit after tax will also increase; it is estimated that the remaining cash balance in 2023 shall be sufficient for the daily operating requirements of the Company.

IV. Effect of major capital expenditures on finance and business in the most recent year:None.

V. Investment policy for the most recent year, the main reasons for gains or losses, improvement plan, and investment plan for the following year.

The Company has set up overseas subsidiaries and service joints in the U.S., China, Japan, and Vietnam. At present, the relocation of the SiYang Plant is complete. We adjusted the organization of different plants, specified their positions and production capacity planning, integrated resources adaptability, and instantly satisfied customers' requirements. Furthermore, we actively made downward adjustments to the volume of inventories, set up an additional Procurement Section of the Group to avoid idle inventories and locked-up capital and kept abreast of the pricing trends of supplies at all times through the centralized management of the Procurement Section so as to reduce costs, make flexible responses to internal/external risks, and reinforce our competitive strength. With Taiwanese companies decentralized their production systems and the evident relocation to Southeast

Asia, India, and Mexico in recent years, in response to customers' acts, TaiSol established offices in relevant regions to expand its scope of services and concurrently explore new business opportunities.

VI. Evaluation of risks:

- (I) Effects of changes in the interest rate and exchange rate and inflation on the Company's profit or loss and future countermeasures

Unit: NT\$000'

Year	2022
Net interest expenses	2,822
Exchange gains	80,267
Net operating income	4,568,318
Net interest expenses/net operating income (%)	0.06%
Exchange gains/net operating income (%)	1.76%

Source: Financial statements audited and certified by CPAs in 2022.

1. Effects of changes in interest rates on the gain or loss of the Company and future countermeasures

Bank borrowings of the Company accrue at variable interest rates; therefore, the Company is exposed to the risk of cash flow interest rate. In the future, the Company will adopt conservative actions for changes in interest rates. Apart from continuing to maintain a healthy relationship with banks that we transact with and actively striving for lower interest rates for borrowings, if there is any idle capital, time deposits or acquisition of wealth management products will be adopted for use to collect higher interest income.

2. Effects of changes in exchange rates on the gain or loss of the Company and future countermeasures

The foreign sales ratio of the Company's products accounts for over 90% of the overall operating income. Foreign sales are primarily denominated in USE and RMB as the primary denomination unit for incoming feeds is USD and RMB; therefore, partial risk of exchange risk may be eliminated between purchases and sales. The exchange gain of the Company in 2022 was NT\$80,267 thousand, accounting for 1.76% of its operating income. In 2022, the range of depreciation of NTD and RMB was relatively material due to the Zero-COVID adopted by China, the Russia-Ukraine War, conflicts between China and the U.S., inflation and interest rate increase; therefore, changes in exchange rates may also bring considerable contributions to the operating income and profits of the Company.

Substantial countermeasures in response to changes in exchange rates:

- A. Creditors' rights and liabilities in foreign currencies may be offset through foreign sales and the import of goods to give rise to natural hedging effects, and in turn, mitigate exchange risks.
- B. When quoting, the Sales Department shall consider the effects of exchange rates on the selling price before making the quote to ensure the level of profits of the Company's products.
- C. Collect information related to exchange rate changes daily and require banks that we transact with to provide professional consultation services to fully grasp the exchange

rate development trend. Carry out foreign currency position management based on the capital requirements of the Company; apart from making discretionary arrangements according to the recommendations of banks for material changes, the Company shall appropriately keep the initial currencies received from foreign sales to make daily payments.

D. Observe the development trend of USD and reduce positions denominated in USD and trade foreign exchange for hedging in due course to reduce the fluctuation of exchange rates on the gain or loss of the Company.

3. Effects of changes in inflation on the gain or loss of the Company and future countermeasures

There was no effect of changes in inflation on the gain or loss of the Company in recent years.

(II) Policies regarding high-risk investments, high-leverage investments, loans to others, endorsement/guarantees, and derivative transactions, main reasons for gains or losses, and countermeasures in the future

For loans to others, endorsement/guarantee, and derivative transactions, the Company has established the “Procedures for Loans to Others,” “Procedures for Endorsement/Guarantee,” “Procedures for the Acquisition or Disposal of Assets,” and other relevant regulations that were approved by the shareholders’ meeting to regulate our operations. The Company has not engaged in any high-risk investment, high-leverage investment, or derivative transaction in 2021; therefore, there was no loss.

(III) Future R&D plan and R&D expenses expected to be invested

1. Regarding radiating products, the Company will develop EVAC (enhanced volume air cooling), liquid cooling system, heat pipe/VC integrated thermal modules, and thermosyphon/loop heat pipe thermal modules for HPC servers and data centers; for smartphones and slim electronic devices, the Company will develop ultra-thin VC and tail flat head heat pipes; for 5G communication base stations and network equipment, the Company will develop high power thermosyphon/die-casting box radiators, floating/3D VC modules, substrate radiators, optical module radiators, and water-cooling thermal systems. In addition, regarding the future development trend of new energy EVs and rail transportation, the Company also participates in the development of thermoelectric cooling chip radiators, box precision die-casting pieces, thermal elements of electric cabinets, large-scale water-cooling plates, IGBT thermal modules for inverters, and thermal solutions for LiDAR for self-driving vehicles and automotive computers.

2. For connector products, we are facing intensive competition within the supply chain of the industry. We will attach attention to micro, high intensity, high frequency, and high-speed transmission for products as our R&D focuses, and we primarily aim at fully automated production for product development. Apart from developing wearable products and USB-C for their peripherals and developing SD 7.0, 7.1, and 8.0 memory card series connectors and matched trays that passed the high-frequency test of the association’s requirements for the application on portable products, the Company is also actively developing latest USB4-C Gen3 connectors issued by the USB-IF that are compatible with Thunderbolt 4 in the hope of providing high-end products (i.e., commercial use, consumer NB, automotive products, and others) to increase the introduction of the requirements of such applications. Meanwhile, the Company continues to develop automated equipment and assembly wiring; the adoption of automated production not only reduces costs but also maintains the stability of product

quality and improves the yield and market competitive strength. We hope to continue taking the lead in the industry to develop and produce light, thin, and small products that satisfy the requirements of the high-end market.

3. In recent years, the Company has continuously been investing in R&D and human resources for various products. The R&D expenses invested amounted to NT\$204,347 thousand in 2021, the R&D expenses invested amounted to NT\$177,758 thousand, and the R&D expenses expected to be invested shall be NT\$183,143 thousand, representing a trend of increase as compared to 2022.

(IV) Effect of changes in material domestic and foreign policies and laws of significance on the finance and business of the Company and countermeasures:

1. In recent years, changes in domestic and foreign policies and laws of significance have had no material effect on the finance and business of the Company.
2. Subsequently, if there is any change in material domestic and foreign policies and laws, the Company will consult professionals related to laws and accounting and plans for countermeasures based on their recommendations to minimize the effects on the finance and business of the Company.

(V) Effect of technological changes and industrial changes on the Company's finance and business, and countermeasures:

The Company keeps abreast of changes in the market and within its industry, as well as the changes and development trends of relevant technologies at all times and learns the development of industrial technologies that have material effects on the future development and finance and business of the Company through the close relationships with our customers, allowing the R&D personnel of the Company to develop products that align with the market demand. In 2022 and up to the publication date of the annual report, there was no material change in technology or industry with the result that may have material effects on the finance and business of the Company.

(VI) Effect of changes in the corporate image on corporate crisis management and countermeasures:

The Company has long been committed to maintaining its corporate image and observing regulatory requirements. As of today, there is no circumstance that may affect our corporate image.

(VII) Expected benefits and possible risks related to mergers and acquisitions and countermeasures: None.

(VIII) Expected benefits and possible risks related to plant expansion and countermeasures: None.

(IX) Risks related to concentrated sales or purchases and countermeasures:

For purchases, the counterparties for procurements are primarily suppliers with long-term cooperation and favorable quality of supplies to ensure the stability of our product quality. At present, there is no concentrated purchase risk. For sales, with our comprehensive R&D capacity and quality and production technologies deeply recognized by customers, the counterparties for sales are primarily renowned large-scale companies at home and abroad with long-term stable cooperation. In addition, the changes in sales in the most recent two years have minor changes due to the adjustments to the Company's strategies and the changes in the organization and procurement strategies of customers. In the future, we will continue to develop new products and new customers to spread the potential risk of concentrated purchases/sales.

(X) Effects and risks of mass transfer or change in the equity held by Directors, supervisors, or

major shareholders with a shareholding over 10% of the Company and countermeasures: None.

(XI) Effects and risks of changes in ownership of the Company and countermeasures: None. .

(XII) Litigious and non-litigious matters. List major litigious, non-litigious or administrative disputes that involve the Company and its Directors, supervisors, President, persons with actual responsibility for the Company, major shareholders holding a stake of greater than 10%, and subsidiaries that have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the Company's securities, disclose the facts of the dispute, the amount of money at stake in the dispute, the date of litigation commencement, the main parties involved in the dispute, and the status of the dispute as of the publication date of the annual report: None.

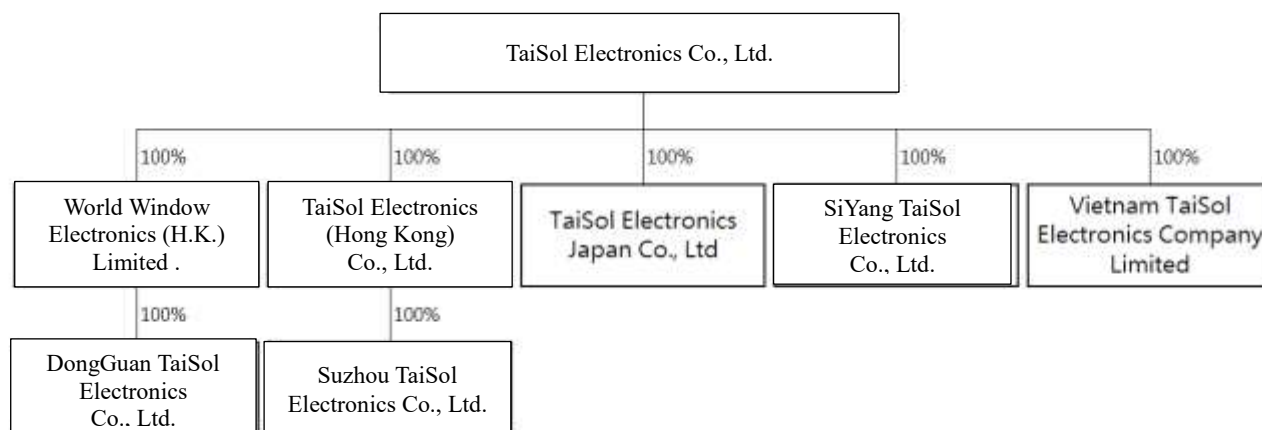
(XIII) Other important risks and countermeasures: None.

VII. Other important matters: None.

Eight. Special Disclosure

I. Information on affiliates:

(I) Organizational structure of affiliates



(II) Basic information on affiliates

December 31, 2022 Unit: NT\$000'

Name	Date of establishment	Address	Paid-in capital	Main business or item produced	Remarks
TaiSol Electronics (Hong Kong) Co., Ltd.	1996.05.02	Room 504, 5 th floor, Premier Centre, 20 Cheung Shun Street, Cheung Sha Wan, Kowloon, Hong Kong	USDS 4,000 (NTDS 122,840)	Investments in the Mainland	
World Window Electronics (H.K.) Limited	1997.12.08	Room 504, 5 th floor, Premier Centre, 20 Cheung Shun Street, Cheung Sha Wan, Kowloon, Hong Kong	HKDS 64,210 (NTDS 252,859)	Trading and investments in the Mainland	
TaiSol Electronics Japan Co., Ltd	2006.12.20	6F, Minhua Building, Shinjuku-ku Yotsuya 1-18-20, Tokyo	JPYS 10,000 (NTDS 2,324)	Trading	
Suzhou TaiSol Electronics Co., Ltd. (Note 1)	2002.06.10	Lili Town Industrial Zone, Wujiang City, Suzhou Province	USDS 6,053 (NTDS 185,884)	Processing, manufacturing, and trading of radiator-related products	Second-tier subsidiary
DongGuan TaiSol Electronics Co., Ltd. (Note 2)	2004.06.07	Dalingshang Village, Dalingshang Town, Dongguan City, Guangdong Province	HKDS 61,500 (NTDS 242,187)	Processing, manufacturing, and trading of connectors and radiators	Second-tier subsidiary
SiYang TaiSol Electronics Co., Ltd.	2018.12.13	No.88, Huaihai East Road, East District, Siyang Development Zone, Siyang County, Suqian City, Jiangsu Province	USDS 21,000 (NTDS 644,910)	Production and sales of thermal modules, heat pipe modules, and optical fiber and optical cable connector,	
Vietnam TaiSol Electronics Company Limited.	2021.11.15	23rd Floor, CEO Building, HH2-1, Me Tri Ha New Urban Area, Pham Hung Street, Me Tri Ward, Nam Tu Liem District, Hanoi City.	VNDS 6,936,000 (NTDS 8,913)	Trading	

Note 1: The Company invests in the second-tier subsidiary via TaiSol Electronics (Hong Kong) Co., Ltd.

Note 2: The Company invests in the second-tier subsidiary via TaiSol Electronics (Hong Kong) Co., Ltd.

(III) Information on the same shareholder of associates presumed to have a relationship of control or subordination: None.

(IV) Industries covered by the scope of business of overall affiliates: The scope of business of the overall affiliates of the Company covers industries of connector and radiator, processing, manufacturing, and trading of parts and components for electronic and computer, wholesale of automotive parts and accessories, wholesale of telecommunication materials, and wholesale of other machinery and equipment.

(V) Data on directors, supervisors, and presidents of affiliates:

Unit: thousand shares

Name	Title	Name or representative	in the name of other persons	
			Number of shares	Shareholding
TaiSol Electronics (Hong Kong) Co., Ltd.	Director	Yu, Ching-Sung	-	-
World Window Electronics (H.K.) Limited	Director Director/corporate representative	Duan Xin-Chun Yu, Ching-Sung	- -	- -
TaiSol Electronics Japan Co., Ltd	Director/representative	Lin, Meng-Yi	-	-
	Director	Yu, Ching-Sung	-	-
	Director	Yu, Po-Hsin	-	-
Suzhou TaiSol Electronics Co., Ltd. (Note 1)	Director/representative	Yu, Jun-Yi	-	-
	Director	Liu, Zhi-Ming	-	-
	Director	Liang, Chun-Hsin	-	-
	Supervisor	Wu, Mei-Ling	-	-
DongGuan TaiSol Electronics Co., Ltd. (Note 2)	Director/representative	Yu, Jun-Yi	-	-
	Director	Liang, Chun-Hsin	-	-
	Director	Duan, Xin-Chun	-	-
SiYang TaiSol Electronics Co., Ltd.	Director/representative	Liu, Zhi-Ming	-	-
	Director	Liang, Chun-Hsin	-	-
	Director	Liu, Ke-Ping	-	-
	Supervisor	Wu, Mei-Ling	-	-
Vietnam TaiSol Electronics Company Limited	Director/representative	Lin, Jin-Xiang		

Note 1: The Company invests in the second-tier subsidiary via TaiSol Electronics (Hong Kong) Co., Ltd.

Note 2: The Company invests in the second-tier subsidiary via World Window (Hong Kong) Co., Ltd.

(VI) Business overview of affiliates

Unit: NT\$000'; 31 December 2022

Name	Capital	Total assets	Total liabilities	Net value	Operating income	Operating gains	Profit or loss for the period (after tax)	Earnings per share (after tax) (NT\$)
TaiSol Electronics (Hong Kong) Co., Ltd.	122,840	26,809	45	26,764	-	(135)	(58,189)	(1.87)
World Window Electronics (H.K.) Limited	252,859	808,692	73	808,619	-	(234)	135,419	2.11
TaiSol Electronics Japan Co., Ltd.	2,324	2,364	694	1,670	1,972	398	247	2,465.55
Suzhou TaiSol Electronics Co., Ltd. (Note 1)	185,884	258,676	232,332	26,344	800,308	(53,096)	(58,056)	-
DongGuan TaiSol Electronics Co., Ltd. (Note 2)	242,187	1,611,507	814,673	796,834	2,390,252	101,788	135,533	-
SiYang TaiSol Electronics Co., Ltd.	644,910	536,034	123,473	412,561	324,368	(68,013)	(64,952)	-
Vietnam TaiSol Electronics Company Limited.	8,913	8,404	353	8,051	-	(1,089)	(840)	-

Note 1: The Company invests in the second-tier subsidiary via TaiSol Electronics (Hong Kong) Co., Ltd.

Note 2: The Company invests in the second-tier subsidiary via World Window (Hong Kong) Co., Ltd.

- II. For the status of private placements of securities in the most recent year and as of the publication date of the annual report, the date and amount approved by the shareholders' meeting, basis and rationale for the pricing, selecting methods for special persons, and the necessary reason for private placement shall be disclosed: None.
- III. Holding or disposal of the Company's shares by its subsidiaries in the most recent year and up to the publication date of the annual report: None.
- IV. Other matters that require additional explanation: None.
- V. Any of the circumstances listed in subparagraph 2, paragraph 2, Article 36 of the Securities and Exchange Act, which may materially affect shareholders' interest or the price of the Company's securities, that have occurred in the most recent year and up to the publication date of the annual report: None.

Appendices I

Audit Committee 's Review Report

We have reviewed the Company's financial report and consolidated financial report (including the balance sheet, statement of comprehensive income, statement of changes in equity, and statement of cash flows), business report, and the earning distribution table for 2022 duly prepared by the Board, in which the financial report and consolidated financial report have been duly audited and verified by CPAs Jason Yin and Derek Chen from KPMG, and they have issued the auditor's report, to which we have found no misstatement, and we hereby issue a review report as presented above in accordance with relevant requirements of the Securities and Exchange Act and the Company Act. Please proceed to review it.

-

The 2023 Annual Shareholders' Meeting of the Company

TaiSol Electronics Co., Ltd.

Chairperson of the Audit Committee: Fang, Yen-Ling

February 24, 2023

Representation Letter

The entities that are required to be included in the combined financial statements of TaiSol Electronics Co., Ltd. as of and for the year ended December 31, 2022 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, TaiSol Electronics Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: TaiSol Electronics Co., Ltd.

Chairman: Yu, Ching-Sung

Date: February 24, 2023

Independent Auditors' Report

To the Board of Directors of TaiSol Electronics Co., Ltd.:

Opinion

We have audited the consolidated financial statements of TaiSol Electronics Co., Ltd. and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as of December 31, 2022 and 2021, the consolidated statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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

1. Revenue recognition

Please refer to Notes 4(m), 5(b)(i), 6(m) and 6(s) to the consolidated financial statements.

Description of key audit matter:

The test on revenue recognition is one of our key audit matters. The Group has to provide a discount to its customers based on the contract agreement and records it as a reduction of revenue.

How the matter was addressed in our audit:

Our principal audit procedures included the following:

- Test the manual controls relating to sales and collection operations and financial reporting, check and reconcile sales system data with general ledger entries, and assess whether the Group's revenue recognition policy is in compliance with the relevant standards and revenue information is properly disclosed.
- Read the relevant customer sales contracts and terms, test for consistency with accounting policies, and consider the accounting treatment and disclosure of sales discounts.
- Perform year-to-year analysis on the revenue by product line and the revenue from top ten customers to determine whether there are any significant misstatements.
- Select appropriate samples to verify with vouchers and relevant documents.
- Select sales transactions from a period of time before and after the balance sheet date and verify with vouchers and relevant documents to assess the accuracy of the timing and amounts of revenue recognized.
- Obtain the detail of the discounts accrued by the management of the Group (refund liabilities) and verify with the relevant internal and external information to assess the reasonableness of the relevant parameters and the underlying assumptions. Review the accuracy of the estimated discount accrued in prior years to assess whether there are material anomalies in the amounts of the accrued discounts (refund liabilities).

2. Commission estimate

Please refer to Notes 4(g) , 5(b)(ii), 6(m) to the consolidated financial statements.

Description of key audit matter:

Commission expense is one of our key audit matters. Part of the sales of the Group are made through agents and commissions are required to pay on the basis of contract agreements. These expenses estimated by the management of the Group in respect of the foregoing are accrued as operating expenses.

How the matter was addressed in our audit:

Our principal audit procedures included the following:

- Read the terms of the sales contract of the relevant agent and test the consistency of the accounting treatment.
- Perform year-to-year analysis on the commission expense of the main agents to evaluate if there are any significant abnormalities.
- Obtain the detail of the commission accrued by the management of the Group and verify with the relevant internal and external information to assess the reasonableness of its parameters and the underlying assumptions. Review the accuracy of the estimated commission expenses accrued in prior years to assess whether there are material anomalies in the amounts of the accrued commission.

3. Valuation of Inventory

Please refer to Notes 4(h), 5(b)(iii) and 6(d) to the consolidated financial statements.

Description of key audit matter:

Inventories are measured at the lower of cost or net realizable value at the reporting date. Due to factors such as rapid changes in technology or the upgrading of production technology, the obsolete or no longer meet market demand of the original product, the sales price of the relevant product may fluctuate or become sluggish, and there may be a risk that the cost of inventories exceeds its net realized value.

How the matter was addressed in our audit:

Our principal audit procedures included the following:

- Review the inventory aging reports to analyze the changes for each period.
- Assess the reasonableness of the accounting policies of the Group, such as policies for the valuation of inventories or the provision of obsolete goods.
- Assess whether the process of the inventory valuation is in conformity with the accounting policies.
- Understand the basis for valuation of net realized value used by the management of the Group and select appropriate samples to assess the reasonableness of the net realized value of inventories.
- Assess whether the disclosure of the inventory is appropriate.

Other Matter

TaiSol Electronics Co., Ltd. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2022 and 2021, on which we have issued an unmodified opinion.

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 with the IFRSs, IASs, IFRC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including the audit committee or supervisors) 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

The engagement partners on the audit resulting in this independent auditors' report are Chen, Fu Jen and Yin, Yuan Sheng.

KPMG

Taipei, Taiwan (Republic of China)
February 24, 2023

Notes to Readers

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

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2022		December 31, 2021		Liabilities and Equity		December 31, 2022		December 31, 2021	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note 6(a))	\$ 764,603	21	418,151	10	2100	Short-term borrowings (note 6(i))	\$ -	-	20,000	-
1150	Notes receivable, net (notes 6(b) and (s))	293,692	8	248,838	6	2170	Accounts payable	898,157	25	1,242,329	31
1170	Accounts receivable, net (notes 6(b) and (s))	1,329,185	37	1,844,185	46	2209	Other payables (note 6(m))	400,059	11	457,360	11
1200	Other receivables, net (note 6(c))	3,898	-	13,046	-	2230	Current tax liabilities	101,319	3	74,069	2
1220	Current tax assets	-	-	1,948	-	2280	Current lease liabilities (note 6(k))	34,806	1	42,912	1
130X	Inventories (note 6(d))	410,390	12	653,622	16	2399	Other current liabilities (notes 6(m) and (s))	140,888	4	117,994	3
1410	Prepayments (note 6(h))	90,559	3	105,336	3	2321	Bonds payable, current portion (note 6(j))	-	-	210,406	5
1470	Other current assets (notes 6(h) and 8)	733	-	1,847	-		Total current liabilities	1,575,229	44	2,165,070	53
	Total current assets	2,893,060	81	3,286,973	81		Non-Current liabilities:				
Non-current assets:						2570	Deferred tax liabilities (note 6(o))	110,165	3	111,538	3
1600	Property, plant and equipment (notes 6(e) and 8)	468,122	13	501,640	12	2580	Non-current lease liabilities (note 6(k))	4,986	-	36,968	1
1755	Right of use assets (note 6(f))	61,511	2	98,755	3	2670	Other non-current liabilities	12,859	1	13,079	-
1780	Intangible assets (note 6(g))	1,517	-	2,164	-		Total non-current liabilities	128,010	4	161,585	4
1840	Deferred tax assets (note 6(o))	71,347	2	47,488	1		Total liabilities	1,703,239	48	2,326,655	57
1990	Other non-current assets	59,909	2	98,932	3		Equity attributable to owners of parent (notes 6(j), (p) and (q)):				
	Total non-current assets	662,406	19	748,979	19	3110	Ordinary share	879,081	25	879,081	22
						3200	Capital surplus	348,899	10	348,765	9
							Retained earnings:				
						3310	Legal reserve	170,281	5	151,536	4
						3320	Special reserve	85,614	2	73,874	2
						3350	Unappropriated retained earnings	446,785	13	341,655	8
								702,680	20	567,065	14
						3410	Exchange differences on translation of foreign financial statements	(61,180)	(2)	(85,614)	(2)
						3500	Treasury shares	(17,253)	(1)	-	-
							Total equity	1,852,227	52	1,709,297	43
Total assets		\$ 3,555,466	100	4,035,952	100	Total liabilities and equity		\$ 3,555,466	100	4,035,952	100

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

		<u>2022</u>		<u>2021</u>	
		Amount	%	Amount	%
4000	Operating revenue (notes 6(s) and 7)	\$ 4,568,318	100	4,978,281	100
5000	Operating costs (notes 6(d) and 12)	<u>3,695,334</u>	<u>81</u>	<u>4,094,906</u>	<u>82</u>
5900	Gross profit from operations	<u>872,984</u>	<u>19</u>	<u>883,375</u>	<u>18</u>
6000	Operating expenses (notes 6(b), (n), (t), 7 and 12):				
6100	Selling expenses	274,604	6	242,163	5
6200	Administrative expenses	144,516	3	156,608	3
6300	Research and development expenses	177,758	4	204,347	4
6450	Expected credit loss (gain)	<u>426</u>	<u>-</u>	<u>(2,555)</u>	<u>-</u>
		<u>597,304</u>	<u>13</u>	<u>600,563</u>	<u>12</u>
6900	Net operating income	<u>275,680</u>	<u>6</u>	<u>282,812</u>	<u>6</u>
7000	Non-operating income and expenses (notes 6(j), (k), (u) and 12):				
7100	Interest income	6,057	-	5,180	-
7010	Other income	19,158	-	19,776	-
7020	Other gains and losses, net	74,039	2	(40,348)	(1)
7050	Finance costs, net	<u>(8,879)</u>	<u>-</u>	<u>(11,585)</u>	<u>-</u>
		<u>90,375</u>	<u>2</u>	<u>(26,977)</u>	<u>(1)</u>
7900	Profit from continuing operations before tax	366,055	8	255,835	5
7950	Less: Income tax expenses (note 6(o))	<u>98,578</u>	<u>2</u>	<u>68,386</u>	<u>1</u>
	Profit	<u>267,477</u>	<u>6</u>	<u>187,449</u>	<u>4</u>
8300	Other comprehensive income:				
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	23,179	-	(11,740)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
8300	Other comprehensive income	<u>23,179</u>	<u>-</u>	<u>(11,740)</u>	<u>-</u>
8500	Total comprehensive income	<u>\$ 290,656</u>	<u>6</u>	<u>175,709</u>	<u>4</u>
	Profit, attributable to:				
8610	Owners of parent	<u>\$ 267,477</u>	<u>6</u>	<u>187,449</u>	<u>4</u>
	Comprehensive income attributable to:				
8710	Owners of parent	<u>\$ 290,656</u>	<u>6</u>	<u>175,709</u>	<u>4</u>
	Earnings per share (note 6(r))				
9750	Basic earnings per share	<u>\$ 3.05</u>		<u>2.13</u>	
9850	Diluted earnings per share	<u>\$ 3.00</u>		<u>2.10</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity
For the years ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent										
	Share capital			Retained earnings					Exchange differences on translation of foreign financial statements	Treasury shares	Total equity
	Ordinary shares	Advance receipts for share capital	Total share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings			
Balance at January 1, 2021	\$ 878,012	271	878,283	345,042	129,160	74,065	334,491	537,716	(73,874)	-	1,687,167
Profit	-	-	-	-	-	-	187,449	187,449	-	-	187,449
Other comprehensive income	-	-	-	-	-	-	-	-	(11,740)	-	(11,740)
Total comprehensive income	-	-	-	-	-	-	187,449	187,449	(11,740)	-	175,709
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	-	-	22,376	-	(22,376)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	-	(158,100)	(158,100)	-	-	(158,100)
Reversal of special reserve	-	-	-	-	-	(191)	191	-	-	-	-
Issuance of shares for exercise of employee stock options	1,069	(271)	798	129	-	-	-	-	-	-	927
Others	-	-	-	3,594	-	-	-	-	-	-	3,594
Balance at December 31, 2021	879,081	-	879,081	348,765	151,536	73,874	341,655	567,065	(85,614)	-	1,709,297
Profit	-	-	-	-	-	-	267,477	267,477	-	-	267,477
Other comprehensive income	-	-	-	-	-	-	-	-	23,179	-	23,179
Total comprehensive income	-	-	-	-	-	-	267,477	267,477	23,179	-	290,656
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	-	-	18,745	-	(18,745)	-	-	-	-
Special reserve appropriated	-	-	-	-	-	11,740	(11,740)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	-	(131,862)	(131,862)	-	-	(131,862)
Purchase of treasury share	-	-	-	-	-	-	-	-	-	(17,253)	(17,253)
Disposal of subsidiaries	-	-	-	-	-	-	-	-	1,255	-	1,255
Others	-	-	-	134	-	-	-	-	-	-	134
Balance at December 31, 2022	\$ 879,081	-	879,081	348,899	170,281	85,614	446,785	702,680	(61,180)	(17,253)	1,852,227

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
For the years ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

	<u>2022</u>	<u>2021</u>
Cash flows from (used in) operating activities:		
Profit before tax	\$ 366,055	255,835
Adjustments:		
Adjustments to reconcile profit or loss:		
Depreciation expense	166,755	187,852
Amortization expense	829	1,611
Expected credit loss (gain)	426	(2,555)
Net loss on financial assets at fair value through profit or loss	-	105
Interest expense	8,879	11,585
Interest income	(6,055)	(5,171)
Loss on disposal of property, plan and equipment	562	3,789
Loss on disposal of investments	1,255	-
Unrealized foreign exchange loss (gain)	14,250	(2,552)
Gains on modification of leases	(13)	(9)
Total adjustments to reconcile profit (loss)	<u>186,888</u>	<u>194,655</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
(Increase) decrease in notes receivable	(41,384)	183,337
Decrease (increase) in accounts receivable	514,515	(209,510)
Decrease in accounts receivable due from related parties	-	5,702
Decrease in other receivables	9,172	36,396
Decrease (increase) in inventories	250,012	(18,377)
Decrease (increase) in prepayments	16,397	(51,475)
Decrease in other current assets	1,116	56,671
Increase in other non-current assets	(617)	(360)
Total changes in operating assets	<u>749,211</u>	<u>2,384</u>
Changes in operating liabilities:		
Decrease in accounts payable	(358,772)	(308)
Decrease in other payable	(56,502)	(76,390)
Increase (decrease) in other current liabilities	19,114	(7,065)
(Decrease) increase in other operating liabilities	(221)	614
Total changes in operating liabilities	<u>(396,381)</u>	<u>(83,149)</u>
Total changes in operating assets and liabilities	<u>352,830</u>	<u>(80,765)</u>
Total adjustments	<u>539,718</u>	<u>113,890</u>
Cash inflow generated from operations	905,773	369,725
Interest received	6,213	4,914
Interest paid	(6,276)	(7,539)
Income taxes paid	(94,612)	(67,998)
Net cash flows from operating activities	<u>811,098</u>	<u>299,102</u>
Cash flows from (used in) investing activities:		
Acquisition of property, plant and equipment	(33,429)	(71,599)
Proceeds from disposal of property, plant and equipment	31	-
Acquisition of intangible assets	(176)	(312)
Acquisition of right-of-use assets	-	(3,231)
Increase in other non-current assets	(19,192)	(35,283)
Net cash flows used in investing activities	<u>(52,766)</u>	<u>(110,425)</u>
Cash flows from (used in) financing activities:		
Decrease in short-term borrowings	(20,000)	(192,000)
Repayments of bonds	(213,009)	-
Repayments of long-term debt	-	(41,667)
Payment of lease liabilities	(43,922)	(44,662)
Cash dividends paid	(131,862)	(158,100)
Exercise of employee share options	-	927
Payments to acquire treasury shares	(17,253)	-
Other financing activities	134	3,594
Net cash flows used in financing activities	<u>(425,912)</u>	<u>(431,908)</u>
Effect of exchange rate changes on cash and cash equivalents	14,032	(5,633)
Net increase (decrease) in cash and cash equivalents	346,452	(248,864)
Cash and cash equivalents at beginning of period	418,151	667,015
Cash and cash equivalents at end of period	<u>\$ 764,603</u>	<u>418,151</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

TaiSol Electronics Co., Ltd. (the “Company”) was incorporated on September 23rd, 1994 under the approval of Ministry of Economic Affairs, Republic of China (“ROC”). The address of its registered office is 3F, No.302, Rueiguang Rd., Neihu District, Taipei City 114, Taiwan. The principal activities of the Company are the manufacturing, agency sales and trading of connectors and thermal solutions, the processing of components of electronic computers, the processing and assembly of electrical wires and cables, trading of magnesium-aluminum components, the processing of components of automobiles, and the sale and tender of sales quotations for various products of domestic and foreign manufacturers.

The Company’ s common shares have been publicly listed on the Taiwan Stock Exchange since December 13th, 2013. Please refer to Note 14 for the Group's operating activities and operating segments informations.

(2) Approval date and procedures of the consolidated financial statements:

These consolidated financial statements were authorized for issue by the Board of Directors on February 24, 2023.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2022:

- Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

- (b) The impact of IFRS issued by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

(Continued)

TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance. The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.	January 1, 2024

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

The Group does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information “
- IFRS16 “Requirements for Sale and Leaseback Transactions”

(4) Summary of significant accounting policies:

The significant accounting policies presented in the consolidated financial statements are summarized below. The following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

- (a) Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as the Regulations).

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TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Basis of preparation

(i) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for the following material items in the statement of financial position:

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) The defined benefit liabilities (assets) are measured at fair value of the plan assets less the present value of the defined benefit obligation.

(ii) Functional and presentation currency

The functional currency of each Company entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan dollars, which is the Group's functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principle of preparation of consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(ii) List of the subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principle activity	Shareholding	
			December 31, 2022	December 31, 2021
The Company	World Window Electronics (H.K.) Limited (hereinafter referred to as "World Window Electronics")	Investment holding and trading	100%	100%
The Company	TaiSol Electronics (HONG KONG) Co., Ltd. (hereinafter referred to as "TaiSol HONG KONG")	Investment holding	100%	100%
The Company	TaiSol Electronics Japan Co., Ltd. (hereinafter referred to as "TaiSol Japan")	Trading	100%	100%
The Company	Techmaster Limited (SAMOA) (hereinafter referred to as "Techmaster")	Trading	- %	100%

(Continued)

TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Name of investor	Name of subsidiary	Principle activity	Shareholding	
			December 31, 2022	December 31, 2021
The Company	SiYang TaiSol Electronics Co., Ltd. (hereinafter referred to as "SiYang TaiSol")	Manufacturing and trading	100%	100%
The Company	Vietnam TaiSol Electronics Co., Ltd. (hereinafter referred to as "Vietnam TaiSol")	Trading	100%	100%
World Window Electronics	DongGuan TaiSol Electronics Co., Ltd. (hereinafter referred to as "DongGuan TaiSol")	Manufacturing and trading	100%	100%
TaiSol HONG KONG	Suzhou TaiSol Electronics Co., Ltd. (hereinafter referred to as "Suzhou TaiSol")	Manufacturing and trading	100%	100%

Vietnam TaiSol had established in November, 2021, and increased its capital in January, 2022.

Techmaster had applied for deregistration in November 2022, and its net worth was transferred to the Company.

There were no subsidiaries excluded from the consolidated financial statements.

(d) Foreign currencies

(i) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, joint control, or significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

(Continued)

TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(e) Classification of current and non-current assets and liabilities

An asset is classified as current when one of following criteria is met; all other assets are classified as non-current assets.

- (i) It is expected to be realized, or intended to be sold or consumed in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It expects to realize the asset within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) The liability is due to be settled within twelve months after the reporting period; or
- (iv) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents is short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(g) Financial instruments

(i) Financial assets

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

(Continued)

TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

On initial recognition, a financial asset is classified as measured at: amortized cost and FVTPL. The Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as measured at fair value through profit or loss:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the initial recognition amount deduct the cumulative amortization using the effective interest method and adjusted for any loss allowance. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Financial assets measured at fair value through profit or loss

All financial assets not classified as measured at amortized cost or at FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designates a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

3) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivable, other receivables, guarantee deposit paid and other financial assets, etc.).

The Group measures loss allowances at an amount equal to lifetime expected credit loss ("ECL"), except for the following which are measured as 12-month ECL:

- bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

(Continued)

TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Loss allowance for accounts receivable and contract assets are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12-month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is past due. The Group considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Group in full.

ECLs are probability-weighted estimate of credit losses over the expected life of financial assets. Credit losses are measured as the present value of all cash shortfalls, i.e the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive. ECL are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost is credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. An evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower;
- A breach of contract or default has been resorted to legal action;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization;or
- the disappearance of an active market for a security because of financial difficulties.

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TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of assets.

The gross carrying amount of a financial asset is written off either partially or in full to the extent that there is no realistic prospect of recovery. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

4) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

When the Group enters into transactions whereby it transfers assets but retains either all or substantially all of the risks and rewards of the assets, the transferred assets are not derecognized from statement of balance sheet.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instruments

An equity instrument is any contract that evidences the residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued is recognized as the amount of consideration received, less the direct cost of issuing.

3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury stock. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

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TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

4) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible bonds denominated in NTD that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognized in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognized.

5) Financial liabilities

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

6) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or canceled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

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

7) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

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TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(h) Inventories

The cost of inventories includes all necessary expenditures and charges for bringing the inventory to an available to sale condition and location.

Subsequent measurement of inventories is based on each inventories category, at whichever is lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business on balance sheet date, less the estimated costs of completion and selling expenses. When the cost of inventories exceeding than the net realizable value, it should be offset against the cost to net realizable value, and the amount of inventory should be recognized as cost of goods sold in the current period. In the event of an increase in the net realized value in the subsequent period, within the original offset amount, reverse the increase in the net realized value and recognized the reversal amount as a decrease in the cost of goods sold in the current period.

(i) Property, Plant and Equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated on the cost of an asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for the current and comparative years are as follows:

1) Buildings	5~55 years
2) Machinery and equipment	1~10 years
3) Molding equipment is used for three to five years or as expected	
4) Office equipment	2~6 years
5) Other equipment	2~15 years

(Continued)

TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically evaluated and reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

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TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset; or
- there is a change in the lease term resulting from a change of the Group's assessment on whether it will exercise an extension or termination option; or
- there is any lease modification.

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize the difference in profit or loss for any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the balance sheets.

If an arrangement contains lease and non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group has elected not to recognize right-of-use assets and lease liabilities for leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a practical expedient, the Group elects not to assess whether all rent concessions that meets all the following conditions are lease modifications or not:

- the rent concessions occurring as a direct consequence of the COVID-19 pandemic;
- the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2022; and there is no substantive change in other terms and conditions of the lease.

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TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies IFRS15 to allocate the consideration in the contract.

(k) Intangible assets

(i) Recognition and measurement

Other intangible assets, including patents and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for the current and comparative periods are as follows:

1) Patent	3~19 years
2) Software	2~5 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(l) Impairment of non-financial assets

The Group assesses at the end of each reporting date whether there is any indication that the carrying amounts of non-financial assets (other than inventories and deferred tax assets) may be impaired. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or cash generating units (CGUs).

The recoverable amount for an individual asset or a CGU is the higher of its fair value less costs to sell or its value in use. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

For other non-financial assets, an impairment loss is reversed only to the extent that the asset's carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the assets in prior years.

(m) Revenue from contracts with customers

(i) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good to a customer. The accounting policies for the Group's main types of revenue are explained below.

1) Sale of goods

Revenue is recognized when the control over a product has been transferred to the customer. When the products are delivered to the customer, the customer has full discretion over the channel and price 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, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

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TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Group offers discounts for various customers or products, based on the market demand and competition. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated discounts. Accumulated experience and consideration of the sales contract are used to estimate the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A refund liability is recognized for expected discounts payable to customers in relation to sales made at each reporting date.

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

2) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(ii) Contract costs

1) Incremental costs of obtaining a contract

The Group recognizes as an asset the incremental costs of obtaining a contract with a customer if the Group expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred, regardless of whether the contract was obtained, shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

The Group applies the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

2) Costs to fulfil a contract

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standard (for example, IAS 2 Inventories, IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets), the Group recognizes an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria: the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify; the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and the costs are expected to be recovered.

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TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

General and administrative costs, costs of wasted materials, labor or other resources to fulfil the contract that were not reflected in the price of the contract, costs that relate to satisfied performance obligations (or partially satisfied performance obligations), and costs for which the Group cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations (or partially satisfied performance obligations), the Group recognizes these costs as expenses when incurred.

(n) Employee benefits

(i) Defined contribution plans

Obligations for contributions to the defined contribution plans are expensed as related services are provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Defined benefit plans

The Group's net obligation in respect of the defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefit obligations are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

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TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(o) Share-based payment transaction

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the resting period of the awards. The compensation cost is adjusted to reflect the number of awards given to employees for which the performance and non-market conditions are expected to be met, such that the amount ultimately recognized shall be based on the number of equity instruments that eventually have vested.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions, and there is no true-up for differences between expected and actual outcomes.

The grant date of a share-based payment is the date which the board of directors authorized the price and number of a new award.

(p) Income taxes

Income taxes comprise both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are not recognized for the following exceptions:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

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TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) Different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(q) Earnings per share

The basic and diluted EPS attributable to shareholders of the Group are disclosed in the financial statements. Basic earnings per share is calculated as the profit attributable to the ordinary shareholders of the Group divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Group divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potential dilutive ordinary shares. The Group's dilutive potential common shares comprise employee remuneration, convertible bond and employee stock options.

(r) Operating segment

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the consolidated financial statements, in conformity with the Regulations and the IFRSs endorsed by the FSC, requires management to make judgments estimates and assumptions that affect the application of the accounting policies and reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimations.

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TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

(a) Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is as follows:

(i) Classification of investment property

The Group has sublet a vacated warehouse but has decided not to treat this property as investment property because it is not the Group's intention to hold it for the long term, for capital appreciation, or for rental. Accordingly, the property continues to be classified under property, plant and equipment.

(b) Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic.

(i) Accrual of sales allowance

The Group also records a refund liability for estimated future allowances in the same period the related revenue is recorded. Refund liability for estimated sales allowances is generally made and adjusted based on historical experience and customer contracts. The adequacy of estimations is reviewed periodically. However, the adequacy of estimations may be affected by factors such as market price competition and the evolution of product technology, which could result in significant adjustments to the variable consideration. A refunded liability is recognized for expected discounts payable to customers in relation to sales made. Please refer to Notes 6(m) and 6(s) for further description of the refund liabilities.

(ii) The estimate of Commission

The Group estimates commission expenses based on historical experience and contracts with the agents and recognized it as current sales expenses in the respective period and the Group regularly reviews the reasonableness of the estimates. However, the adequacy of estimations may be affected by factors such as market price competition and economic conditions, which could result in significant adjustments to the variable consideration. Please refer to Note 6(m) for further description of the commission payable.

(iii) Valuation of Inventory

As inventories are stated at the lower of cost or net realizable value, the Group estimates the net realizable value of inventories for normal inventory consumption, obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions of future demand within a specific time horizon. Due to the rapid technological changes or the upgrading of production technology, there may be significant changes in the net realizable value of inventories. Please refer Note 6(d) for valuation of Inventory.

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TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand	\$ 594	611
Demand deposits	347,638	268,661
Time deposits	396,371	148,879
Repurchase agreement	20,000	-
Cash and cash equivalents in the statement of cash flows	\$ 764,603	418,151

(b) Notes and accounts receivable

	December 31, 2022	December 31, 2021
Notes receivable—measured at amortized cost	\$ 293,692	248,838
Accounts receivable—measured at amortized cost	1,333,261	1,847,796
Less: Loss allowance	4,076	3,611
	\$ 1,622,877	2,093,023

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and accounts receivable have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including the macroeconomic and related industrial information. The loss allowance provisions of the clients classified as category A were determined as follows:

	December 31, 2022		
	Book value of accounts and notes receivable	Weighted average expected credit losses rate	Loss allowance provision for lifetime expected credit losses
Current	\$ 1,341,508	-	-
1 to 30 days past due	22,211	1%	222
31 to 120 days past due	2,515	1%	25
121 to 365 days past due	1,440	1%	14
	\$ 1,367,674		261

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TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	December 31, 2021		
	Book value of accounts and notes receivable	Weighted average expected credit losses rate	Loss allowance provision for lifetime expected credit losses
Current	\$ 1,791,350	-	-
1 to 30 days past due	8,362	1%	84
31 to 120 days past due	23,587	1%	236
	\$ 1,823,299		320

The loss allowance provisions of the clients classified as category B were determined as follows:

	December 31, 2022		
	Book value of accounts and notes receivable	Weighted average expected credit losses rate	Loss allowance provision for lifetime expected credit losses
Current	\$ 231,310	1%	2,313
1 to 30 days past due	7,061	5%	353
31 to 120 days past due	20,590	5%	1,029
121 to 365 days past due	10	5%	1
	\$ 258,971		3,696

	December 31, 2021		
	Book value of accounts and notes receivable	Weighted average expected credit losses rate	Loss allowance provision for lifetime expected credit losses
Current	\$ 257,873	1%	2,579
1 to 30 days past due	7,121	5%	356
31 to 120 days past due	8,341	5%	417
	\$ 273,335		3,352

The loss allowance provisions of the clients classified as category C were determined as follows:

	December 31, 2022		
	Book value of accounts and notes receivable	Weighted average expected credit losses rate	Loss allowance provision for lifetime expected credit losses
121 to 365 days past due	\$ 6	10%	1
More than 365 days past	302	10%	30
	\$ 308		31

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TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The movements in the allowance for notes and accounts receivable were as follows:

	<u>2022</u>	<u>2021</u>
Balance at January 1	\$ 3,611	6,207
Impairment losses recognized (reversed)	426	(2,555)
Effect of changes in exchange rates	39	(41)
Balance at December 31	<u>\$ 4,076</u>	<u>3,611</u>

The Group's notes and accounts receivable were not pledged as collateral.

(c) Other receivables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Others receivables	\$ 4,461	13,601
Less: Loss allowance	563	555
	<u>\$ 3,898</u>	<u>13,046</u>

Other receivables are impaired at the loss allowance based on 12 month expected credit losses. The loss allowance provisions and credit impairments were determined as follows:

	<u>December 31, 2022</u>		<u>December 31, 2021</u>	
	<u>Life time Expected loss — unimpaired</u>	<u>Life time Expected loss— impaired</u>	<u>Life time Expected loss— unimpaired</u>	<u>Life time Expected loss— impaired</u>
Current	\$ 3,898	-	13,046	-
More than 365 days past	-	563	-	555
Gross carrying amounts	3,898	563	13,046	555
Loss allowance	-	(563)	-	(555)
Amortized cost (carrying amount)	<u>\$ 3,898</u>	<u>-</u>	<u>13,046</u>	<u>-</u>

The movements in the allowance for others receivables were as follows:

	<u>2022</u>		
	<u>Life time Expected loss— unimpaired</u>	<u>Life time Expected loss impaired</u>	<u>Total</u>
Balance at January 1	\$ -	555	555
Effect of changes in exchange rates	-	8	8
Balance at December 31	<u>\$ -</u>	<u>563</u>	<u>563</u>

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TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES
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	2021		
	Life time Expected loss — unimpaired	Life time Expected loss impaired	Total
Balance at January 1	\$ -	559	559
Effect of changes in exchange rates	-	(4)	(4)
Balance at December 31	\$ -	555	555

(d) Inventories

	December 31, 2022	December 31, 2021
Finished goods	\$ 251,118	383,037
Work in progress	31,796	54,098
Raw materials	78,408	104,255
Merchandise	49,068	112,232
Total	\$ 410,390	653,622

The details of the cost of sales were as follows:

	2022	2021
Cost of goods sold	\$ 3,657,842	4,058,666
Recognition of provisions for inventory valuation	16,849	18,357
Loss on scrap of inventory	20,739	18,365
Gain on physical inventory	(96)	(482)
	\$ 3,695,334	4,094,906

The Group's inventories mentioned above were not pledged as collateral.

(e) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Group were as follows:

	Land	Buildings	Machinery and equipment	Molding equipment	Office equipment	Other equipment	Total
Cost or deemed cost:							
Balance at January 1, 2022	\$ 107,699	157,934	439,057	42,241	7,656	172,485	927,072
Additions	-	-	13,073	6,855	803	6,180	26,911
Disposal	-	(465)	(44,199)	(3,321)	(2,694)	(83,075)	(133,754)
Reclassification	-	60,196	(3,889)	-	-	3,889	60,196
Effect of exchange rate changes	-	1,306	6,539	572	46	3,229	11,692
Balance at December 31, 2022	\$ 107,699	218,971	410,581	46,347	5,811	102,708	892,117
Balance at January 1, 2021	\$ 107,699	158,700	468,180	36,208	7,177	200,987	978,951
Additions	-	-	17,761	20,172	568	8,825	47,326
Disposal	-	-	(43,385)	(13,872)	(69)	(35,759)	(93,085)
Effect of exchange rate changes	-	(766)	(3,499)	(267)	(20)	(1,568)	(6,120)
Balance at December 31, 2021	\$ 107,699	157,934	439,057	42,241	7,656	172,485	927,072

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TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	Land	Buildings	Machinery and equipment	Molding equipment	Office equipment	Other equipment	Total
Depreciation:							
Balance at January 1, 2022	\$ -	27,117	241,169	9,283	4,521	143,342	425,432
Depreciation for the year	-	6,093	87,481	7,064	1,929	22,865	125,432
Disposal	-	(465)	(43,835)	(3,121)	(2,694)	(83,046)	(133,161)
Reclassification	-	-	(1,404)	-	-	1,404	-
Effect of exchange rate changes	-	114	3,805	106	32	2,235	6,292
Balance at December 31, 2022	<u>\$ -</u>	<u>32,859</u>	<u>287,216</u>	<u>13,332</u>	<u>3,788</u>	<u>86,800</u>	<u>423,995</u>
Balance at January 1, 2021	\$ -	22,210	181,662	13,031	2,231	151,748	370,882
Depreciation for the year	-	4,943	102,385	8,270	2,368	28,526	146,492
Disposal	-	-	(41,554)	(11,921)	(69)	(35,752)	(89,296)
Effect of exchange rate changes	-	(36)	(1,324)	(97)	(9)	(1,180)	(2,646)
Balance at December 31, 2021	<u>\$ -</u>	<u>27,117</u>	<u>241,169</u>	<u>9,283</u>	<u>4,521</u>	<u>143,342</u>	<u>425,432</u>
Carrying amounts:							
Balance at December 31, 2022	<u>\$ 107,699</u>	<u>186,112</u>	<u>123,365</u>	<u>33,015</u>	<u>2,023</u>	<u>15,908</u>	<u>468,122</u>
Balance at January 1, 2021	<u>\$ 107,699</u>	<u>136,490</u>	<u>286,518</u>	<u>23,177</u>	<u>4,946</u>	<u>49,239</u>	<u>608,069</u>
Balance at December 31, 2021	<u>\$ 107,699</u>	<u>130,817</u>	<u>197,888</u>	<u>32,958</u>	<u>3,135</u>	<u>29,143</u>	<u>501,640</u>

Please refer to Note 8 for the property, plant and equipment pledged to secure bank loans as of December 31, 2022 and 2021.

(f) Right of use assets

The Group leases buildings, vehicles, and office equipments. Information about leases for which the Group as a lessee was as follows:

	Land	Buildings	Vehicles	Office equipment	Total
Cost:					
Balance at January 1, 2022	\$ 23,923	201,048	16,462	238	241,671
Additions	-	2,758	1,875	-	4,633
Disposal	-	(683)	(3,343)	-	(4,026)
Effect of exchange rate changes	353	2,845	111	-	3,309
Balance at December 31, 2022	<u>\$ 24,276</u>	<u>205,968</u>	<u>15,105</u>	<u>238</u>	<u>245,587</u>
Balance at January 1, 2021	\$ 20,848	190,513	14,142	238	225,741
Additions	3,231	12,171	3,822	-	19,224
Disposal	-	-	(1,445)	-	(1,445)
Effect of exchange rate changes	(156)	(1,636)	(57)	-	(1,849)
Balance at December 31, 2021	<u>\$ 23,923</u>	<u>201,048</u>	<u>16,462</u>	<u>238</u>	<u>241,671</u>
Depreciation:					
Balance at January 1, 2022	\$ 1,420	131,328	10,116	52	142,916
Depreciation for the year	561	36,863	3,852	47	41,323
Reclassification	34	-	-	-	34
Disposal	-	-	(1,968)	-	(1,968)
Effect of exchange rate changes	19	1,670	82	-	1,771
Balance at December 31, 2022	<u>\$ 2,034</u>	<u>169,861</u>	<u>12,082</u>	<u>99</u>	<u>184,076</u>
Balance at January 1, 2021	\$ 880	95,889	7,069	4	103,842
Depreciation for the year	547	36,301	4,464	48	41,360
Disposal	-	-	(1,387)	-	(1,387)
Effect of exchange rate changes	(7)	(862)	(30)	-	(899)
Balance at December 31, 2021	<u>\$ 1,420</u>	<u>131,328</u>	<u>10,116</u>	<u>52</u>	<u>142,916</u>

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TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	<u>Land</u>	<u>Buildings</u>	<u>Vehicles</u>	<u>Office equipment</u>	<u>Total</u>
Carrying amounts:					
Balance at December 31, 2022	\$ 22,242	36,107	3,023	139	61,511
Balance at January 1, 2021	\$ 19,968	94,624	7,073	234	121,899
Balance at December 31, 2021	\$ 22,503	69,720	6,346	186	98,755

(g) Intangible assets

	<u>Computer software</u>	<u>Patents</u>	<u>Total</u>
Cost:			
Balance at January 1, 2022	\$ 3,908	2,274	6,182
Acquisition	176	-	176
Disposal	(185)	(790)	(975)
Effect of exchange rate changes	45	-	45
Balance at December 31, 2022	<u>\$ 3,944</u>	<u>1,484</u>	<u>5,428</u>
Balance at January 1, 2021	\$ 9,095	3,628	12,723
Acquisition	223	89	312
Disposal	(5,357)	(1,440)	(6,797)
Effect of exchange rate changes	(53)	(3)	(56)
Balance at December 31, 2021	<u>\$ 3,908</u>	<u>2,274</u>	<u>6,182</u>
Amortization:			
Balance at January 1, 2022	\$ 3,119	899	4,018
Amortization	458	371	829
Disposal	(185)	(790)	(975)
Effect of exchange rate changes	39	-	39
Balance at December 31, 2022	<u>\$ 3,431</u>	<u>480</u>	<u>3,911</u>
Balance at January 1, 2021	\$ 7,560	1,695	9,255
Amortization	964	647	1,611
Disposal	(5,357)	(1,440)	(6,797)
Effect of exchange rate changes	(48)	(3)	(51)
Balance at December 31, 2021	<u>\$ 3,119</u>	<u>899</u>	<u>4,018</u>
Carrying amounts:			
Balance at December 31, 2022	<u>\$ 513</u>	<u>1,004</u>	<u>1,517</u>
Balance at January 1, 2021	<u>\$ 1,535</u>	<u>1,933</u>	<u>3,468</u>
Balance at December 31, 2021	<u>\$ 789</u>	<u>1,375</u>	<u>2,164</u>

The Group did not provide any of the aforementioned intangible assets as collateral.

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(h) Prepayments and other current assets

The Group's prepayments were as follows:

	December 31, 2022	December 31, 2021
Prepaid sales tax	\$ 52,275	65,604
Other prepayments	38,250	39,631
Prepayments for purchases	34	101
	<u>\$ 90,559</u>	<u>105,336</u>

The Group's other current assets were as follows:

	December 31, 2022	December 31, 2021
Restricted time deposits	\$ 600	600
Overpaid sales tax	-	779
Others	133	468
Total	<u>\$ 733</u>	<u>1,847</u>

(i) Short-term borrowings

	December 31, 2022	December 31, 2021
Unsecured bank loans	\$ -	<u>20,000</u>
Unused credit lines	<u>735,295</u>	<u>688,680</u>
Interest rate	<u>-</u>	<u>0.70%-0.75%</u>

For the collateral for bank loans, please refer to Note 8.

(j) Bonds payable

(i) The main terms of issuing the convertible corporate bonds were as follows:

Item	The second unsecured domestic convertible corporate bonds
1) Principal amount	\$300,000 thousand dollars
2) Par value	\$100 thousand dollars
3) Issuance price	101% of nominal value
4) Duration	2019.08.20~2022.08.20
5) Maturity	3 year
6) Coupon rate	0%

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Notes to the Consolidated Financial Statements

Item	The second unsecured domestic convertible corporate bonds
7) Redemption methods	<p>The Company may redeem its bonds in advance when one of the following conditions is met:</p> <ol style="list-style-type: none"> 1) Within the period between three months after the issuance date and 40 days prior to maturity, if the closing price of the Company's common shares on the TWSE for a period of 30 consecutive trading days has been exceeding at least 30% of the conversion price in effect on each trading day, the Company may redeem all bonds at par value by cash. 2) If the amount outstanding of bonds is less than 10% of the principal amount within the period between the three months after the issuance date and the 40 days prior to maturity, the Company may redeem the outstanding bonds at their principal amount.
8) Bondholders with a put option	None.
9) Conversion price and adjustment	<p>The conversion price was NT\$74.8 per share on the issuance date. The conversion method provides for the adjustment of the conversion price of bonds after the issuance, and it will be dealt with according to the relevant provisions.</p> <p>On June 5, 2020, the Company paid cash dividends of ordinary shares for \$2.1 per share, pursuant to a resolution of the shareholders' meeting. The base date was July 13, 2020. Since July 13, 2020, the conversion price was adjusted from \$74.8 to \$73.06.</p> <p>On July 5, 2021, the Company paid cash dividends of ordinary shares with \$1.80 per share, pursuant to a resolution of the shareholders' meeting. The base date was August 8, 2021. Since August 8, 2021, the conversion price was adjusted from \$73.06 to \$70.62.</p> <p>On May 20, 2022, the Company paid cash dividends of ordinary shares with \$1.5 per share, pursuant to a resolution of the shareholders' meeting. The base date was June 26, 2022. Since June 26, 2022, the conversion price was adjusted from \$70.62 to \$68.27.</p>
(ii)	<p>The second unsecured domestic convertible corporate bonds issued by the Group reached maturity on August 20, 2022. According to the regulations, the Group had redeemed and suspended the trading. The Group had repaid in full at the end of August, 2022.</p>

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Notes to the Consolidated Financial Statements

- (iii) The details of the second unsecured domestic convertible corporate bonds issued on August 20, 2019 were as follows:

	December 31, 2022	December 31, 2021
The original issued amount of the convertible bonds	\$ 303,000	303,000
Less: Accumulative redeemed amount	(213,009)	-
Accumulative converted amount	(89,991)	(89,991)
Unamortized discounted corporate bonds payable	-	(2,603)
Expected to be redeemed within one year	-	(210,406)
Corporate bonds issued balance at year-end	\$ -	-
Equity component – conversion options, included in capital surplus– stock options	\$ -	9,495
	2022	2021
Interest expense	\$ 2,603	4,100

- (iv) The second unsecured domestic convertible corporate bonds issued by the Group separates options and liabilities and is recognized as equity and liabilities respectively, and the details are as follows:

	Amount
Present value of the convertible bonds issued	\$ 290,644
Embedded derivative financial instruments - redemption option	(1,150)
The elements of equity issued	13,506
Total convertible corporate bonds issued	\$ 303,000

- (k) Lease liabilities

The amounts of the Group's lease liabilities were as follows:

	December 31, 2022	December 31, 2021
Current	\$ 34,806	42,912
Non-current	\$ 4,986	36,968

For the maturity analysis, please refer to Note 6(v).

The amounts recognized in profit or loss were as follows:

	2022	2021
Interest on lease liabilities	\$ 4,098	6,312
Income from sub-leasing right-of-use assets	\$ 5,578	6,212
Expenses relating to short-term leases	\$ 21,650	17,516
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ 77	85

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TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The leases amounts recognized in the statement of cash flows for the Group were as follows:

	2022	2021
Total cash outflow for leases	\$ 69,747	68,575

(i) Real estate leases

The Group leases land and buildings for its office space, staff dormitories, research and development centers and plants. The leases of office space and plants typically run for a period of 2 to 5 years, and of staff dormitories for 3 to 8 years, and of R&D centers for 2 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

(ii) Other leases

The Group leases vehicles and other equipment, with lease terms of one to five years.

(l) Operating lease

The Group leases out some plants. The Group has classified these leases as operating leases, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date are as follows:

	December 31, 2022	December 31, 2021
Less than one year	\$ 5,332	5,255

(m) Other payables and other current liabilities

The other payables were as follows:

	December 31, 2022	December 31, 2021
Accrued expenses	\$ 112,855	93,250
Commission payable	105,292	115,056
Salary and bonus payable	80,732	126,031
Remuneration payable to employees, directors, and supervisors	38,590	42,846
Payable for equipment	22,527	28,577
Other payables	40,063	51,600
	\$ 400,059	457,360

(Continued)

TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The other current liabilities were as follows:

	December 31, 2022	December 31, 2021
Refund liabilities	\$ 132,847	109,506
Temporary credits	6,478	6,960
Receipts under custody	1,546	1,511
Unearned receipts	17	17
	<u>\$ 140,888</u>	<u>117,994</u>

A refund liability is recognized for expected discounts payable to customers in relation to sales made at each reporting date.

(n) Employee benefits

(i) Defined benefit plans

In the fourth quarter of 2021, the Group settled with the employees who were eligible for the defined benefit scheme. The Group applied to the Department of Labor, Taipei City Government in accordance with the law for payment of the employee pension and return of the residual amount of the labor retirement reserve. The Group received the residual amount in April 2022, and recognized liquidation gain of \$4,727 thousand.

(ii) Defined contribution plans

The Group allocates 6% of each employee' s monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Group contributes a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations.

The cost of the pension contributions to the Bureau of Labor Insurance for the years ended December 31, 2022 and 2021 amounted to \$5,299 thousand and \$5,593 thousand, respectively.

Under the retirement scheme for senior managers of the Group, the retirement benefits of senior management are provided by the payment to the insurance company premiums, under which the Group has no statutory or constructive obligation to pay additional amount after payment of a fixed amount to the insurance company. Under the contribution pension plan, the Group' s pension costs amounted to \$(179) thousand and \$606 thousand for the years ended December 31, 2022 and 2021, respectively.

(Continued)

TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(o) Income taxes

(i) Income tax expenses

The components of income tax in the years 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Current tax expense		
Current period	\$ 119,704	68,074
Adjustment for prior years	4,106	10,649
	<u>123,810</u>	<u>78,723</u>
Deferred tax expense (income)		
Origination and reversal of temporary differences	(25,232)	(10,337)
Income tax expense	<u>\$ 98,578</u>	<u>68,386</u>

There were no income tax expense recognized in equity and other comprehensive income for the years ended December 31, 2022 and 2021.

Reconciliation of income tax expense and profit before tax for 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Profit before income tax	<u>\$ 366,055</u>	<u>255,835</u>
Income tax using the Company' s domestic tax rate	\$ 73,211	51,167
Effect of tax rates in foreign jurisdiction	24,116	27,110
Effect of investment income (loss)	17,827	(18,434)
Tax incentives	(10,862)	(9,844)
Tax-exempt income	(22,344)	(4,539)
Non-deductible expense	529	380
Use of previously unrecognized tax losses	(4,185)	-
Aggregate deductible temporary differences associated with investments in subsidiaries	12,192	18,529
Change in provision in prior periods	4,106	10,649
Additional tax on undistributed earnings	1,255	2,174
Others	2,733	(8,806)
Income tax expense	<u>\$ 98,578</u>	<u>68,386</u>

(Continued)

TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

The Group is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as of December 31, 2022 and 2021. Also, management considers it probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax liabilities. Details are as follows:

	December 31, 2022	December 31, 2021
Aggregate amount of temporary differences related to investments in subsidiaries	\$ (8,243)	(8,243)

2) Unrecognized deferred tax assets

As of December 31, 2022 and 2021, the temporary differences associated with investments in subsidiaries were not recognized as deferred income tax assets as the Group has the ability to control the reversal of these temporary differences which are not expected to reverse in the foreseeable future.

	December 31, 2022	December 31, 2021
Aggregate amount of temporary differences related to investments in subsidiaries	\$ 43,798	30,616

3) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2022 and 2021 were as follows:

Deferred tax liabilities:

	Unrealized investment gains	Others	Total
Balance at January 1, 2022	\$ 110,842	696	111,538
Recognized in profit or loss	(899)	(474)	(1,373)
Balance at December 31, 2022	\$ 109,943	222	110,165
Balance at January 1, 2021	\$ 103,651	1,649	105,300
Recognized in profit or loss	7,191	(953)	6,238
Balance at December 31, 2021	\$ 110,842	696	111,538

Deferred Tax Assets:

	Allowance for sales return and discounts	Provision for bad debts	Unrealized Investment loss	Others	Total
Balance at January 1, 2022	\$ 12,012	1,151	18,511	15,814	47,488
Recognized in profit or loss	4,392	814	11,027	7,626	23,859
Balance at December 31, 2022	\$ 16,404	1,965	29,538	23,440	71,347

(Continued)

TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Allowance for sales return and discounts	Provision for bad debts	Unrealized Investment loss	Others	Total
Balance at January 1, 2021	\$ 12,785	1,399	11,501	5,228	30,913
Recognized in profit or loss	(773)	(248)	7,010	10,586	16,575
Balance at December 31, 2021	\$ 12,012	1,151	18,511	15,814	47,488

(iii) Assessment of tax

The Company' s income tax returns for the years through 2020 have been examined and approved by the R.O.C. tax authorities.

(p) Capital and other equity

As of December 31, 2022 and 2021, the Company's authorized share capital amounted to \$1,000,000 thousand with a par value of \$10 per share. The aggregate amount of the aforesaid authorized share capital was composed of ordinary shares only, and the issued shares were 87,908 thousand shares.

(i) Ordinary shares

For the year ended December 31, 2021, the employee share option issued by the Company amounting to \$927 thousand was converted into 83 thousand shares of common stock at \$10.93~\$11.31 per share. The related registration procedures were completed during the year.

(ii) Capital surplus

The components of capital surplus were as follows:

	December 31, 2022	December 31, 2021
Additional paid in capital	\$ 325,371	325,371
Share option –convertible bonds issued	-	9,495
Others	23,528	13,899
	\$ 348,899	348,765

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(Continued)

TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iii) Retained earnings

In accordance with the Company's articles, if there are earnings at year end, 10 percent should be set aside as legal reserve (unless the amount in the legal reserve is already equal to or greater than the total paid-in capital) and special reserve according to the Securities and Exchange Act and the Company's operations after the payment of income tax and offsetting accumulated losses from prior years. The remaining portion will be combined with earnings from prior years, and the Board of directors can propose distribution plan to be approved by the shareholders' meeting.

In consideration of the Company's longterm operating plan, funding needs, and satisfying shareholder demand for cash flow, distribution of earnings may be retained in whole or in part as unappropriated retained earnings by resolution of the shareholders' general meeting and shall be paid in subsequent years. The distribution of dividends by shareholders may be in the form of cash dividends or share dividends, where the distribution rate of share dividends shall be not less than 20 percent, provided that the ratio of such earnings to cash dividends or share dividends shall be adjusted by resolution of the shareholders in accordance with the actual profit and fund status for the year.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

In accordance with Rule issued by the FSC, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior period. The subsequent reversals of the contra accounts in shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

Earnings distribution for 2021 and 2020 was decided by the resolution adopted, at the general meeting of shareholders held on May 20, 2022 and July 5, 2021, respectively. The relevant dividend distributions to shareholders were as follows:

	2021		2020	
	Amount per share (NT dollars)	Amount	Amount per share (NT dollars)	Amount
Dividends distributed to ordinary shareholders				
Cash	\$ 1.5	131,862	1.8	158,100

(Continued)

TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

On February 24, 2023, the Company's Board of Directors resolved to appropriate the 2022 earnings. These earnings were appropriated as follows:

	2022	
	Amount per share (NT dollars)	Amount
Dividends distributed to ordinary shareholders		
Cash	\$ 2.00	174,916

(iv) Treasury shares

In accordance with the requirements under section 28(2) of the Securities and Exchange Act, on July 1, 2022, the Board of Directors resolved to repurchase 600 thousand shares as treasury shares to inspire its employees, at a price of \$30.0 to \$60.0 per share during the repurchased period from July 1 to August 31, 2022. During the repurchased period, the Company repurchased 450 thousand shares for a total consideration of \$17,253 thousand. As of December 31, 2022, the number of shares held by the Company was 450 thousand shares.

In accordance with the requirements of Securities and Exchange Act, treasury shares held by the Company should not be pledged, and do not hold any shareholder rights before their transfer. In addition, the number of shares bought back shall not exceed 10% of the total number of issued shares. The total purchase amount shall not exceed the sum of retained earnings, additional paid-in capital-premiums and realized capital surplus. The Company had complied with the above mentioned regulations and there was no exception.

(v) Other equity amounts (net of tax)

	Exchange differences on translation of foreign financial statements
Balance as of January 1, 2022	\$ (85,614)
Exchange differences on translation of net assets of foreign operations	23,179
Loss (gain) on disposal of foreign operations reclassified to profit or loss	1,255
Balance as of December 31, 2022	\$ (61,180)
Balance as of January 1, 2021	\$ (73,874)
Exchange differences on translation of net assets of foreign operations	(11,740)
Balance as of December 31, 2021	\$ (85,614)

(Continued)

TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(q) Share-based payment

(i) Employee stock options and share-based payment

On February 25, 2015, the Board of Directors resolved to issue 600 units of employee stock options with an exercisable right of 1,000 share of ordinary shares per unit. The resolution was approved by the shareholders' meeting on May 15, 2015. It came into effect on July 22, 2015 pursuant to letter No. 1040027805 of the Financial Supervisory Commission, and was issued by a resolution of the Board of Directors on August 11, 2015.

Share-based payment transactions of the Group are as follows:

	<u>Equity settlement</u> <u>Employee stock options</u>
Grant date	2015.8.11
Number of options granted	600 thousand shares
Contract period	6 years
Recipients	Employees of specific job seniority or full-time regular employees of the Company and its domestic and foreign subsidiaries, which the Company accounts for more than 50% ownership directly or indirectly with special contribution to the Company, in addition of being the key personnel in relation to the Company's operations.
Vested conditions	2~5 years of service

1) Determining the fair value of equity instruments granted

The Group adopted the Binomial-Model to evaluate the fair value of the stock option at the grant date. The assumptions adopted in this valuation model were as follows:

	<u>Employee stock options</u>
Share price at the grant date	\$18.35 per share
Exercise price	\$14.11 per share
Expected volatility (%)	35.50%
The expected life of the option (years)	6 year
The risk-free rate (%)	0.98%

Expected volatility was based on one year historical volatility of the listed comparable companies in TEJ report; the duration of stock options is in accordance with the regulations. The risk-free rate was determined based on zero-coupon bonds.

(Continued)

TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The exercise price of stock warrant was NT\$14.11 per share on the issuance date. In the event of any subsequent issue requiring adjustment of the exercise price, the relevant provisions shall be followed.

On May 31, 2016, the Company paid cash dividends of ordinary shares with a par value of \$1.50932321 per share pursuant to a resolution of the shareholders' meeting. The base date was July 11, 2016. Since July 11, 2016, the exercise price was adjusted from \$14.11 to \$13.18.

On May 19, 2017, the Company paid cash dividends of ordinary shares with a par value of \$2.19749455 per share pursuant to a resolution of the shareholders' meeting. The base date was July 11, 2017. Since July 11, 2017, the exercise price was adjusted from \$13.18 to \$12.23.

On June 19, 2018, the Company paid cash dividends of ordinary shares with a par value of \$0.30049480 per share pursuant to a resolution of the shareholders' meeting. The base date was July 28, 2018. Since July 28, 2018, the exercise price was adjusted from \$12.23 to \$12.06.

On July 6, 2018, the Company increased its capital by issuing 16,667 thousand ordinary shares with a par value of \$10 per share pursuant to a resolution of the Board of Directors. The base date was August 4, 2018. Since August 4, 2018, the exercise price was adjusted from \$12.06 to \$11.82.

On June 6, 2019, the Company paid cash dividends of ordinary shares with a par value of \$1.2 per share pursuant to a resolution of the shareholders' meeting. The base date was July 10, 2019. Since July 10, 2019, the exercise price was adjusted from \$11.82 to \$11.58.

On June 5, 2020, the Company paid cash dividends of ordinary shares with a par value of \$2.1 per share pursuant to a resolution of the shareholders' meeting. The base date was July 13, 2020. Since July 13, 2020, the exercise price was adjusted from \$11.58 to \$11.31.

On July 5, 2021, the Company paid cash dividends of ordinary shares with a par value of \$1.8 per share pursuant to a resolution of the shareholders' meeting. The base date was August 8, 2021. Since August 8, 2021, the exercise price was adjusted from \$11.31 to \$10.93.

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TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

2) Related information of employee stock option plans

Information on employee stock options was as follows:

	2021	
	Weighted average price (NT dollars)	Share option (Thousand of shares)
Outstanding at January 1	\$ 11.31	150
Exercised during the year	10.93~11.31	(83)
Expired during the year	-	(67)
Exercisable at December 31		-

(r) Earnings per share

The basic earnings per share were calculated as follows:

	2022	2021
Basic earnings per share:		
Profit attributable to the Company	\$ 267,477	187,449
Weighted average number of ordinary shares outstanding (in thousands of shares)	87,708	87,860
Basic earnings per share (in New Taiwan dollars)	\$ 3.05	2.13
Diluted earnings per share:		
Profit attributable to the Company	\$ 267,477	187,449
Effect of dilutive potential ordinary shares		
Convertible bonds	2,603	4,205
Profit attributable to ordinary equity holders of the Company (after adjusting the effect of dilutive potential ordinary share)	\$ 270,080	191,654
Weighted average number of ordinary shares outstanding (in thousands of shares)	87,708	87,860
Effect of dilutive potential ordinary shares		
Effect of issuance of share options (in thousands of shares)	407	356
Effect of the conversion of convertible bonds (in thousands of shares)	1,898	2,887
Effect of employee share bonus (in thousands of shares)	-	81
Weighted average number of common shares outstanding (Diluted / in thousands of shares)	90,013	91,184
Diluted earnings per share (in New Taiwan dollars)	\$ 3.00	2.10

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TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(s) Revenue from contracts with customers

(i) Details of revenue

	2022			
	The Company and others	Suzhou TaiSol	DongGuan TaiSol	Total
Primary geographical markets:				
Asia	\$ 2,882,472	299,411	1,202,053	4,383,936
America	157,385	-	-	157,385
Europe	26,997	-	-	26,997
	\$ 3,066,854	299,411	1,202,053	4,568,318
Merchandise:				
Connector	\$ 901,167	-	15,054	916,221
Thermal solutions	2,165,687	299,411	1,186,999	3,652,097
	\$ 3,066,854	299,411	1,202,053	4,568,318
	2021			
	The Company and others	Suzhou TaiSol	DongGuan TaiSol	Total
Primary geographical markets:				
Asia	\$ 3,187,581	705,927	942,465	4,835,973
America	105,953	-	-	105,953
Europe	36,355	-	-	36,355
	\$ 3,329,889	705,927	942,465	4,978,281
Merchandise:				
Connector	\$ 1,062,289	-	13,581	1,075,870
Thermal solutions	2,267,600	705,927	928,884	3,902,411
	\$ 3,329,889	705,927	942,465	4,978,281

(ii) Contract Balance

	December 31, 2022	December 31, 2021	January 1, 2021
Notes receivable	\$ 293,692	248,838	435,521
Accounts receivable	1,333,261	1,847,796	1,648,928
Accounts receivable due from related parties	-	-	5,702
Less: Loss allowance	4,076	3,611	6,207
Total	\$ 1,622,877	2,093,023	2,083,944
Contract liabilities	\$ 132,864	109,523	117,612

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TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For details on notes and accounts receivable and allowance for impairment, please refer to Note 6(b).

(t) Employee compensation and directors' and supervisors' remuneration

The Company's Articles of Incorporation stipulate that if there is profit for the year, a minimum of 3% but not exceeding 15% shall be allocated as employee compensation and a maximum of 5% as director compensation. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

For the years ended December 31, 2022 and 2021, the Company estimated its employee remuneration amounting to \$11,189 thousand and \$17,101 thousand, and directors' and supervisors' remuneration amounting to \$10,300 thousand and \$8,200 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's article. These remunerations were expensed under operating expenses during 2022 and 2021. Related information is available at the Market Observation Post System website. The amounts, as stated in the financial statements, are identical to those of the actual distributions for 2022 and 2021.

(u) Non-operating income and expenses

(i) Interest income

The Group's interest income was as follows:

	2022	2021
Interest income from bank deposits	\$ 6,055	5,171
Other interest income	2	9
Total interest income	\$ 6,057	5,180

(ii) Other income

The Group's other income was as follows:

	2022	2021
Rental income	\$ 5,578	6,212
Others	13,580	13,564
Total other income	\$ 19,158	19,776

The unconditional government grants are recognized amounting to CNY273 thousand and CNY719 thousand for the years 2022 and 2021, respectively.

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TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Other gains and losses

The Group's other gains and losses were as follows:

	<u>2022</u>	<u>2021</u>
Losses on disposal of property, plant and equipment	\$ (562)	(3,789)
Losses on disposals of investments	(1,255)	-
Gains on modification of leases	13	9
Foreign exchange gains (losses)	80,267	(28,002)
Losses on financial assets at fair value through profit or loss	-	(105)
Miscellaneous disbursements	(4,805)	(8,461)
Others	381	-
Other gains and losses, net	<u>\$ 74,039</u>	<u>(40,348)</u>

(iv) Finance costs

	<u>2022</u>	<u>2021</u>
Interest expense	\$ 8,879	11,585

(v) Financial Instrument

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represented the maximum amount exposed to credit risk. As of December 31, 2022 and 2021, the maximum amount exposed to credit risk amounted to \$2,411,361 thousand, and \$2,544,876 thousand, respectively.

2) Concentration of credit risk

For the years ended December 31, 2022 and 2021, the Group's ten largest customers accounted for 72% and 68%, respectively, of the Group's net revenue. There were no geographical concentration of credit risk.

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TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Liquidity risk

The followings were the contractual maturities of financial liabilities, including estimated interest payment.

	Carrying amounts	Cash flows	Less than one year	1-2 years	2-5 years	Over 5 years
December 31, 2022						
Non-derivative financial liabilities						
Accounts payable	\$ 898,157	898,157	898,157	-	-	-
Other payables	400,059	400,059	400,059	-	-	-
Lease liabilities	39,792	41,360	36,328	4,722	310	-
	\$ 1,338,008	1,339,576	1,334,544	4,722	310	-
December 31, 2021						
Non-derivative financial liabilities						
Unsecured bank loans	\$ 20,000	20,023	20,023	-	-	-
Accounts payable	1,242,329	1,242,329	1,242,329	-	-	-
Other payables	457,360	457,360	457,360	-	-	-
Bonds Payable	210,406	214,079	214,079	-	-	-
Lease liabilities	79,880	85,395	46,935	35,047	3,413	-
	\$ 2,009,975	2,019,186	1,980,726	35,047	3,413	-

The Group does not expect that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Exposure of foreign currency risk

The Group's significant exposure to foreign currency risk was as follows:

	December 31, 2022			December 31, 2021		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
<u>Financial assets</u>						
<u>Monetary items</u>						
CNY	\$ 8,293	4.408	36,554	732	4.344	3,179
USD	56,112	30.710	1,723,207	76,732	27.680	2,123,948
JPY	14,064	0.232	3,268	17,278	0.241	4,155
HKD	45	3.938	175	7	3.549	23
<u>Financial liabilities</u>						
<u>Monetary items</u>						
CNY	1,547	4.408	6,820	4,244	4.344	18,434
USD	26,930	30.710	827,032	42,604	27.680	1,179,283
JPY	8,197	0.232	1,905	8,987	0.241	2,161
HKD	31	3.938	122	75	3.549	265

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TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, accounts payable and other payables that are denominated in foreign currency. A strengthening (weakening) of 0.25% of the NTD against all foreign currencies as of December 31, 2022 and 2021 would have increased (decreased) the net profit after tax as follows. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2021.

	Effect of appreciation on net profit after tax	Effect of depreciation on net profit after tax
December 31, 2022		
CNY (0.25% of appreciation or depreciation)	\$ 59	(59)
USD (0.25% of appreciation or depreciation)	1,792	(1,792)
JPY (0.25% of appreciation or depreciation)	3	(3)
	\$ 1,854	(1,854)
	Effect of appreciation on net profit after tax	Effect of depreciation on net profit after tax
December 31, 2021		
CNY (0.25% of appreciation or depreciation)	\$ (31)	31
USD (0.25% of appreciation or depreciation)	1,889	(1,889)
JPY (0.25% of appreciation or depreciation)	4	(4)
	\$ 1,862	(1,862)

3) Foreign exchange gains and losses on monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gains (losses) on monetary items is disclosed by total amount. For the years ended December 31, 2022 and 2021, foreign exchange gains (losses) (including realized and unrealized portions) amounted to gains of \$80,267 thousand and losses of \$28,002 thousand, respectively.

(iv) Interest rate analysis

The short-term borrowings of the Group are floating interest rate obligations, so the change in market interest rate will cause the effective interest rate of the short-term borrowings to fluctuate in its future cash flows, based on the loan balances at December 31, 2022 and 2021. Each 1% increase in market interest rate will increase the future cash outflow of the Group to \$0 thousand and \$200 thousand, respectively.

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TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2021				
	Carrying amounts	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 20,000	-	-	-	-
Bonds payable	210,406	-	-	-	-
Accounts payable	1,242,329	-	-	-	-
Other payables	457,360	-	-	-	-
Lease liabilities	79,880	-	-	-	-
Total	\$ 2,009,975	-	-	-	-

2) Valuation techniques for financial instruments measured at fair value

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and those prices represent actual and regularly occurring market transactions on an arm's-length basis.

The Group adopted the binomial tree valuation model to measure its domestic convertible bonds, taking into account such parameters as stock price volatility and risk-free interest rates.

3) There was no transfer between the fair value hierarchy levels for the years ended December 31, 2022 and 2021.

(w) Financial risk management

(i) Overview

The Group has exposures to the following risks from its financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

The following likewise discusses the Group's exposure information, objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying financial statements.

(ii) Structure of risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Internal auditors undertake both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

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TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Group's risk management policies are established to identify and analyze the risks being faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments in debt securities.

1) Accounts receivable and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group assesses the customers' credit risk based on their basic information, which comprises of the default risk in their industry and country.

The Group has established a credit policy, under which, each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases, bank references. Purchase limits are established for each customer, and are reviewed periodically. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

The Group sets a loss allowance for expected credit losses to reflect the estimated loss on accounts receivable. This allowance mainly comprises a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. This allowance for the loss component is determined based on historical payment statistics of similar financial assets.

2) Investments

The credit risk exposure in the bank deposits and other financial instruments are measured and monitored by the Group's finance department. Since the Group's transaction counterparties and the contractually obligated counterparties are banks and corporate organizations with good credits, there is no significant credit risk.

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to manage liquidity is to ensure, as far as possible, that it always has sufficient working capital to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

(Continued)

TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2022 and 2021, the Group had unused credit lines of \$735,295 thousand and \$688,680 thousand, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return.

1) Foreign currency risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the functional currency of the Group's respective entity. The respective functional currencies of the Group's entities are primarily the NTD, and USD, JPY, HKD and CNY. The currencies used in these transactions are denominated in NTD, USD, JPY and CNY. In order to manage exchange rate risk, the Group maintains a certain limit on the net foreign currency position held by the Group.

2) Interest rate risk

The interest rate of the Group's bank loans is mainly of variable interest rates. To manage the interest rate fluctuation risk, the Group periodically assesses the interest rates of bank loans and maintains good relationships with financial institutions to obtain lower financing costs. If the interest rate has greater fluctuation in future and the Group still needs to borrow loans, the Group will adopt other financing tool for fund collection to reduce the dependence on bank loans, as well as the risk arising from fluctuation of interest rates.

(x) Capital management

In consideration of the industry dynamics and future developments, as well as external environment factors, the Group maintains an optimal capital structure to enhance long-term shareholder value by managing its capital in a manner to ensure that it has sufficient and necessary financial resources to fund its working capital needs, research and development activities, dividend payments, and other business requirements for continuing operations and to reward shareholders and take into consideration the interests of other stakeholders.

(y) Investing and financing activities not affecting current cash flow

(i) the cash paid by the Group for the purchase of property, plant and equipment is supplemented by the following information:

	2022	2021
Increase in property, plant and equipment	\$ 26,911	47,326
Add: Payable for equipment as of January 1	28,577	53,257
Less: Payable for equipment as of December 31	(22,527)	(28,577)
Effect of exchange rate changes	468	(407)
Cash paid	\$ 33,429	71,599

(Continued)

TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (ii) The cash payment from the Group's acquisition of the right of use assets is supplemented by the following cash flow information:

	2022	2021
Increase in right of use assets	\$ 4,633	19,224
Less: Increase in lease liabilities	(4,633)	(15,993)
Cash paid	\$ -	3,231

- (iii) Reconciliations of liabilities arising from financing activities were as follows:

	January 1, 2022	Cash flows	Non-Cash changes			December 31, 2022
			Effect of exchange rate changes	Right-of-use assets increases	Others	
Short-term borrowings	\$ 20,000	(20,000)	-	-	-	-
Lease liabilities	79,880	(43,922)	1,272	4,633	(2,071)	39,792
Bonds payable	210,406	(213,009)	-	-	2,603	-
Total liabilities from financing activities	\$ 310,286	(276,931)	1,272	4,633	532	39,792

	January 1, 2021	Cash flows	Non-Cash changes			December 31, 2021
			Effect of exchange rate changes	Right-of-use assets increases	Others	
Short-term borrowings	\$ 212,000	(192,000)	-	-	-	20,000
Long-term borrowings	41,667	(41,667)	-	-	-	-
Lease liabilities	109,475	(44,662)	(859)	15,993	(67)	79,880
Bonds payable	206,306	-	-	-	4,100	210,406
Total liabilities from financing activities	\$ 569,448	(278,329)	(859)	15,993	4,033	310,286

(7) Related-party transactions

- (a) Names and relationship with related parties

The following are the entities that have had transactions with the Group during the periods covered in the financial statements.

Name of related party	Relationship with The Group
ORIENTAL COMPUTER INC. (hereinafter referred to as "OCI")	Its principal management are directors of the Company (it is no longer to be a related party since the re-election of directors on July 5, 2021)
VSELL ENTERPRISE CO., LTD. (hereinafter referred to as "VSELL")	Its principal management are chairman of the Company

(Continued)

TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Significant transactions with related parties

(i) Sale revenue

The amounts of significant sales transactions between the Group and related parties were as follows:

	2022	2021
Other related parties – OCI	\$ -	3,878

The Group has no other customers to compare with the above related party relating to sales price, and the terms for the related party are approximately 120 days. Collecting period for non-related parties is mainly 30 to 210 days.

(ii) Operating expenses

The amounts of operating expenses of the Group from related parties were as follows:

	2022	2021
Other related parties – VSELL	\$ 37	-

(c) Key management personnel transactions

Key management personnel compensation includes:

	2022	2021
Short-term employee benefits	\$ 46,143	44,669
Post-employment benefits	5,116	2,475
Other long-term employee benefits	(42)	7,500
	\$ 51,217	54,644

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2022	December 31, 2021
Restricted time deposits (recognized in other current asset)	Custom deposits	\$ 600	600
Land and buildings (recognized in property, plant and equipment)	Long-term and short-term loans	145,094	146,268
		\$ 145,694	146,868

(Continued)

TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(9) Commitments and contingencies:

As of December 31, 2022 and 2021, the Group had outstanding notes for guarantee of bank loans, credit limit amounting to \$854,363 thousand and \$733,980 thousand, respectively.

(10) Losses due to major disasters: None.

(11) Subsequent Events: None.

(12) Other:

The employee benefits, depreciation, and amortization categorized by function were as follows:

By item	By function	2022			2021				
		Cost of good sold	Operating expenses	Non-operating expenses	Total	Cost of good sold	Operating expenses	Non-operating expenses	Total
Employee benefits									
Salary		362,147	216,840	-	578,987	597,697	244,891	-	842,588
Labor and health insurance		-	9,470	-	9,470	-	10,132	-	10,132
Pension		-	393	-	393	-	6,199	-	6,199
Remuneration of directors		-	11,340	-	11,340	-	8,450	-	8,450
Others		48,562	20,463	-	69,025	64,017	26,693	-	90,710
Depreciation		125,457	37,139	4,159	166,755	141,885	41,427	4,540	187,852
Amortization		-	829	-	829	-	1,611	-	1,611

(Continued)

TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the year ended December 31, 2022:

(i) Loans to other parties:

No.	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Loss allowance	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
0	TaiSol Electronics Co., Ltd.	Suzhou TaiSol Electronics Co., Ltd.	Other receivables - related parties	Yes	161,075	153,550	-	- %	2	-	Operating capital	-	-	-	370,445	740,891
1	SiYang TaiSol Electronics Co., Ltd.	Suzhou TaiSol Electronics Co., Ltd.	Other receivables - related parties	Yes	112,650	44,080	-	- %	2	-	Operating capital	-	-	-	370,445	740,891
2	DongGuan TaiSol Electronics Co., Ltd.	Suzhou TaiSol Electronics Co., Ltd.	Other receivables - related parties	Yes	132,240	132,240	44,080	5.00%	2	-	Operating capital	-	-	-	370,445	740,891

Note 1: Purpose of fund financing for the borrower:

- (1) Those with business contact please fill in 1
- (2) Those necessary for short-term financing please fill in 2.

Note 2: Pursuant to the Company’s procedure of loans to other parties, the maximum amount of lending purposes shall not exceed 40% of the Company’s net worth, for the Company loans to those having business transactions, the amount of each fund financing shall not exceed the amount of business transaction. The amount of business transaction referred to is the higher of the amount of goods purchased or sold between the other parties. The total amount lendable to any such subsidiary of the Company shall not exceed 40% of the net worth of the Company, and the individual amount shall not exceed 20% of the net worth of the Company.

Note 3: Pursuant to the subsidiary’s procedure of loans to other parties, the maximum amount of lending purposes shall not exceed 40% of each company’s net worth, for the subsidiary loans to those having business transactions, the amount of each fund financing shall not exceed the amount of business transaction. The amount of business transaction referred to is the higher of the amount of goods purchased or sold between the other parties. The total amount and individual amount lendable to any such enterprises due to short term financing shall not exceed 40% of the net worth of each company. With a foreign subsidiary of the parent company which directly and indirectly holds 100% of the voting shares or a subsidiary loans funds to parent company are excluded from item 1. The group’s combined total loan amount is limited to the lower of less than 2,500% of the net value of the Company or 40% of the net value of the ultimate parent company. The respective loan amount is limited to the lower of 2,500% of the net value of the Company or 20% of the net value of the ultimate parent company.

Note 4: The above transactions of loans to Suzhou TaiSol have been eliminated when the consolidated financial statements were prepared.

(ii) Guarantees and endorsements for other parties:

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Company	SiYang TaiSol Electronics Co., Ltd.	2	555,668	48,323	46,065 (Note 3)	-	-	2.49%	926,113	Y	N	Y
0	The Company	Suzhou TaiSol Electronics Co., Ltd.	2	555,668	96,645	92,130 (Note 3)	-	-	4.97%	926,113	Y	N	Y

Note 1: Pursuant to the “endorsement guarantee procedure” established by the Company, the total amount of the Company’s endorsement and guarantee does not exceed 50% of the net value of current period. Of these, the single corporate guarantee limit shall not exceed 20% of the current net value except for companies in which the Company directly and indirectly holds more than 50% of the voting shares, which shall not exceed 30% of the current net value.

Note 2: The relationship between the endorser/guarantor and the guaranteed party:

- 1) A company with which it does business.
- 2) A company in which the Company directly and indirectly holds more than 50% of the voting shares.
- 3) A company that directly and indirectly holds more than 50% of the voting shares in the Company.
- 4) Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares.
- 5) A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
- 6) A company that all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.
- 7) Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 3: Suzhou TaiSol and SiYang TaiSol jointly shared the guarantee amount of NT\$92,130 thousand (USD\$3million), of which the amount spent by SiYang TaiSol did not exceed NT\$46,065 thousand (USD\$1.5million).

(iii) Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Category and name of security	Relationship with the Company	Account	Ending Balance				Maximum investment in 2022	Notes
				Shares/Units (thousands)	Carrying amounts	Percentage	Fair value		
The Company	TriGem Computer, Inc.	None.	Financial assets at fair value through profit or loss-non current	0.103	-	- %	-	-	

Unit: Thousand shares

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

(Continued)

TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None.
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None.
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Name of company	Related party	Relationship	Transaction details				Transactions with terms different from others		Notes/accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Credit terms	Unit price	Credit terms	Balance	Percentage of total notes / accounts receivable (payable)	
The Company	DongGuan TaiSol Electronics Co., Ltd.	Sub-subsidiary of the Company	Purchase	1,169,267	50.41 %	O/A 75 days	-		(430,528)	65.17%	
The Company	Suzhou TaiSol Electronics Co., Ltd.	Sub-subsidiary of the Company	Purchase	449,935	19.40 %	O/A 45 days	-		(9,731)	1.47%	
SiYang TaiSol Electronics Co., Ltd.	Suzhou TaiSol Electronics Co., Ltd.	Inter-company transaction	Sales	191,563	59.06 %	O/A 45 days	-		70,389	46.73%	

Note: The transactions were eliminated when the consolidated financial statements were prepared.

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Name of company	Related party	Relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Loss allowance
					Amount	Actions taken		
DongGuan TaiSol Electronics Co., Ltd.	TaiSol Electronics Co., Ltd.	The ultimate parent company	430,528	2.30	-	-	177,809	-

Note 1: The subsequent information is updated up to February 24, 2023.

Note 2: The transactions were eliminated when the consolidated financial statements were prepared.

- (ix) Trading in derivative instruments:None.
- (x) Business relationships and significant intercompany transactions:

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	the Company	Suzhou TaiSol Electronics Co., Ltd.	1	Purchase	449,935	There are no non-related party purchase price for comparison.	9.85%
0	the Company	DongGuan TaiSol Electronics Co., Ltd.	1	Purchase	1,169,267	There are no non-related party purchase price for comparison.	25.60%
0	the Company	DongGuan TaiSol Electronics Co., Ltd.	1	Payables to related parties	430,528	O/A 75 days	12.11%
1	DongGuan TaiSol Electronics Co., Ltd.	Suzhou TaiSol Electronics Co., Ltd.	3	Receivables from related parties	44,183	According to the contract	1.24%
2	SiYang TaiSol Electronics Co., Ltd.	Suzhou TaiSol Electronics Co., Ltd.	3	Sales	191,563	There are no non-related party purchase price for comparison.	4.19%
2	SiYang TaiSol Electronics Co., Ltd.	Suzhou TaiSol Electronics Co., Ltd.	3	Receivables from related parties	70,389	O/A 45 days	1.98%

Note 1: The numbers represent the following.

1. 0 represents the parent company.
2. Subsidiaries are numbered from 1.

Note 2: The transactions are categorized as follows:

1. Parent company to subsidiary.
2. Subsidiary to parent company.
3. Subsidiary to subsidiary.

Note 3: These transactions were disclosed for either the amounts are over 1% of the consolidated assets or 1% of the consolidated revenue.

Note 4: The transactions were eliminated when the consolidated financial statements were prepared.

(Continued)

TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Information on investees:

The following is the information on investees for the year 2022 (excluding information on investees in Mainland China):

Unit: Thousand shares

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance at December 31			Highest percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2022	December 31, 2021	Shares	Percentage	Carrying amounts				
TaiSol Electronics Co., Ltd.	World Window Electronics (H.K.) Limited	Hong Kong	trading of connectors and components of electronics and computers and investment in Mainland China	250,119	250,119	64,210	100%	797,389	100%	135,419	134,584	Subsidiary
TaiSol Electronics Co., Ltd.	TaiSol Electronics (HONG KONG) Co., Ltd.	Hong Kong	Investment in Mainland China	332,470	332,470	31,056	100%	30,499	100%	(58,189)	(54,292)	Subsidiary
TaiSol Electronics Co., Ltd.	Techmaster Limited (SAMOA)	Samoa	Trading	-	346	-	- %	-	100%	(26)	19	Note 2
TaiSol Electronics Co., Ltd.	Taisol Electronics Japan Co., Ltd.	Japan	Trading	2,790	2,790	0.1	100%	1,670	100%	247	247	Subsidiary
TaiSol Electronics Co., Ltd.	Vietnam TaiSol Electronics Co., Ltd.	Vietnam	Trading	8,307	-	-	100%	8,051	100%	(840)	(840)	Subsidiary

Note 1: The transactions were eliminated when the consolidated financial statements were prepared.

Note 2: Techmaster had applied for deregistration in November 2022, and its net worth was transferred to the Company.

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

Unit: thousand dollars

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2022	Investment flows during current period		Accumulated outflow of investment from Taiwan as of December 31, 2022	Net income (losses) of investee	Percentage of ownership	Highest percentage of ownership	Share of profit (losses) of investee	Carrying amount	Accumulated remittance of earnings as of December 31, 2022
					Outflow	Inflow							
Suzhou TaiSol Electronics Co., Ltd.	Processing, manufacturing and trading of components of heat pipe and electronic computers, and trading of magnesium-aluminum components.	185,884 (Note 2)	2	310,171	-	-	310,171	(58,056)	100.00%	100.00%	(54,159)	30,080	-
DongGuan TaiSol Electronics Co., Ltd.	Processing, manufacturing and trading of connectors, electronic computers and components of automobiles.	242,187	2	242,187	-	-	242,187	135,533	100.00%	100.00%	134,698	785,604	394,010
SiYang TaiSol Electronics Co., Ltd.	Manufacturing and trading of thermal modules, thermal conduit modules, fiber optic cable connectors, etc.	644,910	1	644,910	-	-	644,910	(64,952)	100.00%	100.00%	(66,154)	413,071	-

Note 1: Investment methods are classified into the following three categories.

- (1) Direct investment in Mainland China.
- (2) Through the establishment of third-region companies then investing in Mainland China.
- (3) Others

Note 2: In May 2019, Suzhou TaiSol made a capital reduction of CNY30,220 thousand to cover losses and a capital reduction return of CNY15,332 thousand. Suzhou TaiSol increased its capital by USD2,053, thousand in March 2021, resulting in paid-in capital of USD6,053 thousand.

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
1,197,268 (Note 2) (USD 31,100 and HKD61,500)	1,197,268 (Note 2) (USD 31,100 and HKD61,500)	- (Note 1)

Note 1: Since the Company meets the criteria for operational headquarters, the Company is not subject to the limitation as to the amount of investment in Mainland China.

Note 2: Amounts are denominated in New Taiwan Dollars. Foreign currency should be converted at the exchange rates of USD\$: NT\$ = 1:30.710 and HKD\$: NT\$ = 1:3.938 as at the date of the financial report.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China for the year ended December 31, 2022, are disclosed in "Information on significant transactions".

(Continued)

TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(d) Major shareholders:

Shareholder' s Name	Shareholding	Shares	Percentage
Yu, Ching-Sung		14,463,046	16.45%

Note: 1) The information on major shareholders, which is provided by the Taiwan Depository & Clearing Corporation, summarized the shareholders who held over 5% of total non-physical ordinary shares and preference shares (including treasury shares) on the last business date of each quarter. The actual registered non-physical shares may be different from the capital shares disclosed in the financial statement due to different calculation basis.

2) If shares are entrusted, the above information regarding such shares will be revealed by each trustors of individual trust account. The shareholders holding more than 10% of the total shares of the company should declare insider's equity according to Securities and Exchange Act. The numbers of the shares declared by the insider include the shares of the trust assets which the insider has discretion over use. For details of the insider's equity announcement please refer to the TWSE website.

(14) Segment information:

(a) General information

The Group has three reportable segments, namely, the Company, Suzhou TaiSol, DongGuan TaiSol and others. The Company mainly sells connectors and thermal solutions. Suzhou Taisol mainly manufactures and sells thermal modules. DongGuan Taisol mainly manufactures and sells connectors and thermal solutions.

The reportable segments are the Group' s strategic divisions. They offer different products for various geographic customers, and are managed separately because they require different marketing strategies. Most of the strategic divisions were acquired separately. The management of the acquired divisions remains employed by the Group.

The operating segment accounting policies are similar to those described in note 4 "summary of significant accounting policies" . The Group assesses the performance of each reportable segments based on the profit after income tax. The Group treated intersegment sales and transfers as third-party transactions. They are measured at market price.

(b) Information about reportable segments and their measurement and reconciliations

The Group' s operating segment information and reconciliation are as follows:

	2022					Total
	The Company	Suzhou TaiSol	DongGuan TaiSol	Others	Reconciliation and elimination	
Revenue:						
Revenue from external customers	\$ 2,990,834	299,411	1,202,053	76,020	-	4,568,318
Intersegment revenues	-	500,897	1,188,199	250,213	(1,939,309)	-
Total revenue	<u>\$ 2,990,834</u>	<u>800,308</u>	<u>2,390,252</u>	<u>326,233</u>	<u>(1,939,309)</u>	<u>4,568,318</u>
Reportable segment profit or loss	<u>\$ 253,913</u>	<u>(54,159)</u>	<u>134,698</u>	<u>(66,975)</u>	<u>-</u>	<u>267,477</u>

(Continued)

TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	2021					
	The Company	Suzhou TaiSol	DongGuan TaiSol	Others	Reconciliation and elimination	Total
Revenue:						
Revenue from external customers	\$ 3,326,352	705,927	942,465	3,537	-	4,978,281
Intersegment revenues	-	693,692	1,253,554	623,310	(2,570,556)	-
Total revenue	<u>\$ 3,326,352</u>	<u>1,399,619</u>	<u>2,196,019</u>	<u>626,847</u>	<u>(2,570,556)</u>	<u>4,978,281</u>
Reportable segment profit or loss	<u>\$ 279,193</u>	<u>(19,996)</u>	<u>33,028</u>	<u>(104,776)</u>	<u>-</u>	<u>187,449</u>

The information of segment assets and liabilities is not disclosed, because the Group's chief operating decision maker does not rely on it.

The material reconciling items of the above reportable segment are as below:

Total reportable segment revenue after deducting the intersegment revenue was \$1,939,309 thousand and \$2,570,556 thousand for the years 2022 and 2021, respectively.

(c) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

Geographic information	2022	2021
Revenue from external customers:		
America	\$ 157,385	105,953
Asia	4,383,936	4,835,973
Europe	26,997	36,355
	<u>\$ 4,568,318</u>	<u>4,978,281</u>
	<u>December 31,</u>	<u>December 31,</u>
	<u>2022</u>	<u>2021</u>
Non-current assets		
Taiwan	\$ 168,888	174,762
China	421,275	526,268
Others	896	461
	<u>\$ 591,059</u>	<u>701,491</u>

Non-current assets include property, plant and equipment, right-of-use assets, intangible assets, and other assets, not including financial instruments, investments accounted for using equity method, deferred tax assets, and pension fund assets.

(d) Major customers

For the years 2022 and 2021, the major customers who constituted 10% or more of net revenues were as follows:

	2022	2021
Customer A	<u>\$ 896,161</u>	<u>892,364</u>
Customer B	<u>\$ 553,806</u>	<u>513,450</u>
Customer C	<u>\$ 489,770</u>	<u>217,678</u>

Independent Auditors' Report

To the Board of Directors of TaiSol Electronics Co., Ltd.:

Opinion

We have audited the parent company only financial statements of TaiSol Electronics Co., Ltd.(“the Company”), which comprise the parent company only balance sheet as of December 31, 2022 and 2021, the parent company only statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Revenue recognition

Please refer to Notes 4(m), 5(a), 6(l) and 6(r) to the parent company only financial statements.

Description of key audit matter:

The test on revenue recognition is one of our key audit matters. The Company has to provide a discount to its customers based on the contract agreement and records it as a reduction of revenue.

How the matter was addressed in our audit:

Our principal audit procedures included the following:

- Test the manual controls relating to sales and collection operations and financial reporting, check and reconcile sales system data with general ledger entries, and assess whether the Company's revenue recognition policy is in compliance with the relevant standards and revenue information is properly disclosed.
- Read the relevant customer sales contracts and terms, test for consistency with accounting policies, and consider the accounting treatment and disclosure of sales discounts.
- Perform year-to-year analysis on the revenue by product line and the revenue from top ten customers to determine whether there are any significant misstatements.
- Select appropriate samples to verify with vouchers and relevant documents.
- Select sales transactions from a period of time before and after the balance sheet date and verify with vouchers and relevant documents to assess the accuracy of the timing and amounts of revenue recognized.
- Obtain the detail of the discounts accrued by the management of the Company (refund liabilities) and verify with the relevant internal and external information to assess the reasonableness of the relevant parameters and the underlying assumptions. Review the accuracy of the estimated discount accrued in prior years to assess whether there are material anomalies in the amounts of the accrued discounts (refund liabilities).

2. Commission estimate

Please refer to Notes 4(f) , 5(b), 6(l) to the parent company only financial statements.

Description of key audit matter:

Commission expense is one of our key audit matters. Part of the sales of the Company are made through agents and commissions are required to pay on the basis of contract agreements. These expenses estimated by the management of the Company in respect of the foregoing are accrued as operating expenses.

How the matter was addressed in our audit:

Our principal audit procedures included the following:

- Read the terms of the sales contract of the relevant agent and test the consistency of the accounting treatment.
- Perform year-to-year analysis on the commission expense of the main agents to evaluate if there are any significant abnormalities.
- Obtain the detail of the commission accrued by the management of the Company and verify with the relevant internal and external information to assess the reasonableness of its parameters and the underlying assumptions. Review the accuracy of the estimated commission expenses accrued in prior years to assess whether there are material anomalies in the amounts of the accrued commission.

3. Valuation of Inventory

Please refer to Notes 4(g), 5(c) and 6(d) to the parent company only financial statements.

Description of key audit matter:

Inventories are measured at the lower of cost or net realizable value at the reporting date. Due to factors such as rapid changes in technology or the upgrading of production technology, the obsolete or no longer meet market demand of the original product, the sales price of the relevant product may fluctuate or become sluggish, and there may be a risk that the cost of inventories exceeds its net realized value.

How the matter was addressed in our audit:

Our principal audit procedures included the following:

- Review the inventory aging reports to analyze the changes for each period.
- Assess the reasonableness of the accounting policies of the Company, such as policies for the valuation of inventories or the provision of obsolete goods.
- Assess whether the process of the inventory valuation is in conformity with the accounting policies.
- Understand the basis for valuation of net realized value used by the management of the Company and select appropriate samples to assess the reasonableness of the net realized value of inventories.
- Assess whether the disclosure of the inventory is appropriate.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

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

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

Those charged with governance (including the audit committee or supervisors) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 parent company only financial statements.

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Chen, Fu Jen and Yin, Yuan Sheng.

KPMG

Taipei, Taiwan (Republic of China)
February 24, 2023

Notes to Readers

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

The independent auditors' report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and parent company only financial statements, the Chinese version shall prevail.

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)
TAISOL ELECTRONICS CO., LTD.

Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

Assets	December 31, 2022		December 31, 2021			Liabilities and Equity	December 31, 2022		December 31, 2021	
	Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:				
1100 Cash and cash equivalents (note 6(a))	\$ 543,973	18	186,431	6	2100	Short-term borrowings (note 6(i))	\$ -	-	20,000	1
1170 Accounts receivable, net (notes 6(b) and (r))	810,833	27	1,214,429	36	2170	Accounts payable	213,919	7	305,402	9
1200 Other receivables, net (note 6(c))	2,055	-	4,865	-	2180	Accounts payable to related parties (note 7)	446,680	15	613,687	18
1210 Other receivables due from related parties, net (notes 6(c) and 7)	3,409	-	119,808	3	2200	Other payables (note 6(l))	206,920	7	206,355	6
130X Inventories (note 6(d))	172,250	6	257,143	8	2220	Other payables to related parties (note 7)	7,882	-	19,843	1
1410 Prepayments	3,246	-	2,552	-	2230	Current tax liabilities	86,563	3	68,454	2
1470 Other current assets (note 8)	592	-	1,839	-	2280	Current lease liabilities (note 6(k))	2,974	-	3,690	-
Total current assets	1,536,358	51	1,787,067	53	2300	Other current liabilities (notes 6(l) and (r))	85,300	3	64,440	2
Non-current assets:					2321	Bonds payable, current portion (note 6(j))	-	-	210,406	6
1550 Investments accounted for using equity method, net (note 6(e))	1,250,680	41	1,339,800	40		Total current liabilities	1,050,238	35	1,512,277	45
1600 Property, plant and equipment (notes 6(f) and 8)	149,515	5	151,324	5		Non-Current liabilities:				
1755 Right of use assets (note 6(g))	4,725	-	6,551	-	2570	Deferred tax liabilities (note 6(n))	110,165	4	111,538	4
1780 Intangible assets (note 6(h))	1,196	-	1,803	-	2580	Non-current lease liabilities (note 6(k))	1,785	-	2,910	-
1840 Deferred tax assets (note 6(n))	71,347	2	47,488	1	2670	Other non-current liabilities	12,858	-	13,094	-
1990 Other non-current assets	13,452	1	15,083	1		Total non-current liabilities	124,808	4	127,542	4
Total non-current assets	1,490,915	49	1,562,049	47		Total liabilities	1,175,046	39	1,639,819	49
						Equity attributable to owners of parent (notes 6(j), (o) and (p)):				
					3110	Ordinary share	879,081	29	879,081	26
					3200	Capital surplus	348,899	11	348,765	11
						Retained earnings:				
					3310	Legal reserve	170,281	6	151,536	5
					3320	Special reserve	85,614	3	73,874	2
					3350	Unappropriated retained earnings	446,785	15	341,655	10
							702,680	24	567,065	17
					3410	Exchange differences on translation of foreign financial statements	(61,180)	(2)	(85,614)	(3)
					3500	Treasury shares	(17,253)	(1)	-	-
						Total equity	1,852,227	61	1,709,297	51
Total assets	\$ 3,027,273	100	3,349,116	100		Total liabilities and equity	\$ 3,027,273	100	3,349,116	100

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
TAISOL ELECTRONICS CO., LTD.

Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

	2022		2021	
	Amount	%	Amount	%
4000 Operating revenue (notes 6(r) and 7)	\$ 2,990,834	100	3,326,352	100
5000 Operating costs (notes 6(d), 7 and 12)	2,447,968	82	2,725,334	82
5900 Gross profit from operations	542,866	18	601,018	18
6000 Operating expenses (notes 6(b), (m), (s), 7 and 12):				
6100 Selling expenses	156,579	5	129,217	4
6200 Administrative expenses	60,104	2	71,729	2
6300 Research and development expenses	54,059	2	55,956	2
6450 Expected credit loss	39	-	1	-
	270,781	9	256,903	8
6900 Net operating income	272,085	9	344,115	10
7000 Non-operating income and expenses (notes 6(j), (k), (t) and 12):				
7100 Interest income	3,550	-	1,558	-
7010 Other income	27,042	1	25,074	1
7020 Other gains and losses, net	39,455	1	(18,357)	(1)
7050 Finance costs, net	(4,208)	-	(4,829)	-
7070 Share of profit (loss) of associates and joint ventures accounted for using equity method, net	13,564	1	(91,744)	(3)
	79,403	3	(88,298)	(3)
Profit from continuing operations before tax	351,488	12	255,817	7
7950 Less: Income tax expenses (note 6(n))	84,011	3	68,368	2
Profit	267,477	9	187,449	5
8300 Other comprehensive income:				
8360 Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361 Exchange differences on translation of foreign financial statements	23,179	1	(11,740)	-
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
8300 Other comprehensive income	23,179	1	(11,740)	-
8500 Total comprehensive income	<u>\$ 290,656</u>	<u>10</u>	<u>175,709</u>	<u>5</u>
Earnings per share (note 6(q))				
9750 Basic earnings per share	<u>\$ 3.05</u>		<u>2.13</u>	
9850 Diluted earnings per share	<u>\$ 3.00</u>		<u>2.10</u>	

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
TAISOL ELECTRONICS CO., LTD.

Statements of Changes in Equity
For the years ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

	Share capital			Retained earnings				Exchange differences on translation of foreign financial statements	Treasury shares	Total equity	
	Ordinary shares	Advance receipts for share capital	Total share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings				Total retained earnings
Balance at January 1, 2021	\$ 878,012	271	878,283	345,042	129,160	74,065	334,491	537,716	(73,874)	-	1,687,167
Profit	-	-	-	-	-	-	187,449	187,449	-	-	187,449
Other comprehensive income	-	-	-	-	-	-	-	-	(11,740)	-	(11,740)
Total comprehensive income	-	-	-	-	-	-	187,449	187,449	(11,740)	-	175,709
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	-	-	22,376	-	(22,376)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	-	(158,100)	(158,100)	-	-	(158,100)
Reversal of special reserve	-	-	-	-	-	(191)	191	-	-	-	-
Issuance of shares for exercise of employee stock options	1,069	(271)	798	129	-	-	-	-	-	-	927
Others	-	-	-	3,594	-	-	-	-	-	-	3,594
Balance at December 31, 2021	879,081	-	879,081	348,765	151,536	73,874	341,655	567,065	(85,614)	-	1,709,297
Profit	-	-	-	-	-	-	267,477	267,477	-	-	267,477
Other comprehensive income	-	-	-	-	-	-	-	-	23,179	-	23,179
Total comprehensive income	-	-	-	-	-	-	267,477	267,477	23,179	-	290,656
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	-	-	18,745	-	(18,745)	-	-	-	-
Special reserve appropriated	-	-	-	-	-	11,740	(11,740)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	-	(131,862)	(131,862)	-	-	(131,862)
Purchase of treasury share	-	-	-	-	-	-	-	-	-	(17,253)	(17,253)
Disposal of subsidiaries	-	-	-	-	-	-	-	-	1,255	-	1,255
Others	-	-	-	134	-	-	-	-	-	-	134
Balance at December 31, 2022	\$ 879,081	-	879,081	348,899	170,281	85,614	446,785	702,680	(61,180)	(17,253)	1,852,227

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
TAISOL ELECTRONICS CO., LTD.

Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	2022	2021
Cash flows from (used in) operating activities:		
Profit before tax	\$ 351,488	255,817
Adjustments:		
Adjustments to reconcile profit or loss:		
Depreciation expense	7,758	8,332
Amortization expense	607	1,313
Expected credit loss	39	1
Net loss on financial assets at fair value through profit or loss	-	105
Interest expense	4,208	4,829
Interest income	(3,548)	(1,549)
Share of (profit) loss of subsidiaries, associates and joint ventures accounted for using equity method	(13,564)	91,744
Loss on disposal of investments	1,255	-
Unrealized foreign exchange loss (gain)	12,334	(5,426)
Gains on modification of leases	(13)	(9)
Total adjustments to reconcile profit (loss)	9,076	99,340
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in accounts receivable	393,689	(136,161)
Decrease in accounts receivable due from related parties	-	5,702
Decrease in other receivables	3,078	25,000
Decrease (increase) in other receivables due from related parties	20,872	(17,255)
Decrease in inventories	84,892	42,945
(Increase) decrease in prepayments	(694)	147
Decrease in other current assets	1,247	3,531
Increase in other non-current assets	(617)	(360)
Total changes in operating assets	502,467	(76,451)
Changes in operating liabilities:		
Decrease in accounts payable	(91,786)	(137,480)
(Decrease) increase in accounts payable to related parties	(164,448)	253,511
Decrease in other payable	(1,192)	(40,408)
(Decrease) increase in other payable to related parties	(12,068)	12,836
Increase (decrease) in other current liabilities	17,909	(4,359)
(Decrease) increase in other operating liabilities	(220)	614
Total changes in operating liabilities	(251,805)	84,714
Total changes in operating assets and liabilities	250,662	8,263
Total adjustments	259,738	107,603
Cash inflow generated from operations	611,226	363,420
Interest received	3,799	1,081
Dividends received	134,149	-
Interest paid	(1,605)	(783)
Income taxes paid	(91,133)	(53,696)
Net cash flows from operating activities	656,436	310,022
Cash flows from (used in) investing activities:		
Acquisition of investments accounted for using equity method	(8,307)	-
Proceeds from disposal of investments accounted for using equity method	6	-
Acquisition of property, plant and equipment	(2,801)	(5,017)
Decrease (increase) in other receivables due from related parties	95,064	(66,829)
Acquisition of intangible assets	-	(312)
Decrease (increase) in other non-current assets	2,238	(729)
Net cash flows from (used in) investing activities	86,200	(72,887)
Cash flows from (used in) financing activities:		
Decrease in short-term borrowings	(20,000)	(192,000)
Repayments of bonds	(213,009)	-
Repayments of long-term debt	-	(41,667)
Payment of lease liabilities	(3,104)	(3,631)
Cash dividends paid	(131,862)	(158,100)
Exercise of employee share options	-	927
Payments to acquire treasury shares	(17,253)	-
Other financing activities	134	3,594
Net cash flows used in financing activities	(385,094)	(390,877)
Net increase (decrease) in cash and cash equivalents	357,542	(153,742)
Cash and cash equivalents at beginning of period	186,431	340,173
Cash and cash equivalents at end of period	\$ 543,973	186,431

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
TAISOL ELECTRONICS CO., LTD.

Notes to the Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

TaiSol Electronics Co., Ltd. (the “Company”) was incorporated on September 23rd, 1994 under the approval of Ministry of Economic Affairs, Republic of China (“ROC”). The address of its registered office is 3F, No.302, Rueiguang Rd., Neihu District, Taipei City 114, Taiwan. The principal activities of the Company are the manufacturing, agency sales and trading of connectors, the processing of components of electronic computers, the processing and assembly of electrical wires and cables, and the sale and tender of sales quotations for various products of domestic and foreign manufacturers.

The Company’ s common shares have been publicly listed on the Taiwan Stock Exchange since December 13th, 2013.

(2) Approval date and procedures of the financial statements:

These parent company only financial statements were authorized for issue by the Board of Directors on February 24, 2023.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Company has initially adopted the following new amendments, which do not have a significant impact on its parent company only financial statements, from January 1, 2022:

- Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

- (b) The impact of IFRS issued by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its parent company only financial statements:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

(Continued)

TAISOL ELECTRONICS CO., LTD.

Notes to the Financial Statements

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Company, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance. The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.	January 1, 2024

The Company is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its financial position and parent company only financial performance. The results thereof will be disclosed when the Company completes its evaluation.

The Company does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its parent company only financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information “
- IFRS16 “Requirements for Sale and Leaseback Transactions”

(4) Summary of significant accounting policies:

The significant accounting policies presented in the parent company only financial statements are summarized below. The following accounting policies were applied consistently throughout the periods presented in the parent company only financial statements.

- (a) Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as the Regulations).

(Continued)

TAISOL ELECTRONICS CO., LTD.

Notes to the Financial Statements

(b) Basis of preparation

(i) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for the following material items in the statement of financial position:

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) The defined benefit liabilities (assets) are measured at fair value of the plan assets less the present value of the defined benefit obligation.

(ii) Functional and presentation currency

The functional currency of each Company entity is determined based on the primary economic environment in which the entity operates. The parent company only financial statements are presented in New Taiwan dollars, which is the Company's functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(c) Foreign currencies

(i) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, joint control, or significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

(Continued)

TAISOL ELECTRONICS CO., LTD.

Notes to the Financial Statements

(d) Classification of current and non-current assets and liabilities

An asset is classified as current when one of following criteria is met; all other assets are classified as non-current assets.

- (i) It is expected to be realized, or intended to be sold or consumed in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It expects to realize the asset within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) The liability is due to be settled within twelve months after the reporting period; or
- (iv) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents is short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(f) Financial instruments

(i) Financial assets

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

(Continued)

TAISOL ELECTRONICS CO., LTD.

Notes to the Financial Statements

On initial recognition, a financial asset is classified as measured at: amortized cost and FVTPL. The Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as measured at fair value through profit or loss:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the initial recognition amount deduct the cumulative amortization using the effective interest method and adjusted for any loss allowance. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Financial assets measured at fair value through profit or loss

All financial assets not classified as measured at amortized cost or at FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designates a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

3) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivable, other receivables, guarantee deposit paid and other financial assets, etc.).

The Company measures loss allowances at an amount equal to lifetime expected credit loss ("ECL"), except for the following which are measured as 12-month ECL:

- bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivable and contract assets are always measured at an amount equal to lifetime ECL.

(Continued)

TAISOL ELECTRONICS CO., LTD.

Notes to the Financial Statements

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12-month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is past due. The Company considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Company in full.

ECLs are probability-weighted estimate of credit losses over the expected life of financial assets. Credit losses are measured as the present value of all cash shortfalls, i.e the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive. ECL are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost is credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. An evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower;
- A breach of contract or default has been resorted to legal action;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization;or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of assets.

(Continued)

TAISOL ELECTRONICS CO., LTD.

Notes to the Financial Statements

The gross carrying amount of a financial asset is written off either partially or in full to the extent that there is no realistic prospect of recovery. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

4) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

When the Company enters into transactions whereby it transfers assets but retains either all or substantially all of the risks and rewards of the assets, the transferred assets are not derecognized from statement of balance sheet.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instruments

An equity instrument is any contract that evidences the residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued is recognized as the amount of consideration received, less the direct cost of issuing.

3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury stock. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

4) Compound financial instruments

Compound financial instruments issued by the Company comprise convertible bonds denominated in NTD that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

(Continued)

TAISOL ELECTRONICS CO., LTD.

Notes to the Financial Statements

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognized in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognized.

5) Financial liabilities

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

6) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or canceled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

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

7) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(g) Inventories

The cost of inventories includes all necessary expenditures and charges for bringing the inventory to an available to sale condition and location.

(Continued)

TAISOL ELECTRONICS CO., LTD.

Notes to the Financial Statements

Subsequent measurement of inventories is based on each inventories category, at whichever is lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business on balance sheet date, less the estimated costs of completion and selling expenses. When the cost of inventories exceeding than the net realizable value, it should be offset against the cost to net realizable value, and the amount of inventory should be recognized as cost of goods sold in the current period. In the event of an increase in the net realized value in the subsequent period, within the original offset amount, reverse the increase in the net realized value and recognized the reversal amount as a decrease in the cost of goods sold in the current period.

(h) Investment in subsidiaries

The subsidiaries in which the Company holds controlling interest are accounted for under equity method in the parent company only financial statements. Under equity method, the net income, other comprehensive income and equity in the parent company only financial statement are the same as those attributable to the owners of parent in the consolidated financial statements.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(i) Property, Plant and Equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated on the cost of an asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

(Continued)

TAISOL ELECTRONICS CO., LTD.

Notes to the Financial Statements

The estimated useful lives of property, plant and equipment for the current and comparative years are as follows:

- | | |
|---|-------------|
| 1) Buildings | 50~55 years |
| 2) Machinery and equipment | 3~10 years |
| 3) Molding equipment is used for three to five years or as expected | |
| 4) Office equipment | 2~5 years |
| 5) Other equipment | 2 years |

Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically evaluated and reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

(Continued)

TAISOL ELECTRONICS CO., LTD.

Notes to the Financial Statements

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset; or
- there is a change in the lease term resulting from a change of the Company's assessment on whether it will exercise an extension or termination option; or
- there is any lease modification.

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize the difference in profit or loss for any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the balance sheets.

The Company has elected not to recognize right-of-use assets and lease liabilities for leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(k) Intangible assets

(i) Recognition and measurement

Other intangible assets, including patents and trademarks, that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(Continued)

TAISOL ELECTRONICS CO., LTD.

Notes to the Financial Statements

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for the current and comparative periods are as follows:

- | | |
|-------------|------------|
| 1) Patent | 3~19 years |
| 2) Software | 3 years |

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(l) Impairment of non-financial assets

The Company assesses at the end of each reporting date whether there is any indication that the carrying amounts of non-financial assets (other than inventories and deferred tax assets) may be impaired. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or cash generating units (CGUs).

The recoverable amount for an individual asset or a CGU is the higher of its fair value less costs to sell or its value in use. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

For other non-financial assets, an impairment loss is reversed only to the extent that the asset's carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the assets in prior years.

(Continued)

TAISOL ELECTRONICS CO., LTD.

Notes to the Financial Statements

(m) Revenue from contracts with customers

(i) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good to a customer. The accounting policies for the Company's main types of revenue are explained below.

1) Sale of goods

Revenue is recognized when the control over a product has been transferred to the customer. When the products are delivered to the customer, the customer has full discretion over the channel and price 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, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

The Company offers discounts for various customers or products, based on the market demand and competition. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated discounts. Accumulated experience and consideration of the sales contract are used to estimate the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A refund liability is recognized for expected discounts payable to customers in relation to sales made at each reporting date.

A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

2) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(ii) Contract costs

1) Incremental costs of obtaining a contract

The Company recognizes as an asset the incremental costs of obtaining a contract with a customer if the Company expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Company incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred, regardless of whether the contract was obtained, shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

(Continued)

TAISOL ELECTRONICS CO., LTD.

Notes to the Financial Statements

The Company applies the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

2) Costs to fulfil a contract

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standard (for example, IAS 2 Inventories, IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets), the Company recognizes an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria: the costs relate directly to a contract or to an anticipated contract that the Company can specifically identify; the costs generate or enhance resources of the Company that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and the costs are expected to be recovered.

General and administrative costs, costs of wasted materials, labor or other resources to fulfil the contract that were not reflected in the price of the contract, costs that relate to satisfied performance obligations (or partially satisfied performance obligations), and costs for which the Company cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations (or partially satisfied performance obligations), the Company recognizes these costs as expenses when incurred.

(n) Employee benefits

(i) Defined contribution plans

Obligations for contributions to the defined contribution plans are expensed as related services are provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Defined benefit plans

The Company's net obligation in respect of the defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

(Continued)

TAISOL ELECTRONICS CO., LTD.

Notes to the Financial Statements

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefit obligations are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(o) Share-based payment transaction

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the resting period of the awards. The compensation cost is adjusted to reflect the number of awards given to employees for which the performance and non-market conditions are expected to be met, such that the amount ultimately recognized shall be based on the number of equity instruments that eventually have vested.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions, and there is no true-up for differences between expected and actual outcomes.

The grant date of a share-based payment is the date which the board of directors authorized the price and number of a new award.

(p) Income taxes

Income taxes comprise both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date.

(Continued)

TAISOL ELECTRONICS CO., LTD.

Notes to the Financial Statements

Deferred taxes arise due to the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are not recognized for the following exceptions:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
 - (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) Different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.
- (q) Earnings per share

The basic and diluted EPS attributable to shareholders of the Company are disclosed in the financial statements. Basic earnings per share is calculated as the profit attributable to the ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potential dilutive ordinary shares. The Company's dilutive potential common shares comprise employee remuneration, convertible bond and employee stock options.

(Continued)

TAISOL ELECTRONICS CO., LTD.

Notes to the Financial Statements

(r) Operating segment

Segment information is disclosed in consolidated financial statement; therefore, no further information is disclosed in the parent company only financial statements.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the parent company only financial statements, in conformity with the Regulations and the IFRSs endorsed by the FSC, requires management to make judgments estimates and assumptions that affect the application of the accounting policies and reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimations.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

The parent company only financial statements do not compromise accounting policy that involves material judgment and any information that results in significant effects on the amounts recognized in the financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

(a) Accrual of sales allowance

The Company also records a refund liability for estimated future allowances in the same period the related revenue is recorded. Refund liability for estimated sales allowances is generally made and adjusted based on historical experience and customer contracts. The adequacy of estimations is reviewed periodically. However, the adequacy of estimations may be affected by factors such as market price competition and the evolution of product technology, which could result in significant adjustments to the variable consideration. A refunded liability is recognized for expected discounts payable to customers in relation to sales made. Please refer to Notes 6(l) and 6(r) for further description of the refund liabilities.

(b) The estimate of Commission

The Company estimates commission expenses based on historical experience and contracts with the agents and recognized it as current sales expenses in the respective period and the Company regularly reviews the reasonableness of the estimates. However, the adequacy of estimations may be affected by factors such as market price competition and economic conditions, which could result in significant adjustments to the variable consideration. Please refer to Note 6(l) for further description of the commission payable.

(Continued)

TAISOL ELECTRONICS CO., LTD.

Notes to the Financial Statements

(c) Valuation of Inventory

As inventories are stated at the lower of cost or net realizable value, the Company estimates the net realizable value of inventories for normal inventory consumption, obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions of future demand within a specific time horizon. Due to the rapid technological changes or the upgrading of production technology, there may be significant changes in the net realizable value of inventories. Please refer Note 6(d) for valuation of Inventory.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand	\$ 102	124
Demand deposits	187,719	186,307
Time deposits	336,152	-
Repurchase agreement	20,000	-
Cash and cash equivalents in the statement of cash flows	\$ 543,973	186,431

(b) Notes and accounts receivable

	December 31, 2022	December 31, 2021
Accounts receivable— measured at amortized cost	\$ 811,833	1,215,390
Less: Loss allowance	1,000	961
	\$ 810,833	1,214,429

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and accounts receivable have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including the macroeconomic and related industrial information. The loss allowance provisions of the clients classified as category A were determined as follows:

	December 31, 2022		
	Book value of accounts and notes receivable	Weighted average expected credit losses rate	Loss allowance provision for lifetime expected credit losses
Current	\$ 730,836	-	-
1 to 30 days past due	20,039	1%	200
31 to 120 days past due	1,501	1%	15
	\$ 752,376		215

(Continued)

TAISOL ELECTRONICS CO., LTD.

Notes to the Financial Statements

	December 31, 2021		
	Book value of accounts and notes receivable	Weighted average expected credit losses rate	Loss allowance provision for lifetime expected credit losses
Current	\$ 1,118,785	-	-
1 to 30 days past due	8,362	1%	84
31 to 120 days past due	23,587	1%	236
	\$ 1,150,734		320

The loss allowance provisions of the clients classified as category B were determined as follows:

	December 31, 2022		
	Book value of accounts and notes receivable	Weighted average expected credit losses rate	Loss allowance provision for lifetime expected credit losses
Current	\$ 56,973	1%	570
1 to 30 days past due	1,818	5%	91
31 to 120 days past due	656	5%	33
121 to 365 days past due	10	5%	1
	\$ 59,457		695

	December 31, 2021		
	Book value of accounts and notes receivable	Weighted average expected credit losses rate	Loss allowance provision for lifetime expected credit losses
Current	\$ 63,005	1%	630
1 to 30 days past due	1,294	5%	65
31 to 120 days past due	357	5%	18
	\$ 64,656		713

The movements in the allowance for notes and accounts receivable were as follows:

	2022	2021
Balance at January 1	\$ 961	960
Impairment losses recognized	39	1
Balance at December 31	\$ 1,000	961

The Company's notes and accounts receivable were not pledged as collateral.

(Continued)

TAISOL ELECTRONICS CO., LTD.
Notes to the Financial Statements

(c) Other receivables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Other receivables—loans to associates and advance money	\$ 3,409	119,808
Others	2,055	4,865
	<u>\$ 5,464</u>	<u>124,673</u>

Other receivables are impaired at the loss allowance based on 12 month expected credit losses. The loss allowance provisions and credit impairments were determined as follows:

	<u>December 31, 2022</u>		<u>December 31, 2021</u>	
	<u>Life time Expected loss</u>	<u>Life time Expected loss— impaired</u>	<u>Life time Expected loss— unimpaired</u>	<u>Life time Expected loss— impaired</u>
Current	\$ 5,464	-	124,673	-
More than 365 days past	-	-	-	-
Gross carrying amounts	5,464	-	124,673	-
Loss allowance	-	-	-	-
Amortized cost (carrying amount)	<u>\$ 5,464</u>	<u>-</u>	<u>124,673</u>	<u>-</u>

There was no movement in allowance for other receivables for the years ended December 31, 2022 and 2021.

(d) Inventories

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Finished goods	\$ 101,543	113,406
Work in progress	6,675	7,791
Raw materials	15,510	25,878
Merchandise	48,522	110,068
Total	<u>\$ 172,250</u>	<u>257,143</u>

The details of the cost of sales were as follows:

	<u>2022</u>	<u>2021</u>
Cost of goods sold	\$ 2,445,363	2,724,634
Recognition of provisions for inventory valuation	2,600	700
Loss on scrap of inventory	5	-
	<u>\$ 2,447,968</u>	<u>2,725,334</u>

The Company's inventories mentioned above were not pledged as collateral.

(Continued)

TAISOL ELECTRONICS CO., LTD.
Notes to the Financial Statements

(e) Investments accounted for using equity method

A summary of the Company's financial information for investments accounted for using the equity method at the reporting date is as follows:

	December 31, 2022	December 31, 2021
Subsidiaries	\$ 1,250,680	1,339,800

Please refer to the consolidated financial statements for the year ended December 31, 2022.

The Company's investments accounted for using the equity method were not pledged as collateral.

(f) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Company were as follows:

	Land	Buildings	Machinery and equipment	Molding equipment	Office equipment	Other equipment	Total
Cost or deemed cost:							
Balance at January 1, 2022	\$ 107,699	57,019	1,985	2,010	4,749	1,164	174,626
Additions	-	-	2,271	69	507	-	2,847
Disposal	-	(465)	(944)	(784)	(1,271)	(1,084)	(4,548)
Balance at December 31, 2022	\$ 107,699	56,554	3,312	1,295	3,985	80	172,925
Balance at January 1, 2021	\$ 107,699	57,019	1,425	681	4,530	80	171,434
Additions	-	-	560	1,823	219	1,084	3,686
Disposal	-	-	-	(494)	-	-	(494)
Balance at December 31, 2021	\$ 107,699	57,019	1,985	2,010	4,749	1,164	174,626
Depreciation:							
Balance at January 1, 2022	\$ -	18,450	1,081	668	2,490	613	23,302
Depreciation for the year	-	1,174	1,152	462	1,381	487	4,656
Disposal	-	(465)	(944)	(784)	(1,271)	(1,084)	(4,548)
Balance at December 31, 2022	\$ -	19,159	1,289	346	2,600	16	23,410
Balance at January 1, 2021	\$ -	17,277	566	333	930	-	19,106
Depreciation for the year	-	1,173	515	829	1,560	613	4,690
Disposal	-	-	-	(494)	-	-	(494)
Balance at December 31, 2021	\$ -	18,450	1,081	668	2,490	613	23,302
Carrying amounts:							
Balance at December 31, 2022	\$ 107,699	37,395	2,023	949	1,385	64	149,515
Balance at January 1, 2021	\$ 107,699	39,742	859	348	3,600	80	152,328
Balance at December 31, 2021	\$ 107,699	38,569	904	1,342	2,259	551	151,324

Please refer to Note 8 for the property, plant and equipment pledged to secure bank loans as of December 31, 2022 and 2021.

(Continued)

TAISOL ELECTRONICS CO., LTD.

Notes to the Financial Statements

(g) Right of use assets

The Company leases buildings, vehicles, and office equipments. Information about leases for which the Company as a lessee was as follows:

	Buildings	Vehicles	Office equipment	Total
Cost:				
Balance at January 1, 2022	\$ 3,946	8,628	238	12,812
Additions	1,886	528	-	2,414
Disposal	-	(3,106)	-	(3,106)
Balance at December 31, 2022	<u>\$ 5,832</u>	<u>6,050</u>	<u>238</u>	<u>12,120</u>
Balance at January 1, 2021	\$ 2,874	6,496	238	9,608
Additions	1,072	3,576	-	4,648
Disposal	-	(1,444)	-	(1,444)
Balance at December 31, 2021	<u>\$ 3,946</u>	<u>8,628</u>	<u>238</u>	<u>12,812</u>
Depreciation:				
Balance at January 1, 2022	\$ 2,295	3,914	52	6,261
Depreciation for the year	1,261	1,794	47	3,102
Disposal	-	(1,968)	-	(1,968)
Balance at December 31, 2022	<u>\$ 3,556</u>	<u>3,740</u>	<u>99</u>	<u>7,395</u>
Balance at January 1, 2021	\$ 1,024	2,978	4	4,006
Depreciation for the year	1,271	2,323	48	3,642
Disposal	-	(1,387)	-	(1,387)
Balance at December 31, 2021	<u>\$ 2,295</u>	<u>3,914</u>	<u>52</u>	<u>6,261</u>
Carrying amounts:				
Balance at December 31, 2022	<u>\$ 2,276</u>	<u>2,310</u>	<u>139</u>	<u>4,725</u>
Balance at January 1, 2021	<u>\$ 1,850</u>	<u>3,518</u>	<u>234</u>	<u>5,602</u>
Balance at December 31, 2021	<u>\$ 1,651</u>	<u>4,714</u>	<u>186</u>	<u>6,551</u>

(h) Intangible assets

	Computer software	Patents	Total
Cost:			
Balance at January 1, 2022	\$ 795	2,274	3,069
Disposal	(185)	(790)	(975)
Balance at December 31, 2022	<u>\$ 610</u>	<u>1,484</u>	<u>2,094</u>
Balance at January 1, 2021	\$ 2,211	3,307	5,518
Acquisition	223	89	312
Disposal	(1,639)	(1,122)	(2,761)
Balance at December 31, 2021	<u>\$ 795</u>	<u>2,274</u>	<u>3,069</u>

(Continued)

TAISOL ELECTRONICS CO., LTD.

Notes to the Financial Statements

	Computer software	Patents	Total
Amortization:			
Balance at January 1, 2022	\$ 367	899	1,266
Amortization	236	371	607
Disposal	(185)	(790)	(975)
Balance at December 31, 2022	<u><u>\$ 418</u></u>	<u><u>480</u></u>	<u><u>898</u></u>
Balance at January 1, 2021	\$ 1,324	1,390	2,714
Amortization	682	631	1,313
Disposal	(1,639)	(1,122)	(2,761)
Balance at December 31, 2021	<u><u>\$ 367</u></u>	<u><u>899</u></u>	<u><u>1,266</u></u>
Carrying amounts:			
Balance at December 31, 2022	<u><u>\$ 192</u></u>	<u><u>1,004</u></u>	<u><u>1,196</u></u>
Balance at January 1, 2021	<u><u>\$ 887</u></u>	<u><u>1,917</u></u>	<u><u>2,804</u></u>
Balance at December 31, 2021	<u><u>\$ 428</u></u>	<u><u>1,375</u></u>	<u><u>1,803</u></u>

The Company did not provide any of the aforementioned intangible assets as collateral.

(i) Short-term borrowings

	December 31, 2022	December 31, 2021
Unsecured bank loans	<u><u>\$ -</u></u>	<u><u>20,000</u></u>
Unused credit lines	<u><u>\$ 643,165</u></u>	<u><u>605,640</u></u>
Interest rate	<u><u>-</u></u>	<u><u>0.70%~0.75%</u></u>

For the collateral for bank loans, please refer to Note 8.

(j) Bonds payable

(i) The main terms of issuing the convertible corporate bonds were as follows:

Item	The second unsecured domestic convertible corporate bonds
1) Principal amount	\$300,000 thousand dollars
2) Par value	\$100 thousand dollars
3) Issuance price	101% of nominal value
4) Duration	2019.08.20~2022.08.20
5) Maturity	3 year
6) Coupon rate	0%

(Continued)

TAISOL ELECTRONICS CO., LTD.

Notes to the Financial Statements

Item	The second unsecured domestic convertible corporate bonds
7) Redemption methods	<p>The Company may redeem its bonds in advance when one of the following conditions is met:</p> <ol style="list-style-type: none">1) Within the period between three months after the issuance date and 40 days prior to maturity, if the closing price of the Company's common shares on the TWSE for a period of 30 consecutive trading days has been exceeding at least 30% of the conversion price in effect on each trading day, the Company may redeem all bonds at par value by cash.2) If the amount outstanding of bonds is less than 10% of the principal amount within the period between the three months after the issuance date and the 40 days prior to maturity, the Company may redeem the outstanding bonds at their principal amount.
8) Bondholders with a put option	None.
9) Conversion price and adjustment	<p>The conversion price was NT\$74.8 per share on the issuance date. The conversion method provides for the adjustment of the conversion price of bonds after the issuance, and it will be dealt with according to the relevant provisions.</p> <p>On June 5, 2020, the Company paid cash dividends of ordinary shares for \$2.1 per share, pursuant to a resolution of the shareholders' meeting. The base date was July 13, 2020. Since July 13, 2020, the conversion price was adjusted from \$74.8 to \$73.06.</p> <p>On July 5, 2021, the Company paid cash dividends of ordinary shares with \$1.8 per share, pursuant to a resolution of the shareholders' meeting. The base date was August 8, 2021. Since August 8, 2021, the conversion price was adjusted from \$73.06 to \$70.62.</p> <p>On May 20, 2022, the Company paid cash dividends of ordinary shares with \$1.5 per share, pursuant to a resolution of the shareholders' meeting. The base date was June 26, 2022. Since June 26, 2022, the conversion price was adjusted from \$70.62 to \$68.27.</p>
(ii)	<p>The second unsecured domestic convertible corporate bonds issued by the Company reached maturity on August 20, 2022. According to the regulations, the Company had redeemed and suspended the trading. The Company had repaid in full at the end of August, 2022.</p>

(Continued)

TAISOL ELECTRONICS CO., LTD.

Notes to the Financial Statements

- (iii) The details of the second unsecured domestic convertible corporate bonds issued on August 20, 2019 were as follows:

	December 31, 2022	December 31, 2021
The original issued amount of the convertible bonds	\$ 303,000	303,000
Less: Accumulative converted amount	(89,991)	(89,991)
Accumulative redeemed amount	(213,009)	-
Unamortized discounted corporate bonds payable	-	(2,603)
Expected to be redeemed within one year	-	(210,406)
Corporate bonds issued balance at year-end	\$ -	-
Equity component – conversion options, included in capital surplus– stock options	\$ -	9,495
	2022	2021
Interest expense	\$ 2,603	4,100

- (iv) The second unsecured domestic convertible corporate bonds issued by the Company separates options and liabilities and is recognized as equity and liabilities respectively, and the details are as follows:

	Amount
Present value of the convertible bonds issued	\$ 290,644
Embedded derivative financial instruments - redemption option	(1,150)
The elements of equity issued	13,506
Total convertible corporate bonds issued	\$ 303,000

- (k) Lease liabilities

The amounts of the Company' s lease liabilities were as follows:

	December 31, 2022	December 31, 2021
Current	\$ 2,974	3,690
Non-current	\$ 1,785	2,910

For the maturity analysis, please refer to Note 6(u).

The amounts recognized in profit or loss were as follows:

	2022	2021
Interest on lease liabilities	\$ 59	83
Expenses relating to short-term leases	\$ 9	-
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ -	-

(Continued)

TAISOL ELECTRONICS CO., LTD.
Notes to the Financial Statements

The leases amounts recognized in the statement of cash flows for the Company were as follows:

	2022	2021
Total cash outflow for leases	\$ 3,172	3,714

(i) Real estate leases

The Company leases land and buildings as staff dormitories and research and development centers. The leases of R&D centers run for a period of 2 years, and of staff dormitories for 3 to 8 years.

(ii) Other leases

The Company leases vehicles and other equipment, with lease terms of three to five years.

(l) Other payables and other current liabilities

The other payables were as follows:

	December 31, 2022	December 31, 2021
Commission payable	\$ 71,442	74,823
Salary and bonus payable	30,316	49,775
Remuneration payable to employees, directors, and supervisors	38,590	42,846
Other payables	66,572	38,911
	\$ 206,920	206,355

The other current liabilities were as follows:

	December 31, 2022	December 31, 2021
Refund liabilities-current	\$ 82,018	60,060
Temporary credits	2,276	3,410
Receipts under custody	1,006	970
	\$ 85,300	64,440

(m) Employee benefits

(i) Defined benefit plans

In the fourth quarter of 2021, the Company settled with the employees who were eligible for the defined benefit scheme. The Company applied to the Department of Labor, Taipei City Government in accordance with the law for payment of the employee pension and return of the residual amount of the labor retirement reserve. The Company received the residual amount in April 2022, and recognized liquidation gain of \$4,727 thousand.

(Continued)

TAISOL ELECTRONICS CO., LTD.

Notes to the Financial Statements

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company contributes a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations.

The cost of the pension contributions to the Bureau of Labor Insurance for the years ended December 31, 2022 and 2021 amounted to \$5,299 thousand and \$5,593 thousand, respectively.

Under the retirement scheme for senior managers of the Company, the retirement benefits of senior management are provided by the payment to the insurance company premiums, under which the Company has no statutory or constructive obligation to pay additional amount after payment of a fixed amount to the insurance company. Under the contribution pension plan, the Company's pension costs amounted to \$(179) thousand and \$606 thousand for the years ended December 31, 2022 and 2021, respectively.

(n) Income taxes

(i) Income tax expenses

The components of income tax in the years 2022 and 2021 were as follows:

	2022	2021
Current tax expense		
Current period	\$ 105,137	68,056
Adjustment for prior years	4,106	10,649
	109,243	78,705
Deferred tax expense (income)		
Origination and reversal of temporary differences	(25,232)	(10,337)
Income tax expense	\$ 84,011	68,368

There were no income tax expense recognized in equity and other comprehensive income for the years ended December 31, 2022 and 2021.

Reconciliation of income tax expense and profit before tax for 2022 and 2021 is as follows:

	2022	2021
Profit before income tax	\$ 351,488	255,817
Income tax using the Company's domestic tax rate	\$ 70,298	51,163
Aggregate deductible temporary differences associated with investments in subsidiaries	12,192	18,529
Change in provision in prior periods	4,106	10,649
Additional tax on undistributed earnings	1,255	2,174
Tax incentives	(3,597)	(3,566)
Others	(243)	(10,581)
Income tax expense	\$ 84,011	68,368

(Continued)

TAISOL ELECTRONICS CO., LTD.

Notes to the Financial Statements

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

The Company is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as of December 31, 2022 and 2021. Also, management considers it probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax liabilities. Details are as follows:

	December 31, 2022	December 31, 2021
Aggregate amount of temporary differences related to investments in subsidiaries	\$ (8,243)	(8,243)

2) Unrecognized deferred tax assets

As of December 31, 2022 and 2021, the temporary differences associated with investments in subsidiaries were not recognized as deferred income tax assets as the Company has the ability to control the reversal of these temporary differences which are not expected to reverse in the foreseeable future.

	December 31, 2022	December 31, 2021
Aggregate amount of temporary differences related to investments in subsidiaries	\$ 43,798	30,616

3) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2022 and 2021 were as follows:

Deferred tax liabilities:

	Unrealized investment gains	Others	Total
Balance at January 1, 2022	\$ 110,842	696	111,538
Recognized in profit or loss	(899)	(474)	(1,373)
Balance at December 31, 2022	\$ 109,943	222	110,165
Balance at January 1, 2021	\$ 103,651	1,649	105,300
Recognized in profit or loss	7,191	(953)	6,238
Balance at December 31, 2021	\$ 110,842	696	111,538

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TAISOL ELECTRONICS CO., LTD.

Notes to the Financial Statements

Deferred Tax Assets:

	Allowance for sales return and discounts	Provision for bad debts	Unrealized Investment loss	Others	Total
Balance at January 1, 2022	\$ 12,012	1,151	18,511	15,814	47,488
Recognized in profit or loss	4,392	814	11,027	7,626	23,859
Balance at December 31, 2022	\$ 16,404	1,965	29,538	23,440	71,347
Balance at January 1, 2021	\$ 12,785	1,399	11,501	5,228	30,913
Recognized in profit or loss	(773)	(248)	7,010	10,586	16,575
Balance at December 31, 2021	\$ 12,012	1,151	18,511	15,814	47,488

(iii) Assessment of tax

The Company's income tax returns for the years through 2020 have been examined and approved by the R.O.C. tax authorities.

(o) Capital and other equity

As of December 31, 2022 and 2021, the Company's authorized share capital amounted to \$1,000,000 thousand with a par value of \$10 per share. The aggregate amount of the aforesaid authorized share capital was composed of ordinary shares only, and the issued shares were 87,908 thousand shares and 87,801 thousand shares, respectively.

(i) Ordinary shares

For the year ended December 31, 2021, the employee share option issued by the Company amounting to \$927 thousand was converted into 83 thousand shares of common stock at \$10.93~\$11.31 per share. The related registration procedures were completed during the year.

(ii) Capital surplus

The components of capital surplus were as follows:

	December 31, 2022	December 31, 2021
Additional paid in capital	\$ 325,371	325,371
Share option –convertible bonds issued	-	9,495
Others	23,528	13,899
	\$ 348,899	348,765

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

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TAISOL ELECTRONICS CO., LTD.

Notes to the Financial Statements

(iii) Retained earnings

In accordance with the Company’s articles, if there are earnings at year end, 10 percent should be set aside as legal reserve (unless the amount in the legal reserve is already equal to or greater than the total paid-in capital) and special reserve according to the Securities and Exchange Act and the Company’s operations after the payment of income tax and offsetting accumulated losses from prior years. The remaining portion will be combined with earnings from prior years, and the Board of directors can propose distribution plan to be approved by the shareholders’ meeting.

In consideration of the Company’s longterm operating plan, funding needs, and satisfying shareholder demand for cash flow, distribution of earnings may be retained in whole or in part as unappropriated retained earnings by resolution of the shareholders' general meeting and shall be paid in subsequent years. The distribution of dividends by shareholders may be in the form of cash dividends or share dividends, where the distribution rate of share dividends shall be not less than 20 percent, provided that the ratio of such earnings to cash dividends or share dividends shall be adjusted by resolution of the shareholders in accordance with the actual profit and fund status for the year.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders’ meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

In accordance with Rule issued by the FSC, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders’ equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders’ equity pertaining to prior period. The subsequent reversals of the contra accounts in shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

Earnings distribution for 2021 and 2020 was decided by the resolution adopted, at the general meeting of shareholders held on May 20, 2022 and July 5, 2021, respectively. The relevant dividend distributions to shareholders were as follows:

	2021		2020	
	Amount per share (NT dollars)	Amount	Amount per share (NT dollars)	Amount
Dividends distributed to ordinary shareholders				
Cash	\$ 1.50	131,862	1.80	158,100

(Continued)

TAISOL ELECTRONICS CO., LTD.

Notes to the Financial Statements

On February 24, 2023, the Company's Board of Directors resolved to appropriate the 2022 earnings. These earnings were appropriated as follows:

	2022	
	Amount per share (NT dollars)	Amount
Dividends distributed to ordinary shareholders		
Cash	\$ 2.00	174,916
(iv) Other equity amounts (net of tax)		

	Exchange differences on translation of foreign financial statements
Balance as of January 1, 2022	\$ (85,614)
Exchange differences on translation of net assets of foreign operations	23,179
Loss (gain) on disposal of foreign operations reclassified to profit or loss	1,255
Balance as of December 31, 2022	\$ (61,180)
Balance as of January 1, 2021	\$ (73,874)
Exchange differences on translation of net assets of foreign operations	(11,740)
Balance as of December 31, 2021	\$ (85,614)
(p) Share-based payment	

(i) Employee stock options and share-based payment

On February 25, 2015, the Board of Directors resolved to issue 600 units of employee stock options with an exercisable right of 1,000 share of ordinary shares per unit. The resolution was approved by the shareholders' meeting on May 15, 2015. It came into effect on July 22, 2015 pursuant to letter No. 1040027805 of the Financial Supervisory Commission, and was issued by a resolution of the Board of Directors on August 11, 2015.

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TAISOL ELECTRONICS CO., LTD.
Notes to the Financial Statements

Share-based payment transactions of the Company are as follows:

	<u>Equity settlement</u> <u>Employee stock options</u>
Grant date	2015.8.11
Number of options granted	600 thousand shares
Contract period	6 years
Recipients	Employees of specific job seniority or full-time regular employees of the Company and its domestic and foreign subsidiaries, which the Company accounts for more than 50% ownership directly or indirectly with special contribution to the Company, in addition of being the key personnel in relation to the Company's operations.
Vested conditions	2~5 years of service

1) Determining the fair value of equity instruments granted

The Company adopted the Binomial-Model to evaluate the fair value of the stock option at the grant date. The assumptions adopted in this valuation model were as follows:

	<u>Employee stock options</u>
Share price at the grant date	\$18.35 per share
Exercise price	\$14.11 per share
Expected volatility (%)	35.50%
The expected life of the option (years)	6 year
The risk-free rate (%)	0.98%

Expected volatility was based on one year historical volatility of the listed comparable companies in TEJ report; the duration of stock options is in accordance with the regulations. The risk-free rate was determined based on zero-coupon bonds.

The exercise price of stock warrant was NT\$14.11 per share on the issuance date. In the event of any subsequent issue requiring adjustment of the exercise price, the relevant provisions shall be followed.

On May 31, 2016, the Company paid cash dividends of ordinary shares with a par value of \$1.50932321 per share pursuant to a resolution of the shareholders' meeting. The base date was July 11, 2016. Since July 11, 2016, the exercise price was adjusted from \$14.11 to \$13.18.

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TAISOL ELECTRONICS CO., LTD.

Notes to the Financial Statements

On May 19, 2017, the Company paid cash dividends of ordinary shares with a par value of \$2.19749455 per share pursuant to a resolution of the shareholders' meeting. The base date was July 11, 2017. Since July 11, 2017, the exercise price was adjusted from \$13.18 to \$12.23.

On June 19, 2018, the Company paid cash dividends of ordinary shares with a par value of \$0.30049480 per share pursuant to a resolution of the shareholders' meeting. The base date was July 28, 2018. Since July 28, 2018, the exercise price was adjusted from \$12.23 to \$12.06.

On July 6, 2018, the Company increased its capital by issuing 16,667 thousand ordinary shares with a par value of \$10 per share pursuant to a resolution of the Board of Directors. The base date was August 4, 2018. Since August 4, 2018, the exercise price was adjusted from \$12.06 to \$11.82.

On June 6, 2019, the Company paid cash dividends of ordinary shares with a par value of \$1.2 per share pursuant to a resolution of the shareholders' meeting. The base date was July 10, 2019. Since July 10, 2019, the exercise price was adjusted from \$11.82 to \$11.58.

On June 5, 2020, the Company paid cash dividends of ordinary shares with a par value of \$2.1 per share pursuant to a resolution of the shareholders' meeting. The base date was July 13, 2020. Since July 13, 2020, the exercise price was adjusted from \$11.58 to \$11.31.

On July 5, 2021, the Company paid cash dividends of ordinary shares with a par value of \$1.8 per share pursuant to a resolution of the shareholders' meeting. The base date was August 8, 2021. Since August 8, 2021, the exercise price was adjusted from \$11.31 to \$10.93.

2) Related information of employee stock option plans

Information on employee stock options was as follows:

	2021	
	Weighted average price (NT dollars)	Share option (Thousand of shares)
Outstanding at January 1	\$ 11.31	150
Exercised during the year	10.93~11.31	(83)
Expired during the year	-	(67)
Exercisable at December 31		-

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TAISOL ELECTRONICS CO., LTD.

Notes to the Financial Statements

(q) Earnings per share

The basic earnings per share were calculated as follows:

	2022	2021
Basic earnings per share:		
Profit attributable to the Company	<u><u>\$ 267,477</u></u>	<u><u>187,449</u></u>
Weighted average number of ordinary shares outstanding (in thousands of shares)	<u><u>87,708</u></u>	<u><u>87,860</u></u>
Basic earnings per share (in New Taiwan dollars)	<u><u>\$ 3.05</u></u>	<u><u>2.13</u></u>
Diluted earnings per share:		
Profit attributable to the Company	\$ 267,477	187,449
Effect of dilutive potential ordinary shares		
Convertible bonds	<u>2,603</u>	<u>4,205</u>
Profit attributable to ordinary equity holders of the Company (after adjusting the effect of dilutive potential ordinary share)	<u><u>\$ 270,080</u></u>	<u><u>191,654</u></u>
Weighted average number of ordinary shares outstanding (in thousands of shares)	87,708	87,860
Effect of dilutive potential ordinary shares		
Effect of issuance of share options (in thousands of shares)	407	356
Effect of the conversion of convertible bonds (in thousands of shares)	1,898	2,887
Effect of employee share bonus (in thousands of shares)	<u>-</u>	<u>81</u>
Weighted average number of common shares outstanding (Diluted / in thousands of shares)	<u><u>90,013</u></u>	<u><u>91,184</u></u>
Diluted earnings per share (in New Taiwan dollars)	<u><u>\$ 3.00</u></u>	<u><u>2.10</u></u>

(r) Revenue from contracts with customers

(i) Details of revenue

	2022	2021
Primary geographical markets:		
Asia	\$ 2,806,452	3,184,044
America	157,385	105,953
Europe	<u>26,997</u>	<u>36,355</u>
	<u><u>\$ 2,990,834</u></u>	<u><u>3,326,352</u></u>
Merchandise:		
Connector	\$ 901,167	1,062,289
Thermal solutions	<u>2,089,667</u>	<u>2,264,063</u>
	<u><u>\$ 2,990,834</u></u>	<u><u>3,326,352</u></u>

(Continued)

TAISOL ELECTRONICS CO., LTD.
Notes to the Financial Statements

(ii) Contract Balance

	December 31, 2022	December 31, 2021	January 1, 2021
Accounts receivable	\$ 811,833	1,215,390	1,085,647
Accounts receivable due from related parties	-	-	5,702
Less: Loss allowance	1,000	961	960
Total	\$ 810,833	1,214,429	1,090,389
Contract liabilities	\$ 82,018	60,060	65,151

For details on notes and accounts receivable and allowance for impairment, please refer to Note 6(b).

(s) Employee compensation and directors' and supervisors' remuneration

The Company's Articles of Incorporation stipulate that if there is profit for the year, a minimum of 3% but not exceeding 15% shall be allocated as employee compensation and a maximum of 5% as director compensation. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

For the years ended December 31, 2022 and 2021, the Company estimated its employee remuneration amounting to \$11,189 thousand and \$17,101 thousand, and directors' and supervisors' remuneration amounting to \$10,300 thousand and \$8,200 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's article. These remunerations were expensed under operating expenses during 2022 and 2021. Related information is available at the Market Observation Post System website. The amounts, as stated in the financial statements, are identical to those of the actual distributions for 2022 and 2021.

(t) Non-operating income and expenses

(i) Interest income

The Company's interest income was as follows:

	2022	2021
Interest income from bank deposits	\$ 2,915	276
Borrowings from Related Parties	633	1,273
Other interest income	2	9
Total interest income	\$ 3,550	1,558

(Continued)

TAISOL ELECTRONICS CO., LTD.
Notes to the Financial Statements

(ii) Other income

The Company's other income was as follows:

	<u>2022</u>	<u>2021</u>
Service income	\$ 26,894	24,912
Others	148	162
Total other income	<u>\$ 27,042</u>	<u>25,074</u>

(iii) Other gains and losses

The Company's other gains and losses were as follows:

	<u>2022</u>	<u>2021</u>
Losses on disposals of investments	\$ (1,255)	-
Gains on modification of leases	13	9
Foreign exchange gains (losses)	40,316	(15,812)
Losses on financial assets at fair value through profit or loss	-	(105)
Miscellaneous disbursements	-	(2,449)
Others	381	-
Other gains and losses, net	<u>\$ 39,455</u>	<u>(18,357)</u>

(iv) Finance costs

	<u>2022</u>	<u>2021</u>
Interest expense	<u>\$ 4,208</u>	<u>4,829</u>

(u) Financial Instrument

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represented the maximum amount exposed to credit risk. As of December 31, 2022 and 2021, the maximum amount exposed to credit risk amounted to \$1,362,248 thousand, and \$1,528,415 thousand, respectively.

2) Concentration of credit risk

For the years ended December 31, 2022 and 2021, the Company's ten largest customers accounted for 82% and 79%, respectively, of the Company's net revenue. There were no geographical concentration of credit risk.

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TAISOL ELECTRONICS CO., LTD.
Notes to the Financial Statements

(ii) Liquidity risk

The followings were the contractual maturities of financial liabilities, including estimated interest payment.

	Carrying amounts	Cash flows	Less than one year	1-2 years	2-5 years	Over 5 years
December 31, 2022						
Non-derivative financial liabilities						
Accounts payable (including related parties)	\$ 660,599	660,599	660,599	-	-	-
Other payables (including related parties)	214,802	214,802	214,802	-	-	-
Lease liabilities	4,759	4,829	3,027	1,589	213	-
	\$ 880,160	880,230	878,428	1,589	213	-
December 31, 2021						
Non-derivative financial liabilities						
Unsecured bank loans	\$ 20,000	20,023	20,023	-	-	-
Accounts payable (including related parties)	919,089	919,089	919,089	-	-	-
Other payables (including related parties)	226,198	226,198	226,198	-	-	-
Bonds Payable	210,406	214,079	214,079	-	-	-
Lease liabilities	6,600	6,688	3,730	2,227	731	-
	\$ 1,382,293	1,386,077	1,383,119	2,227	731	-

The Company does not expect that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Exposure of foreign currency risk

The Company's significant exposure to foreign currency risk was as follows:

	December 31, 2022			December 31, 2021		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
<u>Financial assets</u>						
<u>Monetary items</u>						
CNY	\$ 8,293	4.408	36,554	732	4.344	3,179
USD	40,580	30.710	1,246,218	53,498	27.680	1,480,819
JPY	14,064	0.232	3,268	17,278	0.241	4,155
HKD	45	3.938	175	7	3.549	23
<u>Financial liabilities</u>						
<u>Monetary items</u>						
CNY	\$ 1,547	4.408	6,820	4,244	4.344	18,434
USD	25,731	30.710	790,202	36,842	27.680	1,019,779
JPY	8,197	0.232	1,905	8,987	0.241	2,161
HKD	19	3.938	76	63	3.549	224

(Continued)

TAISOL ELECTRONICS CO., LTD.

Notes to the Financial Statements

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, accounts payable and other payables that are denominated in foreign currency. A strengthening (weakening) of 0.25% of the NTD against all foreign currencies as of December 31, 2022 and 2021 would have increased (decreased) the net profit after tax as follows. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2021.

	Effect of appreciation on net profit after tax	Effect of depreciation on net profit after tax
December 31, 2022		
CNY (0.25% of appreciation or depreciation)	\$ 59	(59)
USD (0.25% of appreciation or depreciation)	912	(912)
JPY (0.25% of appreciation or depreciation)	3	(3)
	\$ 974	(974)
	Effect of appreciation on net profit after tax	Effect of depreciation on net profit after tax
December 31, 2021		
CNY (0.25% of appreciation or depreciation)	\$ (31)	31
USD (0.25% of appreciation or depreciation)	922	(922)
JPY (0.25% of appreciation or depreciation)	4	(4)
	\$ 895	(895)

3) Foreign exchange gains and losses on monetary items

Since the Company has many kinds of functional currency, the information on foreign exchange gains (losses) on monetary items is disclosed by total amount. For the years ended December 31, 2022 and 2021, foreign exchange gains (losses) (including realized and unrealized portions) amounted to gains of \$40,316 thousand and losses of \$15,812 thousand, respectively.

(iv) Interest rate analysis

The short-term borrowings of the Company are floating interest rate obligations, so the change in market interest rate will cause the effective interest rate of the short-term borrowings to fluctuate in its future cash flows, based on the loan balances at December 31, 2022 and 2021. Each 1% increase in market interest rate will increase the future cash outflow of the Company to \$0 thousand and \$200 thousand, respectively.

(Continued)

TAISOL ELECTRONICS CO., LTD.
Notes to the Financial Statements

(v) Fair value

1) Categories of financial instruments and fair value hierarchy

The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

	December 31, 2022				
	Carrying amounts	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 543,973	-	-	-	-
Accounts receivable	810,833	-	-	-	-
Other receivables (including related parties)	5,464	-	-	-	-
Restricted time deposits (recognized in other current assets)	600	-	-	-	-
Guarantee deposits paid (recognized in other non-current assets)	1,378	-	-	-	-
Total	<u>\$ 1,362,248</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities measured at amortized cost					
Accounts payable (including related parties)	\$ 660,599	-	-	-	-
Other payables (including related parties)	214,802	-	-	-	-
Lease liabilities	4,759	-	-	-	-
Total	<u>\$ 880,160</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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TAISOL ELECTRONICS CO., LTD.

Notes to the Financial Statements

		December 31, 2021				
		Carrying amounts	Fair value			Total
			Level 1	Level 2	Level 3	
Financial assets measured at amortized cost						
Cash and cash equivalents	\$	186,431	-	-	-	-
Notes and accounts receivable		1,214,429	-	-	-	-
Other receivables (including related parties)		124,673	-	-	-	-
Restricted time deposits (recognized in other current assets)		600	-	-	-	-
Guarantee deposits paid (recognized in other non-current assets)		2,282	-	-	-	-
Total		\$ 1,528,415	-	-	-	-
Financial liabilities measured at amortized cost						
Short-term borrowings	\$	20,000	-	-	-	-
Accounts payable (including related parties)		919,089	-	-	-	-
Other payables (including related parties)		226,198	-	-	-	-
Bonds payable		210,406	-	-	-	-
Lease liabilities		6,600	-	-	-	-
Total		\$ 1,382,293	-	-	-	-

2) Valuation techniques for financial instruments measured at fair value

The Company adopted the binomial tree valuation model to measure its domestic convertible bonds, taking into account such parameters as stock price volatility and risk-free interest rates.

3) There was no transfer between the fair value hierarchy levels for the years ended December 31, 2022 and 2021.

(v) Financial risk management

(i) Overview

The Company has exposures to the following risks from its financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

(Continued)

TAISOL ELECTRONICS CO., LTD.

Notes to the Financial Statements

The following likewise discusses the Company's exposure information, objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying financial statements.

(ii) Structure of risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Internal auditors undertake both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

The Company's risk management policies are established to identify and analyze the risks being faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investments in debt securities.

1) Accounts receivable and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Company assesses the customers' credit risk based on their basic information, which comprises of the default risk in their industry and country.

The Company has established a credit policy, under which, each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, when available, and in some cases, bank references. Purchase limits are established for each customer, and are reviewed periodically. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

The Company sets a loss allowance for expected credit losses to reflect the estimated loss on accounts receivable. This allowance mainly comprises a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. This allowance for the loss component is determined based on historical payment statistics of similar financial assets.

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TAISOL ELECTRONICS CO., LTD.

Notes to the Financial Statements

2) Investments

The credit risk exposure in the bank deposits and other financial instruments are measured and monitored by the Company's finance department. Since the Company's transaction counterparties and the contractually obligated counterparties are banks and corporate organizations with good credits, there is no significant credit risk.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to manage liquidity is to ensure, as far as possible, that it always has sufficient working capital to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

As of December 31, 2022 and 2021, the Company had unused credit lines of \$643,165 thousand and \$605,640 thousand, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return.

1) Foreign currency risk

The Company is exposed to currency risk on sales and purchases that are denominated in a currency other than the functional currency of the Company's respective entity. The respective functional currencies of the Company's entities are primarily the NTD, and USD, JPY, HKD and CNY. The currencies used in these transactions are denominated in NTD, USD, JPY and CNY. In order to manage exchange rate risk, the Company maintains a certain limit on the net foreign currency position held by the Company.

2) Interest rate risk

The interest rate of the Company's bank loans is mainly of variable interest rates. To manage the interest rate fluctuation risk, the Company periodically assesses the interest rates of bank loans and maintains good relationships with financial institutions to obtain lower financing costs. If the interest rate has greater fluctuation in future and the Company still needs to borrow loans, the Company will adopt other financing tool for fund collection to reduce the dependence on bank loans, as well as the risk arising from fluctuation of interest rates.

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TAISOL ELECTRONICS CO., LTD.
Notes to the Financial Statements

(w) Capital management

In consideration of the industry dynamics and future developments, as well as external environment factors, the Company maintains an optimal capital structure to enhance long-term shareholder value by managing its capital in a manner to ensure that it has sufficient and necessary financial resources to fund its working capital needs, research and development activities, dividend payments, and other business requirements for continuing operations and to reward shareholders and take into consideration the interests of other stakeholders.

(x) Investing and financing activities not affecting current cash flow

(i) the cash paid by the Company for the purchase of property, plant and equipment is supplemented by the following information:

	2022	2021
Increase in property, plant and equipment	\$ 2,847	3,686
Add: Payable for equipment as of January 1	332	1,663
Less: Payable for equipment as of December 31	(378)	(332)
Cash paid	\$ 2,801	5,017

(ii) The cash payment from the Company's acquisition of the right of use assets is supplemented by the following cash flow information:

	2022	2021
Increase in right of use assets	\$ 2,414	4,648
Less: Increase in lease liabilities	(2,414)	(4,648)
Cash paid	\$ -	-

(iii) Reconciliations of liabilities arising from financing activities were as follows:

	January 1, 2022	Cash flows	Non-Cash changes		December 31, 2022
			Right-of-use assets increases	Others	
Short-term borrowings	\$ 20,000	(20,000)	-	-	-
Lease liabilities	6,600	(3,104)	2,414	(1,151)	4,759
Bonds payable	210,406	(213,009)	-	2,603	-
Total liabilities from financing activities	\$ 237,006	(236,113)	2,414	1,452	4,759

	January 1, 2021	Cash flows	Non-Cash changes		December 31, 2021
			Right-of-use assets increases	Others	
Short-term borrowings	\$ 212,000	(192,000)	-	-	20,000
Long-term borrowings	41,667	(41,667)	-	-	-
Lease liabilities	5,649	(3,631)	4,648	(66)	6,600
Bonds payable	206,306	-	-	4,100	210,406
Total liabilities from financing activities	\$ 465,622	(237,298)	4,648	4,034	237,006

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TAISOL ELECTRONICS CO., LTD.
Notes to the Financial Statements

(7) Related-party transactions

(a) Names and relationship with related parties

The following are the entities that have had transactions with the Company during the periods covered in the financial statements.

<u>Name of related party</u>	<u>Relationship with The Company</u>
Techmaster Limited (SAMOA) (hereinafter referred to as "Techmaster")	Subsidiary of the Company
Taisol Electronics Japan Co., Ltd (hereinafter referred to as "TaiSol Japan")	Subsidiary of the Company
Suzhou TaiSol Electronics Co., Ltd.,(hereinafter referred to as "Suzhou TaiSol")	Sub-subsidiary of the Company
DongGuan TaiSol Electronics Co., Ltd.(hereinafter referred to as "DongGuan TaiSol")	Sub-subsidiary of the Company
SiYang TaiSol Electronics Co., Ltd. (hereinafter referred to as "SiYang TaiSol")	Subsidiary of the Company
ORIENTAL COMPUTER INC. (hereinafter referred to as "OCI")	Its principal management are directors of the Company (it is no longer to be a related party since the re-election of directors on July 5, 2021)
VSELL ENTERPRISE CO., LTD. (hereinafter referred to as "VSELL")	Its principal management are chairman of the Company

(b) Significant transactions with related parties

(i) Sale revenue

The amounts of significant sales transactions between the Company and related parties were as follows:

	<u>2022</u>	<u>2021</u>
Other related parties - OCI	<u>\$ -</u>	<u>3,878</u>

The Company has no other customers to compare with the above related party relating to sales price, and the terms for the related party are approximately 60 to 120 days. Collecting period for non-related parties is mainly 30 to 210 days.

(Continued)

TAISOL ELECTRONICS CO., LTD.

Notes to the Financial Statements

(ii) Purchases

The amounts of significant purchase by the Company from related parties were as follows:

	2022	2021
Subsidiary - Techmaster	\$ (109)	302,763
Sub-subsidiary - Suzhou TaiSol	449,935	656,767
Sub-subsidiary - DongGuan TaiSol	1,169,267	952,967
Subsidiary - SiYang TaiSol	19,845	-
	\$ 1,638,938	1,912,497

The products that the Company has purchased from the related parties have not been imported from other vendors. There are no non-related party purchase price for comparison. The payment period for the related parties is 45 to 90 days, while the payment period for the other vendors is about 30 to 150 days.

(iii) Service income

For the years 2022 and 2021, the management services income received by the Company from its sub-subsidiary, Suzhou TaiSol was \$7,171 thousand and \$6,643 thousand, respectively; Management services income received from sub-subsidiary, DongGuan TaiSol, amounted to \$19,723 thousand and \$18,269 thousand, respectively.

(iv) Commission and marketing expenses

The commission and marketing expenses from subsidiary, TaiSol Japan, amounted to \$1,972 thousand and \$1,845 thousand for the years ended December 31, 2022 and 2021, respectively.

(v) Operating expenses

The amounts of operating expenses of the Company from related parties were as follows:

	2022	2021
Other related parties - VSELL	\$ 37	-

(vi) Receivables from related parties

The details of the Company's receivables from related parties were as follows:

Account	Relationship	December 31, 2022	December 31, 2021
Other receivables — related parties	Subsidiaries — SiYang TaiSol	\$ 163	152
Other receivables — related parties	Sub-subsidiary — DongGuan TaiSol	3,152	18,360
Other receivables — related parties	Sub-subsidiary — Suzhou TaiSol	94	101,296
		\$ 3,409	119,808

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TAISOL ELECTRONICS CO., LTD.

Notes to the Financial Statements

Other receivable due from related parties include the advance money, loans, interest, and management service charge.

The interest income from Suzhou TaiSol for the years ended December 31, 2022 and 2021, amounted to \$633 thousand and \$1,273 thousand, respectively.

(vii) Payables to related parties

The details of the Company's payables to related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts payable – related parties	Subsidiary – SiYang TaiSol	\$ 6,421	-
Accounts payable – related parties	Sub-subsidiary – DongGuan TaiSol	430,528	585,182
Accounts payable – related parties	Sub-subsidiary – Suzhou TaiSol	9,731	28,505
Other payables to related parties	Sub-subsidiary – DongGuan TaiSol	1,047	15,644
Other payables to related parties	Sub-subsidiary – Suzhou TaiSol	5,827	2,972
Other payables to related parties	Subsidiaries – TaiSol Japan	1,008	1,227
		<u>\$ 454,562</u>	<u>633,530</u>

Other payables are advances payables.

(viii) Guarantees

The credit limits of the guarantees the Company had provided to the bank for related parties were as follows:

	<u>December 31, 2022</u>		
	<u>Highest balance of financing to other parties</u>	<u>Ending balance (note)</u>	<u>Current balance of actual usage amount</u>
Subsidiaries – SiYang TaiSol	\$ 48,323	46,065	-
Sub-subsidiary – Suzhou TaiSol	96,645	92,130	-

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TAISOL ELECTRONICS CO., LTD.

Notes to the Financial Statements

	December 31, 2021		
	Highest balance of financing to other parties	Ending balance (note)	Current balance of actual usage amount
Subsidiaries – SiYang TaiSol	\$ 142,400	41,520	-
Sub-subsidiary – Suzhou TaiSol	185,120	83,040	-
Subsidiaries – Techmaster	114,140	-	-

Note : The credit limit was approved by the Board of Director.

(c) Key management personnel transactions

Key management personnel compensation includes:

	2022	2021
Short-term employee benefits	\$ 41,553	39,112
Post-employment benefits	5,116	2,475
Other long-term employee benefits	(42)	8
	\$ 46,627	41,595

Please refer to Note 6(p) for the details of sharebased payment.

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2022	December 31, 2021
Restricted time deposits (recognized in other current asset)	Custom deposits	\$ 600	600
Land and buildings (recognized in property, plant and equipment)	Long-term and short-term loans	145,094	146,268
		\$ 145,694	146,868

(9) Commitments and contingencies:

As of December 31, 2022 and 2021, the Company had outstanding notes for guarantee of bank loans, credit limit and act as the guarantee for its subsidiary amounting to \$854,363 thousand and \$733,980 thousand, respectively.

(10) Losses due to major disasters :None.

(11) Subsequent Events :None.

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TAISOL ELECTRONICS CO., LTD.
Notes to the Financial Statements

(12) Other:

The employee benefits, depreciation, and amortization categorized by function were as follows:

By item	By function	2022			2021		
		Cost of good sold	Operating expenses	Total	Cost of good sold	Operating expenses	Total
Employee benefits							
Salary		-	91,153	91,153	-	116,011	
Labor and health insurance		-	9,470	9,470	-	10,132	
Pension		-	393	393	-	6,199	
Remuneration of directors		-	11,340	11,340	-	8,450	
Others		-	3,985	3,985	-	3,484	
Depreciation		464	7,294	7,758	844	7,488	
Amortization		-	607	607	-	1,313	

The additional information about number of employees and employee benefit expenses for the years ended December 31, 2022 and 2021 was as follows:

	2022	2021
Number of employees	<u>111</u>	<u>118</u>
Number of Directors who are not employed	<u>6</u>	<u>5</u>
The average employee benefits	<u>\$ 1,000</u>	<u>1,202</u>
The average salary	<u>\$ 868</u>	<u>1,027</u>
Adjustment of average salary	<u>(15.48)%</u>	
Remuneration to supervisors	<u>\$ -</u>	<u>800</u>

The Company's remuneration policy (including directors, supervisors, executives and employees) is as follows:

- (a) The transportation allowance and remuneration of the Directors and Supervisors are regularly paid by the Company for handling management matters. These are paid regardless if the Company has retained earnings and the remuneration standard shall be authorized to the Remuneration Committee and the Board for approval.
- (b) The remuneration of Directors and Supervisors is governed by the provisions of the articles of incorporation. If the Company has a profit for the year, it should provide not more than 5% for remuneration of Directors and supervisors and authorize the Remuneration Committee and the Board to approve based on the performance evaluation of the Board. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit.

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TAISOL ELECTRONICS CO., LTD.

Notes to the Financial Statements

(c) Policy and system of compensation for executives and employees

(i) Policy:

- 1) Ensure that the company's remuneration distribution is in accordance with the relevant laws and is sufficient to attract talented people.
- 2) Salary standard is based on the market conditions, the company's operating conditions and organizational structure. It will be adjusted as appropriate, depending on salary dynamics on markets, changes in the macroeconomy and industry, in addition of government regulations.
- 3) Employees' salaries and remuneration are based on their academic experience, professional knowledge and skills, professional seniority and personal performance, instead of their age, gender, race, religion, political position, marital status, etc.
- 4) The performance assessment and remuneration of managers, taking into account of usual standard payments of peers, in addition to the the working time spent, the responsibilities undertaken, the achievement of individual goals, performance in other positions, remuneration paid by the company to the same position in recent years, achievement of the company's short-term and long-term business objectives, financial condition of the company, etc. to evaluate the reasonableness of relationship among personal performance, the Company's operation performance and future risks.
- 5) Managers shall not be induced to engage in acts that exceed the risk appetite of the Company in pursuit of remuneration.
- 6) The proportion of bonuses or awards to managers for their short-term performance and the timing of partial variable compensation should be determined based on the industrial characteristics and the business nature of the Company.

(ii) System:

- 1) Basic fixed pay: The market value of duties and core competencies is based on a fixed salary system, mainly based on past seniority and contributions and the weights of current responsibilities. Year-end bonuses or performance bonuses are submitted to the Remuneration Committee on the basis of the performance assessments.
- 2) The percentage or extent of the remuneration of employees as set out in the articles of incorporation: If the Company has a profit in the year, it shall make provision not exceeding 15% but not less than 3% for the remuneration of its employees. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit.
- 3) Long-term incentives: The long-term retention of a manager is generally by the issuance of stock option or restricted stock.
- 4) Welfare: Living security and convenience, such as vehicle, allowance for communication, group insurance, regular physical examination, etc.

(Continued)

TAISOL ELECTRONICS CO., LTD.

Notes to the Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company for the year ended December 31, 2022:

(i) Loans to other parties:

No.	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Loss allowance	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
0	TaiSol Electronics Co., Ltd.	Suzhou TaiSol Electronics Co., Ltd.	Other receivables - related parties	Yes	161,075	153,550	-	- %	2	-	Operating capital	-		-	370,445	740,891
1	DongGuan TaiSol Electronics Co., Ltd.	Suzhou TaiSol Electronics Co., Ltd.	Other receivables - related parties	Yes	112,650	44,080	-	- %	2	-	Operating capital	-		-	370,445	740,891
2	SiYang TaiSol Electronics Co., Ltd.	Suzhou TaiSol Electronics Co., Ltd.	Other receivables - related parties	Yes	132,240	132,240	44,080	5.00%	2	-	Operating capital	-		-	370,445	740,891

Note 1: Purpose of fund financing for the borrower:

- (1) Those with business contact please fill in 1
- (2) Those necessary for short-term financing please fill in 2.

Note 2: Pursuant to the Company’s procedure of loans to other parties, the maximum amount of lending purposes shall not exceed 40% of the Company’s net worth, for the Company loans to those having business transactions, the amount of each fund financing shall not exceed the amount of business transaction. The amount of business transaction referred to is the higher of the amount of goods purchased or sold between the other parties. The total amount lendable to any such subsidiary of the Company shall not exceed 40% of the net worth of the Company, and the individual amount shall not exceed 20% of the net worth of the Company.

Note 3: Pursuant to the subsidiary’s procedure of loans to other parties, the maximum amount of lending purposes shall not exceed 40% of each company’s net worth, for the subsidiary loans to those having business transactions, the amount of each fund financing shall not exceed the amount of business transaction. The amount of business transaction referred to is the higher of the amount of goods purchased or sold between the other parties. The total amount and individual amount lendable to any such enterprises due to short term financing shall not exceed 40% of the net worth of each company. With a foreign subsidiary of the parent company which directly and indirectly holds 100% of the voting shares or a subsidiary loans funds to parent company are excluded from item 1. The group’s combined total loan amount is limited to the lower of less than 2,500% of the net value of the Company or 40% of the net value of the ultimate parent company. The respective loan amount is limited to the lower of 2,500% of the net value of the Company or 20 % of the net value of the ultimate parent company.

Note 4: The above transactions of loans to Suzhou TaiSol have been eliminated when the consolidated financial statements were prepared.

(ii) Guarantees and endorsements for other parties:

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Company	SiYang TaiSol Electronics Co., Ltd.	2	555,668	48,323	46,065 (Note 3)	-	-	2.49%	926,113	Y	N	Y
0	The Company	Suzhou TaiSol Electronics Co., Ltd.	2	555,668	96,645	92,130 (Note 3)	-	-	4.97%	926,113	Y	N	Y

Note 1: Pursuant to the “endorsement guarantee procedure” established by the Company, the total amount of the Company’s endorsement and guarantee does not exceed 50% of the net value of current period. Of these, the single corporate guarantee limit shall not exceed 20% of the current net value except for companies in which the Company directly and indirectly holds more than 50% of the voting shares, which shall not exceed 30% of the current net value.

Note 2: The relationship between the endorser/guarantor and the guaranteed party:

- 1) A company with which it does business.
- 2) A company in which the Company directly and indirectly holds more than 50% of the voting shares.
- 3) A company that directly and indirectly holds more than 50% of the voting shares in the Company.
- 4) Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares.
- 5) A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
- 6) A company that all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.
- 7) Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 3: Suzhou TaiSol and SiYang TaiSol jointly shared the guarantee amount of NT\$92,130 thousand (USD\$3million), of which the amount spent by SiYang TaiSol did not exceed NT\$46,065 thousand (USD\$1.5million).

(iii) Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Category and name of security	Relationship with the Company	Account	Ending Balance				Notes
				Shares/Units (thousands)	Carrying amounts	Percentage	Fair value	
The Company	TriGem Computer, Inc.	None.	Financial assets at fair value through profit or loss-non current	0.103	-	- %	-	

Unit: Thousand shares

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

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TAISOL ELECTRONICS CO., LTD.

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- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Name of company	Related party	Relationship	Transaction details				Transactions with terms different from others		Notes/accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Credit terms	Unit price	Credit terms	Balance	Percentage of total notes / accounts receivable (payable)	
The Company	DongGuan TaiSol Electronics Co., Ltd.	Sub-subsidiary of the Company	Purchase	1,169,267	50.41 %	O/A 75 days	-		(430,528)	65.17%	
The Company	Suzhou TaiSol Electronics Co., Ltd.	Sub-subsidiary of the Company	Purchase	449,935	19.40 %	O/A 45 days	-		(9,731)	1.47%	
SiYang TaiSol Electronics Co., Ltd.	Suzhou TaiSol Electronics Co., Ltd.	Inter-company transaction	Sales	191,563	59.06 %	O/A 45 days	-		70,389	46.73%	

Note: The transactions were eliminated when the consolidated financial statements were prepared.

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Name of company	Related party	Relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Loss allowance
					Amount	Actions taken		
DongGuan TaiSol Electronics Co., Ltd.	TaiSol Electronics Co., Ltd.	The ultimate parent company	430,528	2.30	-	-	177,809	-

Note 1: The subsequent information is updated up to February 24, 2023.

Note 2: The transactions were eliminated when the consolidated financial statements were prepared.

- (ix) Trading in derivative instruments: None.

- (b) Information on investees:

The following is the information on investees for the year 2022 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance at December 31			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2022	December 31, 2021	Shares	Percentage	Carrying amounts			
				TaiSol Electronics Co., Ltd.	World Window Electronics (H.K.) Limited	Hong Kong	trading of connectors and components of electronics and computers and investment in Mainland China	250,119			
TaiSol Electronics Co., Ltd.	TaiSol Electronics (HONG KONG) Co., Ltd.	Hong Kong	Investment in Mainland China	332,470	332,470	31,056	100%	30,499	(58,189)	(54,292)	Subsidiary
TaiSol Electronics Co., Ltd.	Techmaster Limited (SAMOA)	Samoa	Trading	-	346	-	- %	-	(26)	19	Note 2
TaiSol Electronics Co., Ltd.	TaiSol Electronics Japan Co., Ltd.	Japan	Trading	2,790	2,790	0.1	100%	1,670	247	247	Subsidiary
TaiSol Electronics Co., Ltd.	Vietnam TaiSol Electronics Co., Ltd.	Vietnam	Trading	8,307	-	-	100%	8,051	(840)	(840)	Subsidiary

Unit: Thousand shares

Note 1: The transactions were eliminated when the consolidated financial statements were prepared.

Note 2: Techmaster had applied for deregistration in November 2022, and its net worth was transferred to the Company.

- (c) Information on investment in mainland China:

- (i) The names of investees in Mainland China, the main businesses and products, and other information:

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2022	Investment flows during current period		Accumulated outflow of investment from Taiwan as of December 31, 2022	Net income (losses) of investee	Percentage of ownership	Share of profit (losses) of investee	Carrying amount	Accumulated remittance of earnings as of December 31, 2022
					Outflow	Inflow						
					Suzhou TaiSol Electronics Co., Ltd.	Processing, manufacturing and trading of components of heat pipe and electronic computers, and trading of magnesium-aluminum components.						
DongGuan TaiSol Electronics Co., Ltd.	Processing, manufacturing and trading of connectors, electronic computers and components of automobiles.	242,187	2	242,187	-	-	242,187	135,533	100.00%	134,698	785,604	394,010

Unit: thousand dollars

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TAISOL ELECTRONICS CO., LTD.

Notes to the Financial Statements

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of	Investment flows during current period		Accumulated outflow of investment from Taiwan as of	Net income (losses) of investee	Percentage of ownership	Share of profit (losses) of investee	Carrying amount	Accumulated remittance of earnings as of December 31, 2022
					Outflow	Inflow						
SiYang TaiSol Electronics Co. Ltd.	Manufacturing and trading of thermal modules, thermal conduit modules, fiber optic cable connectors, etc.	644,910	1	January 1, 2022 644,910	-	-	December 31, 2022 644,910	(64,952)	100.00%	(66,154)	413,071	-

Note 1: Investment methods are classified into the following three categories.

- (1) Direct investment in Mainland China.
- (2) Through the establishment of third-region companies then investing in Mainland China.
- (3) Others

Note2: In May 2019, Suzhou TaiSol made a capital reduction of CNY30,220 thousand to cover losses and a capital reduction return of CNY15,332 thousand. Suzhou TaiSol increased its capital by USD2,053,000 in March 2021, resulting in paid-in capital of USD6,053 thousand.

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
1,197,268 (Note 2) (USD 31,100 and HKD61,500)	1,197,268 (Note 2) (USD 31,100 and HKD61,500)	- (Note 1)

Note 1: Since the Company meets the criteria for operational headquarters, the Company is not subject to the limitation as to the amount of investment in Mainland China.

Note 2: Amounts are denominated in New Taiwan Dollars. Foreign currency should be converted at the exchange rates of USD\$: NT\$ = 1:30.710 and HKD\$: NT\$ = 1:3.938 as at the date of the financial report.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China for the year ended December 31, 2022, are disclosed in "Information on significant transactions".

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Yu, Ching-Sung		14,463,046	16.45%

Note:1) The information on major shareholders, which is provided by the Taiwan Depository & Clearing Corporation, summarized the shareholders who held over 5% of total non-physical ordinary shares and preference shares (including treasury shares) on the last business date of each quarter. The actual registered non-physical shares may be different from the capital shares disclosed in the financial statement due to different calculation basis.

2) If shares are entrusted, the above information regarding such shares will be revealed by each trustors of individual trust account. The shareholders holding more than 10% of the total shares of the company should declare insider's equity according to Securities and Exchange Act. The numbers of the shares declared by the insider include the shares of the trust assets which the insider has discretion over use. For details of the insider's equity announcement please refer to the TWSE website.

(14) Segment information:

Please refer to the consolidated financial statements for the year ended December 31, 2022.

TaiSol Electronics Co., Ltd.

Chairman: Yu, Ching-Sung