



Stock code: 6269

# Flexium Interconnect. Inc.

## 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.

Taiwan Stock Exchange Market Observation Post System : <http://newmops.twse.com.tw>  
Flexium Annual Report is available at : <https://www.flexium.com.tw>

Printed on March 31, 2023

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**IV. Name of CPA attesting the latest annual financial statement and name, address, website and telephone number of the accounting firm:**

CPA name: Name of CPA: Wu Chien-Chih , CPA; Liao, A-Shen, CPA.

Firm Name: PwC Taiwan

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**V. Name of any exchanges where the Company's securities are traded offshore, and the method by which to access information on said offshore securities:**

Singapore Exchange

<http://www.sgx.com>

**VI. Company website:**

<https://www.flexium.com.tw>

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## **One. A message to shareholders**

2022 is a year full of uncertainties and challenges for the global economy and Flexium. The Russia-Ukraine war caused the energy and material prices to soar, and the COVID-19 pandemic continued to spread. In April 2022, most regions in China were locked down, and the lockdown in China was lifted during November and December 2022, resulting in the confirmed cases in China soared. All these factors affected manpower, raw material shortages, and transportation delays. Various factors, including risk management challenges and geopolitics have been faced around the world. With unrelenting efforts, agile deployment of resources, and flexible cooperation of production, Flexium has achieved a record high revenue in 2022 under such a severe environment, with a year-on-year growth of 12.7%, and officially become one of the top five in the FPC world ranking.

### **Business operation outcome**

In 2022, Flexium Interconnect's consolidated revenue was NT\$40.07 billion, or a 12.7% increase from NT\$35.57 billion in 2021. Gross margin was 17.0%, decreased by 0.8% from 17.8% in 2021. The net profit after tax was NT\$3.52 billion, an increase of 22.3% from NT\$2.88 billion in 2021 and basic earnings per share (EPS) was NT\$10.83; this was an increase of NT\$2.64 from the NT\$8.19 seen in 2021.

Note: No financial forecasts were released for 2022, so no budget is forthcoming.

### **Market trend**

The rise of emerging digital technologies drives the innovation and robust development of electronic technology products. Flexible printed circuit boards (FPC) play the role of assisting in the realization of innovative applications, and are critical components in the supply chain of electronic products.

In recent years, the emergence of blockchain, cognitive technology, and virtual reality has become a key driving force for destructive innovation, changing human behaviors and activities. On the other hand, technologies such as social networks and cloud computing have led the overall electronic industry to integrate with the digital industry for a transformation. Benefitted from the improvement of communication infrastructure (5G/6G/low-orbit satellites), the grand trends of smart home kits, automotive electronics and AR/VR, among other related applications, FPC has the advantages of lightness, thinness and flexibility relative to other rigid PCB products, and enable the emerging electronic products to achieve more creative needs and innovative applications, with more advantages in a series of applications. It is expected to expand the field of high-end FPC application and drive a large demand for FPCs. Flexium Interconnect focuses and

constantly positions technology fields of high-frequency and high-performance induction as well as the millimeter wave, while launching new products with our world-class strategic partners for well-rounded full modular solutions including simulation platform, design concepts, and testing methods. Meanwhile, the Company is at the phase of rapid enhancement for product specifications (electrical properties, layers, line width/spacing, integration). We'll develop toward applications like high density, high speed/frequency, and multi-function, to help customers to realize their designed products, greatly accelerate the development schedule, and shorten the time from concept to launch, to satisfy the market needs.

### **Technical development**

Flexium Interconnect's vision is to become a global leader in flexible board module solutions. The technology is not only being developed in the original FPC and FPCA fields, but also targets new breakthroughs in technology such as wireless, high frequency, optical communication applications and so on. To providing faster, more intensive, and more precise modules, Flexium has applied PI (polyimide) as the foundation of the materials and manufacturing process to build the market in the past two decades. During the recent six years, Flexium has continuously developed and improved the infrastructure, and selected LCP as the material base to develop the FPC 2.0 process, with the name "Meta." This technology provides high speed and layers (20L), while maintaining the flexibility. However, for the better technology, in 2021, Flexium has developed the FPC 2.1 process, with the name "MetaLink." This process technology will increase the process efficiency by 30% and the space utilization by 20%; more importantly, the high frequency capability will be increased by at least 65%. Finally, comparing to FPC 1.0 PI, the energy and carbon will be saved by 50%. Metalink has been in the stage of test and verification with many end customers, and currently has excellent performance in functionality. It is believed that in the future, there will be more applications to realize new milestones for the applications of millimeter-wave transceiver modules. However, Flexium has not stopped developments. For the basic technologies with better performance, Flexium has developed the next-generation FPC 3.0 technology, named "Neuro Circuit." It is expected to provide the production pattern with better efficiency and applications with higher speed. This technology is expected to provide metaverse with a more complete technical demand target, while integrating Metalink in millimeter-wave high-frequency applications to complete the best solution for high-frequency and high-speed transmission applications. This technology and process optimization will continue to bring the company's revenue and profit to the next stage of growth. Flexium Interconnect is positioned as a multi-technology solution provider, with R&D and innovation poised as a competitive growth engine. As in the past, the company continues to intensively develop R&D, technological

innovation, creating business opportunity, developing high value-added products and services and growing hand in hand with customers.

### **Environment, Social, and Corporate Governance (ESG)**

In 2022, Flexium officially joined the "Renewable Energy 100 (RE100)" led by The Climate Group and the Carbon Disclosure Project (CDP). Flexium promises to achieve the goal of using 100% renewable energies by 2040, to drive the development of the renewable power industry in Taiwan and the realization of a sustainable future; meanwhile, it follows the world trend of net zero emissions to reduce the impacts of climate change.

Facing the robust development of global technologies and the rapid changes in the world economy, Flexium firmly believes that a good operational governance model is the basis for improving operational performance. We actively construct a healthy corporate governance system and are continuously committed to corporate sustainable governance, creating a solid and resilient business model with mutual benefits with suppliers, and continue to move towards sustainability.

### **Future outlook**

To respond to the rapid development and commercialization of the communication industry, such as 5G, 6G, WIFI6, low-orbit satellites, unmanned driving, and metaverse applications are gradually realized, and commercial applications are achieved. A smart and more interconnected world will not only increase the number of application products, more importantly, it will stimulate large demands for FPC antennas with high-frequency, low transmission loss, and it also proves that it is a correct path for Flexium to focus on the research and development of MPI, LCP and millimeter waves. In the field of consumer electronics applications, under the restriction of limited mechanical space, FPCA is equipped with more electronic components and evolve into application modularization. In addition, FPCs also provide communication application solutions such as high frequency, low transmission loss and AIP modules. In the world of meta universe, Flexium has its own position. The hardware devices for metaverses, i.e. the AR/VR/MR devices, are the infrastructure enabling users to enter a metaverse. These devices require powerful communications, computation, camera modules, batteries, sensors, and cloud server equipment where the FPC related applications are seen. With the collaborative development with our customers, these are becoming the new engines pushing the metaverse' explosion. Flexium also is positive to the development of electric vehicles (EVs), and actively working on the related industries for the long run. We are optimistic that the FPC technologies will penetrate to the semiconductor substrates, EVs, and high-performance energy batteries. To cope with these robust development of the new high-end technologies, Flexium continues to construct new capacities,

and research and develop new technologies, continuously positions with diversified strategies, and uses the business philosophy of "cherish the fortune, be grateful, take responsibility, and share," by optimizing the compensation structure and developing local technology talents, actively developing green and environmental-friendly energies, recycling regenerated raw materials, and developing smart plants, to practice the corporate responsibility of taking from the society and using for the society.

With the advancement of technologies and the demand for consumer products, FPC products have become an essential part of many industries, such as consumer electronics, automotive electronics, and medical equipment. It is expected that in the next few years, the FPC industry will continue to maintain a good momentum of development, with more new application fields. Finally, on behalf of the management team of Flexium Interconnect, I would like to thank all shareholders for their support and wish you all good health! Best wishes!

Chairman and President: Cheng Ming-Chi



## Two. Company profile

### I. Date of establishment

December 19, 1997

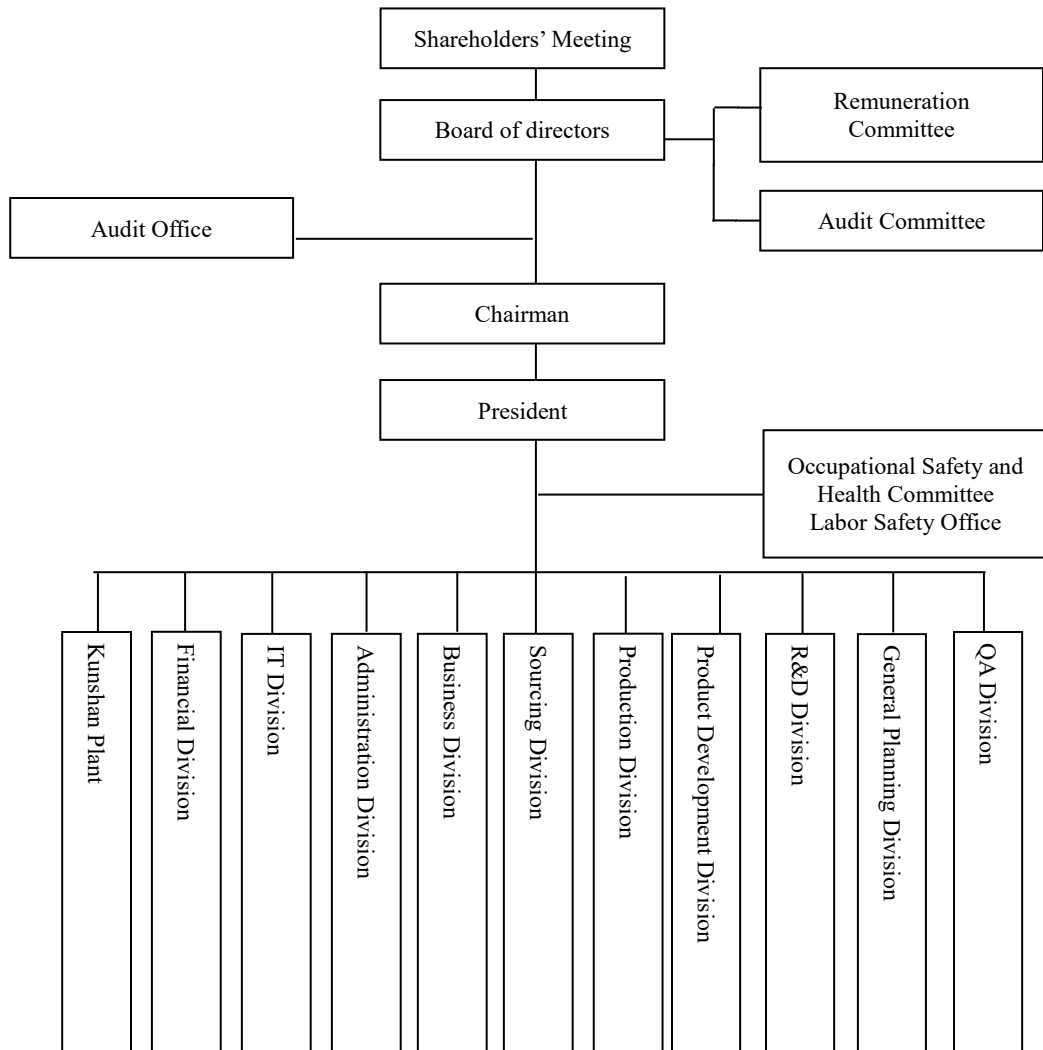
### II. Company history

Year	Important events of the recent years and till the publication date of the annual report
January 2021	As approved by the Ministry of Economic Affairs on January 25, 2021, restricted employee shares were cancelled and convertible bonds converted into ordinary shares; paid-in capital after capital reduction was NT\$3,613,733,530.
March 2021	As approved by the Ministry of Economic Affairs on March 11, 2021, convertible bonds converted into ordinary shares; the paid-in capital after the capital increase was NT\$3,619,829,590.
May 2021	As approved by the Ministry of Economic Affairs on May 25, 2021, restricted employee shares were cancelled. After the capital decrease, paid-in capital amounted to NT\$3,612,025,590.
August 2021	As approved by the Ministry of Economic Affairs on August 25, 2021, restricted employee shares and treasury stocks were cancelled. After the capital decrease, paid-in capital amounted to NT\$3,513,917,590.
November 2021	As approved by the Ministry of Economic Affairs on November 22, 2021, restricted employee shares were cancelled. After the capital decrease, paid-in capital amounted to NT\$3,513,308,790.
February 2022	As approved by the Ministry of Economic Affairs on February 22, 2022, restricted employee shares were cancelled. After the capital decrease, paid-in capital amounted to NT\$3,504,018,790.
May 2022	As approved by the Ministry of Economic Affairs on May 19, 2022, restricted employee shares were issued and treasury Stocks. After the capital decrease, paid-in capital amounted to NT\$3,203,410,990.
September 2022	As approved by the Ministry of Economic Affairs on September 23, 2022, new restricted employee shares were issued and restricted employee shares were cancelled. After the capital increase, paid-in capital amounted to NT\$3,228,103,790.
December 2022	As approved by the Ministry of Economic Affairs on December 9, 2022, restricted employee shares were issued. After the capital decrease, paid-in capital amounted to NT\$3,227,909,190.
February 2023	As approved by the Ministry of Economic Affairs on February 21, 2023, restricted employee shares were issued. After the capital decrease, paid-in capital amounted to NT\$3,227,629,190.

### Three. Corporate governance report

#### I. Organization system

##### (I) The Company's Organizational Structure (December 31, 2022)



(II) Business lines conducted by various departments

Unit	Organizational function
Chairman of Board	Control promotion of the Company's business objectives and policies
President	Set the Company's mid-term and long-term business strategies, and execute the resolutions made by shareholders' meetings and directors' meetings
Audit Office	Internal audit and operating procedure compliance management audit, etc.
Occupational Safety and Health Committee	Occupational disaster and pollution prevention and planning, and implementation of labor safety & health education management training
Kungshan Plant	Produce the Company's products, arrangement of production capacity, and upgrade production efficiency
Financial Division	Arrangement of the Group's fund management operating system, foreign exchange management, preparation and control of budget, accounting and financial allocation
IT Division	Establishment, design, maintenance and control of the Company's information system strategies
Administration Division	Responsible for managing the Company's HR strategies, HR training, performance appraisal and recruitment.
Business Division	Analyze the application of new products and development of market, enhance relations with customers and serve customers, etc.
Sourcing Division	The Company's procurement, warehousing management, import/export, and planning and management, etc.
Production Division	Matters related to the manufacturing, production capacity adjustment and increase of manufacturing efficiency of all products of the Company.
Product Development Division	Coordinate high-frequency project R&D resources; formulate R&D direction; handle process technology research and development
R&D Division	Consolidate R&D resources, set R&D orientation, and research and develop production technology
General Planning Division	Coordinate group capacity assessment and distribution; handle layout planning of each plant
QA Division	Responsible for quality assurance and upgrading of the Company's products

## II. Profiles of directors, president, vice presidents, assistant VPs, and heads of the branches/departments

### (I) Information on directors

#### 1. Information on directors (I)

March 31, 2023 Unit: Thousand shares; %

Job Title	Nationality or place of registration	Name	Gender/ Age	Election (appointment) date	Term of office	Inauguration date	Shares at election		Current shareholding (Note 1)		Current shares held by spouse and children of minor age		Total shareholding assuming the name of others		Major (academic degree) experience	Position(s) held concurrently in the Company and/or in any other companies	Other officers, directors or supervisors with spouses, or relatives within the second degree of kinship			Remark		
							Shares held	Ratio of shareholding	Shares held	Ratio of shareholding	Shares held	Ratio of shareholding	Shares held	Ratio of shareholding			Shares held	Ratio of shareholding	Job title		Name	Relationship
Chairman of Board	the R.O.C.	Cheng Ming-Chi	Male 61~70 years old	May 31, 2022	3 years	December 9, 1997	4,380	1.36	4,452	1.38	403	0.12	-	-	Chairman of Board of Tai Peng Development Co., Ltd. National Sun Yat-sen University	Chairman and President of the Company Chairman of Board of Tai Peng Development Co., Ltd. Chairman of Tewe Optical Waveguide Co., Ltd. Concurrently acting as the Director of the following companies invested by the Company: FLEXIUM INTERCONNECT INC. UFLEX TECHNOLOGY CO., LTD. GRANDPLUS ENTERPRISES LIMITED SUCCESS GLORY INVESTMENTS LIMITED CHAMPION BEYOND LIMITED CHOSEN GLORY LIMITED FOREVER MASTER LIMITED BOOM BUSINESS LIMITED CLEAR SUCCESS GLOBAL LIMITED Concurrently acting as the Chairman of the following companies invested by the Company: Jun-Fong Investment Inc. Chun-Hwa Technology (Kunshan) Co., Ltd. Jun Kun Technology (Suzhou) Co., Ltd. Universe Energy Co., Ltd.	-	-	-	Note 2		
Name of corporate shareholder	the R.O.C.	Chi Lien Investment Co., Ltd.	-	May 31, 2022	3 years	June 9, 2010	2,825	0.88	2,825	0.88	-	-	-	-	None	None	-	-	-			
Corporate director	the R.O.C.	Chi Lien Investment Co., Ltd. Representative: Chen Yong-Chang	Male 61~70 years old	May 31, 2022	3 years	June 9, 2010	-	-	-	-	-	-	-	-	Administrative Section of Public Officials 1975 Passed Special Examination and completed courses of Academy for the Judiciary of 19th term Judge of Taoyuan District Court, Shihlin District Court and Taipei District Court Served as presiding judge of Keelung District Court Judge of Taiwan High Court Supervisor of the Chinese Society of Law Department of Law, National Taiwan University	Principal attorney of All-Pro Law Firm Independent director and member of remuneration committee of Collins, Inc. Independent director and member of remuneration committee of LandMark Optoelectronics Corporation Member of remuneration committee of Sintronic Technology, Inc. Member of remuneration committee of Rodex Fasteners Corp. Independent director and member of remuneration committee of RUN LONG CONSTRUCTION CO., LTD.	-	-	-			

Job Title	Nationality or place of registration	Name	Gender/ Age	Election (appointment) date	Term of office	Inauguration date	Shares at election		Current shareholding (Note 1)		Current shares held by spouse and children of minor age		Total shareholding assuming the name of others		Major (academic degree) experience	Position(s) held concurrently in the Company and/or in any other companies	Other officers, directors or supervisors with spouses, or relatives within the second degree of kinship			Remark
							Shares held	Ratio of shareholding	Shares held	Ratio of shareholding	Shares held	Ratio of shareholding	Shares held	Ratio of shareholding			Job title	Name	Relationship	
Corporate director	the R.O.C.	Chi Lien Investment Co., Ltd. Representative: Hung, Ji-Shan	Male 61~70 years old	May 31, 2022	3 years	May 31, 2022	-	-	-	-	-	-	-	-	Master of Law, National Cheng Kung University Department of Finance and Taxation, National Chung Hsing University Director-General, National Taxation Bureau of Kaohsiung, Ministry of Finance Director-General, National Taxation Bureau of the Southern Area, Ministry of Finance Deputy Director-General, Director-General Adjunct Lecturer, Department of Accountancy and Graduate Institute of Finance, NCKU	Independent Director of HUA YU LIEN Development CO., LTD. Independent Director of Ping Ho Environmental Technology Co.,Ltd. Independent Director of POWER WIND HEALTH INDUSTRY INC. Independent Director of CHUNG TAI RESOURCE TECHNOLOGY CORP.	-	-	-	
Name of corporate shareholder	the R.O.C.	Tai-Peng Development Inc.	-	May 31, 2022	3 years	December 9, 1997	15,460	4.79	15,460	4.79	-	-	-	-	None	None	-	-	-	
Corporate director	the R.O.C.	Tai-Peng Development Inc. Representative: Jeng Xi Shih	Male 71~80 years old	May 31, 2022	3 years	May 30, 2007	295	0.09	295	0.09	-	-	-	-	Assistant Vice-President of Taiwan Hitachi Electronic Corp. Vice President of Tong-Bao Technology Corp. Executive Vice President of Flexium Interconnect.Inc Department Of Mechanical Engineering, National Cheng Kung University	None	-	-	-	
Corporate director	the R.O.C.	Tai-Peng Development Inc. Representative: Blue Lan	Male 41~50 years old	May 31, 2022	3 years	June 28, 2016	218	0.07	239	0.07	-	-	-	-	Special assistant of Chairman of Flexium PhD in Business Management of National Sun Yat-sen University	Director of Administration Division of the Company Currently at the Company's invested affiliates: Director of Jun-Fong Investment Inc.	-	-	-	
Director	the R.O.C.	Lin Pei-Ru	Female 51~60 years old	May 31, 2022	3 years	June 9, 2010	1,459	0.45	1,459	0.45	341	0.11	-	-	Department of Foreign Languages and Literatures, NCHU	Chairperson of the Board, Tai-Cheng Investment Corporation Chairman, Hesheng Investment Co., Ltd. Person in Charge, Sheng-Se Ltd.	-	-	-	
Director	the U.S.A.	David Cheng	Male 31~40 years old	May 31, 2022	3 years	June 18, 2019	331	0.10	360	0.11	136	0.04	-	-	Chief-Director, R&D Division, Flexium Interconnect Inc. University of California, Irvine Electrical Engineering.	Director of the Company's Product Development Division Currently at the Company's invested affiliates: Responsible person of FLEXIUM INTERCONNECT AMERICA LLC.	-	-	-	
Independent director	the R.O.C.	Xin-Bin Fu	Male 61~70 years old	May 31, 2022	3 years	May 18, 2001 (Note 3)	-	-	-	-	-	-	-	-	Supervisor, Flexium Interconnect Supervisor and Director, MACHVISION Inc. Co., LTD Professor, Department of Marketing and Circulation Management, National Kaohsiung First University of Science and Technology Section Chief, Electronic Information Section and Knowledge Service Section, Industrial Development Bureau, Ministry of Economic Affairs Ph.D., Institute of Engineering, National Chiao Tung University Master of Engineering, University of Missouri Columbia, USA	Distinguished Professor, Department of Marketing and Circulation Management, National Kaohsiung University of Science and Technology Independent Director, Member of the Audit and Remuneration Committee, Champion Microelectronic Corp.	-	-	-	

Job Title	Nationality or place of registration	Name	Gender/ Age	Election (appointment) date	Term of office	Inauguration date	Shares at election		Current shareholding (Note 1)		Current shares held by spouse and children of minor age		Total shareholding assuming the name of others		Major (academic degree) experience	Position(s) held concurrently in the Company and/or in any other companies	Other officers, directors or supervisors with spouses, or relatives within the second degree of kinship			Remark
							Shares held	Ratio of shareholding	Shares held	Ratio of shareholding	Shares held	Ratio of shareholding	Shares held	Ratio of shareholding			Job title	Name	Relationship	
Independent director	the R.O.C.	Huang Shui-Tong	Male 61~70 years old	May 31, 2022	3 years	June 18, 2019	-	-	-	-	-	-	-	-	Passed Judicial Officer / Lawyer Higher Examination, 1972 Concluded Judicial Training Institute Phase 12 Public prosecutor, District Prosecutor's Office; Judge and President of the Courts of First and Second Instance Director, Criminal Affairs Division President of District Court in Kinmen, Penghu, Yilan, and Panchiao Taiwan High Court President, Taiwan High Court Taichung Branch Committee member, Civil Service Disciplinary Committee Master of Law, Chinese Cultural University Chairman, Chinese Law Society	None	-	-	-	
Independent director	the R.O.C.	Wu Pei-Jun	Female 61~70 years old	May 31, 2022	3 years	June 18, 2019	-	-	-	-	-	-	167	0.05	Associate Professor / Dean of Department of Finance and Law, Ming Chuan University Chairman, Masterlink Futures Co., Ltd. Chairman, Masterlink Insurance Company Director, LandMark Optoelectronics Corp. Supervisor, Gaolin Industrial Co., Ltd. Supervisor, Taihong Technology Co., Ltd. Supervisor, Juyao Trading Co., Ltd. Supervisor, Shanghai United Investment Co., Ltd. PhD candidate of Laws degree at Keio University, Japan Master of Law, Keio University, Japan Graduated from the Law Department of National Taiwan University	Associate Professor, Department of Finance and Law, Ming Chuan University Dean of Department of Finance and Law, Ming Chuan University Chairman of Song Yang Investment Co., Ltd. Chairman, Chiyang Investment Co., Ltd. Independent director and member of audit committee, remuneration committee, and nomination committee, ADVANCED POWER ELECTRONICS CORP.	-	-	-	
Independent director	the R.O.C.	Anson Tseng	Male 41~50 years old	May 31, 2022	3 years	May 31, 2022	-	-	-	-	14	-	-	-	Vice President, BNP Paribas Securities Chief, Gemtek Technology Co., Ltd. MBA, Chicago University	Investment Director of Hua Wei International Technology Consulting Co., Ltd. Supervisor as the Juristic Person's Representative, Hyena Inc. Supervisor, Castec International Corporation Director of Marketing and New Business Development, LandMark Optoelectronics Corporation				

Note 1: The current shareholdings are calculated after the total outstanding shares 322,762,919 shares on March 31, 2023.

Note 2: Where the chairperson of the board of directors and the president or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (e.g. adding seats of independent directors, and the majority of directors do not concurrently serve as employees or managerial officers): The Chairman also concurrently serves as the President mainly because it is to enhance the communications and effectiveness of operational decisions, and for the accurate and quick execution. To cope with the laws and regulations for the implementation of corporate governance in the future, it is planned to add seats of independent directors for better operation of the Board of Directors' functions, and stronger supervisory functions. Currently, the majority of directors do not concurrently serve as employees or managerial officers.

Note 3: 5/18/2001-6/8/2010 served as the company's independent supervisor; 6/9/2010-3/20/2013 and 6/11/2013-5/31/2017 served as the company's supervisor; 6/18/2019 - serving as an independent director of the company.

**2. Major shareholders of corporate shareholders**

March 31, 2023

Name of corporate shareholder	Major shareholders of corporate shareholders	
	Shareholder	Shareholding ratio (%)
Tai Peng Development Co., Ltd.	Chu Yang Investment Co., Ltd.	22.50%
	Youben investment Co., Ltd.	24.70%
	Yao Hsiang International Investment Co., Ltd.	21.70%
	Tai-Cheng Investment Corporation	20.00%
Chilien Investment Co., Ltd.	Zhixing Investment Co., Ltd.	100.00%

**3. Major shareholders of major corporate shareholders**

March 31, 2023

Name of corporate shareholders	Major shareholders of corporate	
	Shareholder	Shareholding ratio (%)
Chu Yang Investment Co., Ltd.	Cheng Ming-Chi	46.00%
	Hsiun-Chen Yang	42.00%
Youben investment Co., Ltd.	Da-Wen Sun	92.40%
Hsiang Yao International Investment Corporation	Yu-Huei Lin	12.50%
	Yu-Mei Lin	0.00005%
	Mei-Dai Chang	0.00005%
Tai-Cheng Investment Corporation	Chi-Cheng Chang	6.90%
	Lin Pei-Ru	6.90%

## 4. Information on directors (II)

### (1) Disclosure of Directors' Professional Qualifications and Independent Directors' Independence

March 31, 2023

Qualifications Name	Professional Qualification and Experience	Independence	Number of public companies where the person holds the title as an independent director
Cheng Ming-Chi	Education background: National Sun Yat-sen University Experience: Chairman of Board of Tai Peng Development Co., Ltd.	Not under any of the categories stated in Article 30 of the Company Law	0
Chen Yong-Chang (Representative of Chi Lien)	Education background: Department of Law, National Taiwan University Experience: Administrative Section of Public Officials 1975 Passed Special Examination and completed courses of Academy for the Judiciary of 19th term Judge of Taoyuan District Court, Shihlin District Court and Taipei District Court Served as presiding judge of Keelung District Court Judge of Taiwan High Court Supervisor of the Chinese Society of Law	Not under any of the categories stated in Article 30 of the Company Law	3
Hung, Ji-Shan (Representative of Chi Lien)	Education background: Master of Law, National Cheng Kung University Experience: Department of Finance and Taxation, National Chung Hsing University Director-General, National Taxation Bureau of Kaohsiung, Ministry of Finance Director-General, National Taxation Bureau of the Southern Area, Ministry of Finance Deputy Director-General, Director-General Adjunct Lecturer, Department of Accountancy and Graduate Institute of Finance, NCKU	Not under any of the categories stated in Article 30 of the Company Law	4
Jeng Xi Shih (Representative of Tai Peng)	Education background: Department Of Mechanical Engineering, National Cheng Kung University Experience: Assistant Vice-President of Taiwan Hitachi Electronic Corp. Vice President of Tong-Bao Technology Corp. Executive Vice President of Flexium Interconnect, Inc	Not under any of the categories stated in Article 30 of the Company Law	0
Bule Tang (Representative of Tai Peng)	Education background: PhD in Business Management of National Sun Yat-sen University Experience: Special assistant of Chairman of Flexium	Not under any of the categories stated in Article 30 of the Company Law	0
Lin Pei-Ru	Education background: Department of Foreign Languages and Literatures, NCHU Experience: Chairperson of the Board, Tai-Cheng Investment Corporation Chairman, Hesheng Investment Co., Ltd. Person in Charge, Sheng-Se Ltd.	Not under any of the categories stated in Article 30 of the Company Law	0
David Cheng	Education background: University of California, Irvine Electrical Engineering Experience: Chief-Director, R&D Division, Flexium Interconnect Inc.	Not under any of the categories stated in Article 30 of the Company Law	0
Xin-Bin Fu (Independent director)	Education background: Ph.D., Institute of Engineering, National Chiao Tung University Experience: Master of Engineering, University of Missouri Columbia, USA Supervisor, Flexium Interconnect Supervisor and Director, MACHVISION Inc. Co., LTD Professor, Department of Marketing and Circulation Management, National Kaohsiung First University of Science and Technology Section Chief, Electronic Information Section and Knowledge Service Section, Industrial Development Bureau, Ministry of Economic Affairs	During the two year prior to the election and the term of office, the following independence requirements have been met (1) Not an employee of the Company or any of its affiliates. (2) Not a director or supervisor of the Company or its affiliates (3) Not a natural-person shareholder or holder of shares, together with those held by a spouse, minor children, or held by the person under other names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranking within the top 10 in holdings. (4) Not a managerial officer listed in criteria (1) or a spouse, relative of second degree, or direct kin of third degree or closer to persons not qualified for criteria (2) and (3). (5) A director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. (6) If a majority of the company's director seats or voting shares and those of any other company are not controlled by the same person: a director, supervisor, or employee of that other company. (7) If the chairperson, general manager, or person holding an equivalent position of the company and a person not in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution. (8) A director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial or business relationship with the company. (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting, or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative remuneration exceeding NTS500,000, or a spouse thereof. This restriction does not apply to a member of the salary and Remuneration Committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations. (10) Not a spouse to or kin at the second pillar under the Civil Code to any other director (11) Not under any circumstances as stipulated in Article 30 of Company Act. (12) Not elected as a government or corporate representative according to Article 27 of The Company Act.	1
Wu Pei-Jun (Independent director)	Education background: PhD candidate of Laws degree at Keio University, Japan Experience: Master of Law, Keio University, Japan Graduated from the Law Department of National Taiwan University Associate Professor / Dean of Department of Finance and Law, Ming Chuan University Chairman, Masterlink Futures Co., Ltd. Chairman, Masterlink Insurance Company		1
Huang Shui-Tong (Independent director)	Education background: Master of Law, Chinese Cultural University Experience: Public prosecutor, District Prosecutor's Office; Judge and President of the Courts of First and Second Instance Director, Criminal Affairs Division President of District Court in Kinmen, Penghu, Yilan, and Panchiao Taiwan High Court President, Taiwan High Court Taichung Branch Committee member, Civil Service Disciplinary Committee		0
Anson Tseng (Independent director)	Education background: MBA, Chicago University Experience: Vice President, BNP Paribas Securities Chief, Gemtek Technology Co., Ltd.		0



(2) Diversification and Independence of the Board:

A. Diversification of the Board:

The board of directors shall direct company strategies, supervise the management, and be responsible to the company and shareholders. The various procedures and arrangements of its corporate governance system shall ensure that, in exercising its authority, the board of directors complies with laws, regulations, its articles of incorporation, and the resolutions of its shareholders meetings. The composition of the board of directors shall be determined by taking diversity into consideration and formulating an appropriate policy on diversity based on the company's business operations, operating dynamics, and development needs. It is advisable that the policy include, without being limited to, the following two general standards:

- i. Basic requirements and values: Gender, age, nationality, and culture.
- ii. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, technology), professional skills, and industry experience.

The Company's board of directors is diversified, with industry knowledge, legal and financial background, as well as work experiences, to implement the diverse policy and improve the composition of the board of directors. Currently, there are eleven members of the board of directors, including two female directors and one foreign director. The Company emphasizes the gender equality in the composition of the board of directors, and aims to increase the number of female directors to more than one-third (i.e. 33%). Currently, 82% (nine) of the board members are male, and 18% (two) are female. The implementation status is as following:

Qualifications	Main academic qualification	Basic composition				Industry experience					Professional capabilities		
		Nationality	Gender	Age	Independent director's term of office and seniority	Finance and taxation	Business Administration	Law	Industry knowledge	Insurance and finance	Law	Finance and accounting	Business Administration
Name													
Cheng Ming-Chi	National Sun Yat-sen University	the R.O.C.	Male	61~70	-	✓	✓	-	✓	-	-	✓	✓
Chen Yong-Chang (Representative of Chi Lien)	Department of Law, National Taiwan University	the R.O.C.	Male	61~70	-	-	-	✓	✓	-	✓	-	-
Hung, Ji-Shan (Representative of Chi Lien)	Department Of Mechanical Engineering, Institute of Law	the R.O.C.	Male	61~70	-	✓	-	✓	-	-	✓	✓	-
Jeng Xi Shih (Representative of Tai Peng)	Department Of Mechanical Engineering, National Cheng Kung University	the R.O.C.	Male	71~80	-	-	✓	-	✓	-	-	-	✓
Lan Zhi Tang (Representative of Tai Peng)	National Sun Yat-sen University National Sun Yat-sen University	the R.O.C.	Male	41~50	-	-	✓	✓	✓	-	✓	-	✓
Lin Pei-Ru	Department of Foreign Languages and Literatures, NCHU	the R.O.C.	Female	51~60	-	-	✓	-	✓	-	-	-	✓
David Cheng	University of California, Irvine Electrical Engineering	the U.S.A.	Male	31~40	-	-	✓	-	✓	-	-	-	✓
Xin-Bin Fu (Independent director)	National Chiao Tung University Ph.D of Engineering	the R.O.C.	Male	61~70	Three years or more	✓	✓	-	✓	-	-	✓	✓
Wu Pei-Jun (Independent director)	PhD of Laws degree at Keio University, Japan	the R.O.C.	Female	61~70	Three years or more	✓	-	-	-	✓	-	✓	-
Huang Shui-Tong (Independent director)	Master of Law, Chinese Cultural University	the R.O.C.	Male	71~80	Three years or more	-	-	✓	-	-	✓	-	-
Anson Tseng (Independent director)	University of Chicago MBA	the R.O.C.	Male	41~50	Under three years	-	✓	-	-	-	-	-	✓

B. Independence of the Board:

The current board consists of eleven directors, including seven directors and four independent directors, as 36% of them are independent directors. All independent directors comply with the restrictions regarding positions concurrently held specified in the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies," and none of them concurrently serves as an independent director of more than three other public companies. In conclusion, the independence of the Company's Board is not affected.

## (II) Profiles of president, vice presidents, assistant VPs, and heads of the branches/departments

March 31, 2023 Unit: Thousand shares; %

Job title	Nationality	Name	Gender	(Election) On-board date	Shares held (Note 1)		Current shares held by the spouse and children of minor age		Total shareholding assuming the name of others		Major (academic degree) experience	Position(s) held concurrently in any other companies	Managerial officers are spouse or within second-degree relative of consanguinity to each other			Remark
					Shares held	Ratio of shareholding	Shares held	Ratio of shareholding	Shares held	Ratio of shareholding			Job title	Name	Relationship	
President	the R.O.C.	Cheng Ming-Chi	Male	June 23, 1995	4,452	1.38	403	0.12	-	-	Chairman of Board of Tai Peng Development Co., Ltd. National Sun Yat-sen University	Chairman and President of the Company Chairman of Board of Tai Peng Development Co., Ltd. Chairman of Tewe Optical Waveguide Co., Ltd. Concurrently acting as the Director of the following companies invested by the Company: FLEXIUM INTERCONNECT INC UFLEX TECHNOLOGY CO., LTD. GRANDPLUS ENTERPRISES LIMITED SUCCESS GLORY INVESTMENTS LIMITED CHAMPION BEYOND LIMITED CHOSEN GLORY LIMITED FOREVER MASTER LIMITED BOOM BUSINESS LIMITED CLEAR SUCCESS GLOBAL LIMITED Concurrently acting as the Chairman of the following companies invested by the Company: Jun-Fong Investment Inc., Chun-Hwa Technology (Kunshan) Co., Ltd. Jun Kun Technology (Suzhou) Co., Ltd. Universe Energy Co., Ltd.	-	-	-	Note 2
VP for Procurement	the U.S.A.	Tang Chia-Hsien	Male	June 19, 2014	164	0.05	323	0.10	-	-	Apple, Global Supply & Procurement Manager Volex, project manager Golden Gate University, Master of Computer Information System	None	-	-	-	
VP of Quality	the R.O.C.	Yi-Wen Shan	Male	October 29, 2014	373	0.12	1	-	-	-	Tom Tom, Asia-Pacific Zone, QA Director National Taiwan University of Technology, Institute of Engineering/National Chengchi University, EMBA	None	-	-	-	
Director of Manufacturing Center	the R.O.C.	Ruei-Chun Ma	Male	August 1, 2011	443	0.14	-	-	-	-	Section Chief of MEKTEC, Director of Foreman of Kunshan Plant of CMI Oriental Institute of Technology, Department of Electrical Engineering	None	-	-	-	
Director of Sourcing Division	the R.O.C.	Chao-Rong Gong	Male	2004/8/1	451	0.14	-	-	-	-	Business engineer of MEKTEC National Taipei University of Technology, Textile Engineering	None	-	-	-	
Administration Division Director	the R.O.C.	Lan Zhi Tang	Male	February 4, 2015	239	0.07	-	-	-	-	Special assistant of Chairman of Flexium PhD in Business Management of National Sun Yat-sen University	Currently at the Company's invested affiliates: Director of Jun-Fong Investment Inc.	-	-	-	
CFO	the R.O.C.	Ya-Shih Hsiung	Male	August 9, 2012	356	0.11	-	-	-	-	Director of Accounting Division of ASE Group East Michigan University, MBA	None	-	-	-	

Note 1: The current shareholdings are calculated after the total outstanding shares 322,762,919 shares on March 31, 2023.

Note 2: Where the chairperson of the board of directors and the president or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (e.g. adding seats of independent directors, and the majority of directors do not concurrently serve as employees or managerial officers): The Chairman also concurrently serves as the President mainly because it is to enhance the communications and effectiveness of operational decisions, and for the accurate and quick execution. To cope with the laws and regulations for the implementation of corporate governance in the future, it is planned to add seats of independent directors for better operation of the Board of Directors' functions, and stronger supervisory functions. Currently, the majority of directors do not concurrently serve as employees or managerial officers.

### III. Remuneration to director, president and vice presidents in recent years

#### (I) Remuneration of supervisors (names thereof to be disclosed by space)

December 31, 2022 Unit: NT\$ thousand; thousand shares; %

Job title	Name	Remuneration to directors								Remuneration in the capacity as employees								The sum of A, B, C, D, E, F and G to earnings after tax	Remuneration from the investees other than subsidiaries or parent company	
		Remuneration (A)		Pension (B)		Remuneration of directors (C)		Professional practice fees (D)		Salary, bonus and special allowance, etc. (E)		Retirement pension (F)		Employee remuneration (G)						
		The Company	All companies included into the financial statement	The Company	All companies included into the financial statement	The Company	All companies included into the financial statement	The Company	All companies included into the financial statement	The Company	All companies included into the financial statement	The Company	All companies included into the financial statement	The Company		All companies included into the financial statement				The Company
		Cash amount	Share amount	Cash amount	Share amount	Cash amount	Share amount	Cash amount	Share amount	Cash amount	Share amount	Cash amount	Share amount	Cash amount	Share amount	Cash amount	Share amount	Cash amount	Share amount	
Director	Chairman and President	Cheng Ming-Chi																		
	Director	Chi-Lian Investment Corporation Representative: Chen Yong-Chang																		
	Director	Representative of Chi-Lian Investment Corporation: Hung, Ji-Shan																		
	Director	Representative of Chi-Lian Investment Corporation: Chuang Xun-Po (Discharged)																		
	Director	Tai-Peng Development Corporation Representative: Jeng Xi Shih																		
	Director	Tai-Peng Development Corporation Representative: Lan Zhi Tang																		
	Director	Tai-Peng Development Corporation: Ji-Yan Liang (Discharged)																		
	Director	David Cheng																		
	Director	Lin Pei-Ru																		
Independent director	Independent director	Xin-Bin Fu																		
	Independent director	Wu Pei-Jun																		
	Independent director	Huang Shui-Tong																		
	Independent director	Anson Tseng																		

In addition to the disclosure of the above table, the remuneration collected by the directors for providing al services (such as acting as non-employee consultants) to the Company within the financial report in recent years is: NT\$0 thousand

#### Breakdown of remuneration

Breakdown of remuneration paid to individual director	Name of director			
	A+B+C+D		A+B+C+D+E+F+G	
	The Company	All companies included in the financial statement H	The Company	All companies included in the financial statement I
Below NT\$1,000,000				
NT\$1,000,000 (inclusive)-NT\$2,000,000 (exclusive)	Lin Pei-Ru / Cheng David / Fu Xin-Bin / Wu Pei-Jun / Huang Shui-Tong / Anson Tseng		Lin Pei-Ru / Fu Xin-Bin / Wu Pei-Jun / Huang Shui-Tong / Anson Tseng	
NT\$2,000,000 (inclusive)-NT\$3,500,000 (exclusive)	-		-	
NT\$3,500,000 (inclusive)-NT\$5,000,000 (exclusive)	Cheng Ming-Chi		Cheng Ming-Chi	
NT\$5,000,000 (inclusive)-NT\$10,000,000 (exclusive)	Representative of Chi-Lian Investment Corporation: Chen Yong-Chang / Hung, Ji-Shan / Chuang Xun-Po Representative of Tai-Peng Development Corporation: Jeng Xi Shih / Blue Lan / Ji-Yan Liang		Representative of Chi-Lian Investment Corporation: Chen Yong-Chang / Hung, Ji-Shan / Chuang Xun-Po Representative of Tai-Peng Development Corporation: Jeng Xi Shih / Blue Lan / Ji-Yan Liang	
NT\$10,000,000 (inclusive)-NT\$15,000,000 (exclusive)	-		CHENG DAVID	
NT\$15,000,000 (inclusive)-NT\$30,000,000 (exclusive)	-		Cheng Ming-Chi	
NT\$30,000,000 (inclusive)-NT\$50,000,000 (exclusive)	-		-	
NT\$50,000,000 (inclusive)-NT\$100,000,000 (exclusive)	-		-	
NT\$100,000,000 and above	-		-	
Total	9		9	

(II) Remuneration to president and vice presidents (aggregate information, with the name(s) indicated for each remuneration range)  
December 31, 2022 Unit: NT\$ thousand; thousand shares; %

Job title	Name	Salary (A)		Pension (B)		Bonus and special allowance, <i>et al.</i> (C)		Employee remuneration amount (D)				The sum of A, B, C and D in proportion to Earnings After Tax (%)		Remuneration from the investees other than subsidiaries or parent company
		The Company	All companies included into the financial statement	The Company	All companies included into the financial statement	The Company	All companies included into the financial statement	The Company		All companies included into the financial statement		The Company	All companies included into the financial statement	
								Cash amount	Share amount	Cash amount	Share amount			
President	Cheng Ming-Chi	10,831	13,745	-	-	16,764	16,764	5,518	-	5,518	-	33,113 0.94%	36,027 1.02%	None
VP for Procurement	Tang Chia-Hsien													
Vice President of QA	Shan Yi-Wen													

Breakdown of remuneration

Breakdown of remuneration to each President and Vice Presidents of the Company	Names of President and Vice Presidents	
	The Company	All companies included into the financial statement E
Below NT\$1,000,000	-	-
NT\$1,000,000 (inclusive)-NT\$2,000,000 (exclusive)	-	-
NT\$2,000,000 (inclusive)-NT\$3,500,000 (exclusive)	-	-
NT\$3,500,000 (inclusive)-NT\$5,000,000 (exclusive)	-	-
NT\$5,000,000 (inclusive)-NT\$10,000,000 (exclusive)	Shan Yi-Wen / Tang Chia-Hsien	Shan Yi-Wen / Tang Chia-Hsien
NT\$10,000,000 (inclusive)-NT\$15,000,000 (exclusive)	-	-
NT\$15,000,000 (inclusive)-NT\$30,000,000 (exclusive)	Cheng Ming-Chi	Cheng Ming-Chi
NT\$30,000,000 (inclusive)-NT\$50,000,000 (exclusive)	-	-
NT\$50,000,000 (inclusive)-NT\$100,000,000 (exclusive)	-	-
NT\$100,000,000 and above	-	-
Total	3	3

(III) Name of managerial officers for the distribution of employee remuneration and distribution status

2022 Unit: NT\$ thousand

	Job title (Note)	Name (Note)	Share amount	Cash amount	Total	Proportion to Earnings After Tax (%)
Manager	President	Cheng Ming-Chi	-	9,617	9,617	0.27
	VP for Procurement	Tang Chia-Hsien				
	Director of Kaohsiung Plant	Shan Yi-Wen				
	Director of Kunshan Plant	Ma Ruei-Chun				
	Director of Sourcing Division	Gong Chao-Rong				
	Director of Administration Division	Blue Lan				
	CFO	Arthur Shiung				
	Corporate Governance Director	Eva Liao				

Note: The managerial officers identified in the name list are the existing managerial officers on the date of publication of the annual report.

(IV) Specify and compare the remuneration to directors, supervisors, presidents, and vice presidents of the Company in proportion to the earnings after tax from the Company and companies included in the consolidated financial statements in the most recent 2 years, and specify the policies, standards, combinations, procedure of decision-making of remunerations and their relation to business performance and future risk.

1. Remuneration analysis for the past 2 years:

Unit: NT\$ thousand

Year	The Company		All companies in consolidated statements	
	2021	2022	2021	2022
Remuneration to directors	20,730	26,100	20,730	26,100
Remuneration to directors as a percentage of net income (%)	0.72	0.74	0.72	0.74
Remuneration to the President and Vice President	44,850	33,113	49,038	36,027
Remuneration to the President and Vice President as a Proportion to Earnings After Tax (%)	1.56	0.94	1.70	1.02

2. The policies, standards, combinations, procedure of decision-making of remunerations and their relation to business performance and future risk:

Pursuant to Article 29-1 of the Article of Incorporation of the Company, the remuneration to directors of the Company shall not be higher than 2%, and the Company operation outcome shall be considered along with the review on individual's contribution to the performance of the Company in order to provide reasonable remunerations. The remunerations of the president, vice presidents and managerial officers shall be determined according to the salary payment standard of the Company and their background as well as business operation performance. For the procedure of determining remuneration, other than the overall operating performance of the Company, future business risks and development trends of the industry, it also takes into account the moral risk incidents of directors and managerial officers, or other risk incidents that have negative impacts on the Company's image and goodwill, improper internal management, or personnel corruptions, while taking comprehensive consideration of the goal achievement rate, profitability, operating efficiency, contributions of directors and managerial officers, to calculate their remuneration proportion, and give reasonable remuneration. The relevant performance appraisals and reasonableness of remunerations have been reviewed by the Remuneration Committee and the Board of Directors, and the remuneration system will be reviewed timely according to the actual operating conditions and relevant laws and regulations, to achieve a balance between the Company's sustainable management and risk control.

#### IV. Corporate governance operating status

##### (I) Board of Director operation status

In 2022, the Company has held 8 Board of Directors Meeting (A), and the attendance of the directors and supervisors are as follows:

Job title	Name	Actual number of (listing) attending seats (B)	Attendance by proxy	Actual attendance (listing) of seats percentage (%) [B/A]	Remark
Chairman of Board	Cheng Ming-Chi	8	0	100%	Re-elected on May 31, 2022
Director	Tai-Peng Development Corporation: Ji-Yan Liang	4	0	100% (attended 4 meetings)	Term ended on May 31, 2022
Director	Tai-Peng Development Corporation representative: Jeng Xi Shih	8	0	100%	Re-elected on May 31, 2022
Director	Tai-Peng Development Corporation representative: Blue Lan	8	0	100%	Re-elected on May 31, 2022
Director	Chi-Lian Investment Corporation representative: Chen Yong-Chang	8	0	100%	Re-elected on May 31, 2022
Director	Chi-Lian Investment Corporation representative: Chuang Xun-Po	3	0	75% (attended 4 meetings)	Term ended on May 31, 2022
Director	Chi-Lian Investment Corporation representative: Hung Chi-Shan	4	0	100% (attended 4 meetings)	Joined on May 31, 2022
Director	David Cheng	8	0	100%	Re-elected on May 31, 2022
Director	Lin Pei-Ru	8	0	100%	Re-elected on May 31, 2022
Independent director	Xin-Bin Fu	8	0	100%	Re-elected on May 31, 2022
Independent director	Wu Pei-Jun	8	0	100%	Re-elected on May 31, 2022
Independent director	Huang Shui-Tong	8	0	100%	Re-elected on May 31, 2022
Independent director	Anson Tseng	4	0	100% (attended 4 meetings)	Joined on May 31, 2022

Attendance Status of Independent Directors of each time of Board of Directors' Meeting in 2022 ◎: Attended in person; ☆: Attended by a proxy; \* : Absent

2022	1/5	2/9	3/16	5/4	5/31	6/29	8/3	11/7
Xin-Bin Fu	◎	◎	◎	◎	◎	◎	◎	◎
Wu Pei-Jun	◎	◎	◎	◎	◎	◎	◎	◎
Huang Shui-Tong	◎	◎	◎	◎	◎	◎	◎	◎
Anson Tseng					◎	◎	◎	◎

Other notes:

1. Where the operations of the board of directors are subject to any one of the following conditions, the date, session number of board of directors' meeting, proposal content, comments of all independent directors and the resolution of the Company for the comments of the independent directors shall be described:
  - (I) Matters referred to in the Article 14-3 of the Securities and Exchange Act: The Company has established the Audit Committee, matters referred to in the Article 14-3 of the Securities and Exchange Act are therefore not applicable. For related information, please refer to Audit Committee Operations in this year's annual report.
  - (II) Except for the aforementioned matters, other resolutions of the board of directors' meeting rejected by the independent directors or reserved comments and are accompanied with records or written declarations: None.
2. For the execution status of the recusal of conflict of interests of directors, the name of the director, proposal content, reasons of recusal and voting participation status shall be described.
  - (I) The Company's 18th session of the 9th Board held on January 5, 2022
    1. Discussion on the 2021 independent directors' remuneration distribution case of the Company. Since directors Xin-Bin Fu, Peng-Chun Wu, and Huang Shui-tung are the interested parties of this case, they have actively recused themselves from the discussion and resolution thereof.
    2. Discussion on the 2021 directors' remuneration distribution motion of the Company. Since directors Cheng Ming-Chi, Chen Yung-Chang, Jeng Xi Shih, Blue Lan, Ji-Yan Liang, Hsun-Po Chuang, Pei-Ru Lin, and CHENG DAVID are the interested parties of this case, they have recused themselves from the discussion and resolution thereof.
    3. Discussion on the distribution of remuneration to managerial officers motion of the Company. Since directors Cheng Ming-Chi, Blue Lan, and CHENG DAVID are the interested parties of this case, they have actively recused themselves from the discussion and resolution thereof.

3. Evaluation of the implementation of the board of directors:

Assessment period	Assessment method	Assessment scope	Assessment content	Assessment results
2022	Internal self-assessment by the Board of Directors	Overall Board of Directors	A. Degree of participation in company operations. B. Board decision-making quality improvement. C. Board composition and structure. D. Election and continuing education of the directors; and E. Internal Controls.	The total score is five points, and the average score is 4.93 points; the assessment result is excellent, demonstrating that the overall operation of the Board of Directors is complete, and consistent to the spirit of corporate governance.
	Self-assessment by the directors	Individual board member	A. Mastering the company's goals and tasks. B. Director's responsibilities. C. Degree of participation in company operations. D. Internal relationship management and communication. E. Director's professional and continuous education. F. Internal Controls.	The total score is five points, and the average score is 4.83 points; the assessment result is excellent, demonstrating that the directors have positive assessments to the efficiency and effectiveness of the operations in the regard of each assessment indicators.
	Self-assessment by the directors	Each functional committee	A. Degree of participation in company operations. B. Recognition of the duties of the functional committee C. Improvement in the quality of decision making by the functional committee D. The composition of the functional committee, and election and appointment of committee members E. Internal Controls.	The total score is five points, and the average score is 4.98 points; the assessment result is excellent, demonstrating that the members of functional committees have positive assessments to the efficiency and effectiveness of the operations in the regard of each assessment indicators.

4. Measures undertaken during the current year and past year in order to strengthen the functions of the board of directors:
  - (I) The Company has enacted the meeting rules for directors' meetings pursuant to the laws. The functions and operations of the board all comply with the rules and related laws. The internal chief auditor will also attend the directors' meeting to report on the status of the internal audit.
  - (II) Directors may communicate with the chief auditor and CPAs via phone, fax or email.
  - (III) The Company elected 7 ordinary directors and 4 independent directors on May 31, 2022. The Audit Committee is made up of all the independent directors. As of December 31, 2022, none of the three independent directors has had a continuous term of more than 9 years.

## (II) Audit Committee Operations

The Company met 5 times in the Audit Committee in 2022 (A); independent directors' attendance was as follows:

Job title	Name	Actual number of attending seats (B)	Attendance by proxy	Actual attendance rate (%) 【B / A】	Remark
Convener	Xin-Bin Fu	5	0	100%	Re-elected on May 31, 2022
Member	Wu Pei-Jun	5	0	100%	Re-elected on May 31, 2022
Member	Huang Shui-Tong	5	0	100%	Re-elected on May 31, 2022
Member	Anson Tseng	2	0	100% (attended 5 meetings)	Joined on May 31, 2022

### I. The main function of the Audit Committee is to supervise the following matters:

- (I) Fair presentation of the financial reports of the Company
- (II) The hiring (and dismissal), independence, and performance of CPAs.
- (III) The effective implementation of the internal control system of the Company
- (IV) Compliance with relevant laws and regulations by the Company
- (V) Management of the existing or potential risks of the Company.

### II. The powers of the Audit Committee are as follows:

- (I) The adoption of or amendments to the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
- (II) Assessment of the effectiveness of the internal control system.
- (III) The adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of the procedures for handling financial or business activities of a material nature, such as acquisition or disposal of assets, derivatives trading, loaning of funds to others, and endorsements or guarantees for others.
- (IV) Matters in which a director is an interested party.
- (V) Asset transactions or derivatives trading of a material nature.
- (VI) Loans of funds, endorsements, or provision of guarantees of a material nature.
- (VII) The offering, issuance, or private placement of equity-type securities.
- (VIII) The hiring or dismissal of a certified public accountant, or their compensation.
- (IX) The appointment or discharge of a financial, accounting, or internal audit officer.
- (X) Annual financial reports signed or sealed by the Chairman, managerial officers, and accounting officer, and the Q2 financial reports audited and certified by the CPAs.
- (XI) Other material matters as may be required by this Corporation or by the competent authority.

The matters under the preceding paragraph shall be subject to the approval of one half or more of the entire membership of the Committee and shall be submitted to the board of directors for a resolution.

Any matter in the paragraph 1, with the exception of subparagraph 10, that has not been approved by one half or more of the entire membership of the Committee may be adopted with the approval of two thirds or more of the entire board of directors.

### III. Other notes:

- (I) If there any of the following situations arise the operation of the Audit Committee, the date of the board meeting should be stated, as well as the period, and motion content, the results of the Audit Committee's resolutions and the Company's handling of the Audit Committee's comments:
  1. Matters listed in Article 14-5 of the Securities and Exchange Act
  2. Except for pre-opening matters, other resolutions that have not been approved by the Audit Committee but have been approved by two-thirds or more of all directors



Board of directors	Proposal content and subsequent treatment	Items listed in Article 14-5 of the Securities and Exchange Act	Resolutions not approved by the Audit Committee but approved by two thirds or more of all directors
January 5, 2022 The 9th Term 18th meeting	1. Review the proposal of 2022 capital expenditure budgets	V	None
	Audit Committee Resolution Results (January 5, 2022): All members of the audit committee agreed to pass. The company's handling of the opinions of the audit committee: All directors present agreed to pass.		
February 9, 2022 The 9th Term 19th meeting	1. The Company's 2021 annual financial report and business report	V	None
	2. The Company plans to repurchase the Company's shares in accordance with relevant regulations	V	None
	Audit Committee Resolution Results (February 9, 2022): All members of the audit committee agreed to pass. The company's handling of the opinions of the audit committee: All directors present agreed to pass.		
March 16, 2022 The 9th Term 20th meeting	1. Proposal for the 2022 issuance of new restricted employee shares.	V	None
	2. Discontinuation of the proposal for "conducting public offerings of ordinary shares, or issue new shares to participate in GDRs, or private placements of ordinary shares, or overseas or domestic convertible bonds," approved by the 2021 Regular Shareholders' Meeting.	V	None
	3. Proposal to conduct public offerings of ordinary shares, or issue new shares to participate in GDRs, or private placements of ordinary shares	V	None
	4. Proposal to amend a portion of the Company's "Procedures for Acquiring or Disposing of Assets"	V	None
	5. The Company plans to repurchase the Company's shares in accordance with relevant regulations	V	None
	Audit Committee Resolution Results (March 16, 2022): All members of the audit committee agreed to pass. The company's handling of the opinions of the audit committee: All directors present agreed to pass.		
June 29, 2022 The 10th term 2th	1. Proposal for the loan of funds to subsidiaries	V	None
	Audit Committee Resolution Results (June 29, 2022): All members of the audit committee agreed to pass. The company's handling of the opinions of the audit committee: All directors present agreed to pass.		
November 7, 2022 The 10th term 4th	1. Proposal to amend the Company's "Procedures for Handling Material Inside Information.	V	None
	Audit Committee Resolution Results (November 7, 2022): All members of the audit committee agreed to pass. The company's handling of the opinions of the audit committee: All directors present agreed to pass.		

- IV. Implementation status for the recusal of interest of independent directors, including the name of the independent director, the content of the proposal, the reasons for recusal and voting status: None
- V. Communication between the independent directors and internal chief auditor and CPAs:
- (I) Communication between the internal audit supervisor and the Audit Committee:
1. The internal audit supervisor summarizes the internal audit business report to the Audit Committee on a regular basis every quarter.
  2. From time to time communicate, guide and respond by phone, email or in person.
  3. If there are special circumstances of importance, they may also be immediately reported to the members of the Audit Committee.
- (II) Communication between accountants and the Audit Committee:
1. The Company's CPAs communicate with the Audit Committee from time to time, reporting to the members of the Audit Committee on the latest laws or financial statements review or audit results and internal control audits.
- (III) The communication channels between independent directors of the company, internal audit supervisors and CPAs are smooth and diversified. The specific communication matters between independent directors and internal audit supervisors.

(III) Status of corporate governance, and any nonconformity to the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies

Item	Status		Summary	Deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof
	Yes	No		
I. Whether the Company has enacted and disclosed its corporate governance best-practice principles according to the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”?	✓		The Company has established the corporate governance best-practice principles according to the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” which has been disclosed on the Company’s website.	No deviation
II. Equity structure and shareholders’ equity				
(I) Whether the Company has defined its internal operating procedure for processing shareholders’ suggestions, questions, disputes and legal actions, and implemented the procedure strictly?	✓		(I) The Company entrusted the shareholder service agent to handle the same on behalf of the Company, and also delegated the spokesman, deputy spokesman, and staff dedicated to investor relation and shareholder service to handle the suggestions, questions, disputes and litigation actions of shareholders.	No deviation
(II) Whether the Company has control over the list of major shareholders and the controlling parties of such shareholders?	✓		(II) The Company publishes the changes in shareholding of the insiders on the MOPS on a monthly basis, and maintains excellent relations with investors.	No deviation
(III) Whether the Company establishes the risk control mechanism and firewall between the Company and its affiliates?	✓		(III) The Company and its affiliated companies operate independently, and each of them has defined its internal control system and regulations. The Company also defined the regulations governing supervision of subsidiaries and implemented the same.	No deviation
(IV) Whether the Company has defined its internal regulations to prohibit the insiders from trading securities by means of the information undisclosed in the market?	✓		(IV) The Company has established the “Insider Trading Prevention Management Operating Procedures” and “Ethical Management Rules” which clearly specify the prohibitions on insider trading and non-disclosure agreement.	No deviation
III. Organization and responsibility of board of directors				
(I) Has the board of directors formulated the policy on	✓		(I) The Company conducted an election for the 10th Board in May	No deviation

Item	Status		Summary	Deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof
	Yes	No		
diversity and concrete management goals and fully implemented such accordingly?			2022 based on the diverse directives in order to have 11 seats of directors (including 4 seats of independent directors), where 2 members of the Board are female. The professional knowledge and technical skill backgrounds of directors span across various aspects and industries of financial/accounting, technology, management and law... and are equipped with the knowledge, skills and qualities necessary for executing the duties. Please refer to Page 13 of the Annual Report.	
(II) Whether the Company is willing to establish other functional committees pursuant to laws, in addition to Remuneration Committee and Audit Committee?	✓		(II) The Company has established the Remuneration Committee and Audit Committee in accordance with the law; other functional members may be established according to the actual needs of the Company.	No deviation
(III) Has the company established the Regulations Governing the Board Performance Evaluation and its evaluation methods, and does the company perform a regular performance evaluation each year and submit the results of performance evaluations to the Board of Directors and use them as reference in determining compensation for individual directors, their nomination, and additional office terms?	✓		(III) The Company has formulated the “Regulations Governing the Board Performance Evaluation” and uses methods such as self-evaluation for Board members and overall Board self-evaluation which may be carried out by others. The performance of the Board must be evaluated at least once per year and the performance evaluation result must be submitted to the next Board meeting after the end of each year. The Company’s Board performance result shall be used as a reference base for election or nomination for directors; each Board member’s performance result shall be used as a reference base for the determination of their individual remuneration. Please refer to Page 19 of the Annual Report for the related assessments.	No deviation
(IV) Whether the Company periodically evaluates the impartiality and independence of the independent CPA?	✓		(IV) The Company performs the evaluation on the impartiality and independence of the independent CPA at least once annually, and the last evaluation result has been submitted to the board of directors on August 3, 2022 for approval. The latest evaluation	No deviation

Item	Status		Summary	Deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof
	Yes	No		
			report was submitted to the board of directors on November 3, 2021 and approved. For the appraisal on independence of the independent auditor, please see Page 31 of the annual report.	
IV. Is the company a TWSE/TPEX listed company, and has the company designated an appropriate number of personnel that specialize (or are involved) in corporate governance affairs (including but not limited to providing directors/supervisors with the information needed and assist directors and supervisors in complying with the laws and regulations to perform their duties, convention of board meetings and shareholders meetings, preparation of board meeting and shareholders meeting minutes, etc)?	✓		<p>1. The Company appointed the head of finance, Eva Liao as the corporate governance officer, upon the resolution of the Board meeting on May 5, 2021, in order to protect shareholders' interests and reinforce the Board's functions. The major duties include handling matters relating to board meetings and shareholders meetings according to laws, furnishing information required for business execution by directors, collecting the most updated regulatory developments related to corporate management, assisting directors with legal compliance, and assisting in onboarding and continuous development of directors. The head of financial has worked in financial affairs, stock affairs, or corporate governance affairs with more than ten years; the Financial Division also jointly takes charge of corporate governance related affairs, namely:</p> <p>(1) Providing documents necessary for the board of directors to perform their duties, preparation related to handling of board of directors' meeting and shareholders' meeting according to the law as well as preparation of meeting agenda and records.</p> <p>(2) Assist in facilitating and strengthening corporate governance.</p> <p>(3) Handling company registration and change registration.</p> <p>2. The 2022 development of the corporate governance officer, total 14 hours of continuing education were attended.</p>	No deviation

Item	Status		Summary				Deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof																														
	Yes	No	Date of continued education	Organizer	Name of Course	Hours																															
			<table border="1"> <thead> <tr> <th>From</th> <th>To</th> <th>Organizer</th> <th>Name of Course</th> <th>Hours</th> </tr> </thead> <tbody> <tr> <td>May 12, 2022</td> <td>May 12, 2022</td> <td>Taiwan Stock Exchange Corporation</td> <td>International Twin-Peak Online Forum</td> <td>2</td> </tr> <tr> <td>October 5, 2022</td> <td>October 5, 2022</td> <td>Accounting Research and Development Foundation</td> <td>2022 briefing session on insider equity trading laws compliance announcement</td> <td>3</td> </tr> <tr> <td>October 7, 2022</td> <td>October 7, 2022</td> <td>Taiwan Stock Exchange Corporation</td> <td>2022 Public companies - release of the Guidance for Independent director and a member of the Audit Committee exercising the powers with promotions to directors and supervisors</td> <td>3</td> </tr> <tr> <td>December 7, 2022</td> <td>December 7, 2022</td> <td>Accounting Research and Development Foundation</td> <td>The regulations and practice of the sales tax</td> <td>3</td> </tr> <tr> <td>December 23, 2022</td> <td>December 23, 2022</td> <td>Accounting Research and Development Foundation</td> <td>Legal responsibility of "war of management power" and case analysis</td> <td>3</td> </tr> </tbody> </table>	From	To	Organizer	Name of Course	Hours	May 12, 2022	May 12, 2022	Taiwan Stock Exchange Corporation	International Twin-Peak Online Forum	2	October 5, 2022	October 5, 2022	Accounting Research and Development Foundation	2022 briefing session on insider equity trading laws compliance announcement	3	October 7, 2022	October 7, 2022	Taiwan Stock Exchange Corporation	2022 Public companies - release of the Guidance for Independent director and a member of the Audit Committee exercising the powers with promotions to directors and supervisors	3	December 7, 2022	December 7, 2022	Accounting Research and Development Foundation	The regulations and practice of the sales tax	3	December 23, 2022	December 23, 2022	Accounting Research and Development Foundation	Legal responsibility of "war of management power" and case analysis	3				
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V. Whether the Company establishes the communication channels with interested parties (including but not limited to shareholders, employees, customers and suppliers etc.) and sets up the section exclusively for interested parties on the Company's website as well as responds to the important CSR issues concerned by the interested parties properly?	✓		<ol style="list-style-type: none"> <li>1. The website of the Company is set up with the exclusive section for interested parties and maintains fair communication with shareholders, employees and suppliers via IR, shareholders' service, legal affairs, financial and other dedicated units by phone, fax and E-mail from time to time.</li> <li>2. The Company's website is also equipped with the anti-corruption complaining mailbox. The Company also demands that colleagues and suppliers shall avoid unethical conduct and conflict of interest. Any case against the statement of integrity may be complained via 109@flexium.com.tw, in order to protect suppliers' interest and right.</li> <li>3. The ESG Committee conducts regular discussions regarding material issues on aspects of economy, society and environment</li> </ol>				No deviation																														

Item	Status			Deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof
	Yes	No	Summary	
			each year as well as the achievement status of all units and plans for future directions. Related results and discussions alongside suggestions of ESG are compiled and reviewed by the Chair of the Committee then submitted to the Board for report. The latest report on status of communication with each stakeholder was submitted to the board of directors on November 7, 2022.	
VI. Whether the Company appoints a professional shareholder service agent to handle the affairs related to shareholders' meetings?	✓		The Shareholder Service Agent of Yuanta Securities appointed by the Company meets the qualifications defined under the Regulations Governing the Administration of Shareholder Services of Public Companies.	No deviation
VII. Disclosure of information				
(I) Whether the Company has established a website for disclosure of its financial position and status of corporate governance?	✓		(I) The Company has established a website ( <a href="https://www.flexium.com.tw">https://www.flexium.com.tw</a> ) in Chinese and English, disclosing the financial and company governance information, and dedicated personnel are responsible for the maintaining the update of the information. In addition, relevant information can be searched through the public information observation station.	No deviation
(II) Has the Company adopted other information disclosure methods (such as, establishing an English website, designating a responsible person for collecting and disclosing information of the Company, substantiating the spokesman system, placing the juristic person seminar program on the Company's website, etc.)?	✓		(II) The Company has designated dedicated personnel (Financial Department personnel) to collect and disclose the information in order to control the Company's external information, and also appoints spokesman and deputy spokesman in order to disclose the latest and correct information of the Company via newspaper or important information irregularly. In addition, the information related to the overview of finance and business disclosed at the Company investors' meeting has been input into the MOPS per the requirements by TWSE.	No deviation
(III) Whether the company announces and declares its annual financial report within two months after the	✓		(III) The Company announces and declares its annual financial report within two months after the end of the fiscal year, and announces	No deviation

Item	Status			Deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof
	Yes	No	Summary	
end of the fiscal year, and announces and declare the first, second, and third quarter financial reports and the monthly operating situation as early as possible within the prescribed time limit?			and declare the first, second, and third quarter financial reports and the monthly operating situation as early as possible within the prescribed time limit, as required by the regulations. For the disclosure of the aforesaid information please see MOPS ( <a href="https://mops.twse.com.tw/mops/web/index">https://mops.twse.com.tw/mops/web/index</a> ).	
VIII. Whether the Company has other important information helpful in understanding the Company governance operation status?				
(I) Employees' rights and benefits and Employees' care: The Company has handled the matter according to the Labor Standards Act and the human resource regulations in order to ensure that the employee welfare, pension system and various welfares are properly protected.				
(II) Investor relations: The Company delegates dedicated personnel to disclose the important messages about finance, business and changes of insiders' shareholdings on the "MOPS" per the relevant requirements in a timely manner, in order to make the information public and transparent. There are also a spokesperson and an acting spokesperson and a company website has been set up to disclose related information required by regulations.				
(III) Supplier relations: The Company has defined the supplier management procedure to assess the environmental protection, safety and health, and green product of the suppliers, and to integrate the procurement procedure in order to be used as reference for the selection of suppliers. In addition, the Company's website is also equipped with the anti-corruption complaining mailbox. The Company also demands that colleagues and suppliers shall avoid unethical conduct and conflict of interest. Any case against the statement of integrity may be complained via 109@flexium.com.tw, in order to protect suppliers' interest and right.				
(IV) Rights of stakeholders: The Company maintains fair communication channels with employees, customers and suppliers to maintain both parties' legal interest and right. The Company's website also provides the "Investor Relations" to disclose the Company's financial and stock information, and the spokesperson is delegated to answer investors' questions.				

Item	Status			Deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof
	Yes	No	Summary	

(V) Continuing education of directors:

Name of director	Date of continued education	Organizer	Course name/organizer	Number of hours of education
Zheng Ming-Zhi	October 5, 2022	Securities and Futures Development Foundation	2022 briefing session on insider equity trading laws compliance announcement	3.0
	November 11, 2022	Securities and Futures Development Foundation	TWSE and TPEX listed companies - seminar of derivative trading strategies and market outlook	3.0
Jeng Xi Shih	October 12, 2022	Securities and Futures Development Foundation	2022 briefing session on insider equity trading laws compliance announcement	3.0
Lan Zhi Tang	July 20, 2022	Taipei Exchange	Promotional seminar of sustainable development roadmap with industrial themes	2.0
	October 7, 2022	Taiwan Stock Exchange Corporation	2022 release of the Guidance for Independent director and a member of the Audit Committee exercising the powers with promotions to directors and supervisors	3.0
	October 28, 2022	Securities and Futures Development Foundation	2022 Annual Conference on Prevention of Insider Trading	3.0
Chen Yong-Chang	August 18, 2022	Taiwan Institute of Directors	SAP NOW Taiwan, create the sustainable smart enterprise together	3.0
Chen Yong-Chang	October 12, 2022	Securities and Futures Development Foundation	2022 briefing session on insider equity trading laws compliance announcement	3.0
Hung, Ji-Shan	September 12, 2022	Accounting Research and Development Foundation	Common deficiencies of "financial statement review," and practical analysis of key internal control regulations	6.0
	December 3, 2022	Taiwan Corporate Governance Association	Corporate Governance and Securities Laws and Regulations	3.0
Lin Pei-Ru	November 11, 2022	Securities and Futures Development Foundation	TWSE and TPEX listed companies - seminar of derivative trading strategies and market outlook	3.0
Xin-Bin Fu (Independent director)	July 20, 2022	Taipei Exchange	Promotional seminar of sustainable development roadmap with industrial themes	2.0
	October 11, 2022	Taiwan Stock Exchange Corporation	2022 release of the Guidance for Independent director and a member of the Audit Committee exercising the powers with promotions to directors and supervisors	3.0
	October 28, 2022	Securities and Futures Development Foundation	2022 Annual Conference on Prevention of Insider Trading	3.0
Wu Pei-Jun (Independent director)	July 13, 2022	Taipei Exchange	Promotional seminar of sustainable development roadmap with industrial themes	2.0
	September 29, 2022	Taiwan Stock Exchange Corporation	2022 release of the Guidance for Independent director and a member of the Audit Committee exercising the powers with promotions to directors and supervisors	3.0
	October 28, 2022	Securities and Futures Development Foundation	2022 Annual Conference on Prevention of Insider Trading	3.0
Huang Shui-Tong (Independent director)	October 5, 2022	Securities and Futures Development Foundation	2022 briefing session on insider equity trading laws compliance announcement	3.0
	November 11, 2022	Securities and Futures Development Foundation	TWSE and TPEX listed companies - seminar of derivative trading strategies and market outlook	3.0
Anson Tseng (Independent director)	July 26, 2022~ July 27, 2022	Securities and Futures Development Foundation	Practice Class of Directors, Supervisors (Independent included) and Corporate Governance Officers - Taipei Session	12.0



Item	Status			Deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof												
	Yes	No	Summary													
(VI)	Status of implementation of risk management policy and risk measurement standards: Please refer to “VI. Risk analysis and Evaluation” on page 89 of this annual report.															
(VII)	Implementation of customer service policy: The Company keeps in touch with customers closely and advises the customers of the products benefiting them and ensure that the products meet the reliability and quality as expected. Meanwhile, the Company will take part in the customers’ social responsibility boosting plans actively and integrate any new views and approaches into the Company’s management system.															
(VIII)	Status of liability insurance purchased by the Company for directors/supervisors:															
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(IX)	<p>Succession planning and implementation for the Company's board members and important members of management:</p> <p>1. Succession planning for important members of management:</p> <p>In order to meet the needs of the group's business operation and human resources development, the Human Resources Department of the company plans every year for the promotion of the management level above the class level. In addition to considering whether they have excellent professional and management skills, their values must be consistent with the company's philosophy, and they must have personality traits such as integrity, steadfastness, innovation and entrepreneurial spirit.</p> <p>For the training content of management successors, the Human Resources Department of the company regularly arranges courses such as "Project Management" and "Leadership Development" to comprehensively cultivate the decision-making ability of senior executives.</p> <p>2. Succession planning for board members</p> <p>As said above, the Company possess sufficient talents to succeed the future vacant seats of directors. As for independent directors, the law requires they must have work experience in business, legal affairs, finance, accounting or the company’s industry. The supply of such professionals in this country is not lacking. In the company's planning, therefore, the succession of independent directors may be drawn from industry.</p> <p>The Company also specifies the “Procedures of Board Performance Assessment;” via the measurement items in the performance assessment, including the grasp of the company's goals and missions, the recognition of director's duties, the degree of participation in the company's operations, the management of internal relationships and communication, the professionalism and continuing professional education, the internal controls and concrete expressions of the</p>															

Item	Status		Summary	Deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof
	Yes	No		
<p>opinions, to verify the effectiveness of the Board's operation and assess the directors' performances, as the reference for the future director selection.</p> <p>IX. Please explain the improvements made, based on the latest Corporate Governance Evaluation results published by TWSE Corporate Governance Center, and propose enhancement measures for any issues that are yet to be rectified:  The items in the Corporate Governance Evaluation that the Company failed to get scores are explained as following:</p> <ol style="list-style-type: none"> <li>1. Established the functional committees other than the statutory ones, and the majority of the members of such committees are independent directors, with their composition, functions, and operation.</li> <li>2. The interim financial reports are disclosed in English on the company's website or MOPS.</li> <li>3. The Company will continue evaluating the possible improvement programs for these items failed to score.</li> </ol>				

CPA independence assessment table

Evaluation index	Specific index	Assessment item	Yes	No	Remark
Independence	CPA independence	Whether the independent auditor does not act as director of the Company or its affiliated company?	V		
		Whether the independent auditor is not a shareholder of the Company or its affiliated company?	V		
		Whether the independent auditor does not receive salary from the Company or its affiliated company?	V		
		Whether the independent auditor confirms that his/her CPA firm has already complied with the requirements about independence.	V		
		Whether any CPA co-working with the independent auditor in the CPA firm does not act as director or manager of the Company or hold any position which will affect the audited case materially within one year upon resignation from the position?	V		
		The independent auditor has not provided the Company with audit service for seven years consecutively.	V		
		Whether the independent auditor meets the requirements about independence referred to article 10 in the CPA Code of Professional Ethics.	V		
Appropriateness	Financial report quality	Whether the annual financial statement is completed two months after the end of fiscal year.	V		
		Whether the financial statements of the first, second, and third quarter are completed within one month from the end of each quarter.	V		
	Communication and interaction status with the management level	Whether excellent communication channels are maintained with the Company management level and directors.	V		
		Whether the Company can be informed of the status of the change of laws immediately.	V		
Professionalism	Audit experience	Whether the senior auditors have sufficient audit experience to implement the audit tasks	V		
	Training hours	Whether the CPAs and senior auditors receive sufficient education and trainings every year to continuously acquire professional knowledge and skills.	V		
	Turnover	Whether the accounting firm maintains enough senior human resources.	V		
	Professional support	Whether the accounting firm has enough professionals (such as appraisers) to support the audit team.	V		
Quality control	Workload of the CPAs	Is the workload of the CPAs too heavy		V	
	Audit inputs	Whether the audit team members have had appropriate inputs during in each stage of audit.	V		
	EQCR review	Whether the EQCR CPAs input enough time to the review of audit cases.	V		
	Capability to support QC	Whether the accounting firm has sufficient quality control manpower to support the audit team.	V		
Supervision	Deficiencies and disposition from the external inspection	The quality control of the accounting firm, and if the implementations complied with the related laws and standards.	V		
	Improvement requested by the competent authority in the form of correspondence	The quality control of the accounting firm, and if the implementations complied with the related laws and standards.	V		
Innovation capability	Innovative planning or initiatives	The accounting firm's commitment to improving audit quality, including the accounting firm's innovation capability and planning.	V		

(IV) Status of establishment, functions and operations of Remuneration Committee

1. Information about Remuneration Committee members

Capacity (Note)	Qualifications		Independence	Number of public companies where the person holds the title as Remuneration Committee member
	Name	Professional Qualification and Experience		
Independent director (Convener)	Xin-Bin Fu	<p>Educational background: Ph.D., Institute of Engineering, National Chiao Tung University Master of Engineering, University of Missouri Columbia, USA</p> <p>Career background: Supervisor, Flexium Interconnect Supervisor and Director, MACHVISION Inc. Co., LTD Professor, Department of Marketing and Circulation Management, National Kaohsiung First University of Science and Technology Section Chief, Electronic Information Section and Knowledge Service Section, Industrial Development Bureau, Ministry of Economic Affairs</p>	<p>The directors have been met the following independence criteria during the two years prior to being elected or during the term of the office.</p> <p>(1) Not an employee of the Company or any of its affiliates. (2) Not a director or supervisor of the Company or any of its affiliates (the same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary). (3) Not a natural-person shareholder or holder of shares, together with those held by a spouse, minor children, or held by the person under other names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranking within the top 10 in holdings. (4) Not a managerial officer listed in criteria (1) or a spouse, relative of second degree, or direct kin of third degree or closer to persons not qualified for criteria (2) and (3). (5) Not a director, supervisor, or employee of a juristic-person shareholder that directly holds five percent or more of the total number of issued shares of the Company or of a juristic-person shareholder that ranks among the top five in shareholdings according to Paragraph 1 or Paragraph 2 Article 27 of the Company Act (the same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary). (6) Not a director, supervisor, or employee of another company controlled by the same person with more than half of the shares with voting rights on the company's board of directors. (However, in the case of independent directors established and concurrently serving in the company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with this law or local laws, this limitation shall not apply.) (7) Not a director, supervisor, or employee of another company or institution whose chairman, general manager, or equivalent position is the same person as that of the Company, or the spouse thereof. (However, in the case of independent directors established and concurrently serving in the company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with this law or local laws, this limitation shall not apply.) (8) Not a director, supervisor, managerial officer, or shareholder holding more than 5% of a specified company or institution that has a financial or business relationships with the Company (the same does not apply, to certain companies or institutions holding more than 20% of the total issued shares of the Company, but no more than 50% and to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at the Company and its parent or subsidiary or a subsidiary of the same parent).</p>	1
Independent director	Wu Pei-Jun	<p>Educational background: PhD of Laws degree at Keio University, Japan Master of Law, Keio University, Japan Graduated from the Law Department of National Taiwan University</p> <p>Career background: Associate Professor / Dean of Department of Finance and Law, Ming Chuan University Chairman, Masterlink Futures Co., Ltd. Chairman, Masterlink Insurance Company Professional qualification:</p>	<p>(9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting, or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative remuneration exceeding NT\$500,000, or a spouse thereof. This restriction does not apply to a member of the salary and Remuneration Committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations. (10) Not a spouse to or kin at the second pillar under the Civil Code to any other director (11) Not under any circumstances as stipulated in Article 30 of Company Act. (12) Not elected as a government or corporate representative according to Article 27 of The Company Act.</p>	1
Independent director	Huang Shui-Tong	<p>Educational background: Master of Law, Chinese Cultural University</p> <p>Career background: Public prosecutor, District Prosecutor's Office; Judge and President of the Courts of First and Second Instance Director, Criminal Affairs Division President of District Court in Kinmen, Penghu, Yilan, and Panchiao Taiwan High Court President, Taiwan High Court Taichung Branch Committee member, Civil Service Disciplinary Committee Professional qualification: Passed Judicial Officer / Lawyer Higher Examination, 1972</p>	<p>(10) Not a spouse to or kin at the second pillar under the Civil Code to any other director (11) Not under any circumstances as stipulated in Article 30 of Company Act. (12) Not elected as a government or corporate representative according to Article 27 of The Company Act.</p>	0

## 2. Information about status of Remuneration Committee

(1) The Company's Remuneration Committee consists of 3 members.

(2) The company met 2 times in the Remuneration Committee in 2022 (A); members' attendance was as follows:

Job title	Name	Actual number of attending seats (B)	Attendance by proxy	Attendance rate (%) (B/A)	Remark
Convener	Xin-Bin Fu	2	0	100	Re-elected on May 31, 2022
Member	Wu Pei-Jun	2	0	100	Re-elected on May 31, 2022
Member	Huang Shui-Tong	2	0	100	Re-elected on May 31, 2022

### I. Scope of Duties

The Committee shall exercise the care of a good administrator to faithfully perform the following duties and present its recommendations to the board of directors for discussion.

(I) Periodically reviewing this Charter and making recommendations for amendments.

(II) Establishing and periodically reviewing the performance assessment standards, and the policies, systems, standards, and structure for the remuneration of the directors and managerial officers of the Company.

(III) Periodically reviewing the remuneration of the directors and managerial officers of the Company.

### II. The Committee shall perform the duties under the preceding paragraph in accordance with the following principles:

(I) Ensuring that the remuneration arrangements of this Corporation comply with applicable laws and regulations and are sufficient to recruit outstanding talent.

(II) Performance assessments and compensation levels of directors and managerial officers shall take into account the general pay levels in the industry, and the reasonableness of the correlation between the individual's performance and the Company's operational performance and future risk exposure.

(III) There shall be no incentive for the directors or managerial officers to pursue remuneration by engaging in activities that exceed the tolerable risk level of the Company.

(IV) For directors and senior managerial officers, the percentage of remuneration to be distributed based on their short-term performance and the time for payment of any variable compensation shall be decided with regard to the characteristics of the industry and the nature of the Company's business.

(V) No member of the Committee may participate in discussion and voting when the Committee is deciding on that member's individual compensation.

### III. Other notes:

(I) If the Board of Directors declines to adopt or modify a recommendation of the Remuneration Committee, the date, session, topic discussed and the resolution of the Board meeting and handling of the resolution of the Remuneration Committee shall be specified (if the compensation package approved by the Board is better than the recommendation made by the committee, please specify the discrepancy and its reason): None.

(II) As to the resolution of the Remuneration Committee, if a member expresses any objection or reservation, either by recorded statement or in writing, the date, session and topic discussed of the committee meeting, all members' opinions and handling of members' opinions shall be specified: None.

(III) Discussions and resolution results of the Remuneration Committee:

Remuneration Committee	Proposal content and subsequent treatment	Resolution result	The Company's handling of the Remuneration Committee's opinions
January 5, 2022 The 7th meeting of the 4th term	1. Proposal for 2021 distribution of directors' remunerations 2. Proposal for 2021 distribution of employees' remunerations to managerial officers 3. Proposal for 2021 operating bonus distribution for Company managerial officers	All members agreed to pass	The board of directors was approved by all the directors present
August 3, 2022 The 1st meeting of the 5th term	Proposal of the first new restricted employee shares distribution for the Company's managerial officers for 2022	All members agreed to pass	The board of directors was approved by all the directors present

(V) The status of the Company's implementation of sustainable development promotion, any deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies:

Item	Status		Summary	Deviation from the Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof														
	Yes	No																
I. Did the company have established the governance framework for promoting sustainable development a designated unit in charge of promoting sustainable development, and the senior management is authorized by the board of directors for handling, as well as the status of board of directors' oversight?	✓		The Company has an ESG decision-making committee, with the chairman as the chairman, and the executives of each first-level unit as members of the decision-making committee. It has a management representative, headed by the director of the administrative management department, who leads labor rights, health and safety, environmental protection, The five major modules of the business ethics and management system carry out related affairs. The members cover various departments related to the topic. In addition to regular performance indicator monitoring, budget effectiveness review, and quarterly review of the implementation status of the sustainable strategy blueprint, it is regularly scheduled every year according to the "management review process". Convening ESG management review meetings to examine and review policy applicability, internal and external audit results, objectives and management plans, budget usage, compliance with ESG-related laws and regulations and customer requirements, ESG-related risk assessment and improvement, and feedback from stakeholders from all walks of life , Complaint case investigation and improvement. Regarding the effectiveness of ESG management, the management representative reports to the board of directors at least once a year. The management team formulates the sustainable plans and objectives, and regularly reviews the implementation. The board of directors also regularly reviews and supervises the implementation of sustainable development, while urging the management team to make adjustments if requires. The latest report was made to the Board on November 7, 2022.	No deviation														
II. Whether the Company follows the principle of materiality, conducts risk assessments on environmental, social and corporate governance issues related to company operations, and formulates relevant risk management policies or strategies?	✓		<p>The Company regards the sustainable development as an important core to enhance corporate competitiveness and respond to the needs of stakeholders from different background. Meanwhile, the ESG visions, policies and roadmaps are established, with the formulation of the long-term sustainable goals, to set up the foundation for the Company's sustainable development and continue to lead the Company towards a sustainable future. The Company complies with the GRI Standards and the AA 1000 SES standards, to conduct the materiality analysis through the engagement and discussion of ESG core team; based on the analysis results, the outcomes of Flexium's sustainable commitment promotion are demonstrated continuously.</p> <table border="1"> <thead> <tr> <th>Aspect</th> <th>Material issue</th> <th>Risk assessment</th> <th>Policies or strategies of risk management</th> </tr> </thead> <tbody> <tr> <td rowspan="3">Economic aspect</td> <td>Profession ethics</td> <td>Accepting illegitimate interests not only directly erodes the Company's profits, but also may result in the purchase of poor-quality products or services, indirectly affecting product quality, equipment safety, and personnel safety.</td> <td> <ul style="list-style-type: none"> <li>• Sign the integrity commitment with suppliers, and formulate the employees' code of conduct.</li> <li>• Enhance the education, training and promotion.</li> <li>• Conduct the ethics survey</li> </ul> </td> </tr> <tr> <td>Corporate governance</td> <td>Safeguard the interests of shareholders and treat shareholders equally; strengthen the structure and operation of the Board of Directors</td> <td> <ul style="list-style-type: none"> <li>• At least one investor conference is convened every quarter.</li> <li>• At least six meetings of the Board of Directors are convened every year.</li> </ul> </td> </tr> <tr> <td>Information security</td> <td>There are security problems in the system or network environment, with network vulnerabilities that will affect the overall operation and maintenance of the system, and result in the risk of</td> <td> <ul style="list-style-type: none"> <li>• Enhance the education, training and promotion.</li> <li>• Active information security protection</li> <li>• Define regulations and implement information</li> </ul> </td> </tr> </tbody> </table>	Aspect	Material issue	Risk assessment	Policies or strategies of risk management	Economic aspect	Profession ethics	Accepting illegitimate interests not only directly erodes the Company's profits, but also may result in the purchase of poor-quality products or services, indirectly affecting product quality, equipment safety, and personnel safety.	<ul style="list-style-type: none"> <li>• Sign the integrity commitment with suppliers, and formulate the employees' code of conduct.</li> <li>• Enhance the education, training and promotion.</li> <li>• Conduct the ethics survey</li> </ul>	Corporate governance	Safeguard the interests of shareholders and treat shareholders equally; strengthen the structure and operation of the Board of Directors	<ul style="list-style-type: none"> <li>• At least one investor conference is convened every quarter.</li> <li>• At least six meetings of the Board of Directors are convened every year.</li> </ul>	Information security	There are security problems in the system or network environment, with network vulnerabilities that will affect the overall operation and maintenance of the system, and result in the risk of	<ul style="list-style-type: none"> <li>• Enhance the education, training and promotion.</li> <li>• Active information security protection</li> <li>• Define regulations and implement information</li> </ul>	No deviation
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	Yes	No			
				<ul style="list-style-type: none"> <li>When moving toward the enterprise internationalization, the current manpower of the organization cannot be deployed for the forward-looking strategies.</li> </ul>	Forum of Kaohsiung City Government, recruitment on social community platforms, and enhancement of collaboration with the Veterans Service Office and governmental employment channels), advertising on manpower recruitment platforms, and combining governmental resources (e.g. Dagang Youth Project) and other mechanisms.
III. Environmental Issues					
(I) Does the company have an appropriate environmental management system established in accordance with its industrial character?	✓			(I) The operations of environmental management system (ISO14001) may control the air pollutants, water pollutants and waste derived from the production process in the plant. Meanwhile, the Company will apply for the related permits with the local competent authorities. <ol style="list-style-type: none"> <li>Air pollution: Acquired the “fixed pollution source operating permit” from the environmental protection authority; to install the washing tower to process waste gas to meet the emission standard required under laws; to entrust the inspection organization recognized by Environmental Protection Administration to inspect the emission pipelines periodically.</li> <li>Water pollution: Acquired the “water pollution prevention permit”; the waste water generated from the production process will be processed by the basic waste water processing equipment in the plant, and then it is emitted to the waste water treatment plant in Dafa Industrial Park only reaching the standard of the waste water treatment plant in Dafa Industrial Park and Hefa Industrial Park.</li> <li>Management of waste: To acquire the “waste disposal plan” approved by the environmental protection authority; to boost the waste reduction and classification management, and commission the disposal service providers approved by Environmental Protection Administration to process the waste.</li> </ol>	No deviation
(II) Is the Company committed to improving energy efficiency and adopting recycled materials with low environmental impact?	✓			(II) The Company is committed to the use of recycled water resources, to reduce the volume of waste water, and make good use of water resources. In 2022, via the water recycling system and the increase in the use of recycled water projects (such as cooling water, and replenishment of water for scrubbers, toilet-flushing water), the volume of recycled water was 432,180 tons. It also has required qualified resource recycling companies to convert the recycled precious metals into usable resources, while maintaining a new technology for heavy metal recycling: high-performance copper waste liquid electrolytic recovery equipment, to recycle the copper-containing waste liquid in the plant, greatly reducing copper ions in discharged waste water, and reducing the environmental impact caused by pollutant discharge. Copper rods with a purity of >99% were produced.	No deviation
(III) Does the company assess the potential risks and opportunities of climate change for the company now and in the future, and take measures to deal with	✓			(III) To cope with the impact of climate change on corporate operations, the Company is committed to energy saving and carbon reduction, water resource management and waste recycling goals and policies. In 2022, the ISO14064-1:2018 greenhouse gas inventory standard was adopted to inventory the greenhouse gas emissions; the third party verification is planned for 2023. Through the inventory of production line drainage and waste, the feasibility of reuse is assessed, to reduce the environmental impact and improve environmental friendliness.	No deviation



Item	Status		Summary	Deviation from the Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof
	Yes	No		
<p>climate-related issues?</p> <p>(IV) Does the company count greenhouse gas emissions, water consumption and the volume of total waste in the past two years, and formulate policies for energy saving and carbon reduction, greenhouse gas reduction, water management or other waste management?</p>	✓		<p>(IV) The company's implementation of environmental issues in the past two years is as follows:</p> <ol style="list-style-type: none"> <li>1. The ISO14064-1:2018 greenhouse gas inventory standard has been adopted since 2021, and the greenhouse gas emissions of category 1 and category 2 have been inventoried. In 2022, the greenhouse gas emissions were 91,530.489 tons/CO2e, comparing to 82,590.079 tons/CO2e in 2021. The missions increased by 8,940.41 tons/CO2e, mainly due to the increase in CO2 emission equivalents resulted from the inclusion of the consumption in Hefa Plant in 2021. The Company replaces the equipment with higher energy consumption and lower efficiency gradually every year. In 2022, the EMS intelligent power control system was continuously used. In addition to meeting the room temperature requirements of the production line, it also achieved the energy saving goal. The annual electricity saved by 293,28.5 kwh. At the same time, an assembling line power consumption monitoring mechanism has been implemented continuously, to separately determine the reasonable power consumption of each machine during production, and use "reasonable power consumption" to control the power consumption of the production line when it is not in production.</li> <li>2. The tap water consumption in 2021 and 2022 was 780,441 m3 and 1,190,550 m3, respectively. Since the commencement of Hefa Plant in the second half of 2022, the main source of water for the plant was recycled water. Therefore, from July 2022, recycled water has been included in tap water consumption. The Company establishes the goal of "increasing the reuse rate of recycled water" every year, to reduce the demand for tap water and recycled water consumptions. The target for the recycling rate of reclaimed water in the whole plant in 2022 was 30%, but the final recycling rate of reclaimed water was actually 27.62%, failing to achieve the target. It is mainly due to the decline in the water recycling rate of the RO (reverse osmosis) system and EDR (electrodialysis) system in the second half of the year; the aforesaid two systems will be rectified in 2023; in addition, considering that the Hefa Plant was to be commenced in the second half of 2022, and the treatment method and the discharge outlets of the Hefa Plant are different, so the "reclaimed water recycling rate" is calculated separately from the original Dafa Plant. The recovery rate in the Hefa Plant from July to December was 31.08%, thanks to the constructions of ROR to reuse the cooling water/scrubbers of each building when the new plant was built, which returns the ROR (RO concentrated water) directly to the scrubbers and cooling water towers, while the toilet flushing water is mainly supplied with ROR; therefore, the reuse rate of the reclaimed water in the Hefa Plant has achieved remarkable results.</li> <li>3. The amount of waste generated in 2021 and 2022 was 2,934 tons and 3,803 tons, respectively. The copper waste liquid electrolytic recovery equipment recovered total of 14.2 tons of copper rods were recovered.</li> <li>4. From 2021, a task force has been established to verify water consumption status; for the wet-processes, the random inspections are made at the workstations and processes daily, to ensure whether the main water inlet valves are closed as required when the production lines are not in operation, to save the unnecessary water consumption.</li> </ol>	No deviation
<p>IV. Social Issues</p> <p>(I) Whether or not the Company has defined related management</p>	✓		<p>(I) The Company has comprehensively considered relevant international standards, including international labor certification (Social Accountability 8000) and the Code of Conduct-Responsible Business Alliance (RBA). It has developed the</p>	No deviation

Item	Status			Deviation from the Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof
	Yes	No	Summary	
<p>policies and procedures per the relevant laws and international human right convention?</p> <p>(II) Whether the company has formulated and implemented reasonable employee welfare measures (including salary, vacation and other benefits, etc.), and appropriately reflects business performance or results in employee compensation?</p> <p>(III) Whether or not the Company provides its employees with a safe and health working environment, and regularly implements employee's safety and health education measures?</p>	<p>✓</p> <p>✓</p>		<p>“Flexium Interconnect Corporate Sustainable Management Policy,” to regulate the policies and guidelines regarding the labor’s human rights, health and safety, environmental protection, commercial ethics, while being committed to the environmental aspect (E), social aspect (S) and corporate governance aspect (G), to promote the substantial actions, and keep on moving towards to goal of the sustainable corporate. The Company maintains the life insurance, health insurance, and sickness/injury insurance for all employees (including full-time, part-time and temporary workers), and also offers the childbirth/child raising leave and pension fund. The Company also controls the working hours as permitted by laws, and also install the reminding and pre-alarm function for overtime hours in the attendance appraisal management system. HR Dept. and system will provide various data and automated notice to provide the management and employees with suggestions effectively. The Company’s factory premises will also organize the labor-management meeting periodically. Important labor terms and conditions will be implemented upon resolution of the labor-management representatives from each plant to ensure that employees’ interest and right and opinion are respected.</p> <p>(II) The Company’s operating conditions are described as follows:</p> <ol style="list-style-type: none"> <li>1. The Company will organize the orientation training camp to explain the Company’s policy to new employees, including SHE programs, corporate development orientation, management policy and related policies, and CSR philosophy.</li> <li>2. The Company distributes the enterprise culture and policy cards to each colleague each year to propagate the Company’s policies.</li> <li>3. The Company provides the transparent and public performance appraisal mechanism and system. Colleagues may set their learning plan and also may define their personal annual objectives via communication and interview with their immediate supervisors. The Company will conduct the personal appraisal performance each year as the reference for raise, bonus and promotion.</li> <li>4. In addition to complying with the relevant provisions of the Labor Standards Act, the Company's leave application system also offers a rule for special leave allowing employees to take leave in increments of 0.25 hours. This gives employees more flexibility in using special leave.</li> <li>5. In 2022, the salaries were adjusted plant-widely, for average multitude of 8% and more.</li> </ol> <p>(III) The Company established its “E01 SHE Handbook” according to the latest ISO14001, ISO45001, related labor, safety and health and environmental protection laws and regulations, and plan, implement, check and review to ensure the completeness of the SHE management system, and then practice and integrate the well-founded health and safety management into the operations. The Company is dedicated to creating a safe and health working environment for all of its employees. The Company established the medical center in which the factory physicians and nurses are stationed to provide health advice, in accordance with laws and, to maintain and promote labors’ health. The Company will organize the labor health inspection, and health seminars to provide labors with health information each year. The emergency escaping drill may upgrade the labors’ ability to stay calm in the case of emergency, e.g. the drills for fire protection, earthquake escape and leakage of chemical products, etc. The Company has installed the electronic</p>	<p>No deviation</p> <p>No deviation</p>

Item	Status			Deviation from the Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof
	Yes	No	Summary	
(IV) Whether the company establishes an effective career development training program for employees?	✓		<p>sphygmomanometers at all restaurants of each building and provided for employees to monitor the health index at any time, to encourage the voluntary health management of employees.</p> <p>(IV) The Company establishes a sound training system and links the promotion system to ensure that colleagues can acquire the necessary skills to perform their duties, thereby enhancing the overall competitiveness and sustainable development of human resources. Flexium Interconnect devotes resources to employee training and development, requiring them to go through on-job training (OJT), off-job training (Off-JT) and individual self-development to improve their work abilities and develop diversified functions. Starting from 2014, our efforts through the Talent Quality-Management System (hereafter "TTQS") of the Ministry of Labor earned us the "Silver Medal for Corporate Institutions," progressing to the "Enterprise Institution Gold Medal Award" in 2016. Obviously, our achievements in talent development and training are highly recognized by the country, and we continue to improve human quality and staff development to allow employees obtain self-growth and satisfaction at work.</p> <p>Flexium Interconnect upholds a training vision of "becoming the benchmark of global FPC industry training," and takes its training policy as "promoting a progressive culture." Through the training planning courses of the three core functions, we continuously improve the ability of employees and exert innovative energy to create multiple key training courses for employees at all levels. Through "learn through play, play through learning," we improve professional and management skills to develop professional functions for employees while at the same time creating maximum benefits for the Company.</p>	No deviation
(V) Regarding issues such as customer health and safety, customer privacy, marketing and labeling of products and services, whether the company complies with relevant regulations and international standards, and formulates relevant consumer or customer protection policies and appeal procedures?	✓		(V) The company is not the manufacturer of the final product and this evaluation item is not applicable.	No deviation
(VI) Whether the company has formulated supplier management policies, where suppliers are required to follow relevant regulations on issues such as environmental protection, occupational safety and health or labor and their implementation?	✓		(VI) Flexium Interconnect has formulated its "Supplier Code of Conduct Consent Form." In doing so, it has made particular reference to relevant international initiatives and requirements, including the spirit of the specifications concerning human rights, labor standards, environment and anti-corruption, and so on as found in the following documents: the UN Global Compact, the Universal Declaration of Human Rights, and the UN Framework and Guiding Principles on Business and Human Rights) as well as the Responsible Business Alliance (RBA). By requiring suppliers to operate in compliance with the laws, regulations and regulations of the local government, and in further compliance with the requirements of internationally recognized standards, the sustainability of the supply chain and corporate social responsibility will be improved.	No deviation

Item	Status			Summary	Deviation from the Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof
	Yes	No			
V. Whether the company refers to the internationally-prepared reporting standards or guidelines, preparation of corporate social responsibility reports and other reports that disclose the company's non-financial information? Did the preliminary report obtain the confidence or assurance opinion of the third-party verification unit?	✓			The Company has prepared its own corporate social responsibility report since 2017, and issued the "2017 Corporate Social Responsibility Report" for the first time in 2018. In 2022, we officially renamed the "Corporate Social Responsibility Report" to the "Sustainability Report." By entering the sixth year, in 2022, we prepared the "2021 Sustainability Report" pursuant to the "Task Force on Climate-Related Financial Disclosures (TCFD)" and "Sustainability Accounting Standards (SASB)," seeking to disclose more climate change risk response policies to stakeholders, as well as financial and non-financial information in all aspects of ESG, to continuously demonstrate our determination to pursue a sustainable enterprise. The Company complies with the GRI Standards and the AA 1000 SES standards, to conduct the materiality analysis through the engagement and discussion of ESG Decision-Making Committee. The report was assured by a third-party verification unit and a third-party verification statement was obtained to enhance the credibility of the report.	No deviation
<p>VI. For companies who had established principles of sustainable development in accordance with the “Sustainable Development Best Practice Principles for TWSE/GTSM-Listed Companies”, please describe the current practice and any deviations from the code of conduct:  The Company has formulated the corporate sustainability management manual and established various corporate sustainability management systems to comprehensively manage corporate sustainability management related matters. For the Company's corporate sustainability management operation, please refer to the latest "Sustainability Report" on the Company's official website.</p> <p>VII. Other important information that helps understand the implementations of promoting sustainable development:  The Company has compiled a “Sustainability Report” with the sustainable development operation status specified, which has been disclosed on the MOPS and the Company’s website.</p>					

(VI) The state of the company's performance in the area of ethical corporate management, any variance from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the reason for any such variance:

Item	Status			Deviation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof
	Yes	No	Summary	
<p>I. Establish ethical business policies and programs</p> <p>(I) Has the company established an ethical management policy that has been passed by its Board of Directors, and clearly specified in its rules and external documents the ethical corporate management policies and the commitment by the Board of Directors and senior management on rigorous and thorough implementation of such policies and methods?</p> <p>(II) Has the company established a risk assessment mechanism against unethical behavior, analyzed and assessed business activities within their business scope on a regular basis which are at a higher risk of being involved in unethical behavior, and established prevention programs at least covering the preventive measures specified in Paragraph 2, Article 7 “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”?</p> <p>(III) Has the company specified operational procedures, behavioral guidelines, disciplines of violations, as well as an appeal system in the program against unethical behavior, and implemented such programs, and reviewed and revised the previous program on a regular basis?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(I) The Company has established the “Ethical Management Rules” as well as the relevant internal rules which clearly document the policy, method the ethical corporate management policies and the commitment by the Board of Directors and senior management on rigorous and thorough implementation of such policies and methods.</p> <p>(II) The Company has clearly stated the risk assessment mechanism against unethical behavior in the “Ethical Corporate Management Best Practice Principles”, and analyzes and assesses business activities within their business scope on a regular basis which are at a higher risk of being involved in unethical behavior, and established prevention programs at least covering the preventive measures specified in Paragraph 2, Article 7 “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”.</p> <p>(III) The Company has clearly stated various unethical conducts in the “Ethical Corporate Management Best Practice Principles”, as well as operating procedures, behavioral guidelines, disciplines of violations, as well as an appeal system against unethical behavior, and revises the previous program on a regular basis.</p>	<p>No deviation</p> <p>No deviation</p> <p>No deviation</p>
<p>II. Implementation of ethical management</p> <p>(I) Does the company evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?</p>	<p>✓</p>		<p>(I) Before establishing a business relationship with another person, the Company shall evaluate the legal compliance and ethical management records of agents, suppliers, customers or other trading counterparts and check whether they involve any unethical records to ensure that its business operates in a fair and transparent manner, and it will never ask for, provide or accept bribe.</p>	<p>No deviation</p>

Item	Status			Deviation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof
	Yes	No	Summary	
(II) Has the company set up a dedicated responsible unit to promote corporate ethical management under the Board of Directors, and has such unit reported its execution in terms of ethical management policy and preventive programs against unethical behaviors and the supervision status to the Board of Directors on a regular basis (at least once a year)?	✓		(II) To fulfill the oversight duty of the ethical management, the Company has the Ethic Committee in place, consisting of the Administration Division, legal unit, audit unit, and the dedicate unit under the Board, to take the charges of reviewing and improving the Company's ethical management policies and promotional measures, as well as monitoring the development of international and domestic regulations related to the ethical management. This dedicated unit reported its execution to the Board on November 7, 2022.	No deviation
(III) Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	✓		(III) The Company has established the prevention of conflict of interest in the "Ethical Corporate Management Best Practice Principles" and it also provides appropriate report channels for explanations on the potential conflict of interest of the Company.	No deviation
(IV) Has the company established an effective accounting system and internal control system in order to implement ethical management, and propose relevant audit plans according to the assessment results of the risks of unethical behaviors, and review the compliance status of the prevention of unethical behaviors, or entrust an account to carry out the review?	✓		(IV) The Company has established the "internal control system". The internal audit unit will assess the risk periodically and set the audit plan, and conduct the relevant audit per the plan, and special audit, if necessary. The internal audit unit will also report the audit result to the board of directors periodically to enable the management to understand the status of the Company's internal control and achieve the purpose of management.	No deviation
(V) Does the Company regularly hold internal and external educational trainings on ethical management?	✓		(V) The Company arranges anti-corruption training courses (including training courses relating to ethical management and anti-corruption) for members of the Board and general employees on a regular basis. In 2022, 2,558 people took part contributing 10,176 hours.	No deviation
<b>III. Operations of the Company's complaining system</b>				
(I) Does the company have a specific whistleblowing and reward system stipulated, a convenient report channel established and a responsible staff designated to handle the individual being reported?	✓		(I) The Company's "Ethical Corporate Management Best Practice Principles" clearly specifies 1. The Company encourages internal and external personnel to complain unethical conduct or misconduct, and will grant reward subject to the complained case. If the internal personnel make false or malicious accusation, the personnel shall be disciplined, and dismissed if the case is material. 2. The Company has set up and published the internal independent complaining mailbox ( <a href="https://www.flexium.com.tw/big5/green_109.asp">https://www.flexium.com.tw/big5/green_109.asp</a> ) available to the Company's internal and external staff on the Company's website and intranet.	No deviation

Item	Status			Deviation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof
	Yes	No	Summary	
(II) Has the company implemented any standard procedures and/or subsequent measures after carrying out an investigation or confidentiality measures for handling reported misconduct?	✓		(II) The Company has defined the standard operating procedures for accepting the complaints and related non-disclosure mechanism in “Ethical Corporate Management Best Practice Principles”.	No deviation
(III) Has the company taken appropriate measures to protect the whistle-blower from suffering any consequences of reporting an incident?	✓		(III) The Company keeps the identity of the whistle-blower confidential and takes appropriate measures to protect the whistle-blower from suffering consequences of reporting an incident	No deviation
IV. Strengthening of Information Disclosure Does the company have the contents of ethical corporate management and its implementation disclosed on the website and MOPS?	✓		The annual report posted by the Company on the Company’s website (also posted on MOPS) has detailed the information about the effect achieved by the Company for promoting ethical management.	No deviation
V. For companies who have established Ethical Corporate Management Best Practice Principles in accordance with the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”, please describe the current practice and any deviations from the code of conduct:				
VI. Other important information facilitating understanding of the importation information on the ethical business operation status of the Company: None.				

(VII) If the Company established the corporate governance guidelines and related articles, please disclose the inquiry method:

The Company has established the “Corporate Governance Best-Practice Principles”, “Operating Procedures for Ethical Management” and related regulations; for these measures please see the Company’s website at <https://www.flexium.com.tw> or on “MOPS”.

(VIII) Other significant information that will provide a better understanding of the state of the Company’s implementation of corporate governance may also be disclosed:

The Company complies with the Company Act, Securities and Exchange Act, Business Entity Accounting Act, applicable regulations for TWSE/TPEX companies and other related acts and regulations in connection to business conducts as the basic principles for the implementation of ethical management. Moreover, the recuse system is clearly stated in the Company's “Rules of Procedure for Board of Directors Meetings” and the “Management for the Operation of Board Meetings”. When a motion given at a Board meeting concerns the personal interest of the Board member or their representatives, and if his or her participation is likely to prejudice the interest of the company, the concerned person may not participate in discussion of or voting on the proposal and shall recuse himself or herself from the discussion or the voting, and may not exercise voting rights as a proxy for another director.

(IX) Status of internal control system:

1. Statement on Internal Control:

Flexium Interconnect. Inc.  
Statement on Internal Control System

Date: February 9, 2023

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

- I. The Company's Board of Directors and Management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance, and safeguarding of assets), reliability of our financial reporting, and compliance with applicable laws and regulations.
- II. An internal control system has inherent limitations. Regardless how perfectly designed, an effective internal control system can only provide reasonable assurance of accomplishing aforementioned objectives. Besides, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. However, our internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.
- III. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring. Each component contains several items. Please refer to the Regulations for aforementioned items.
- IV. The Company has inspected the design and operating effectiveness of its internal control system in accordance with the aforementioned Regulations.
- V. Based on the findings of such evaluation, the Company believes that, on December 31, 2022, we have maintained, in all material respects, an effective internal control system (including the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability of financial reporting, and compliance with applicable laws and regulations.
- VI. This Statement will be an integral part of the Company's Annual Report and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This Statement has been passed by the Board of Directors in their meeting held on February 9, 2023 none of the attending 11 directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Flexium Interconnect. Inc.

Chairman and President: Cheng Ming-Chi    Signature

2. If the Company retains CPA's service for examining internal control system, the independent auditor's report shall be disclosed: None.



(X) List of discipline, significant deficit and improvement status of violation of internal control system in most recent year and as of the publication date of the annual report:  
None

(XI) Materials resolution by shareholders' meeting and the Board of Directors during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report:

Important Resolutions of Shareholders Meeting		
Date	Material resolution	Execution status:
May 31, 2022 General Shareholders' Meeting	Proposals: 1. 2021 Business Report and Financial Statements 2. 2021 Distribution of Remunerations	1. The resolution has been followed. 2. The resolution has been followed.
	Discussions: 1. Proposal of amending the Company's "Articles of Incorporation."  2. Proposal of amending the Company's "Rules of Procedure for Shareholders Meetings" 3. Proposal of amending the Company's "Procedures for Election of Directors" 4. Proposal of amending the Company's "Procedures for Acquiring or Disposing of Assets." 5. Proposal for the 2022 issuance of new restricted employee shares.  6. Proposal to conduct public offerings of ordinary shares, or issue new shares to participate in GDRs, or private placements of ordinary shares, or overseas or domestic convertible bonds. 7. Proposal to fully re-elect the Company's directors (including independent directors).  8. Proposal to relieve the newly elected directors and their representatives from the non-competition restrictions.	1. The registration was approved by the Ministry of Economic Affairs on June 27, 2022. 2. Operate according to the amended procedures. 3. Operate according to the amended procedures. 4. Operated according to the amended procedures. 5. Approved for issuance by the Financial Supervisory Commission on July 8, 2022. 6. By considering the capital market conditions, it is intended to discontinue the aforesaid capital increase. 7. The registration was approved by the Ministry of Economic Affairs on June 27, 2022. 8. The resolution has been followed.

Date	Important Resolutions of the Board Meeting
January 5, 2022	1. Approved drafting of the 2022 business plan. 2. Approved the proposal for the personnel and organization restructuring of the Company. 3. Approved the review for the proposal of 2022 capital expenditure budgets. 4. Approved the Company's employee remuneration and directors' remuneration distribution in 2021. 5. Approved the proposal of Company's 2021 operating bonus and salary adjustment for managerial officers.
February 9, 2022	1. Approved the Company's 2021 internal control system declaration form. 2. Approved the Company's 2021 annual financial report and business report. 3. Approved the amendment of the Company's "Articles of Incorporation". 4. Approved the convening of the Company's 2022 General Shareholders' Meeting. 5. Approval on the proposal for repurchasing the Company's shares in accordance with related regulations.
March 16, 2022	1. Approved the Company's 2021 profit distribution. 2. Approved the Company's distribution in cash with the capital reserve. 3. Approved the matters connected to the setting of the dividend record date for the Company's cash dividend distribution. 4. Approved the issuance of restricted employee shares for 2022. 5. Approved to conduct public offerings of ordinary shares, or issue new shares to participate in GDRs, or private placements of ordinary shares, or overseas or domestic convertible bonds. 6. Approved to amend the Company's "Rules of Procedure for Shareholders Meetings." 7. Approved to amend the Company's "Procedures for Election of Directors." 8. Approved to amend a portion of the Company's "Procedures for Acquiring or Disposing of Assets." 9. Approval on the proposal for repurchasing the Company's shares in accordance with related regulations.
May 4, 2022	1. Approved the proposal not to remit back the undistributed earnings of the overseas investees. 2. Approved the amendment to the Company's distribution in cash with the capital reserve. 3. Approved the proposal for the cancellation of treasury shares.
June 29, 2022	1. Approved the proposal to change the Company's business address 2. Approved the proposal for the loan of funds to subsidiaries. 3. Approved the proposal of 2022 CPAs' audit fees.
August 3, 2022	1. Approved the independence and adequacy assessment for the Company's attesting public accountants. 2. Approved the first distribution of new restricted employee shares for 2022 3. Approved the proposal to determine the capital increase base date for the first distribution of new restricted employee shares for 2022. 4. Approved the Company's additional investment proposals.
November 7, 2022	1. Approved the proposal to amend a portion of the Company's "Procedures for Handling Material Inside Information."
January 5, 2022	1. Approved drafting of the 2023 business plan. 2. Approved the review for the proposal of 2023 capital expenditure budgets. 3. Approved the proposal of Company's 2022 operating bonus and salary adjustment for managerial officers. 4. Approved the Company's employee remuneration and directors' remuneration distribution in 2022.

Date	Important Resolutions of the Board Meeting
February 9, 2022	1. Approved the Company's 2022 internal control system declaration form. 2. Approved the Company's 2022 annual financial report and business report. 3. Approved the Company's 2022 profit distribution. 4. Approved the Company's distribution in cash with the capital reserve. 5. Approved the matters connected to the setting of the dividend record date for the Company's cash dividend distribution. 6. Approved the proposal of amending the Company's "Articles of Incorporation." 7. Approved the issuance of new restricted employee shares for 2023. 8. Approved to discontinue the proposal of "conducting public offerings of ordinary shares, or issue new shares to participate in GDRs, or private placements of ordinary shares, or overseas or domestic convertible bonds," approved by the 2022 Regular Shareholders' Meeting. 9. Approved to conduct public offerings of ordinary shares, or issue new shares to participate in GDRs, or private placements of ordinary shares, or overseas or domestic convertible bonds. 10. Approved the convening of the Company's 2023 General Shareholders' Meeting.

(XII) Any other documented objections or qualified opinions raised by directors or supervisors against board resolutions in relation to matters, and their content in most recent year and as of the publication date of the annual report: None.

(XIII) Resignation or discharge of chairperson, president and managerial officers of accounting, finance, internal audit, corporate governance, and research and development in most recent year and as of the printed date of the annual report:

Title	Name	On-board Date	Date of Resignation or Dismissal	Summary of Resignation or Dismissal
Internal Auditor	Alice Hung	2008/10/01	2022/01/05	Position Adjustment
Chief Operating Officer	Tsai Chi-Feng	2018/12/17	2022/03/29	Position Adjustment

**V. Attesting CPA professional fee information**

(I) The Company shall disclose the amounts of the audit fees and non-audit fees paid to the attesting certified public accountants and to the accounting firm to which they belong and to any affiliated enterprises as well as the details of non-audit services:

Unit: NT\$ thousand

Name of Accounting Firm	CPA's Name	CPA audit period	Audit fees	Non-audit fees	Total	Remark
PwC Taiwan	Wu Jian-Chi	January 1, 2022 to December 31, 2022	4,946	947	5,893	Non-audit fee items: reporting of inventory write-offs, transfer pricing report, new restricted employee shares, and other matters conducted on behalf of the Company
	Liao, Ah-Shen					

(II) Audit fee for the change of accounting firms paid in the year is less than the previous year, the decreased amount, percentage and reason of the audit fee shall be disclosed: None.

(III) Over 15% decrease in audit fee on a year-to-year basis, the decreased amount, percentage and reason of the audit fee shall be disclosed: None.

## VI. Change of CPA information

### (I) About previous CPA

Date of change	From the first quarter of 2022		
Reason of change and description	Cooperation with the internal organization and personnel adjustment of the accounting firm		
Description on whether or not the appointer or CPA terminates or refuses the appointment	Contractual parties	CPA	Appointer
	status		
	Active termination of appointment	Not applicable	Not applicable
	No longer accept (continue) appointment	Not applicable	Not applicable
Comments and reasons for audit reports other than the unqualified opinion issued in the last two years	Not applicable		
Any discrepancies with the issuer	Yes	-	Accounting principle or practice
		-	Disclosure of financial statement
		-	Audit scope or step
		-	Others
	None	v	
	Description: None		
Other disclosures (Contents required for disclosure according to Sub-paragraphs 1-4 to 1-7 of Paragraph 6 of Article 10 of these regulations)	None		

### (II) About CPA in succession

Firm Name	PwC Taiwan
CPA's Name	Liao, Ah-Shen
Date of appointment	On November 3, 2021, the board of directors' meeting approved the proposal on change of Company's CPA -- in cooperation with the internal rotation of PwC Taiwan, starting from the 1st quarter of 2022, CPA Chien-Chih Wu and CPA Ah-Shen Liao become the appointed CPAs.
Accounting process method or accounting principle for specific transactions and comment consultation and result possibly issued on the financial report before the appointment	Not applicable
Written opinions of CPA in succession different from the opinions of previous CPA	Not applicable

## VII. Information on the chairman, president, financial and accounting manager of the Company who has worked with the Company's external auditors or the affiliates to such auditors in the most recent year

None

## VIII. Changes in shareholding and shares pledged by directors, managerial officers and shareholders with 10% shareholdings

### (I) Changes in shareholding by directors, managers and major Shareholders

Job Title	Name	2022		As of March 31, 2023	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Chairman and managerial officers	Cheng Ming-Chi	72,000	0	0	0
Name of corporate shareholder	Chilien Investment Co., Ltd.	0	0	0	0
Representative of juristic-person director	Chen Yong-Chang	0	0	0	0
Representative of juristic-person director	Hung Chi-Shan	0	0	0	0
Name of corporate shareholder	Tai Peng Development Co., Ltd.	0	0	0	0
Representative of juristic-person director	Jeng Xi Shih	0	0	0	0
Representative of juristic-person director and managerial officers	Blue Lan	21,600	0	(9,000)	0
Director	Lin Pei-Ru	0	0	0	0
Director	David Cheng	28,800	0	0	0
Independent director	Xin-Bin Fu	0	0	0	0
Independent director	Huang Shui-Tong	0	0	0	0
Independent director	Wu Pei-Jun	0	0	0	0
Independent director	Anson Tseng	0	0	0	0
Managerial Officers	Shan Yi-Wen	28,800	0	0	0
Managerial Officers	Gong Chao-Rong	24,000	0	0	0
Managerial Officers	Tang Chia-Hsien	21,600	0	0	0
Managerial Officers	Arthur Shiung	21,600	0	0	0
Managerial Officers	Ma Ruei-Chun	(16,000)	0	0	0
Managerial Officers	Eva Liao	8,400	0	(7,000)	0

Note: The officers identified in the name list are the existing officers on the date of publication of the annual report.

(II) During the transfer of shares in which the counterparty is a related party: None.

(III) During the pledge of shares in which the counterparty is a related party: None.

**IX. Information about top 10 shareholders in proportion of shareholdings and who are related parties to one another, spouses, or blood relatives within the second degree of kinship**

March 31, 2023 Unit: Thousand shares; %

Name	Shares held in own name		Current shares held by the spouse and children of minor age		Total shareholding under the name of a third party		Information on top 10 shareholders in proportion of shareholding, who are related to one another, or are kin at the second pillar tier under the Civil Code related to one another, their names and relationship.		Remark
	Shares held	Ratio of shareholding	Shares held	Ratio of shareholding	Shares held	Ratio of shareholding	Name	Relationship	
Cathay Life Insurance	22,044,958	6.83%	0	0	0	0	None	None	
Tai Peng Development Co., Ltd.	15,459,784	4.79%	0	0	0	0	Cheng Ming-Chi	Chairman of Board	
China Life Insurance Co., Ltd.	14,322,000	4.44%	0	0	0	0	None	None	
Chang Gung Medical Foundation	6,215,000	1.93%	0	0	0	0	None	None	
Investment account of Norges Bank managed by Citibank Taiwan	5,658,004	1.75%	0	0	0	0	None	None	-
Cheng Ming-Chi	4,452,360	1.38%	403,146	0.12%	0	0	Tai Peng Development Co., Ltd.	Chairman of Board	
JPMorgan Chase Bank, N.A. Taipei Branch trusted Vanguard Emergency Market Stock Index Fund Investment Account Managed by Vanguard Group Corporation	4,213,990	1.31%	0	0	0	0	None	None	
Standard Chartered International Commercial Bank Business Department as entrusted with custody of Prodigy Fund SPC Investment Account	4,123,441	1.28%	0	0	0	0	None	None	
Nan Shan Life Insurance Co., Ltd.	3,969,000	1.23%	0	0	0	0	None	None	-
Advanced Starlight Advanced Integrated International Stock Index under custody of Chase Bank	3,909,334	1.21%	0	0	0	0	None	None	-

Note: This form includes information till the last book closure of the Company before the publication date of the annual report.

**X. Number of shares held and shareholding percentage of the Company, the Company's directors, managerial officers and directly or indirectly controlled entities on the same investee**

Unit: thousand shares; %

Invested businesses	Held by the Company		Held by directors, supervisors, managers, and directly/indirectly controlled entities		Combined investment	
	Shares held	Shareholding ratio	Shares held	Shareholding ratio	Shares held	Shareholding ratio
FLEXIUM INTERCONNECT INC.	50	100%	-	-	50	100%
UFLEX TECHNOLOGY CO., LTD.	50	100%	-	-	50	100%
Junfeng Investment Co., Ltd.	5,000	100%	-	-	5,000	100%
Universe Energy Co., Ltd.	5,000	100%	-	-	5,000	100%
GRANDPLUS ENTERPRISES LTD.	-	-	1,881	100%	1,881	100%
SUCCESS GLORY INVESTMENTS LTD	-	-	23,510	100%	23,510	100%
FLEXIUM INTERCONNECT AMERICA LLC	(Note)	100%	-	-	(Note)	100%
CHOSEN GLORY LIMITED	-	-	0	100%	0	100%
CHAMPION BEYOND LIMITED	-	-	0	100%	0	100%
FOREVER MASTER LIMITED	-	-	0	100%	0	100%
BOOM BUSINESS LIMITED	35,000	100%	-	-	35,000	100%
CLEAR SUCCESS GLOBAL LIMITED	-	-	35,000	100%	35,000	100%
Flexium Interconnect (Kunshan) Inc.	-	-	(Note)	100%	(Note)	100%
Flexium Interconnect (Suzhou) Inc.	-	-	(Note)	100%	(Note)	100%

Note: Not applicable, as It is a limited company.

## Four. Status of fund raising

### I. Capital and shares

#### (I) Source of capital stock

Unit: shares/NT\$

Year / Month	Issuing price	Authorized capital stock		Paid-in capital		Remark		
		Shares held	Amount	Shares held	Amount	Source of capital stock	Offset by any property other than cash	Others
February 2022	10	600,000,000	6,000,000,000	350,401,879	3,504,018,790	Cancellation of restricted employee shares NT\$9,290,000	-	Note 1
May 2022	10	600,000,000	6,000,000,000	320,341,099	3,203,410,990	Cancellation of restricted employee shares NT\$607,800 Cancellation of treasury shares NT\$300,000,000	-	Note 2
September 2022	10	600,000,000	6,000,000,000	322,810,379	3,228,103,790	New restricted employee shares NT\$25,000,000 Cancellation of restricted employee shares NT\$307,200	-	Note 3
December 2022	10	600,000,000	6,000,000,000	322,790,919	3,227,909,190	Cancellation of restricted employee shares NT\$194,600	-	Note 4
February 2023	10	600,000,000	6,000,000,000	322,762,919	3,227,629,190	Cancellation of restricted employee shares NT\$280,000	-	Note 5

Note 1: February 22, 2022 Jing-Shou-Shang-Tzi No. 11101027010 Letter approval.

Note 2: May 19, 2022 Jing-Shou-Shang-Tzi No. 11101085470 Letter approval.

Note 3: September 23, 2022 Jing-Shou-Shang-Tzi No. 11101180660 Letter approval.

Note 4: December 09, 2022 Jing-Shou-Shang-Tzi No. 11101220160 Letter approval.

Note 5: February 21, 2023 Jing-Shou-Shang-Tzi No. 11230028340 Letter approval.

Type of share	Authorized capital stock			Remark
	Outstanding shares	Unissued shares	Total	
ordinary shares	322,762,919	277,237,081	600,000,000	Publicly listed

Note: Shelf registration system related information: Not applicable.

#### (II) Composition of shareholders

March 31, 2023

Composition of shareholders Quantity	Government apparatus	Financial organization	Other juristic persons	Individual	Foreign institute and foreigner	Total
	number of people	4	13	251	48,976	344
Shares held	5,705,000	46,565,958	34,720,938	134,455,337	101,315,686	322,762,919
Shareholding ratio	1.77%	14.43%	10.76%	41.66%	31.38%	100.00%

## (III) Distribution of Ownership:

March 31, 2023

Range of shares	Number of shareholders	Shares held (shares)	Shareholding ratio (%)
1-999 shares	21,271	1,889,745	0.59%
1,000-5,000 shares	23,881	44,834,416	13.89%
5,001-10,000 shares	2,352	18,210,082	5.64%
10,001-15,000 shares	684	8,656,769	2.68%
15,001-20,000 shares	369	6,761,331	2.10%
20,001-30,000 shares	341	8,724,610	2.70%
30,001-40,000 shares	130	4,634,514	1.44%
40,001-50,000 shares	100	4,615,439	1.43%
50,001-100,000 shares	188	13,495,747	4.18%
100,001-200,000 shares	98	13,953,238	4.32%
200,001-400,000 shares	73	20,585,957	6.38%
400,001-600,000 shares	36	17,357,760	5.38%
600,001-800,000 shares	10	7,076,645	2.19%
800,001-1,000,000 shares	12	10,697,545	3.31%
1,000,001 shares and above	43	141,269,121	43.77%
Total (Note)	49,588	322,762,919	100.00%

## (IV) Roster of major shareholders

March 31, 2023

Name of major shareholder	Shares	Shares held	Shareholding ratio
Cathay Life Insurance		22,044,958	6.83%
Tai Peng Development Co., Ltd.		15,459,784	4.79%
China Life Insurance Co., Ltd.		14,322,000	4.44%
Chang Gung Medical Foundation		6,215,000	1.93%
Investment account of Norges Bank managed by Citibank Taiwan		5,658,004	1.75%
Cheng Ming-Chi		4,452,360	1.38%
JPMorgan Chase Bank, N.A. Taipei Branch trusted Vanguard Emergency Market Stock Index Fund Investment Account Managed by Vanguard Group Corporation		4,213,990	1.31%
Standard Chartered International Commercial Bank Business Department as entrusted with custody of Prodigy Fund SPC Investment Account		4,123,441	1.28%
Nan Shan Life Insurance Co., Ltd.		3,969,000	1.23%
Advanced Starlight Advanced Integrated International Stock Index under custody of Chase Bank		3,909,334	1.21%



(V) Information of market value, net value, earnings and dividends per share for the most recent two years:

Unit: NT\$ / thousand shares

Item	Year		2021	2022	Current year up to March 31, 2023
Market value per share	Highest		137.00	112.00	104.00
	Lowest		92.50	76.60	94.80
	Average		115.53	95.37	98.80
Net value per share	Before distribution		73.11	77.28	(Note 6)
	After distribution		68.36	72.33	Not applicable
Earnings per share	Weighted average shares (thousand shares)		351,470	325,213	(Note 6)
	EPS (Note 1)		8.19	10.83	(Note 6)
Dividends per share	Cash dividends		5.0	5.0	
	Free-Gratis dividends	Retained shares distribution	0	0	
		Shares distribution with the capital reserve	0	0	
	Retained dividends (Note 2)		0	0	
Return on investment analysis	Price-Earnings Ratio (Note 3)		14.11	8.81	
	Dividend yield (Note 4)		23.11	19.07	
	Cash dividend yield (Note 5)		4.33%	5.24%	

Note 1: If it is necessary to make adjustment retroactively due to Free-Gratis dividends, please identify the EPS before and after adjustment.

Note 2: If the terms and conditions under which the equity securities are issued provide that the stock dividend retained in the then year may be accumulated until the year in which there are allocable earnings available, please disclose the retained stock dividend accumulated until the then year.

Note 3: Price-Earnings Ratio = Average closing price per share in current year/earnings per share.

Note 4: Dividend yield = average closing price per share in current year/cash dividend per share.

Note 5: Cash dividend yields = cash dividend per share/average closing price per share in current year.

Note 6: Up to the publication date of the annual report, all financial statements for the first quarter have been reviewed completely by CPA.

(VI) Dividend policy and status of implementation:

1. Dividend policy defined under the Articles of Incorporation

Article 29: If the Company has surplus profits after annual accounting of revenues and expenditures, it shall have its losses covered and all taxes and dues paid and set aside ten percent of the remaining profits as a legal reserve. However when the legal reserve amounts to the authorized capital, this shall not apply. In addition, after a special reserve is provided or reserved in compliance with the laws and regulations, the board of directors may combine the remaining balance with the undistributed earnings at beginning period as accumulated distributed earnings, and depending on the available fund and economic situation, to formulate a proposal; if such distribution is made in the manner of issuing new shares, the distribution shall be submitted for approval in the shareholders meeting. The Company complies with Article 240, Paragraph 5 of the Company Act and Article 241 of the Company Act such that dividends may be distributed or statutory surplus reserve and capital reserve paid by cash upon authorization of board meetings with two thirds or more of directors present and resolution

adopted by half or more of directors present, with the matter to be reported to the shareholders meeting.

Article 30: The industry that the Company is in is still in the growing stage. The Company expects it will have cash demand for the expansion of production line in the coming years. The proposal to distribute earnings out of distributable accumulated earnings in relation to Article 29 is submitted for approval by the Shareholders Meeting. Among which, the cash dividends shall not be less than 5% of total dividends distributed. However if cash dividend will be less than NT\$ 0.1 per share it will not be distributed, the stock dividends will be distributed instead.

2. Pursuant to the special resolution of the Board meeting on February 9, 2023, the Company will both distribute cash for NT\$2.5 per share with the capital reserve and the undistributed earnings.
3. Expected materials changes in the dividend policy: None.

(VII) The Impact of allotment of free dividends on business Performance and EPS: Not applicable.

(VIII) Remuneration to Employees and Directors:

1. Proportion or scope of remuneration to employees and directors as stated in the Company's Articles of Incorporation:  
Depending on the profits of the current year, the Company shall distribute no lower than 2% of the profit as employees' remuneration, and no higher than 2% of the profit as remuneration to directors. However, if the Company has accumulated losses the profits shall be used to cover the losses before it can make any distribution. The employee's remuneration may be distributed in stocks or cash, The parties to whom the remuneration distributed to may include employees of affiliated companies The distribution of employees' remuneration and directors' remuneration shall be decided by the board of directors with a resolution made by at least two-thirds of the directors present and a majority of the directors in agreement, and this shall be reported to the shareholders meeting.
2. The accounting in the case of deviation from the basis for stating employee bonus and remuneration to directors, the basis for calculating the quantity of stock dividends to be allocated, and the actual allocation:  
It is deemed to be a change in accounting estimates and is listed as the change of annual profit and loss.
3. Information about the motion for allocation of remuneration resolved by a directors' meeting:
  - (1) The proposal of 2022 distribution approved by the Company's Board of Directors meeting held on January 5, 2023 is as follows:
    - A. Proposal of remuneration to directors to employees - NT\$100,000 thousand.
    - B. A. Proposal of remuneration to directors to employees - NT\$25,000 thousand.
    - C. The cause resulting in discrepancy from the estimated figures for employee bonus and remuneration to directors, and the status of treatment: Not applicable, as there is no discrepancy.
  - (2) The amount of remuneration to employee distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income and total remuneration to employees: Not applicable.

4. The Company want to attract and retain talent needed, issuance of restricted stock awards and connact operating performance, please see page 59 of the annual report for the related assessments.
5. Actual distribution status of the remunerations for employees, directors of the previous fiscal year:

The proposal of 2021 distribution approved by the Company's Board of Directors meeting held on January 5, 2022 is as follows:

Item	Estimated amount for the year (NT\$)	Actual distribution (NT\$)	Difference
Employee remuneration	83,000,000	83,000,000	None
Remuneration of directors and supervisors	20,000,000	20,000,000	None

(IX) Repurchase of the Company's shares:

1. Completed:

March 31, 2023

No. of repurchase	13th	14th
Purpose of repurchase	Maintain company credit and shareholders' rights and benefits	Maintain company credit and shareholders' rights and benefits
Repurchase period	February 10, 2022 to April 8, 2022	March 18, 2022 to May 16, 2022
Price range of repurchase	NT\$86 to NT\$117	NT\$80 to NT\$117
Type and quantity of repurchased shares	15,000,000 ordinary shares	15,000,000 ordinary shares
Amount of repurchased shares	NT\$1,442,539,245	NT\$1,481,906,061
The number of repurchased shares to estimated repurchase number (%)	100.00%	100.00%
Number of shares canceled or transferred	15,000,000 share	15,000,000 share
Accumulated shares held	0 shares	0 shares
Shares cumulatively held to total shares authorized to issue (%)	0%	0%

2. Still undergoing implementation: None.

## II. Status of corporate bond

### Status of corporate bond

March 31, 2023

Type of corporate bond	Issuance of the third unsecured overseas convertible corporate bonds	Issuance of the fourth unsecured overseas convertible corporate bonds
Date issued	January 22, 2019	January 25, 2021
Face value	US\$100,000 or multiple thereof	US\$100,000 or multiple thereof
Place of issuance and exchange	Singapore Exchange	Singapore Exchange
Issuing price	The bond is issued at full face value.	The bond is issued at 102% of the face value.
Total amount	US\$100,000 thousand	US\$120,000 thousand
Interest rate	Coupon rate: 0%	Coupon rate: 0%
Duration	3 years, Expiry date: January 22, 2022	3 years, Expiry date: January 25, 2024
Guaranteeing institution	None	None
Trustee	CITICORP INTERNATIONAL LIMITED	CITICORP INTERNATIONAL LIMITED
Underwriting institution:	Overseas lead underwriter: KGI ASIA LIMITED Domestic lead underwriter: KGI Securities Co. Ltd.	Overseas lead underwriter: KGI ASIA LIMITED Domestic lead underwriter: KGI Securities Co. Ltd.
Certifying attorney	K&L Gates Cheng-Yang Chen, Attorney-at-Law	K&L Gates Cheng-Yang Chen, Attorney-at-Law
Independent auditor	PwC Taiwan Li Yi-Hua, CPA	PwC Taiwan Li Yi-Hua, CPA
Repayment method	(I) Unless the bonds are redeemed, repurchased and cancelled, or the holders of the bonds (the "Bondholders") exercise their conversion rights, the bonds will be repaid in full on the maturity date by the issuer at the face value of the bonds.  (II) The redemption price at maturity will be converted into NT\$ at a fixed rate and the amount in NT\$ will be converted into USD at the exchange rate (11am rate of exchange set by Taipei Forex).	(I) Unless the bonds are redeemed, repurchased and cancelled, or the holders of the bonds (the "Bondholders") exercise their conversion rights, the bonds will be repaid in full on the maturity date by the issuer at the face value of the bonds.  (II) The redemption price at maturity will be converted into NT\$ at a fixed rate and the amount in NT\$ will be converted into USD at the exchange rate (11am rate of exchange set by Taipei Forex).
Outstanding principle (as of March 31, 2023)	US\$0 thousand	US\$7,200 thousand
Terms for redemption or early repayment	1. From the day after the second year of the issuance of this bond to the maturity date, if the closing price of the Company's ordinary shares on the TWSE are converted into US dollars at the current exchange rate of the day reaching the issuer's early redemption amount multiplied by the conversion price and divided by the face value for 30 consecutive business days. If the bondholder's redemption price exceeds 130% of the total bonds, the issuer may redeem all or part of the bonds at the early redemption price. 2. If more than 90% of the bonds have already been redeemed, converted, bought back or cancelled, the issuer may redeem, covert, buy back or cancel all outstanding bonds at the early redemption price. 3. Due to the change in tax laws of the Republic of China, resulting in additional taxes after the date of issuance because of this bond, or if extra fees are required to be paid or increase costs, the issuer may redeem all bonds in advance at the early redemption price according to the trustee's contract. 4. The early redemption price will be converted into NT\$ at a fixed rate and the amount in NT\$ will be converted into USD at the exchange rate (11am rate of exchange set by Taipei Forex).	1. From the day after the second year of the issuance of this bond to the maturity date, if the closing price of the Company's ordinary shares on the TWSE are converted into US dollars at the current exchange rate of the day reaching the issuer's early redemption amount multiplied by the conversion price and divided by the face value for 30 consecutive business days. If the bondholder's redemption price exceeds 130% of the total bonds, the issuer may redeem all or part of the bonds at the early redemption price. 2. If more than 90% of the bonds have already been redeemed, converted, bought back or cancelled, the issuer may redeem, covert, buy back or cancel all outstanding bonds at the early redemption price. 3. Due to the change in tax laws of the Republic of China, resulting in additional taxes after the date of issuance because of this bond, or if extra fees are required to be paid or increase costs, the issuer may redeem all bonds in advance at the early redemption price according to the trustee's contract. 4. The early redemption price will be converted into NT\$ at a fixed rate and the amount in NT\$ will be converted into USD at the exchange rate (11am rate of exchange set by Taipei Forex).
Restrictive terms	None	None
Name of credit rating organization, rating date, bond rating results	None	None
Other rights	Amount of ordinary shares converted as the publication date of the annual report	USD100,000 thousand (NT\$3,083,800 thousand)
	Issuance and conversion (traded or subscribed) regulations	See MOPS-various exclusive sections-bond section
Possible dilution of equity and impact on equity of existing shareholders	As of the publication date, all bonds have been converted.	0.50%; the dilution effect is limited and, therefore, no material impact would be rendered against the equity of existing shareholders.
Name of commissioned custodial institution for objects exchanged	Not applicable	Not applicable

Note: The debt holders executed the put right on January 25, 2023, for total of USD112,800 thousand.

### Information about the convertible bonds

Type of corporate bond		Issuance of the third unsecured overseas convertible corporate bonds	Issuance of the fourth unsecured overseas convertible corporate bonds
Year		Current year up to January 31, 2021 (Note 1)	Current year up to March 31, 2023
Market value of convertible corporate bond (Note 2)	Highest	164	94
	Lowest	160	90
	Average	162	92
Conversion price (NT\$)		NT\$75.88	NT\$123.22
Issuance date and conversion price at time of issuance		Issuance date: January 22, 2019 Conversion price at time of issuance: NT\$83.95	Issuance date: January 25, 2021 Conversion price at time of issuance: NT\$136
Method of fulfilling conversion duty		Issuance of new shares	Issuance of new shares

Note 1: The third unsecured overseas convertible corporate bonds were fully converted on January 11, 2021.

Note 2: Referring to Bloomberg's quotes

**III. Status of preferred shares**

None

**IV. Status of GDR/ADR**

None

**V. Status of employee stock option certificates**

None

## VI. Handling of restricted employee shares

### (I) Handling of restricted employee shares

March 31, 2023

Type of stock for restricted employee shares	1st restricted employee shares for 2019	1st restricted employee shares for 2020	1st restricted employee shares for 2022
Effective date of declaration and shares	June 28, 2019 6,000,000 shares	July 3, 2020 1,000,000 shares	July 7, 2022 2,500,000 shares
Issuance date	September 5, 2019	September 4, 2020	September 5, 2022
Issued shares for restricted employee shares	5,500,000 shares	1,000,000 shares	2,500,000 shares
Available number of new restricted employee shares for issuance	500,000 share	0 share	0 share
Issue price	NT\$ 0	NT\$ 0	NT\$ 0
Ratio of issued restricted employee shares vs. total issuance of shares	1.73%	0.29%	0.78%
Restricted employee shares vesting conditions	<p>I. After employees are allocated restricted employee shares, employees can settle the number of acquired shares annually. The proportion of restricted employee shares actually acquired in each year should be calculated by multiplying the achievement of the performance evaluation indicators of (1) and (2):</p> <p>(1) Number of years in service and job performance</p> <ol style="list-style-type: none"> <li>1. Expiry of term following 1 year: If the personal performance evaluation score is 3A or more in the year before the expiry of term, the highest vested ratio is 30%.</li> <li>2. Expiry of term following 2 years: If the personal performance evaluation score is 3A or more in the year before the expiry of term, the highest vested ratio is 30%.</li> <li>3. Expiry of term following 3 years: If the personal performance evaluation score is 3A or more in the year before the expiry of term, the highest vested ratio is 40%.</li> </ol> <p>(2) Operational performance: The Company will use basic earnings per share as its operating performance standard</p> <ol style="list-style-type: none"> <li>1. If basic consolidated earnings of the annual consolidated financial statements audited by accountants in the year before each of these expiries of term are less than NT\$8, 0% of the highest vested ratio for the year shall be granted.</li> <li>2. If the basic earnings per share of the consolidated annual financial statements audited by accountants in the year before each of these respective expiries of term ranges from NT\$8 (inclusive) to NT\$10, 60% of the highest vested ratio for the year shall be granted.</li> <li>3. If the basic consolidated earnings of the annual consolidated financial statements audited by accountants in the year before each of these</li> </ol>	<p>I. After employees are allocated restricted employee shares, employees can settle the number of acquired shares annually. The proportion of restricted employee shares actually acquired in each year should be calculated by multiplying the achievement of the performance evaluation indicators of (1) and (2):</p> <p>(1) Number of years in service and job performance</p> <ol style="list-style-type: none"> <li>1. Expiry of term following 1 year: If the personal performance evaluation score is 3A or more in the year before the expiry of term, the highest vested ratio is 30%.</li> <li>2. Expiry of term following 2 years: If the personal performance evaluation score is 3A or more in the year before the expiry of term, the highest vested ratio is 30%.</li> <li>3. Expiry of term following 3 years: If the personal performance evaluation score is 3A or more in the year before the expiry of term, the highest vested ratio is 40%.</li> </ol> <p>(2) Operational performance: The Company will use basic earnings per share as its operating performance standard</p> <ol style="list-style-type: none"> <li>1. If basic consolidated earnings of the annual consolidated financial statements audited by accountants in the year before each of these expiries of term are less than NT\$8, 0% of the highest vested ratio for the year shall be granted.</li> <li>2. If the basic earnings per share of the consolidated annual financial statements audited by accountants in the year before each of these respective expiries of term ranges from NT\$8 (inclusive) to NT\$10, 60% of the highest vested ratio for the year shall be granted.</li> <li>3. If the basic consolidated earnings of the annual consolidated financial statements audited by accountants in the year before each of these expiries of term is NT\$10 or higher (inclusive), 100% of the highest vested ratio</li> </ol>	<p>I. After employees are allocated restricted employee shares, employees can settle the number of acquired shares annually. The proportion of restricted employee shares actually acquired in each year should be calculated by multiplying the achievement of the performance evaluation indicators of (1) and (2):</p> <p>(1) The vesting date is one year from the date when the shares are credited on the shareholder registry; these who are till in service on the vesting date, and the 2022 personal performance appraisal is graded 3A or higher, the vesting percentage is 100%.</p> <p>(2) Operating performance: The Company will apply the basic earnings per share indicated in the 2022 annual consolidated financial statements audited by the CPAs as the standard of the operating performance.</p> <ol style="list-style-type: none"> <li>1. The vesting percentage is 0% when the basic EPS is under NT\$8.</li> <li>2. The vesting percentage is 60% when the basic EPS is between NT\$8 to NT\$10.</li> <li>3. The vesting percentage is 100% when the basic EPS is NT\$10 or more.</li> </ol> <p>(3) The aforesaid available shares are calculated based on rounding and the unit is "shares."</p> <p>(4) The basic earnings per share in the 2022 annual consolidated financial statements of the previous year audited by the CPAs, refers to the basic earnings per share calculated based on the after-tax net profit after netting the estimated expenses of new restricted employee shares that should be recognized in the current year.</p> <p>II. In case of holidays at the above times, then matters should be handled in advance on the prior business day.</p>

Type of stock for restricted employee shares	1st restricted employee shares for 2019	1st restricted employee shares for 2020	1st restricted employee shares for 2022
	<p>expiries of term is NT\$10 or higher (inclusive), 100% of the highest vested ratio for the year shall be granted.</p> <p>(3) The aforesaid available shares are calculated based on rounding and the unit is "shares."</p> <p>II. In case of holidays at the above times, then matters should be handled in advance on the prior business day.</p>	<p>for the year shall be granted.</p> <p>(3) The aforesaid available shares are calculated based on rounding and the unit is "shares."</p> <p>(4) The granting date of years of serve is defined as the date when shares distributed to the shareholder registry.</p> <p>(5) The basic earnings per share in the annual consolidated financial statements of the previous year audited by the CPAs, refers to the basic earnings per share calculated based on the after-tax net profit after netting the estimated expenses of new restricted employee shares that should be recognized in the current year.</p> <p>II. In case of holidays at the above times, then matters should be handled in advance on the prior business day.</p>	
Restrictions on restricted employee shares	<p>I. Before the vested conditions set in the preceding Article are fulfilled, except in cases of inheritance, employees must not use the restricted employee are allocated according to these measures to sell, pledge, transfer, gift to others, set up, or discriminate in other ways.</p> <p>II. When the restricted employee shares issued by the Procedures do not meet the established conditions set forth in the preceding article, attendance at shareholders' meetings, proposals, speaking, voting, and voting rights, etc. shall be the same as that for ordinary shares issued by the company, and shall be executed according to the trust custody contract.</p> <p>III. When the restricted employee shares issued by the Procedures do not meet the established conditions set forth in the preceding Article, there shall be no rights to earnings distributions (including but not limited to: dividends, bonuses, capital reserve allocated rights) nor to cash-enhanced share options.</p> <p>IV. From the day of the Company's non-gratuitous allotment stop transfer day, the cash dividend stop transfer day, the cash capital increase subscription stop transfer day, the shareholders' meeting transfer period determined by Article 165, Paragraph 3 of the Company Act, or other legal business stoppage period based on the facts from the first 15 business days to the reference date for the distribution of rights, employees who meet the acquired conditions during this period do not have the right to surplus distribution.</p>	<p>I. Before the vested conditions set in the preceding Article are fulfilled, except in cases of inheritance, employees must not use the restricted employee are allocated according to these measures to sell, pledge, transfer, gift to others, set up, or discriminate in other ways.</p> <p>II. When the restricted employee shares issued by the Procedures do not meet the established conditions set forth in the preceding article, attendance at shareholders' meetings, proposals, speaking, voting, and voting rights, etc. shall be the same as that for ordinary shares issued by the company, and shall be executed according to the trust custody contract.</p> <p>III. When the restricted employee shares issued by the Procedures do not meet the established conditions set forth in the preceding Article, there shall be no rights to earnings distributions (including but not limited to: dividends, bonuses, capital reserve allocated rights) nor to cash-enhanced share options.</p> <p>IV. From the day of the Company's non-gratuitous allotment stop transfer day, the cash dividend stop transfer day, the cash capital increase subscription stop transfer day, the shareholders' meeting transfer period determined by Article 165, Paragraph 3 of the Company Act, or other legal business stoppage period based on the facts from the first 15 business days to the reference date for the distribution of rights, employees who meet the acquired conditions during this period do not have the right to surplus distribution.</p> <p>V. During the vesting period, if the cash is refunded because the Company decreased the capital in cash, the allocated but not vested refund from the capital decrease must be entrusted, and delivered to the employees with the vested shares (without interest) when the vesting conditions and periods are met; provided, if the vested conditions are not met at the expiration of vesting period, the Company will recover such cash.</p>	<p>I. Once the restricted employee stocks are issued, they shall be trusted immediately. The Company or a person designated by the Company shall act as an agent for all assigned employees to sign and revise trust-related contracts with the trust institution and authorize them to handle relevant trust affairs. In addition, before the vesting conditions are met, employees must not request to return the restricted stock for employees with any excuse or in any manner.</p> <p>II. Before the vesting conditions set in the preceding Article are fulfilled, except in cases of inheritance, employees must not use the restricted employee are allocated according to these measures to sell, pledge, transfer, gift to others, set up, or discriminate in other ways.</p> <p>III. Before meeting the vesting conditions, the shareholders' rights in shareholders' meeting, including attendance, proposal, speech, casting votes, and voting rights are entrusted to the trustee institution for exercising.</p> <p>IV. Before the vesting conditions are met, there shall be no rights to earnings distributions (including but not limited to: dividends, bonuses, capital reserve allocated rights) nor to cash-enhanced share options.</p> <p>V. From the day of the Company's non-gratuitous allotment stop transfer day, the cash dividend stop transfer day, the cash capital increase subscription stop transfer day, the shareholders' meeting transfer period determined by Article 165, Paragraph 3 of the Company Law, or other legal business stoppage period based on the facts from the first 15 business days to the reference date for the distribution of rights, employees who meet the acquired conditions during this period do not have the right to surplus distribution.</p> <p>VI. During the vesting period, where the Company decreases the capital due to any non-statutory capital decrease, such as the capital decrease in cash, the capital decrease for offsetting losses, the restricted employee shares shall decrease proportionally based on the capital decrease percentage. The cash refunded due to the capital decrease in cash shall be trusted, and refunded to employees without interest when the vesting</p>

Type of stock for restricted employee shares	1st restricted employee shares for 2019	1st restricted employee shares for 2020	1st restricted employee shares for 2022
			conditions are met; provided, where the vesting conditions are not met, the Company will retrieve such cash.
Custody of restricted employee shares	Custody shall be entrusted in the names of the employees	Custody shall be entrusted in the names of the employees	Custody shall be entrusted in the names of the employees
Where employees fail to meet the acquired conditions after being allocated or subscribed for new shares	For employees who have been assigned restricted employee shares in accordance with this method, if the time limit set in Article 5 expires but does not meet the vested conditions for performance evaluation, the shares that do not meet the vested conditions will be recovered by the Company free of charge and cancelled.	For employees who have been assigned restricted employee shares in accordance with this method, if the time limit set in Article 5 expires but does not meet the vested conditions for performance evaluation, the shares that do not meet the vested conditions will be recovered by the Company free of charge and cancelled.	For employees who have been assigned restricted employee shares in accordance with this method, if the time limit set in Article 5 expires but does not meet the vested conditions for performance evaluation, the shares that do not meet the vested conditions will be recovered by the Company free of charge and cancelled.
Number of shares of restricted employee shares recovered or repurchased	1,860,400 shares	345,640 shares	28,000 shares
Number of shares of restricted employee shares released	3,625,200 shares	316,440 shares	0 shares
Number of shares of restricted employee shares still unreleased	14,400 shares	337,920 shares	2,472,000 shares
Ratio of unreleased restricted employee shares vs. total issuance of shares (%)	0.004%	0.105%	0.772%
Impact on shareholder rights	One year after the issuance of restricted employee shares of the company, it will be implemented in the following three years and the original shareholders' equity will be diluted year by year. In addition, this can incentivize employees' long-term willingness to serve and enhance their motivation, and jointly create the interests of the company and shareholders, which will help shareholders' rights.	One year after the issuance of restricted employee shares of the company, it will be implemented in the following three years and the original shareholders' equity will be diluted year by year. In addition, this can incentivize employees' long-term willingness to serve and enhance their motivation, and jointly create the interests of the company and shareholders, which will help shareholders' rights.	One year after the issuance of restricted employee shares of the Company, may be executed, which dilutes the original shareholders' equity. In addition, this can incentivize employees' long-term willingness to serve and enhance their motivation, and jointly create the interests of the company and shareholders, which will help shareholders' rights.



## (II) Managers who obtained restricted employee shares and the names and acquisition status of the top ten employees

1st restricted employee shares for 2019

March 31, 2023

Job title	Name	Number of restricted employee shares obtained (thousand shares)	Ratio of restricted employee shares obtained vs. total issuance of shares (%) (Note)	Restrictions removed				Restrictions not removed				
				Number of shares with removed restrictions (thousand shares)	Issuing price (NT\$ thousand dollars)	Issuing amount	Shares with removed restrictions vs. total issuance of shares (%) (note)	Number of shares with restrictions not removed (thousand shares)	Issuing price (NT\$ thousand dollars)	Issuing amount	Shares with restrictions not removed vs. total issuance of shares (%) (Note)	
Managerial Officers	President	Cheng Ming-Chi	1,290	0.40%	1,290	-	-	0.40%	-	-	-	-
	Chief Operating Officer	Tsai Chi-Feng (Dismissed)										
	Vice President of Business Division	Tang Chia-Hsien										
	Project Foreman	Cheng Yu-tai (Resigned)										
	Director of Kunshan Plant	Ma Ruei-Chun										
	Director of Kaohsiung Plant	Shan Yi-Wen										
	CQO	Lu Yu-hung										
	Director of Sourcing Division	Gong Chao-Rong										
	Director of Administration Division	Blue Lan										
	CFO	Arthur Shiung										
Employee	Vice Director	Cheng Yang	750	0.23%	750	-	-	0.23%	-	-	-	-
	Vice Director	Chiang Shih-feng										
	Vice Director	Yang Chi-kang										
	Deputy Foreman	Hsu Wei-min (Resigned)										
	Project Director	Cheng Ming-chieh										
	Manager	Lin Chi-hsiung										
	Project Manager	Chen Wei-kuo										
	Assistant Manager	Li Chung-ju										
	Section Chief	Li Wei-ting										
	Project Leader	Cheng Wei										

Note: Total number of shares issued refers to the number of shares listed in the change registration information filed with the Ministry of Economic Affairs.

1st restricted employee shares for 2020

March 31, 2023

Job title	Name	Number of restricted employee shares obtained (thousand shares)	Ratio of restricted employee shares obtained vs. total issuance of shares (%) (Note)	Restrictions removed				Restrictions not removed				
				Number of shares with removed restrictions (thousand shares)	Issuing price (NT\$ thousand dollars)	Issuing amount	Shares with removed restrictions vs. total issuance of shares (%) (note)	Number of shares with restrictions not removed (thousand shares)	Issuing price (NT\$ thousand dollars)	Issuing amount	Shares with restrictions not removed vs. total issuance of shares (%) (Note)	
Employee	Project Director	Song, Guang-Tao	293	0.09%	194	-	-	0.06%	99	-	-	0.03%
	Special Assistant	Duan, Chi-Quan										
	Manager	Lin, Chen-Chung										
	Project Manager	Chang, Che-Rong										
	Assistant Manager	Tsai, Che-Wen (Resigned)										
	Assistant Project Manager	Chen, Chien-He										
	Assistant Project Manager	Yang, Chung-Yen (Resigned)										
	Section Chief	Nien, Li-Chang										
	Section Chief	Chen, Tian-Ren										
	Section Chief of Project	Lee, Hsien-Tsung										

Note: Total number of shares issued refers to the number of shares listed in the change registration information filed with the Ministry of Economic Affairs.

## 1st restricted employee shares for 2022

March 31, 2023

Job title	Name	Number of restricted employee shares obtained (thousand shares)	Ratio of restricted employee shares obtained vs. total issuance of shares (%) (Note)	Restrictions removed				Restrictions not removed				
				Number of shares with removed restrictions (thousand shares)	Issuing price (NT\$ thousand dollars)	Issuing amount	Shares with removed restrictions vs. total issuance of shares (%) (note)	Number of shares with restrictions not removed (thousand shares)	Issuing price (NT\$ thousand dollars)	Issuing amount	Shares with restrictions not removed vs. total issuance of shares (%) (Note)	
Managerial Officers	President	Cheng Ming-Chi	570	0.18%	-	-	-	-	570	0	0	0.18%
	Special Assistant	Tsai Chi-Feng (Dismissed)										
	Vice President	Tang Chia-Hsien										
	Vice President	Shan Yi-Wen										
	Director of Kaohsiung Plant	Ma Ruei-Chun										
	Director of Sourcing Division	Gong Chao-Rong										
	Director of Administration Division	Blue Lan										
	CFO	Arthur Shiung										
	Assistant manager	Eva Liao										
	Employee	Vice Director										
Vice Director		Chiang Shih-feng										
Vice Director		Lin Chi-hsiung										
Vice Director		Wang Ji ming										
Vice Director		Zhang Fu gui										
Project Director		Lu Yu hong										
Special Assistant		Zhuang Yang hai										
Manager		Lu Ting ren										
Assistant Manager		Lin Yi da										
Project Leader		Cheng Wei										

Note: Total number of shares issued refers to the number of shares listed in the change registration information filed with the Ministry of Economic Affairs.

## VII. Mergers and acquisitions, or as assignee of new shares issued by another Company

None

## VIII. Status of execution of capital utilization plan

(I) Issuance of the 2021 4th unsecured overseas convertible corporate bonds is described as the following:

1. Contents of plan

(1) Fund utilization plan: purchasing machineries and machinery equipment with foreign currency.

(2) Date and No. of the competent authority's approval letter: Ching-Kuan-Cheng-Fa-Tze No. 1090378221 dated December 19, 2020.

(3) Total fund required by the plan: US\$150,000 thousand

2. Execution status:

Unit: thousand dollars

Project item	Status		Accumulated until Q1 of 2023	Reason why the plan is ahead of or fall behind the schedule, and improvement plan
			Amount	
Purchase of materials with foreign currency	Expenditure	Scheduled	1,399,095	The actual funds raised in this project to paid for purchases of materials in foreign currency were US\$48,328 thousand (approximately equivalent to NTS\$1,399,095 thousand). As of March 31, 2023, all the funds raised have been paid for purchases of materials in foreign currency, so there is no unspent fund.
		Actual	1,399,095	
	Progress (%)	Scheduled	100.00 %	
		Actual	100.00 %	
Purchase of machinery equipment with foreign currency.	Expenditure	Scheduled	3,073,680	The project was to meet the funds required for purchases of machinery equipment in foreign currency. As of March 31, 2023, the purchased machinery equipment has started the mass production; provided that purchase progress of part equipment was adjusted based on the actual capacity, and thus the actual progress of the purchases of machinery equipment fell behind the expectation; consequently, the production volume, sales volume, and revenue missed the expectation.
		Actual	2,736,123	
	Progress (%)	Scheduled	100.00%	
		Actual	89.02%	

## Five. Overview of operations

### I Business contest

(I) Scope of business

1. Primary content of business

The Company and its subsidiaries are primarily engaged in design, development, manufacturing and sale of Flexible Print Circuits (FPC), and assembly, sampling and modules thereof.

2. Current products and business weight portion thereof:

Year	2021		2022	
	Operating amount (NT\$ thousand dollars)	Business proportion (%)	Operating amount (NT\$ thousand dollars)	Business proportion (%)
Main products				
Flexible printed circuit (FPC)	35,568,666	100.00	40,070,122	100.00

3. New products (services) under development:

R&D projects	Future market needs
25um/25um fine line carrier boards	Carrier boards for LCD/HD
Soft and hard composite boards with 4-8 layers	Communication/medical carrier boards
multi-layer FPC	Carrier board for cameras
LED backlight module FPC	LCD monitors
FPC with laser blind and/or buried hole	Smartphone and notebooks
Double-panel continuous process	Ultra thin/high precision/high bend resistant electronic products
Liquid crystal polymer multilayer lamination	Smartphone and wearable electronic devices 5G and high-frequency antenna boards

(II) Overview of industry

1. Business Overview and Development and Various Development Trends of Products

A printed circuit board (PCB) is the substrate used for the assembly of electronic components. The main function of a PCB is to solder electronic components onto a PCB and connect it with metal conductors to form an electronic circuit with specific functions, making PCBs indispensable basic parts for all electronic products.

PCBs can be categorized into 3 types: rigid PCBs, flexible print circuits (FPCs) and IC substrates. Among these, FPCs are made by flexible copper clad laminates (FCCL) and a flexible insulating layer (FIL) using an adhesive. They then go through process such as etching to leave the necessary circuit for electronic signal transmission. Due to the characteristics of FPC including high wiring density, thin, light, small, low wiring error rate, and good ductility, it is being widely used in consumer electronics products. In recent years, as the demand for electronics products are leaning towards thinner, lighter, power-saving and touch-control, not only is the application for FPC being used more widely, they are also used more largely, indicating that they are the type of product which has the most PCB growing potential.

The largest FPC application market is still mobile phones worldwide. Due to the improvement of the smartphone penetration rate, FPC used in each smartphone is at the same time continuing increasing. Aside from components and motherboards that are connected to FPC for products such as screens, camera modules, peripherals keys, etc., connection including wireless charging function modules, several motherboards, etc. are new demand for the urge of FPC, making mobiles still the most crucial battlefield for future FPC plants. Compared to smartphones, although the annual shipment of cars is lower, the number of FPC used in each car is diverse and is growing faster. Parts used in cars include LED lights, image sensors, in-car information/entertainment display systems, door handles, and even power engine systems already using FPC. Even though portable ultrasound examination machines, robotic arms/robots, high-frequency transmission/reception antennas used in the field of biomedicine account for a small proportion of FPC, they are however, all niche products with high profits.

2. Relations with industries upstream, mid-stream, and downstream

The primary products at Flexium are PCBs, with upstream raw materials including copper foil laminates, chemicals, films, and electronic parts and components; downstream is for applications of various electronics products, including information, communication and consumer products. Characteristics of upstream materials, manufacturer process, technology level all pose material impact to PCBs; therefore, the expertise and cooperation are relatively important for upstream, midstream and downstream manufacturers.



### 3. Competition status

The local procurement of raw materials of FPC, such as FCCL and PI, is critical to the industrial development. At the very beginning of FPC development in Taiwan, the raw materials were primarily supplied by Japan, and the profit to be sought by the relevant manufacturer was low. In the recent years, the manufacturers engaged in processing FCCL, such as Taiflex and Dupont, developed considerable production capacity in Taiwan and Mainland China. Therefore, there is no concern about supply of raw materials, and the price becomes more competitive.

The chief technology officer of the Company has earned plentiful experience in design, marketing, production and management in the FPC industry, and become the professional and top team in the FPC circle. The most advanced “Roll to Roll” automated production line is adopted. With the focus on high efficient and human-machine automated production line alongside the optimization of technology and process, the Company maintains highly competitive. The Company is determined to becoming a provider of diversified technology solutions.

#### (III) Overview of technology and R&D

##### 1 R&D expenses in the most recent year

Unit: NT\$ in thousand

Year	2022
R&D expenses	2,050,930
Operating revenues	40,070,122
To operating revenue (%)	5.12

## 2 Technology or product successfully developed in the most recent year

By product	Technology
Mobile phone wireless charging module, smart identification lens module, AR/VR virtual reality application module, AI artificial intelligence application module, smart home security system module, 3D sensing lens module, and wearable sensors.	Wireless charging FPC measurement technology, laser microvias, antenna coupling simulation software, blind and buried vias technology development, substrate-like RTR manufacturing technology development, fine-line flexible printed circuit, liquid crystal polymer multilayer lamination technology development.

### (IV) Long-term and short-term business development plan

1. Short-term plan: Continue to develop the existing primary customers thoroughly, integrate technical service team, focus on high valued product lines of consumer electronics, such as onboard and medical products as well as the development of other products.
2. Long-term plan: committed to the application of high-frequency, high-speed, and cloud-based intelligent systems, such as Smart TV, Smart Car, IoT (Internet of Things) electronic products, virtual reality (VR)/ augmented reality (AR) / substitutional reality (SR)/ mixed reality (MR) and other technical improvements of products and material research and development.

### (V) Intellectual property management

The Company is actively moving towards the acquisition of international patents, to protect the research and development results through patent applications, and further grasping the research and development results between us, customers and suppliers; by holding patents, the value and competitiveness are enhanced through patent positioning. A total of six patents were obtained in 2022, including one new model and five inventions. From 2003 to 2022, a total of 312 patents were obtained (not including the pending patents). In the patent positioning, through the systematic establishment of patent operation instruction with patent incentives, the number of patent applications has been significantly increased since the establishment in 2020; to increase the approval rate of invention patent applications, since 2021, Flexium Interconnect has added legal courses, mainly for the patent education and training of R&D personnel. It is expected to be included in the "Promotion Management Procedures" since 2023 as a long-term education and training course. The management representatives reports such to the board of directors at least once a year; the latest report was made on November 7, 2022.

## II Overview of market and production and marketing

### (I) Market analysis

1. Territories where the Company's main products are sold

Unit: NT\$ in thousand

Territory		Year		2021		2022	
		Amount	%	Amount	%		
Domestic marketing		1,691,296	4.76	1,361,057	3.40		
Export	Asian region	7,250,544	20.38	4,148,731	10.35		
	Territories in Europe and the U.S.A.	26,626,826	74.86	34,560,334	86.25		
	Sub-total	33,877,370	95.24	38,709,065	96.60		
Total		35,568,666	100.00	40,070,122	100.00		

2. Market share and future supply & demand and growth of the market

Flexum is one of the 3 major FPC suppliers in Taiwan with manufacturing double side, single side, multilayer and rigid-flex FPCs used in products in communications, computers and consumer electronics products.

With smart watches, smart bracelet and wearable medical monitors becoming more and more common, it indicates that consumers are able to accept various types of smart wearable devices. The demand is gradually increasing. In terms of medical monitors, with the trend of the aging society and health care, information and communication manufacturers also seized such business opportunity by developing corresponding healthcare products for future elderly and groups of people who take health-care seriously. These healthcare products include smart wearable products that enable support of long-time wear without affecting the wearer's daily life with advantages of the ability to automatically detect, collect, display and transmit data over the Internet. Furthermore, according to researchers at the Moscow Institute of Physics and Technology (MIPT) and biotechnology company GERO, it has been confirmed that it only takes one week to extract body activity data from a wearable device, which can be used to generate digital biological indicators of aging and deterioration . Therefore, via the concept of continuous health risk monitoring and real-time feedback to life and health insurance, healthcare and sports fitness providers can drive the future sales of wearable devices.

In addition, smart bracelets/watches are also gradually improving. Not only they are equipped with touch-screens, they also have functions including mobile phone message browsing and replying, music control, mobile payment, voice assistant, etc. They even provide a detachable bracelet screen to be used as Bluetooth headset for calls. The development of diverse functions also attract more consumers, leading the trend of wearable devices.

3. Competitive niche

(1) The increase shipment of smartphones drives the growth of FPC industry.

In the past, 3-5 flexible boards were required in a functional mobile phone. Given the fact that consumers demand products to be lighter and thinner with diversity, the demand for flexible boards that can modularize electronic component functions in limited space is greater. Nowadays, flexible boards needed for a smartphone exceed 20 boards, which is four times more than a traditional mobile phone. The sale of smartphones will also affect the development of industry.

(2) Complex design needs of 5G will bring a new wave of business opportunities

From the concept of 5G technology to it being massed produced, the large scale MIMO (Multi-input Multi-output) antenna configurations that accompany it will become more complex, making the RF front-end occupy take up more space in 5G smart phones. In addition, the amount of data processed by the 5G system will grow geometrically which means the battery capacity will also need to improve, meaning that PCBs and other electronic components will be compressed to complete the package in a higher density, compact form. With 5G becoming more common, the most direct contribution is the FPC demand, especially in MIMO antenna described previously, which also pose a certain degree of promotion of innovation in terms of materials and manufacturing processes. For example, in 2019 when 5G was not yet common, Modified Polyimide (MP) which performed well in the 4G band was used as the primary material. However, with the equipment manufacturing needs brought by 5G that can



adapt to LCP (Liquid crystal polymer) materials in higher bands will become mainstream.

(3) FPC for electric vehicles

Generally, there will be more than 100 FPC applications on one electric vehicle. The FPC battery modules in the vehicle battery BMS, and the vehicle camera modules have the highest application values, which are also a market where various FPC manufacturers compete.

4. Positive and negative factors for future development, and the Company's response to such factors

(1) Favorable factors: The FPC application keeps emerging on an ongoing basis, and there is no concern about the growth:

Flexible boards are used widely; downstream end products mainly include high-end consumer electronics such as smartphones, tablets, PCs and wearable devices.

FPC is primarily applied to the binding of main panel and external components. Following the increasing diversification of smart phone functions, the additional external components are increasing relatively, e.g. the connection between screen and main panel, camera module and buttons etc. Generally speaking, the quantity of FPC applied to a smart phone is several multiple of that applied to the general mobile phone.

(2) Unfavorable factors: High labor-intensive industry

The production process of FPC per se is complicate, and the back-end production process requires massive labors. Nevertheless, due to the shortage of domestic labors and the increasing wage in Mainland China year by year, the product cost is increased and the competitive strength is weakened accordingly.

(3) Response to the factors

A. Purchase automatic and semi-automatic test equipment, improve production process and quality, and increase employees' benefit to retain high-quality talents, and reduce the HR demand and operating cost to upgrade the Company's competitive strength.

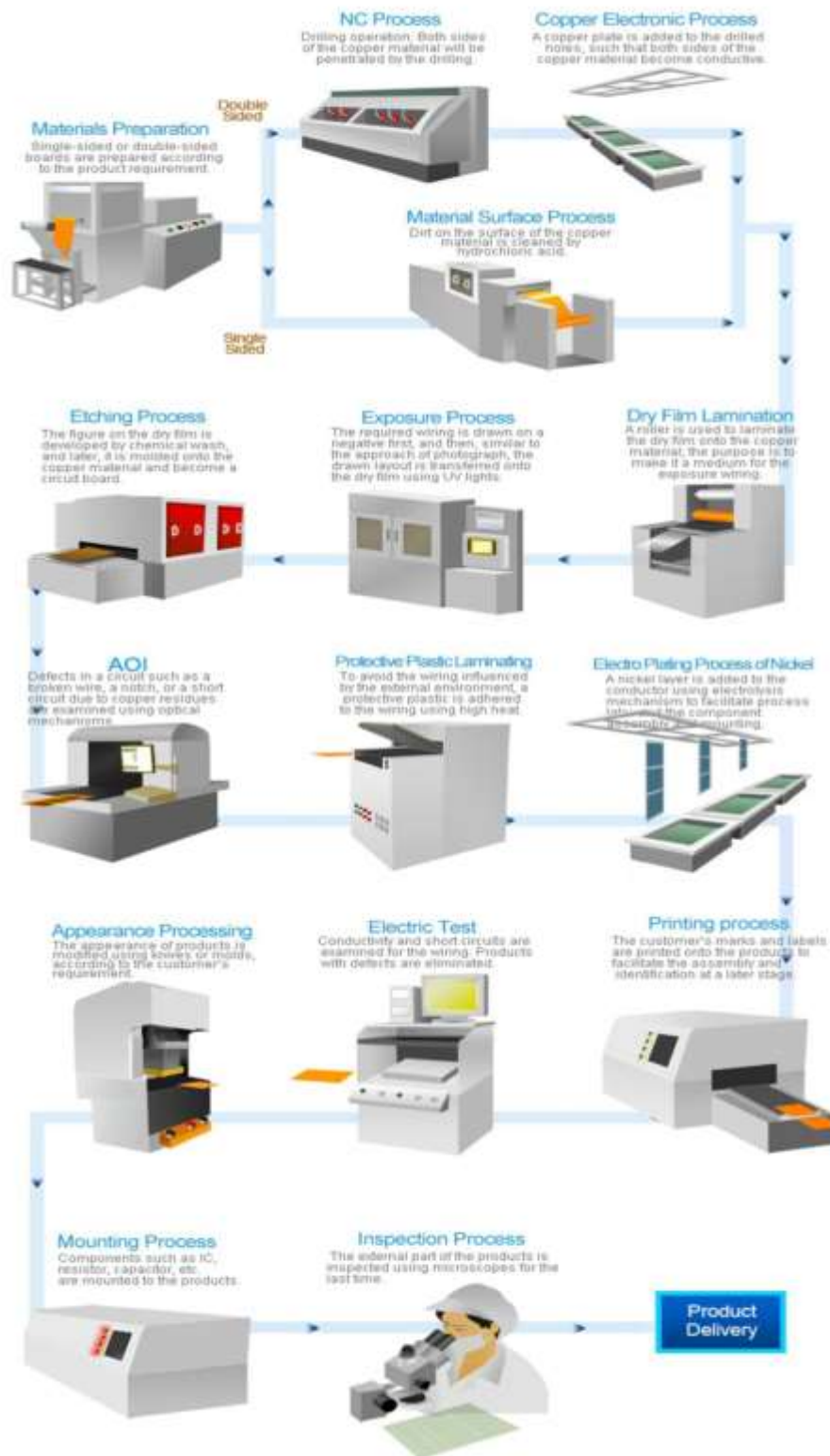
B. Transfer production of some middle-ranked and low-ranked products to the factory premises in Mainland China through the international breakdown, and introduce foreign employees adequately and perform professional training on them permanently to solve the problem about shortage of domestic labors and talents.

(II) Important purpose and production process of main products

1. Important purpose of main products

Main products	Important purpose or function
Flexible printed circuit (FPC)	Computer: Notebooks, tablet computers, printers and displays etc.
	Communication: Mobile phones and fax machines etc. Others: Stereo, TV, video recorder, video camera system, digital camera, electronic products for car, industrial instrument, and medical instrument etc.

## 2. Production process of main products



### (III) Primary raw material supply status

The Company maintains long-term partnership relationship with suppliers of main raw materials to make the source of supply of main raw materials free from concern and make the cost most competitive.(IV)A list of any suppliers and clients accounting for 10%or more of the Company's total procurement (sales) amount in either of the most two recent fiscal years, the amounts bought from (sold to) each, the percentage of total procurement (sales) accounted for by each.

#### 1. Information about main suppliers for the most recent two years

Unit: NT\$ thousand; %

Item	2021				2022			
	Name	Amount	To the annual net purchase (%)	Relations hip with the issuer	Name	Amount	To the annual net purchase (%)	Relations hip with the issuer
1	Company R	3,834,995	15.00	None	Company R	2,703,527	10.79	None
	Others	21,738,892	85.00	—	Others	22,349,489	89.21	—
	Net purchase	25,573,887	100.00	None	Net purchase	25,053,016	100.00	None

Over the last two years, the number of suppliers accounted for more than 10% of the material inbound of the Company is only 1 supplier, and the number of suppliers for material inbounds of the Company less than 10% accounts for 80%, which indicates that the main suppliers of the Company are in excellent cooperation, the material supply sources are stable, and there are no concentration of material inbound.

#### 2. Information about main customers for the most recent two years

Unit: NT\$ thousand; %

Item	2021				2022			
	Name	Amount	To the annual net sale (%)	Relations hip with the issuer	Name	Amount	To the annual net sale (%)	Relations hip with the issuer
1	Company A	26,337,973	74.05	None	Company A	33,906,144	84.62	None
	Others	9,230,693	25.95	-	Others	6,163,978	15.38	-
	Net sale	35,568,666	100.00		Net sale	40,070,122	100.00	

It is mainly caused by the change of the sales of customers and cooperation with the adjustment of the terminal brand manufacturer sales strategies.

## (V) Production value in recent two years

Unit: Capacity/KSF; Volume/KPCS; NT\$ thousands

Year		2021			2022		
		Production capacity	Production Volume	Production Value	Production capacity	Production Volume	Production Value
Main product	Production value						
	Flexible printed circuit (FPC)	31,423	1,466,196	29,652,520	27,605	1,320,247	32,700,263
	Total	31,423	1,466,196	29,652,520	27,605	1,320,247	32,700,263

## (VI) Sales value in recent two years

Unit: KPCS/NT\$ thousand

Year		2021				2022			
		Domestic marketing		Export		Domestic marketing		Export	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Main product	Sale value								
	Flexible printed circuit (FPC)	38,818	1,691,296	1,239,223	33,877,370	24,727	1,361,059	1,196,228	38,709,063
	Total	38,818	1,691,296	1,239,223	33,877,370	24,727	1,361,059	1,196,228	38,709,063

### III Employee information in the last 2 years up until the publication date of this annual report

Unit: person; %

Year		2021	2022	As of March 31, 2023
Number of employees	Direct labor	5,562	5,407	5,928
	Indirect labor	798	913	908
	Total	6,360	6,320	6,836
Average age		31.59	32.18	31.86
Average service seniority		3.35	3.85	3.57
Ratio of educational background	Ph.D	0.04%	0.04%	0.04%
	Master	3.55%	4.64%	4.71%
	University (college)	33.60%	35.71%	32.20%
	Senior high school	55.66%	53.00%	53.32%
	Below senior high school	7.16%	6.61%	9.73%

#### IV Environmental protection expenditure information

In the most recent year and as of the date of publication of the annual report, losses due to environmental pollution (specifying compensation and environmental protection audit results that violate environmental protection regulations, sanction date, sanction code, regulatory provisions that were violated, details of the regulatory violation, and sanction details) and disclosure of current and future estimated amounts and possible measures:

Item	2022	2023 up to March 31, 2023
Violation of environmental regulations	None	The site failed to implement the air pollution prevention as required
Sanction date		January 11, 2023
Sanction code		20-112-010020
Regulatory provisions violated		Article 20, paragraph 1, the Air Pollution Control Act
Details of violation		Air pollutants - the concentration of odor pollutants was 1740, exceeding the emission standard of 1000 for "discharge pipes " of odor pollutants in the "Standards for Air Pollutant Emission from Stationary Pollution Sources."
Sanction details		NT\$120,000
Estimated amount that may occur		None
Countermeasures		The installation of prevention and control equipment was assessed, and it is expected to be completed by the end of 2023.

#### V Labor relationship

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

1. Employee benefit plans

- (1) The Company maintains the labor insurance and health insurance for all of its employees and also contributes pension fund on a monthly basis, term group insurance of NT\$3 million to NT\$12 million for its employees, and additional travel insurance of NT\$5 million if the employees take a business trip.
- (2) Health examination each year.
- (3) Orientation training, on-the-job training, and periodic or irregular training inside and outside the factory;
- (4) Issuance of employee stock and dividend as well as quarterly performance bonus, year-end bonus according to the company business operation performance and employee individual performance.
- (5) Worker Welfare Commission will organize the employees' tour and family day periodically each year, and subsidize marriage, funeral and celebration, and also emergent relief, and also grant the coupon (gift) for three major festivals and birthday coupon.

2. Continuing education and training

To increase the overall competitiveness and continuous development of talents, Flexium Interconnect, Inc. has invested a lot of resources on employee trainings and development, such that through On-job training (OJT), Off-job training and Self-development of individuals, the work abilities and diverse professional skills can be improved. With our effort, in 2014, the Company received the Talent Quality-management System (hereinafter referred to as "TTQS") "Enterprise Mechanical Board Silver Award" from the Ministry of Labor, and in 2016, the Company further improved and received the Golden

Award. It demonstrates that our efforts in the talent development and training performance are greatly recognized by the nation.

Flexium Interconnect, Inc. upholds the vision of “becoming the role model for global FPC industry training” for talent training and implement the training policy of “improvement promotion culture” such that through three main core occupational skill training and planning courses, the Company continues to improve the abilities of employees and to exploit innovation energy. Various key cultivation courses are created for employees at all levels. Through the method of “learning during practice, practice during learning,” the professional and management abilities of employees can be improved such that the professional skills of employees can be developed while creating the maximum benefits for the Company.

There was a total of 122,000 employee training hours in 2022. The average training time per employee is 32 hours. The content includes training for new recruits, general courses, occupational safety training, project management, training on various functions, and so on. The annual training expenditure is approximately NT\$12.39 million.

3. Retirement system and implementation thereof

The Company has established the defined the appropriation for retirement in accordance with the “Labor Pension Act,” which is applicable to employees of the nationality of R.O.C. The Company will contribute the pension fund equivalent to no less than 6% of the salary to the employee’s personal pension account maintained at the Bureau of Labor Insurance, according to the labor pension system defined under the “Labor Pension Act” chosen by the employees. Employees’ pension would be paid on a monthly basis or in a lump sum according to the balance in the employees’ personal pension accounts and accumulated income generated.

In addition, according to the Labor Standards Act (old labor retirement in old system), 2% of the employee tax payable salary is appropriated to the labor retirement reserve at the old system retirement reserve account at the Trust Department of Bank of Taiwan.

4. Status of labor agreement and employee interests and rights protection measures:

The Company is used to valuing humane management and adhering to the philosophy about “labor integration and intergrowth and co-prosperity”. Therefore, the labor-management communication is handled in multiple manners to enable the labor and management to know each other better and develop toward the same goal.

- (1) Complaint channel: The Company and its subsidiaries all have established the complaining channels immediately subordinated to the President’s Office, so that the employees may report any illegal activity or event impairing employees’ interest and right found by them in work to the supreme management via the confidential channels to rectify and maintain the employees’ interest and right in a timely manner.
- (2) Staff meeting: The staff meeting shall be held on a bi-weekly basis, in order to discuss and solve multi-departmental problems and to propagate policies to make the management more reasonable and help operations more successful.
- (3) Monthly labor-management meeting: The meeting shall be held once per month in order to understand all employees’ opinion and solve problems to gather employees’ cohesion.

(4) Worker Welfare Commission meeting: The labor-management members may conduct special discussion about the benefit plans at the Worker Welfare Commission meeting, including the comments on employees' work and life, in order to enable the labor and management to communicate with each other as the reference for the management.

(II) Explain that, as of the publication of the annual report, the losses caused from labor disputes (including labor inspection result which violates the regulations stipulated in the Labor Standards Act - the date of penalty, penalty reference, the violation of provision, the content of the violation, penalty content). The current and future possible estimated amount and countermeasures shall also be disclosed. If it cannot be reasonably estimated, facts of the reason shall be given:

1. During 2022 and up to the publication date of the annual report, the total of fines imposed on the Company is NT\$50,000.

Sanction date	Sanction code	Regulatory provisions violated	Details of violation	Sanction details	Estimated amount that may occur
July 26, 2022	Kao-Shi-Lao-Tiao-Zhi No.11135719300	Article 32, paragraph 2 the Labor Standards Act	The extended working hours of workers exceeded the statutory limit of 46 hours a month	Fine NT\$50,000	None

2. Response measures: strengthening the employees' management practices on labor-related laws and regulations, and regularly arranging relevant education and training courses.

## VI Cyber security management

(I) Information security management policies and framework

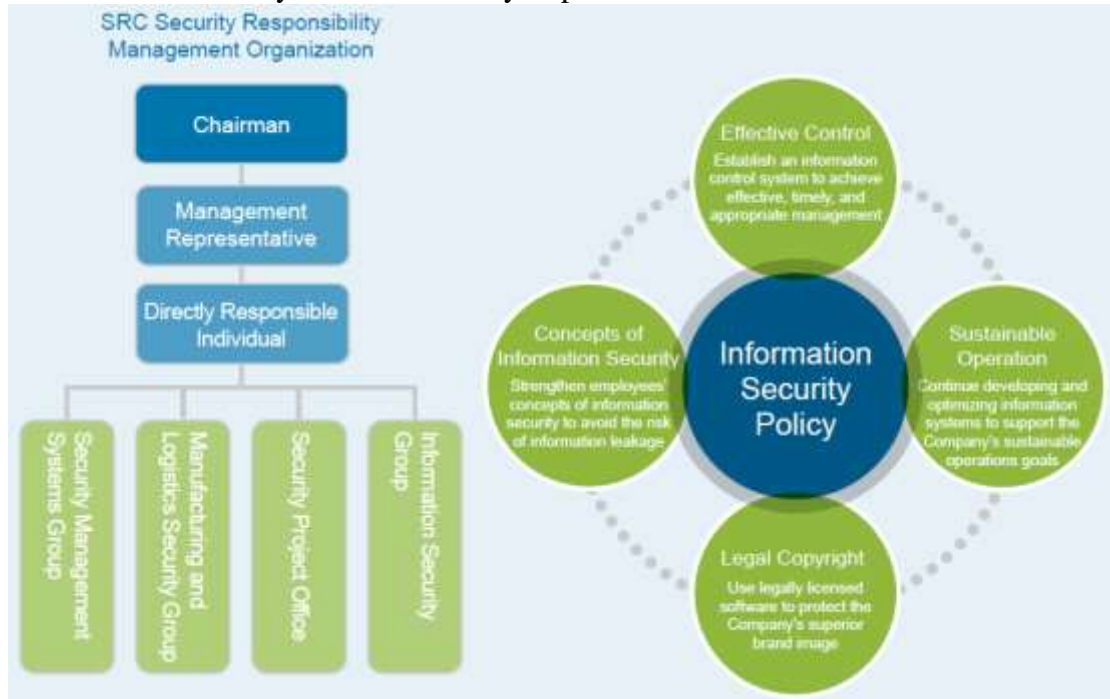
1. Information security management policies, objectives, and related procedures documents:

To protect the security of customers' products and confidential information, and ensure that information assets are properly protected, stored and applied, Flexium Interconnect has formulated the "SRC Security Responsibility Management Manual" to clarify the security responsibilities to customers. (Security Responsibilities for Customers, "SRC"), including four scopes, namely the management responsibility, the manufacturing responsibility, the Safety Project Office's responsibility and the information protection responsibility. A management organization is in place, led by the chairman of the Group, subordinated by the plant directors or officers at the division director-level serving as the management representatives; the management representatives further appoint the direct staff in charge, and four sub-task forces under them are in place to implement. The procedures applies to everyone of the Company, and all guests, visitors, personnel of outsourced vendors enter the plant areas.

2. Information safety organization:

The information security policies are reviewed and formulated by the division-level officers of the information division; with the information security management goal of zero violation of the information security policy, the achievement of the goal is regularly controlled. Various information security measures are implemented; based on the guidelines of sustainability, legitimacy, concept, and control, various security responsibility management systems are established to protect customers' products and confidential information and build customers' confidence in the Group's implementation of security responsibilities. The dedicated personnel for information security are appointed to maintain information security policies and objectives, as well as formulate standard operating procedures, to implement improvement suggestions of audits, and track implementations of deficiencies, and information security incident reporting and handling, to ensure that various information security management regulations can

be effectively and continuously implemented.



(II)

### Information security risk management

#### 1. Information security risk assessment:

Regarding the information security risk management, the Company constructs an information security protection framework, evaluates various risk factors, and takes corresponding measures to continuously strengthen the information security management, fulfill corporate responsibilities for protecting customers' personal data. The information assets are regularly inventoried, and the asset inventory is updated, with the assessments of the information security risk assessment items related to information assets, to control the high-risk items, so that the possibility and impact of risks are mitigated, the technical and management-related inspection measures are completed, to improve and elevate the network and information security protection capabilities and information management standards.

#### 2. Internal audit of information security:

The assessment items are determined according to the risks, and the information security self-assessment and inspection are conducted every year; the evaluation results and supporting materials will be submitted to the Audit Department for review. The Audit Department of the Company currently conducts the information cycle audit every six months, of which, the information security is a required inspection item. The reports of all inspection results are made to the audit committee and the board of directors at least once a year.



### Information Security Defense Structure



### (III) Resources invested in the cyber security management

1. Introduce the log management system platform to collect and save the messages or records of the operation logs of the information system and network communication equipment, with analysis, detection of potential abnormalities, to alert in advance and handle instantly, for solving problems before major abnormalities incur in the information system.
2. Introduce a vulnerability scanning system to regularly detect information security vulnerabilities of equipment and system hosts, for actively repairing in advance as a prevention, to reduce the risk of information security attacks.
3. In the regular information security inspections, the annual inspections are conducted on the rules of firewalls and intrusion detection systems. Response measures of information security risks are newly added according, and reviews and adjustment of strategies are conducted by annual improvement targets and information security meetings.
4. Based on the frequency of risk factors and the evaluation results of their impacts on operations, the anti-virus related regulations and implementation plans for machine equipment are formulated to prevent virus infection and reduce information security incidents.
5. Conduct information security awareness training regularly, and promote the updated information security cases on a regular basis, to strengthen employees' information security awareness.

(IV) Any losses incurred due to major cyber security incidents, potential impacts, and countermeasures in the most recent year and up to the publication date of this annual report: none.

## VII Important contracts

Sales contract, technical cooperation contracts, engineering contracts, long term loans contracts and other significant contracts that are active or ending within a year which are sufficient to affect the interests of shareholders; with the parties, the main content, restrictions and the date of commencement and duration of the contract clearly stated.

As of March 31, 2023

Nature of contract	Contractual parties	Duration	Main contents	Restrictive clauses
Real estate lease contract	Tatung Company	May 5, 2019 to April 30, 2034	Roof lease (for solar power generation)	None
Real estate lease contract	HongXing Energy Co., Ltd.	April 16, 2021 to April 15, 2041	Roof lease (for solar power generation)	None
Real estate lease contract	Yuan An Enterprise Co., Ltd.	March 15, 2023 - March 14 202	Land and plant lease	None
Real estate lease contract	Wen-Chang Lu	May 1, 2020 to April 30, 2023	Lease of Office at Pingzhen	None
Real estate lease contract	Yu-Ping-Tang Electronic Technology (Suzhou) Co., Ltd.	July 20, 2022 to July 19, 2032	Dormitory and land leased	None
Long-term borrowing contract	CTBC Bank	May 2019 to May 2029	NT\$2 billion	None
Long-term borrowing contract	E. Sun Commercial Bank	May 2019 to July 2026	NT\$1.9 billion	None

## Six. Financial overview

### I. Condensed balance sheet and income statement for the most recent five years

#### (I) Consolidated Condensed Balance Sheet Under International Financial Reporting Standards (IFRS)

Unit: NT\$ in thousand

Item	Year	Financial information for the most recent five years (Note)				
		2018	2019	2020	2021	2022
Current assets		21,138,145	25,952,009	31,946,671	32,668,376	26,738,338
Property, plant and equipment		5,630,571	7,323,353	8,485,676	14,638,999	17,389,321
Intangible assets		85,717	46,150	20,645	13,914	25,597
Other assets		770,269	1,132,175	2,314,381	993,774	1,967,412
Total amount of assets		27,624,702	34,453,687	42,767,373	48,315,063	46,120,668
Current liabilities	Before distribution	7,619,715	8,133,819	13,021,769	14,323,684	16,502,502
	After distribution	9,185,999	9,815,902	14,808,534	15,916,854	18,102,307
Non-current liabilities		803,310	4,392,066	4,188,115	8,306,925	4,671,286
Total amount of liabilities	Before distribution	8,423,025	12,525,885	17,209,884	22,630,609	21,173,788
	After distribution	9,989,309	14,207,968	18,996,649	24,223,779	22,773,593
Equities belong to the owner of the parent Company		19,201,677	21,927,802	25,557,489	25,684,454	24,946,880
Capital		3,182,954	3,346,328	3,617,798	3,513,309	3,227,909
Capital reserve		3,859,566	4,285,961	4,771,691	3,048,710	1,579,870
Retained earnings	Before distribution	12,987,385	15,357,966	17,731,146	19,645,120	20,634,841
	After distribution	12,204,243	14,853,341	17,731,146	19,645,120	19,834,938
Other equities		(303,446)	(771,663)	(563,146)	(522,685)	(495,740)
Treasury stock		(524,782)	(290,790)	0	0	0
Non-controlling equities		0	0	0	0	0
Total amount of equities	Before distribution	19,201,677	21,927,802	25,557,489	25,684,454	24,946,880
	After distribution	17,635,393	20,245,719	23,770,724	24,091,284	23,347,075

Note : All of the financial information from 2018 to 2022 have been audited and certified by CPA; the financial information of the latest quarter has not been audited by CPA up to the publication date of the annual report.

(II) Consolidated Condensed Comprehensive Income statements Under International Financial Reporting Standards (IFRS)

Unit: NT\$ in thousand

Item	Year	Financial information for the most recent five years (Note)				
		2018	2019	2020	2021	2022
Operating revenues		26,770,491	26,033,230	29,897,996	35,568,666	40,070,122
Operating gross profit		5,120,283	5,945,005	6,134,099	6,329,498	6,823,071
Operating income		3,152,974	3,797,113	3,439,319	3,272,961	3,530,334
Non-operating revenues and expenses		327,729	204,656	357,622	540,968	781,253
Net profit before tax		3,480,703	4,001,769	3,796,941	3,813,929	4,311,587
Net profit of the current term from continuing operations		2,644,712	3,153,203	2,934,043	2,879,750	3,521,557
Loss from discontinued operations		0	0	0	0	0
Net profit (loss) of the current term		2,644,712	3,153,203	2,934,043	2,879,750	3,521,557
Other comprehensive income (net amount after tax) of the current term		(78,535)	(219,345)	94,373	(53,231)	155,861
Total amount of comprehensive income of the current term		2,566,177	2,933,858	3,028,416	2,826,519	3,677,418
Net profit belonging to the owner of the parent Company		2,644,712	3,153,203	2,934,043	2,879,750	3,521,557
Net profit belonging to the non-controlling equities		0	0	0	0	0
Total amount of comprehensive income belonging to the owner of the parent Company		2,566,177	2,933,858	3,028,416	2,826,519	3,677,418
Total amount of comprehensive income belonging to the non-controlling equities		0	0	0	0	0
Earnings per share		8.55	10.02	8.63	8.19	10.83

Note : All of the financial information from 2018 to 2022 have been audited and certified by CPA; the financial information of the latest quarter has not been audited by CPA up to the publication date of the annual report.

(III) Parent Company Only Condensed Balance Sheet Under International Financial Reporting Standards (IFRS)

Unit: NT\$ in thousand

Item	Year	Financial information for the most recent five years (Note)				
		2018	2019	2020	2021	2022
Current assets		18,063,782	23,857,151	27,723,347	27,080,847	25,480,030
Property, plant and equipment		2,663,835	3,893,642	4,580,154	9,619,974	11,727,404
Intangible assets		77,565	42,395	16,291	12,056	22,662
Other assets		7,296,489	7,193,196	9,897,518	9,937,747	11,225,004
Total amount of assets		28,101,671	34,986,384	42,217,310	46,650,624	48,455,100
Current liabilities	Before distribution	8,100,020	8,686,400	12,498,329	12,682,106	19,400,202
	After distribution	9,666,304	10,368,483	14,285,094	14,275,276	21,000,007
Non-current liabilities		799,974	4,372,182	4,161,492	8,284,064	4,108,018
Total amount of liabilities	Before distribution	8,899,994	13,058,582	16,659,821	20,966,170	23,508,220
	After distribution	10,466,278	14,740,665	18,446,586	22,559,340	25,108,025
Equities belong to the owner of the parent Company		19,201,677	21,927,802	25,557,489	25,684,454	24,946,880
Capital		3,182,954	3,346,328	3,617,798	3,513,309	3,227,909
Capital reserve		3,859,566	4,285,961	4,771,691	3,048,710	1,579,870
Retained earnings	Before distribution	12,987,385	15,357,966	17,731,146	19,645,120	20,634,841
	After distribution	12,204,243	14,853,341	17,731,146	19,645,120	19,834,938
Other equities		(303,446)	(771,663)	(563,146)	(522,685)	(495,740)
Treasury stock		(524,782)	(290,790)	0	0	0
Non-controlling equities		0	0	0	0	0
Total amount of equities	Before distribution	19,201,677	21,927,802	25,557,489	25,684,454	24,946,880
	After distribution	17,635,393	20,245,719	23,770,724	24,091,284	23,347,075

Note : All of the financial information from 2018 to 2022 have been audited and certified by the CPA.

(IV) Parent Company Only Condensed Comprehensive Income statements Under International Financial Reporting Standards (IFRS)

Unit: NT\$ in thousand

Item	Year	Financial information for the most recent five years (Note)				
		2018	2019	2020	2021	2022
Operating revenues		26,629,126	25,681,858	29,674,189	35,426,904	40,001,113
Operating gross profit		3,070,630	4,182,922	3,378,251	3,244,518	3,393,210
Operating income		2,274,497	3,232,736	2,212,997	(1,227,749)	2,069,180
Non-operating revenues and expenses		1,153,360	795,051	1,472,034	1,623,456	2,037,349
Net profit before tax		3,427,857	4,027,787	3,685,031	3,640,225	4,106,529
Net profit of the current term from continuing operations		2,644,712	3,153,203	2,934,043	2,879,750	3,521,557
Loss from discontinued operations		0	0	0	0	0
Net profit (loss) of the current term		2,644,712	3,153,203	2,934,043	2,879,750	3,521,557
Other comprehensive income (net amount after tax) of the current term		(78,535)	(219,345)	94,373	(53,231)	155,861
Total amount of comprehensive income of the current term		2,566,177	2,933,858	3,028,416	2,826,519	3,677,418
Net profit belonging to the owner of the parent Company		2,644,712	3,153,203	2,934,043	2,879,750	3,521,557
Net profit belonging to the non-controlling equities		0	0	0	0	0
Total amount of comprehensive income belonging to the owner of the parent Company		2,566,177	2,933,858	3,028,416	2,826,519	3,677,418
Total amount of comprehensive income belonging to the non-controlling equities		0	0	0	0	0
Earnings per share		8.55	10.02	8.63	8.19	10.83

Note : All of the financial information from 2017 to 2021 have been audited and certified by the CPA.

(V) The names of CPAs and audit opinions for the past 5 fiscal years

Year	Accounting firm	CPA	Audit opinions	Remark
2018	PwC Taiwan	Ah-Shen Liao and Wu Jian-Chi	Unqualified opinion	
2019	PwC Taiwan	Wu Jian-Chi and Wang Kuo-Hua	Unqualified opinion	
2020	PwC Taiwan	Wu Jian-Chi and Wang Kuo-Hua	Unqualified opinion	
2021	PwC Taiwan	Wu Jian-Chi and Wang Kuo-Hua	Unqualified opinion	
2022	PwC Taiwan	Wu Jian-Chi and Ah-Shen Liao	Unqualified opinion	

## II. Financial analysis for the most recent 5 years

### (I) (I) Consolidated Financial Analysis Under International Financial Reporting Standards (IFRS)

Analysis item		Year	Financial analysis for the most recent 5 years (Note)				
			2018	2019	2020	2021	2022
Financial structure	Liabilities to assets (%)		30.49	36.36	40.24	46.84	45.91
	Long-term capitals to property, plant and equipment (%)		355.29	359.40	350.54	232.20	170.32
Solvency	Current ratio (%)		277.41	319.06	245.33	228.07	162.03
	Quick ratio (%)		226.83	287.39	209.46	188.33	130.56
	Times Interest Earned (TIE) (%)		659.85	46.39	88.87	147.11	114.72
Operating ability	Receivable turnover (times)		3.57	3.74	4.12	4.44	5.47
	Average collection days		102.24	97.59	88.59	82.20	66.72
	Inventory turnover (times)		4.72	5.80	6.77	6.44	6.62
	Payable turnover (times)		3.77	5.24	5.50	5.34	5.92
	Average inventory turnover days		77.33	62.93	53.91	56.67	55.13
	Property, plant and equipment turnover (times)		4.53	4.02	3.78	3.08	2.50
	Total assets turnover (times)		0.92	0.84	0.77	0.78	0.85
Profitability	Return on assets (%)		9.08	10.39	7.69	6.37	7.52
	Return on equities (%)		14.27	15.33	12.36	11.24	13.91
	Net profit before tax to paid-in capital (%)		99.06	119.59	105.07	108.56	133.57
	Net profit ratio (%)		9.88	12.11	9.81	8.10	8.79
	Earnings per share (NT\$)		8.55	10.02	8.63	8.19	10.83
Cash flow	Cash flow ratio (%)		40.77	(1.75)	39.23	38.85	83.10
	Cash flow adequacy ratio (%)		118.22	87.68	58.45	58.85	90.88
	Cash reinvestment ratio (%)		6.23	(5.30)	9.23	8.78	30.16
Leverage	Operating leverage		1.40	1.34	1.48	1.58	1.76
	Financial leverage		1.00	1.02	1.01	1.01	1.01
Reasons of financial ratio changes reaching 20% in the most recent two years							
1	Long-term capitals to property, plant and equipment decreased by 27%		Mainly because the operation in 2022 was good, with continuous purchase of machines.				
2	The current ratio decreased by 29%		Mainly because the time-deposits with three-month or more durations decreased.				
3	The quick ratio decreased by 31%		Mainly because the time-deposits with three-month or more durations decreased.				
4	Times interest earned decreased by 22%		Mainly because the interest expenses increased				
5	Receivable turnover increased by 23%		Mainly because the operating revenue increased.				
6	Return on equities increased by 24%		Mainly because the net profit after tax for 2022 increased.				
7	Net profit before tax to paid-in capital increased by 23%		Mainly because the net profit before tax for 2022 increased.				
8	EPS increased by 32%		Mainly because the net profit after tax for 2022 increased.				
9	The cash flow ratio increased by 114%		Mainly because the net cash flow from operating activities increased.				
10	The cash flow adequacy ratio increased by 54%		Mainly because the net cash flow from operating activities increased.				
11	The cash reinvestment ratio increased by 244%		Mainly because the net cash flow from operating activities increased.				

Note: All financial information in each fiscal year is audited and certified by CPAs; financial information of the latest quarter up to the publication date of the annual report has not been audited by the CPA.

(II) Parent only Financial analysis Under International Financial Reporting Standards (IFRS)

Analysis item		Financial analysis for the most recent 5 years (Note)				
		2018	2019	2020	2021	2022
Financial structure	Liabilities as a percentage assets (%)	31.67	37.32	39.46	44.94	48.52
	Long-term capitals to property, plant and equipment (%)	750.86	675.46	648.86	353.10	247.75
Solvency	Current ratio	223.01	274.65	221.82	213.54	131.34
	Quick ratio	209.63	265.70	210.58	198.63	122.21
	Times Interest Earned (TIE)	649.85	46.83	87.38	145.01	148.47
Operating ability	Receivable turnover (times)	3.61	3.74	3.29	3.47	3.91
	Average collection days	101.10	97.59	111.01	105.19	93.35
	Inventory turnover (times)	16.14	23.26	24.77	20.25	20.42
	Payable turnover (times)	3.31	3.17	3.34	3.61	3.47
	Average inventory turnover days	22.61	15.69	14.74	18.02	17.87
	Property, plant and equipment turnover (times)	10.03	7.83	7.00	4.99	3.75
	Total assets turnover (times)	0.94	0.81	0.77	0.80	0.84
Profitability	Return on assets (%)	9.36	10.22	7.69	6.53	7.45
	Return on equities (%)	14.27	15.33	12.36	11.24	13.91
	Net profit before tax to paid-in capital (%)	107.69	120.36	101.97	103.61	127.22
	Net profit ratio (%)	9.93	12.28	9.89	8.13	8.80
	Earnings per share (NT\$)	8.55	10.02	8.63	8.19	10.83
Cash flow	Cash flow ratio (%)	48.93	(31.07)	25.84	11.65	75.41
	Cash flow adequacy ratio (%)	169.31	87.81	67.66	51.74	108.96
	Cash reinvestment ratio (%)	11.22	(14.97)	4.76	-0.82	38.38
Leverage	Operating leverage	1.23	1.17	1.32	1.44	3.62
	Financial leverage	1.00	1.03	1.02	1.01	1.01
Reasons of financial ratio changes reaching 20% in the most recent two years						
1	Long-term capitals to property, plant and equipment decreased by 30%.	Mainly because the operation in 2022 was good, with continuous purchase of machines.				
2	The current ratio decreased by 38%	Mainly because the time-deposits with three-month or more durations decreased.				
3	The quick ratio decreased by 38%	Mainly because the time-deposits with three-month or more durations decreased.				
4	Property, plants and equipment turnover decreased by 25%	Mainly because the operation in 2022 was good, with continuous purchase of machines.				
5	Return on equities increased by 24%	Mainly because the net profit after tax for 2022 increased.				
6	Net profit before tax to paid-in capital increased by 23%	Mainly because the net profit before tax for 2022 increased.				
7	EPS increased by 32%	Mainly because the net profit after tax for 2022 increased.				
8	The cash flow ratio increased by 547%	Mainly because the net cash flow from operating activities increased.				
9	The cash flow adequacy ratio increased by 111%	Mainly because the net cash flow from operating activities increased.				
10	The cash reinvestment ratio increased by 4150%	Mainly because the net cash flow from operating activities increased, and the current liabilities increased.				

Note: The above financial information of each fiscal year has been audited and CPAs.



The formula of financial analysis is as follows:

1. Financial structure:
  - (1) Liabilities to assets= total amount of liabilities/total amount of assets.
  - (2) Long-term funds to property, plant and equipment= (Total amount of equities+ non-current liabilities)/net amount of property, plant and equipment.
2. Solvency:
  - (1) Current ratio = current assets/current liabilities.
  - (2) Quick ratio = (current assets- inventory- prepayment)/ current liabilities.
  - (3) Times Interest Earned (TIE)= income tax and net profit before interest expense/ interest expense of the current term.
3. Operating ability:
  - (1) Receivables (including trade receivables and notes receivables generated from operation) turnover= net sales/ balance of average receivables of each term (including trade receivables and notes receivables generated from operation).
  - (2) Average collection days= 365/ receivables turnover.
  - (3) Inventory turnover= sales cost/ average inventory amount.
  - (4) Payables (including trade payables and notes payables generated from operation) turnover= sales cost/ balance of average payables of each term (including trade payables and notes payables generated from operation ).
  - (5) Average inventory turnover days= 365/ inventory turnover.
  - (6) Property, plant and equipment turnover= net sales/ average net amount of property, plant and equipment.
  - (7) Total assets turnover= net sales/ total amount of average assets.
4. Profitability:
  - (1) Return on assets= [income after tax + interest expense × (1-tax rate)]/ total amount of average assets.
  - (2) Return on equities= income after tax/ total amount of average equities.
  - (3) Net profit ratio= income after tax/ net sales.
  - (4) Earnings per share= (income belonging to the owner of the parent Company - dividends of preferred shares)/ weighted average shares issued.
5. Cash flow:
  - (1) Cash flow ratio= net cash flow from operations/ current liabilities.
  - (2) Net cash flow adequacy ratio= net cash flow from operations for the most recent 5 fiscal years/ (capital expenditure+ inventory increase amount+ cash dividends) for the most recent 5 fiscal years.
  - (3) Cash reinvestment ratio= (net cash flow amount from operations-cash dividends)/ (gross amount of property, plant and equipment+ long-term investments+ other non-current assets+ operating funds).
6. Leverage:
  - (1) Operating leverage= (net operating revenues - variable operating costs and expenses)/ operating profits.
  - (2) Financial leverage= operating profits / (operating profits - interest expenses).

### **III. Audit report of the Audit Committee on the most recent financial report**

#### **Audit Committee's Audit Report**

The board of directors has produced the company's 2022 annual business report, financial statements, profit distribution proposals, and so on. Among them, PWC Taiwan has been entrusted to audit the financial statements and issue an audit report. The above-mentioned business report, financial statements and profit distribution proposal has been reviewed by the Audit Committee and found to have no inconsistencies. This report is issued in accordance with relevant provisions of the Securities and Exchange Act and the Company Act.

Flexium Interconnect. Inc.  
Convener of Audit Committee:

Xin-Bin Fu

February 9, 2023

### **IV. Consolidated financial statement of the most recent year**

Please refer to Attachment 1 in this annual report.

### **V. Individual financial statement of most recent year**

Please refer to Attachment 2 in this annual report.

### **VI. In the case of any insolvency of the Company and its affiliates, specify its effect on the Company's financial position, for the most recent year and until the date of publication of the annual report**

N/A

## Seven. Review and analysis of the Company's financial position and financial performance, and a listing of risks

### I Financial status

Unit: NT\$ in thousand

Item	Year	2022	2021	Difference	
				Amount	%
Current assets		26,738,338	32,668,376	(5,930,038)	-18.15
Non-current assets		19,382,330	15,646,687	3,735,643	23.87
Total assets		46,120,668	48,315,063	(2,194,395)	-4.54
Current liabilities		16,502,502	14,323,684	2,178,818	15.21
Non-current liabilities		4,671,286	8,306,925	(3,635,639)	-43.77
Total liabilities		21,173,788	22,630,609	(1,456,821)	-6.44
Capital		3,227,909	3,513,309	(285,400)	-8.12
Capital reserve		1,579,870	3,048,710	(1,468,840)	-48.18
Retained earnings		20,634,841	19,645,120	989,721	5.04
Other equities		(495,740)	(522,685)	26,945	-5.16
Total equity		24,946,880	25,684,454	(737,574)	-2.87
<p>1. Main reasons for materials changes (20% or more) during the most recent two years:</p> <p>(1) Increased non-current assets: mainly because the operation in 2022 was good, with continuous purchase of machines.</p> <p>(2) Increased non-current liabilities: mainly because the corporate bonds were reclassified to the long-term liabilities due within a year.</p> <p>(3) Decrease in the capital reserve: mainly due to the distribution of cash dividends for 2021 with the capital reserve.</p> <p>2. The effect of material changes in the past 2 fiscal years and the measures to be taken in response in the future: The overall performance of the Company and subsidiaries does not indicate any material abnormality, so no measures shall be taken in response.</p>					

### II Financial performance

Unit: NT\$ in thousand

Item	Year	2022	2021	Amount increased (decreased)	Ratio of change (%)
Operating costs		33,247,051	29,239,168	4,007,883	13.71
Operating expenses		3,292,737	3,056,537	236,200	7.73
Operating profit		3,530,334	3,272,961	257,373	7.86
Non-operating revenues and expenses		781,253	540,968	240,285	44.42
Net profit before tax		4,311,587	3,813,929	497,658	13.05
Income tax expenses		790,030	934,179	(144,149)	-15.43
Net income this period		3,521,557	2,879,750	641,807	22.29
Other comprehensive income		155,861	(53,231)	209,092	-392.80
Total amount of comprehensive income of the current term		3,677,418	2,826,519	850,899	30.10
<p>1. Main reasons for materials changes (20% or more) during the most recent two years:</p> <p>(1) The increase in non-operating revenues and expenses: mainly due to the increase foreign currency exchange gains and losses.</p> <p>(2) Increased net profit of the period: mainly because the Company had excellent earnings in 2022.</p> <p>(3) Decrease of other comprehensive income: mainly due to the decrease of the cumulative translation adjustment generated from the long-term investment.</p> <p>2. Sales forecast and basis thereof: The Company does not prepare and publicly announce the financial forecast; therefore, it is not applicable.</p> <p>3. Possible impacts on the future financial business of the Company and countermeasure plans: No obvious impacts on the financial business status.</p>					

### III Cash flow analysis

Unit: NT\$ in thousand

Balance of cash and cash equivalents - beginning of year	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Effect of Exchange Rate Changes	Balance of cash and cash equivalents - end of year
7,896,275	13,713,644	(3,679,894)	(5,262,627)	(14,101)	12,653,297

(I) Cash flow change analysis and explanation

1. Cash flow change analysis and explanation and current year cash flow change status analysis:

- (1) Operating activities: the net cash inflow was NT\$13.7billion, mainly due to the decrease in time-deposits with duration of three months or more, and in accounts receivable.
- (2) Investment activities: Net cash outflow of NT\$3.7 billion; mainly due to the acquisition of real estate, facility and equipment.
- (3) Financing activities: net cash outflow of NT\$3.5 billion, mainly due to the repayment to the long-term borrowings.

2. The corrective measures for cash deficiency forecast and liquidity analysis: Not applicable.

(II) Improvement plan for insufficient liquidity: The Company is not subject to the condition of insufficient liquidity.

(III) Cash liquidity analysis for the coming year: Not applicable.

### IV Impact of major capital expenditure in recent years on financial operations

(I) Application of major capital expenditures and the source of funds

Project item	Actual or estimated source of funds	Actual or estimated date of completion	Expected possible benefit generated
Purchasing land and machineries	Own fund/corporate bond	In progress	Refers to benefits for expanding production capacity, enhancing competitiveness of the Company and increasing the operation efficiency .

(II) Financial Impact of Major Capital Expenditures During the Most Recent Fiscal Year:

The major capital expenditures of the Company in 2022 were mainly on self-owned funds, which do not have major unfavorable effect upon the Company's financial operations.

### V The re-investment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby, the plan for improving re-investment profitability, and investment plans for the coming year.

(I) Re-investment policy of the Company

The investment policy of the Company is to invest in industries related to the primary business and is based on the consideration of enhancing the competitiveness of the Company such that each investment project is executed upon thorough evaluation.

(II) Main reasons for profit or loss of invested companies and improvement plan

In 2022, the recognized investment profit is of the total amount of NT\$1,179,933 thousand, which mainly came from the profit of subsidiaries.

(III) Investment plan for the coming year

According to the global plan of the Company, in the future, the Company will set up manufacturing sites at important regions internationally in order to deliver products to customers locally and to reduce the production and logistics costs. In addition, depending upon the development of business, the operating scale of subsidiaries will be expanded.

**VI Analysis and evaluation of risk factors in the most recent year and until the date of publication of the annual report**

(I) The effect upon the Company's profits (losses) of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future:

1. Interest rate:

The Company and subsidiaries have sound financial structures. In the aspect of interest rates for loans, the Company will strengthen the connection with banks and understand the trend of interest rate in order to obtain the best interest rate for loans. In addition, in the aspect of the application of short-term idle funds, we will take the low risk deposits and repurchase (government repurchase) as investment targets in order to obtain return on short-term investment.

2. Exchange rate:

The Group operates internationally; therefore, it is subject to currency risk generated due to various types of currencies, which are mainly USD and RMB. Relevant currency risk mainly comes from future commercial transactions and assets and liabilities listed.

The management level of the Group has established policies to specify the all companies of the Group to manage the currency risks for their functional currencies. Each Company of the Group shall perform hedges for the overall currency risks via the Financial Department of the Group. To management the currency risks associated with the future commercial transactions and assets and liabilities listed, each Company of the Group shall perform by using forward exchange agreements via the Financial Department of the Group. When the future commercial transactions and assets or liabilities listed use the foreign currency of non-individual functional currency for calculation, currency risk is then generated.

3. Inflation:

Inflation is the changes in the overall economics, and this element is expected to have minor effect on the Company's income.

(II) The Company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future:

1. Engaging in high-risk and high-leverage investing activities

The Company has never engaged in any high-risk and high-leverage investing activities.

2. Lending funds to others and endorsements & guarantees

Handled according to the Company's "Operational Procedures for Lending Funds to Others" and "Handling Procedures of Enforcements/Guarantees".

3. Derivatives transactions

The Company adopts the principles of forward exchange and financial products and deposits, which aim to earn interest gains and are 100% capital guaranteed, when conducting derivatives. Thus, the income generated is limited. They are conducted in accordance with “Regulations Governing the Acquisition and Disposal of Assets”.

- (III) Research and development work to be carried out in the future, and further expenditures expected for research and development work:

With regard to the future R&D plans, please refer to the disclosure of the technology development status in the “Report to Shareholders” of this Annual Report. R&D invested by the Company and its subsidiaries for 2023 is expected to account for 5.0%-7.0% of the annual revenue of the Company and its subsidiaries.

- (IV) Effect on the Company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response:

To cope with the domestic and foreign important changes of policies and laws, the Company and its subsidiaries review and revise the Company management rules at all time and readily establish necessary countermeasures in order to satisfy the business operation needs of the Company. In recent years and up to the publication date of the annual report, there are no major impacts of changes of domestic and foreign important policies and laws on the financial business of the Company.

- (V) Effect on the Company's financial operations of developments in science and technology as well as industrial change, and measures to be taken in response:

Following the gradual emerging of wearable devices which are equipped with more and more functions, along with services of application software and content provided, it is possible that they may even replace smartphones as the mainstream technology of the future. To maintain the competitiveness of the Company and its subsidiaries, the market trend of products must be understood such that the development direction will head toward the high-density layout, slim in size and fine wire with small holes. In recent years and up to the publication date of the annual report, there are no major impacts due to changes of technology and changes of industry on the financial business of the Company and its subsidiaries.

- (VI) Impacts of change of corporate image on risk management of corporate and countermeasures:

In September 2003, the Company was officially listed in the stock exchange market for public trading. All employees strive for reaching the goal of profit, fulfilling the responsibility to all shareholders. We will continue to strive for the improving the product quality in the future, maintaining the consistent excellent corporate image, and enhancing the status of the Company in the industry. In recent years and up to the publication date of the annual report, there are no changes of image of the Company such that the Company faces crisis management.

- (VII) Expected benefit, possible risk and countermeasures for mergers:

In recent years and up to the publication date of the annual report, the Company has no plans for mergers.

- (VIII) Expected benefit, possible risk and countermeasures for expansion of facilities:

The expansion of the facility of the Company is evaluated carefully based on the existing production capacity and future business growth. Major investments and expenditures are reviewed by the board of directors, and the investment benefits and possible risks have been considered appropriately.

- (IX) Risks and counter-measures for material inbound and sales concentration:  
The main product of the Company is FPC, and the main materials used are copper cladded laminates, protection films and electronic components. Since there are numerous suppliers supplying main materials at home or abroad, the supply is not over concentrated on specific suppliers for the Company. In addition, the main customers of the Company are big companies at home or abroad, and sales does not concentrate on specific customers.
- (X) Impact upon and risk to the company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the company has been transferred or has otherwise changed hands, and corresponding measures being or to be taken:  
The Company is not subject to large amount of transfer or change of equity made by directors, supervisors or shareholders with shareholding over 10%.
- (XI) Impacts, risks and counter-measures for change of management right on the Company:  
The equities of the main shareholders and directors of the Company are stable, and there is no event of change of management right.
- (XII) Litigious and non litigious matters; the directors, supervisors, general managers and substantial principals of the Company, the majority shareholders and affiliated companies with a shareholding ratio of more than 10% have been determined or are included in the lawsuit; non litigation or administrative litigation results may have a significant effect on the Company's shareholders' equity or securities price as of the publication of the annual report: None.
- (XIII) Other important risks and corresponding measures: None.

**VII Other important matters:**

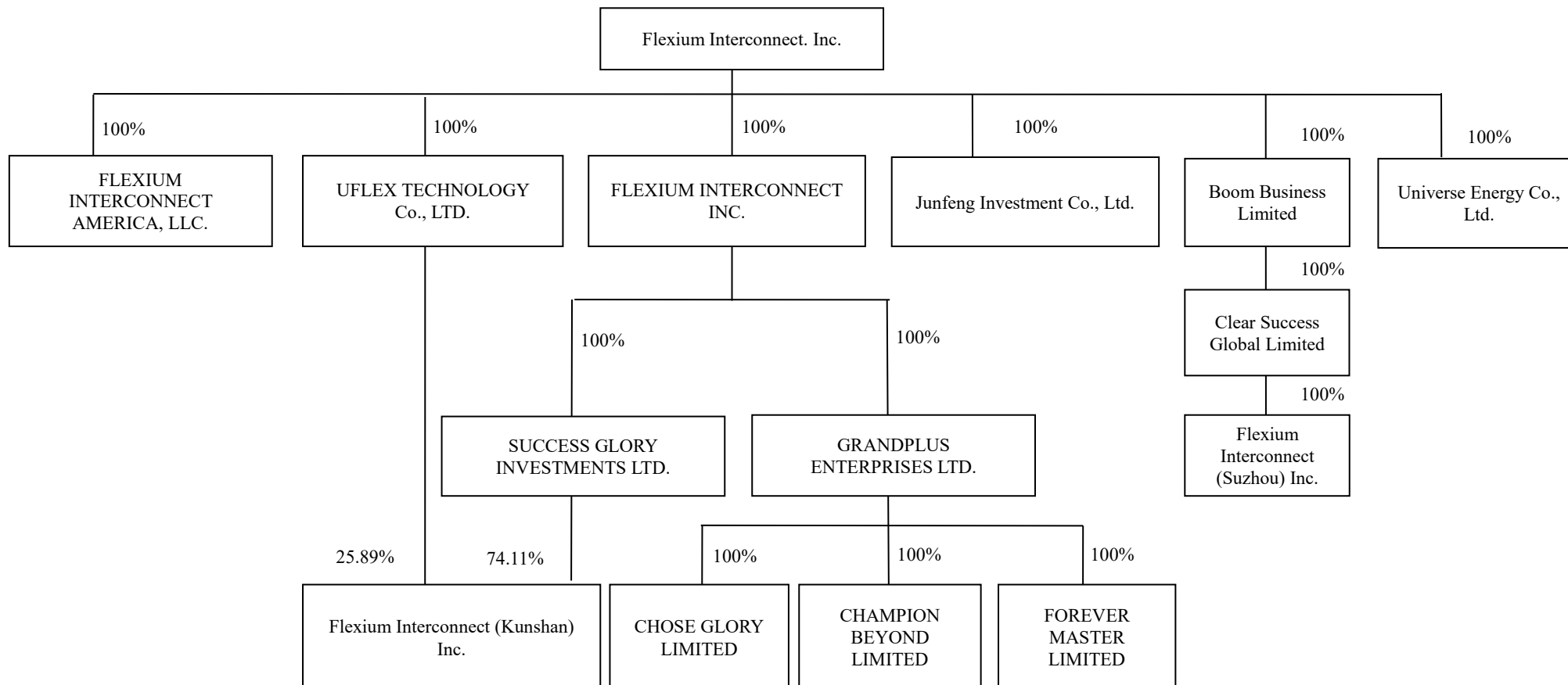
None

## Eight. Special notes

### I Relevant information of affiliates

(I) The consolidated business report of the Company's affiliates

1. Organizational chart of the Company's affiliates





2. Basic information of the Company's affiliates

Unit: NT\$ thousand

Name of corporation	Date of establishment	Address	Paid-in Capital	Main business or products
FLEXIUM INTERCONNECT INC	2002.02.20	P.O. Box 3152, Road Town Tortrola, British Virgin Islands	835,252	Reinvestment in variable businesses
UFLEX TECHNOLOGY CO., LTD	2000.10.30	Akara Building, 24 De Castro Street, Wickhams Cay 1.Road Town, Tortola, British Virgin Islands.	39,711	Reinvestment in variable businesses
Junfeng Investment Co., Ltd.	2010.04.15	21F-6, No. 91, Zhongshan 2nd Rd., Qianzheng District, Kaohsiung City	50,000	Reinvestment in variable businesses
Universe Energy Co., Ltd.	2022.09.06	No. 39, Huaxi Rd., Daliao Dist., Kaohsiung City	50,000	Renewable energy self-use power generation equipment and energy technology services, etc.
FLEXIUM INTERCONNECT AMERICA LLC	2011.01.06	4020 Moorpark Avenue Suite 216 San Jose, CA 95117 USA	8,067	Conducting marketing support, and customer and technical services
SUCCESS GLORY INVESTMENTS LTD	2003.03.21	Offshore Chambers, P.O. Box 217 , Apia, Samoa	719,042	Reinvestment in variable businesses
GRANDPLUS ENTERPRISES LTD	2003.06.12	Offshore Chambers, P.O. Box 217 , Apia, Samoa	62,001	Reinvestment in variable businesses
CHOSEN GLORY LIMITED	2014.01.02	Offshore Chambers, P.O. Box 217 , Apia, Samoa	-	Reinvestment in variable businesses
CHAMPION BEYOND LIMITED	2013.12.11	Offshore Chambers, P.O. Box 217 , Apia, Samoa	-	Reinvestment in variable businesses
FOREVER MASTER LIMITED	2014.01.08	Offshore Chambers, P.O. Box 217 , Apia, Samoa	-	Reinvestment in variable businesses
BOOM BUSINESS LIMITED	2016.09.21	Unit 25, 2nd Floor, Nia Mall, Saleufi Street, Apia, Samoa	1,064,460	Reinvestment in variable businesses
CLEAR SUCCESS GLOBAL LIMITED	2017.01.09	Offshore Chambers, P.O. Box 217, Apia, Samoa	1,064,460	Reinvestment in variable businesses
Flexium Interconnect (Kunshan) Inc.	2000.11.16	National High-Technology Industrial Park, No. 1399, Hanpu Rd., Kunshan City, Jiangsu Province	2,478,470	Research ,development, manufacturing and sales of new electronic components like flexible circuit boards
Flexium Interconnect (Suzhou) Inc.	2017.04.11	No. 1889, Hanpu Road, Yushan Township, Kunshan City, Jiangsu Province	1,074,780	Research ,development, manufacturing and sales of new electronic components like flexible circuit boards

3. Shareholders presumed to have control and subordinate relationship with the same information: Not applicable.

4. Business covered by each afflicted company:

The businesses of the Company and affiliates cover the design, development, manufacturing and sale of Flexible Print Circuits (FPC), as well as assembly and sampling of modules and general investment business.

5. Information on directors, supervisors and presidents of affiliates

2023/03/31

Name of corporation	Job title	Name or representative	Shares held	
			Shares held (thousand shares)	Shareholding ratio (%)
UFLEX TECHNOLOGY CO., LTD	Director	Flexium Interconnect. Inc. (Representative: Cheng Ming-Chi)	50	100%
FLEXIUM INTERCONNECT INC	Director	Flexium Interconnect. Inc. (Representative: Cheng Ming-Chi)	50	100%
Junfeng Investment Co., Ltd.	Chairman of Board	Flexium Interconnect. Inc. (Representative: Cheng Ming-Chi)	5,000	100%
	Director	Flexium Interconnect. Inc. (Representative: Blue Lan)		
	Director	Flexium Interconnect. Inc. (Representative: Su Shao-Shan)		
	Supervisor	Flexium Interconnect. Inc. (Representative: Liao Yi-Wen)		
Universe Energy Co., Ltd.	Chairman of Board	Flexium Interconnect. Inc. (Representative: Cheng Ming-Chi)	5,000	100%
FLEXIUM INTERCONNECT AMERICA LLC	Responsible person	David Cheng	-	100%
SUCCESS GLORY INVESTMENTS LTD	Director	FLEXIUM INTERCONNECT INC. (Representative: Cheng Ming-Chi)	23,510	100%
GRANDPLUS ENTERPRISES LTD	Director	FLEXIUM INTERCONNECT INC. (Representative: Cheng Ming-Chi)	1,881	100%
CHOSEN GLORY LIMITED	Director	GRANDPLUS ENTERPRISES LTD. (Representative: Cheng Ming-Chi)	-	100%
CHAMPION BEYOND LIMITED	Director	GRANDPLUS ENTERPRISES LTD. (Representative: Cheng Ming-Chi)	-	100%
FOREVER MASTER LIMITED	Director	GRANDPLUS ENTERPRISES LTD. (Representative: Cheng Ming-Chi)	-	100%
BOOM BUSINESS LIMITED	Director	Flexium Interconnect. Inc. (Representative: Cheng Ming-Chi)	35,000	100%
CLEAR SUCCESS GLOBAL LIMITED	Director	BOOM BUSINESS LIMITED (Representative: Cheng Ming-Chi)	35,000	100%
Flexium Interconnect (Kunshan) Inc.	Chairman of Board	Cheng Ming-Chi	Note	100%
	Director	Cheng Wei		
	Director	Joann Lin		
	Supervisor	Chen, Lung-Cheng		
Flexium Interconnect (Suzhou) Inc.	Chairman of Board	Cheng Ming-Chi	Note	100%
	Director	Joann Lin		
	Director	David Cheng		
	Supervisor	Chen, Lung-Cheng		

Note: It is a limited company; therefore, there are no shares.

6. Operational overview of affiliates

Unit: NT\$ in thousand

Name of corporation	Capital amount	Total amount of assets	Total amount of liabilities	Net value	Operating revenues	Operating profit	Current term income (after tax)	Earnings per share (NT\$) (after tax)
FLEXIUM	835,252	7,175,492	-	7,175,492	-	-	958,232	-
UFLEX	39,711	2,476,725	-	2,476,725	-	-	334,706	-
Junfeng Investment	50,000	34,090	45	34,045	-	(710)	(11,289)	-
FLEXIUM (AMERICA)	8,067	4,911	(2)	4,913	-	(18,467)	(589)	-
Universe Energy	50,000	49,992	-	49,992	-	(107)	(8)	-
SUCCESS	719,042	7,213,051	37,623	7,175,428	-	-	958,232	-
GRANDPLUS	62,001	55	-	55	-	-	-	-
CHOSEN	-	-	-	-	-	-	-	-
CHAMPION	-	-	-	-	-	-	-	-
FOREVER	-	23	-	23	-	-	-	-
BOOM	1,064,460	1,201,655	-	1,201,655	-	-	31,612	-
CLEAR	1,064,460	1,201,655	-	1,201,655	-	-	31,612	-
Flexium (Kunshan) Inc.	2,478,470	21,642,989	12,000,365	9,642,624	36,325,184	1,395,970	1,292,986	-
Flexium (Suzhou) Inc.	1,074,780	3,887,038	2,685,383	1,201,655	2,873,623	128,674	31,612	-

Note: The above foreign company's assets and liabilities are converted at the exchange rate on date of reporting date; the profit and loss amounts are converted at the average exchange rate during the reporting period.

(II) Consolidated Financial Statement Announcement of Affiliates is as follows:

<p><b>Flexium Interconnect. Inc. and subsidiaries</b></p> <p><b>Declaration of consolidated financial statement of related parties.</b></p> <p>The entities that are required to be included in the combined financial statements of the Company for 2022 (from January 1, 2022 to December 31, 2022), under the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those included in IFRS 10. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, the Company and Subsidiaries do not prepare a separate set of combined financial statements.</p> <p>Hereby declare</p> <p style="text-align: right;">Company name: Flexium Interconnect. Inc. and subsidiaries</p> <p style="text-align: right;">Person in Charge: Cheng Ming-Chi</p> <p style="text-align: right;">February 9, 2023</p>
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(III) Affiliated enterprises report: None

**II During the most recent year and as of the publication date of the annual report, the status of private placement of securities**

None

**III Status of holding or disposal of shares of the Company by the subsidiaries in recent years or up to the publication date of the annual report**

None

**IV Other supplementary information**

None

**Nine. Whether any of the situations listed in subparagraph 2, paragraph 3, Article 36 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the Company's securities, has occurred during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report**

None

**Attachment 1: 2022 Consolidated Financial Report**  
INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Flexium Interconnect, Inc.

PWCR22000307

***Opinion***

We have audited the accompanying consolidated balance sheets of Flexium Interconnect, Inc. and subsidiaries (the “Group”) as at December 31, 2022 and 2021 and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

***Basis for opinion***

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

## ***Key audit matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements 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, we do not provide a separate opinion on these matters.

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

### **Key audit matter - Valuation of impairment of accounts receivable**

#### Description

For the accounting policies on accounts receivable, please refer to Note 4(10). For the uncertainty of accounting estimates and assumptions in relation to accounts receivable, please refer to Note 5(2). For the details of net accounts receivable, please refer to Note 6(5).

The criteria that the Group uses to measure expected credit loss includes the aging of accounts receivable past due, financial situation of customers, internal credit ranking and historical transaction records. Based on this criterion, the Group estimates the amounts of allowance for accounts receivable that the Group has to provision. As the estimates are subject to management's judgement and involves uncertainty, the recoverable amount may be significantly affected. Thus, we consider the valuation of impairment of accounts receivable as one of the key audit matters.

#### How our audit addressed the matter

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

- A. Obtained an understanding of the Group's operation and sales customers. Assessed the reasonableness of policies and process applied in allowance for accounts receivable, including the objective evidence for the loss rate and compared whether the provision policies adopted in the different periods are consistently applied.
- B. Verified the consistency between the expected credit loss in the past due period for each group applied in calculating allowance for accounts receivable and the provision policies.
- C. Verified the accuracy of the classification for accounts receivable aging to confirm that the information in the reports is consistent with its policies.

D. Sampled and performed subsequent collection tests for material accounts receivable and evaluated their recoverability.

## **Key audit matter - Inventory valuation**

### Description

For the accounting policies on inventory valuation, please refer to Note 4(14). For the uncertainty of accounting estimates and assumptions in relation to inventory valuation, please refer to Note 5(2). For the details of inventory, please refer to Note 6(6).

The Group is primarily engaged in manufacturing and sales of flexible print circuit board which belongs to a rapidly changing industry and is easily affected by the market price. Thus, there is a higher risk of incurring inventory valuation losses or having obsolete inventory. The Group determines inventory value using the item-by-item approach and recognised at the lower of cost and net realisable value. For inventory that is over a certain age, the net realised value was calculated from the historical experience of disposing old inventories.

The determination of net realisable value for obsolete or slow-moving inventory are subject to management's judgement and involves uncertainty. Considering the Group's inventory balance and the allowance for inventory valuation losses are material to its financial statements, we consider the inventory valuation as one of the key audit matters.

### How our audit addressed the matter

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

- A. Obtained an understanding of the Group's operation and industry. Assessed the reasonableness of the policy and procedures applied to recognise allowance for inventory evaluation losses and whether the accounting policy has been consistently applied in the comparative periods of financial statements.
- B. Understood the Group's inventory control procedures. Participated in the annual inventory count in order to assess the effectiveness of the classification of obsolete inventory and internal control over obsolete inventory.
- C. Sampled and verified the accuracy of inventory aging calculation, confirmed and verified the reasonableness of obsolete inventories identification, the basis of net realisable value valuation of inventories to assess the reasonableness of provision of allowance for inventory valuation losses.

### ***Other matter – Parent company only financial reports***

We have audited and expressed an unqualified opinion on the parent company only financial statements of Flexium Interconnect, Inc. as at and for the years ended December 31, 2022 and 2021.

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

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

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

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

### ***Auditors' responsibilities for the audit of the consolidated financial statements***

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



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

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

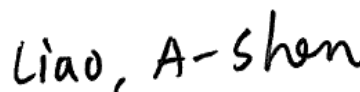
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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.



Wu, Chien-Chih



Liao, A-Shen

For and on behalf of PricewaterhouseCoopers, Taiwan

February 9, 2023

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

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

**FLEXIUM INTERCONNECT, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2022 AND 2021**  
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2022		December 31, 2021		
		AMOUNT	%	AMOUNT	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 12,653,297	27	\$ 7,896,275	16
1110	Financial assets at fair value through profit or loss - current	6(2)	892,247	2	2,862,990	6
1136	Current financial assets at amortised cost	6(4)	1,848,360	4	7,325,420	15
1150	Notes receivable, net		-	-	23	-
1170	Accounts receivable, net	6(5)	6,029,307	13	8,603,935	18
1200	Other receivables		121,461	-	254,842	1
1220	Current tax assets		620	-	32,169	-
130X	Inventories	6(6)	4,838,714	11	5,202,258	11
1410	Prepayments		353,881	1	490,220	1
1470	Other current assets		451	-	244	-
11XX	<b>Current Assets</b>		<u>26,738,338</u>	<u>58</u>	<u>32,668,376</u>	<u>68</u>
<b>Non-current assets</b>						
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	92,124	-	83,070	-
1600	Property, plant and equipment	6(7)(10)	17,389,321	38	14,638,999	30
1755	Right-of-use assets	6(8)	1,098,202	3	274,881	1
1780	Intangible assets	6(9)	25,597	-	13,914	-
1840	Deferred tax assets	6(28)	139,564	-	92,569	-
1900	Other non-current assets	6(11) and 8	637,522	1	543,254	1
15XX	<b>Non-current assets</b>		<u>19,382,330</u>	<u>42</u>	<u>15,646,687</u>	<u>32</u>
1XXX	<b>Total assets</b>		<u>\$ 46,120,668</u>	<u>100</u>	<u>\$ 48,315,063</u>	<u>100</u>

(Continued)

**FLEXIUM INTERCONNECT, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2022 AND 2021**  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2022		December 31, 2021	
		AMOUNT	%	AMOUNT	%
<b>Current liabilities</b>					
2120	Financial liabilities at fair value	6(2)			
	through profit or loss - current		\$ 19,689	-	\$ 13,021
2170	Accounts payable		5,319,859	12	5,904,771
2200	Other payables	6(12)	5,494,264	12	6,636,645
2230	Current income tax liabilities		1,314,117	3	1,257,328
2280	Current lease liabilities		122,782	-	53,985
2320	Long-term liabilities, current portion	6(13)(14)	4,183,228	9	414,583
2399	Other current liabilities, others		48,563	-	43,351
21XX	<b>Current Liabilities</b>		<u>16,502,502</u>	<u>36</u>	<u>14,323,684</u>
<b>Non-current liabilities</b>					
2530	Bonds payable	6(13)	-	-	3,316,072
2540	Non-current portion of non-current borrowings	6(14)	2,638,988	6	3,485,417
2570	Deferred tax liabilities	6(28)	1,446,418	3	1,448,184
2580	Non-current lease liabilities		558,704	1	21,443
2600	Other non-current liabilities	6(15)	27,176	-	35,809
25XX	<b>Non-current liabilities</b>		<u>4,671,286</u>	<u>10</u>	<u>8,306,925</u>
2XXX	<b>Total Liabilities</b>		<u>21,173,788</u>	<u>46</u>	<u>22,630,609</u>
<b>Equity attributable to owners of parent</b>					
	Share capital	6(13)(16)(17)			
3110	Share capital - common stock		3,227,909	7	3,513,309
	Capital surplus	6(13)(18)			
3200	Capital surplus		1,579,870	3	3,048,710
	Retained earnings	6(19)			
3310	Legal reserve		2,609,073	6	2,417,676
3320	Special reserve		477,174	1	428,325
3350	Unappropriated retained earnings		17,548,594	38	16,799,119
	Other equity interest	6(20)			
3400	Other equity interest		(495,740)	(1)	(522,685)
31XX	<b>Equity attributable to owners of the parent</b>		<u>24,946,880</u>	<u>54</u>	<u>25,684,454</u>
3XXX	<b>Total equity</b>		<u>24,946,880</u>	<u>54</u>	<u>25,684,454</u>
	Significant contingent liabilities and unrecognised contract commitments	9			
3X2X	<b>Total liabilities and equity</b>		<u>\$ 46,120,668</u>	<u>100</u>	<u>\$ 48,315,063</u>

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

**FLEXIUM INTERCONNECT, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**  
(Expressed in thousands of New Taiwan dollars, except earnings per share)

Items	Notes	Year ended December 31				
		2022		2021		
		AMOUNT	%	AMOUNT	%	
4000	Sales revenue	6(21)	\$ 40,070,122	100	\$ 35,568,666	100
5000	Operating costs	6(6)(9)(26)(27)	( 33,247,051)	( 83)	( 29,239,168)	( 82)
5900	Net operating margin		6,823,071	17	6,329,498	18
	Operating expenses	6(9)(26)(27)				
6100	Selling expenses		( 275,995)	( 1)	( 245,690)	( 1)
6200	General and administrative expenses		( 959,217)	( 2)	( 755,526)	( 2)
6300	Research and development expenses		( 2,050,930)	( 5)	( 2,055,340)	( 6)
6450	Impairment gain and reversal of impairment loss determined in accordance with IFRS 9	12(2)	( 6,595)	-	19	-
6000	Total operating expenses		( 3,292,737)	( 8)	( 3,056,537)	( 9)
6900	Operating profit		3,530,334	9	3,272,961	9
	Non-operating income and expenses					
7100	Interest income	6(4)(22)	287,882	1	176,814	1
7010	Other income	6(23)	79,301	-	328,745	1
7020	Other gains and losses	6(2)(10)(24)	451,986	1	61,513	-
7050	Finance costs	6(25)	( 37,916)	-	( 26,104)	-
7000	Total non-operating income and expenses		781,253	2	540,968	2
7900	<b>Profit before income tax</b>		4,311,587	11	3,813,929	11
7950	Income tax expense	6(28)	( 790,030)	( 2)	( 934,179)	( 3)
8200	<b>Profit for the year</b>		\$ 3,521,557	9	\$ 2,879,750	8
	<b>Other comprehensive income</b>					
	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>					
8311	Other comprehensive income (loss), before tax, actuarial losses on defined benefit plans	6(15)	\$ 6,779	-	( \$ 4,382)	-
8316	Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income	6(3)(20)	9,054	-	( 1,886)	-
	<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
8361	Financial statements translation differences of foreign operations	6(20)	140,028	-	( 46,963)	-
8300	<b>Total other comprehensive income (loss)</b>		\$ 155,861	-	( \$ 53,231)	-
8500	<b>Total comprehensive income</b>		\$ 3,677,418	9	\$ 2,826,519	8
	Profit attributable to:					
8610	Owners of parent		\$ 3,521,557	9	\$ 2,879,750	8
	Comprehensive income attributable to:					
8710	Owners of parent		\$ 3,677,418	9	\$ 2,826,519	8
	Earnings per share	6(29)				
9750	Basic earnings per share		\$ 10.83		\$ 8.19	
9850	Diluted earnings per share		\$ 9.94		\$ 7.64	

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

FLEXIUM INTERCONNECT, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)

	Notes	Equity attributable to owners of the parent								Total equity
		Share capital			Retained Earnings			Other equity interest	Treasury stocks	
		Common stock	Certificates of bond-to-stock conversion	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings			
<b>Year ended December 31, 2021</b>										
Balance at January 1, 2021		\$ 3,613,734	\$ 4,064	\$ 4,771,691	\$ 2,129,895	\$ 523,311	\$ 15,077,940	(\$ 563,146 )	\$ -	\$ 25,557,489
Profit for the year		-	-	-	-	-	2,879,750	-	-	2,879,750
Other comprehensive loss	6(15)(20)	-	-	-	-	-	( 4,382 )	( 48,849 )	-	( 53,231 )
Total comprehensive income (loss)		-	-	-	-	-	2,875,368	( 48,849 )	-	2,826,519
Appropriation and distribution of 2020 earnings:										
Legal reserve		-	-	-	287,781	-	( 287,781 )	-	-	-
Special reserve		-	-	-	-	( 94,986 )	94,986	-	-	-
Cash dividends from capital surplus	6(18)	-	-	( 1,786,765 )	-	-	-	-	-	( 1,786,765 )
Share-based payments transactions	6(16)(17)(18)(20)	( 8,501 )	-	11,062	-	-	-	89,310	-	91,871
Issuance of convertible bonds	6(13)(18)	-	-	112,250	-	-	-	-	-	112,250
Conversion of convertible bonds	6(13)(17)(18)	6,096	( 4,064 )	12,876	-	-	-	-	-	14,908
Purchase of treasury share	6(17)	-	-	-	-	-	-	-	( 1,131,818 )	( 1,131,818 )
Retirement of treasury share	6(17)(18)	( 98,020 )	-	( 72,404 )	-	-	( 961,394 )	-	1,131,818	-
Balance at December 31, 2021		\$ 3,513,309	\$ -	\$ 3,048,710	\$ 2,417,676	\$ 428,325	\$ 16,799,119	(\$ 522,685 )	\$ -	\$ 25,684,454
<b>Year ended December 31, 2022</b>										
Balance at January 1, 2022		\$ 3,513,309	\$ -	\$ 3,048,710	\$ 2,417,676	\$ 428,325	\$ 16,799,119	(\$ 522,685 )	\$ -	\$ 25,684,454
Profit for the year		-	-	-	-	-	3,521,557	-	-	3,521,557
Other comprehensive income	6(15)(20)	-	-	-	-	-	6,779	149,082	-	155,861
Total comprehensive income		-	-	-	-	-	3,528,336	149,082	-	3,677,418
Appropriation and distribution of 2021 earnings:										
Legal reserve		-	-	-	191,397	-	( 191,397 )	-	-	-
Special reserve		-	-	-	-	48,849	( 48,849 )	-	-	-
Cash dividends from capital surplus	6(18)	-	-	( 1,593,170 )	-	-	-	-	-	( 1,593,170 )
Share-based payments transactions	6(16)(17)(18)(20)	14,600	-	210,160	-	-	-	( 122,137 )	-	102,623
Purchase of treasury share	6(17)	-	-	-	-	-	-	-	( 2,924,445 )	( 2,924,445 )
Retirement of treasury share	6(17)(18)	( 300,000 )	-	( 85,830 )	-	-	( 2,538,615 )	-	2,924,445	-
Balance at December 31, 2022		\$ 3,227,909	\$ -	\$ 1,579,870	\$ 2,609,073	\$ 477,174	\$ 17,548,594	(\$ 495,740 )	\$ -	\$ 24,946,880

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

FLEXIUM INTERCONNECT, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2022	2021
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit before tax		\$ 4,311,587	\$ 3,813,929
Adjustments			
Adjustments to reconcile profit (loss)			
Share-based payments	6(16)	102,623	91,871
Expected credit loss (gain)	12(2)	6,595	( 19 )
Povision for allowance for sales returns and discounts		110	346
Depreciation expense	6(7)(8)(26)	2,667,536	1,897,325
Amortization expense	6(9)(26)	16,367	15,082
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	6(2)(24)	11,703	( 64,491 )
Interest expense	6(25)	37,916	26,104
Interest income	6(22)	( 287,882 )	( 176,814 )
Dividend income	6(23)	( 1,892 )	( 530 )
Loss on disposal of property, plant and equipment	6(24)	18,217	5,702
Impairment loss on property, plant and equipment	6(10)(24)	74,541	-
Changes in operating assets and liabilities			
Changes in operating assets			
Decrease in financial assets at fair value-current		20,205	97,204
Decrease in financial assets at amortised cost-current		5,477,060	1,949,900
Decrease (increase) in notes receivable		23	( 23 )
Decrease (increase) in accounts receivable		2,567,923	( 1,175,253 )
Decrease (increase) in other receivables		140,577	( 128,467 )
Decrease (increase) in inventories		363,544	( 1,318,444 )
Decrease in prepayments		136,339	234,860
(Increase) decrease in other current assets		( 207 )	62,007
Changes in operating liabilities			
(Decrease) increase in accounts payable		( 584,912 )	856,628
Decrease in other payable		( 734,196 )	( 169,604 )
Increase (decrease) in other current liabilities, others		5,212	( 4,357 )
Cash inflow generated from operations		14,348,989	6,012,956
Interest received		134,191	77,090
Dividends received		1,892	530
Interest paid		( 21,997 )	( 2,073 )
Income tax paid		( 749,431 )	( 524,168 )
Net cash flows from operating activities		<u>13,713,644</u>	<u>5,564,335</u>

(Continued)

FLEXIUM INTERCONNECT, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2022	2021
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Acquisition of financial assets mandatorily measured at fair value through profit or loss - current		(\$ 14,061,941 )	(\$ 13,183,587 )
Proceeds from disposal of financial assets mandatorily measured at fair value through profit or loss - current		16,068,611	11,600,713
Acquisition of non-current financial assets at fair value through other comprehensive income	12(3)	-	( 27,940 )
Acquisition of property, plant and equipment (including prepayment for equipment and for land purchases)	6(30)	( 5,881,634 )	( 6,607,878 )
Proceeds from disposal of property, plant and equipment		18,905	26,936
Acquisition of intangible assets	6(9)	( 28,037 )	( 8,375 )
Decrease (increase) in refundable deposits		51,206	( 65,362 )
Interest received		152,996	92,060
Net cash flows used in investing activities		( 3,679,894 )	( 8,173,433 )
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Increase in short-term loans	6(31)	886,768	-
Decrease in short-term loans	6(31)	( 878,503 )	-
Repayments of principal portion of lease liabilities	6(31)	( 336,840 )	( 50,943 )
Proceeds from issuing bonds	6(31)	-	3,411,855
Proceeds from long-term borrowings	6(31)	-	944,638
Repayments of long-term debt	6(31)	( 414,583 )	-
Decrease in other non-current liabilities		( 1,854 )	( 5,860 )
Payments to acquire treasury shares	6(17)	( 2,924,445 )	( 1,131,818 )
Cash dividends from capital surplus	6(18)	( 1,593,170 )	( 1,786,765 )
Net cash flows (used in) from financing activities		( 5,262,627 )	1,381,107
Effect of exchange rate changes on cash and cash equivalents		( 14,101 )	1,702
Net increase (decrease) in cash and cash equivalents		4,757,022	( 1,226,289 )
Cash and cash equivalents at beginning of year	6(1)	7,896,275	9,122,564
Cash and cash equivalents at end of year	6(1)	<u>\$ 12,653,297</u>	<u>\$ 7,896,275</u>

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



FLEXIUM INTERCONNECT, INC.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2022 AND 2021  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT AS OTHERWISE  
INDICATED)

1. HISTORY AND ORGANISATION

(1) Flexium Interconnect, Inc. (the “Company”) was incorporated under the provisions of the Company Law of the Republic of China (R.O.C.) and other relevant regulations on December 19, 1997. The Company is primarily engaged in the following: (1) manufacturing of build-up copper clad laminate; (2) manufacturing, processing, research, development, trading and repair of build-up printed circuit boards, flexible printed circuit boards, related semi-finished goods and parts; (3) manufacturing, research, development, and trading of parts for semi-finished goods of polyimide film base copper clad laminate; (4) manufacturing, processing, repair, design, trading of moulds, tools and clamping apparatuses; and (5) sale of raw materials for the products mentioned above. The Company’s shares have been traded in the Taiwan Stock Exchange since September, 2003.

(2) Please refer to Note 4(3) B. for the descriptions on the primary business operations of the Company and its subsidiaries (collectively referred herein as the “Group”).

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were authorised for issuance by the Board of Directors on February 9, 2023.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

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

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

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

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income.
- (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

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

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

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Note
			2022	2021	
FLEXIUM INTERCONNECT INC.	FLEXIUM INTERCONNECT INC.	Business investment	100	100	
FLEXIUM INTERCONNECT INC.	UFLEX TECHNOLOGY CO., LTD.	Business investment	100	100	
FLEXIUM INTERCONNECT INC.	FLEXIUM INTERCONNECT INVESTMENT CO., LTD.	Business investment	100	100	
FLEXIUM INTERCONNECT INC.	BOOM BUSINESS LIMITED	Business investment	100	100	
FLEXIUM INTERCONNECT INC.	FLEXIUM INTERCONNECT AMERICA LLC.	Marketing supporting, and technology services	100	100	
FLEXIUM INTERCONNECT INC.	UNIVERSE ENERGY CO., LTD	Renewable energy self-use power generation equipment and energy technology services, etc.	100	-	Note 1
FLEXIUM INTERCONNECT INC.	SUCCESS GLORY INVESTMENTS LTD.	Business investment	100	100	
FLEXIUM INTERCONNECT INC.	GRANDPLUS ENTERPRISES LTD.	Business investment	100	100	
SUCCESS GLORY INVESTMENTS LTD. and UFLEX TECHNOLOGY CO., LTD.	FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION	Research, development, manufacturing and sale of new-type electronic components and devices (such as flexible printed circuit boards)	100	100	Note 2
GRANDPLUS ENTERPRISES LTD.	CHOSEN GLORY LIMITED	Business investment	100	100	
GRANDPLUS ENTERPRISES LTD.	CHAMPION BEYOND LIMITED	Business investment	100	100	
GRANDPLUS ENTERPRISES LTD.	FOREVER MASTER LIMITED	Business investment	100	100	
BOOM BUSINESS LIMITED	CLEAR SUCCESS GLOBAL LIMITED	Business investment	100	100	
CLEAR SUCCESS GLOBAL LIMITED	FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	Research, development, manufacturing and sale of new-type electronic components and devices (such as flexible printed circuit boards)	100	100	

Note 1 : Established on September 6, 2022.

Note 2: As of December 31, 2022 and 2021, the ownership percentages of SUCCESS GLORY INVESTMENTS LTD. were both 74.11%, and the ownership percentages of UFLEX TECHNOLOGY CO., LTD. were both 25.89%.

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

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

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

#### (4) Foreign currency translation

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

##### A. Foreign currency transactions and balances

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

##### B. Translation of foreign operations

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

(5) Classification of current and non-current items

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

(6) Cash equivalents

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

(7) Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using settlement date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Financial assets at fair value through other comprehensive income

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using settlement date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:

The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(9) Financial assets at amortised cost

The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(10) Accounts and notes receivable

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

(11) Impairment of financial assets

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

(12) Derecognition of financial assets

The Group derecognises a financial asset when one of the following conditions is met:

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Group has not retained control of the financial asset.

(13) Operating leases (lessor)

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(14) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in process comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale.

(15) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings	2 ~ 50 years
Machinery equipment	2 ~ 15 years
Transportation equipment	2 ~ 15 years
Office equipment	3 ~ 10 years
Other equipment	2 ~ 10 years



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

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
  - (a) The amount of the initial measurement of lease liability; and
  - (b) Any lease payments made at or before the commencement date.

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

(17) Intangible assets

Computer software is stated at cost and amortized using the straight-line method over its estimated economic service life.

(18) Impairment of non-financial assets

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

(19) Borrowings

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

(20) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(21) Financial liabilities at fair value through profit or loss

- A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges or financial liabilities at fair value through profit or loss. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss at initial recognition:
  - (a) Hybrid (combined) contracts; or
  - (b) They eliminate or significantly reduce a measurement or recognition inconsistency; or
  - (c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.
- B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(22) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(23) Offsetting financial instruments

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

(24) Financial liabilities and equity instruments

Bonds payable

Convertible corporate bonds issued by the Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Group's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Group classifies the bonds payable and derivative features embedded in convertible corporate bonds on initial recognition as a financial asset, a financial liability or an equity instrument ('capital surplus-stock warrants') in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument. Convertible corporate bonds are accounted for as follows:

- A. Call options and put options embedded in convertible corporate bonds are recognised initially at net fair value as ‘financial assets or financial liabilities at fair value through profit or loss’. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as ‘gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss’.
- B. Bonds payable of convertible corporate bonds is initially recognised at fair value and subsequently stated at amortised cost. Any difference between the proceeds and the redemption value is accounted for as the premium or discount on bonds payable and presented as an addition to or deduction from bonds payable, which is amortised in profit or loss as an adjustment to the ‘finance costs’ over the period of bond circulation using the effective interest method.
- C. Conversion options embedded in convertible corporate bonds issued by the Group, which meet the definition of an equity instrument, are initially recognised in ‘capital surplus-stock warrants’ at the residual amount of total issue price less amounts of ‘financial assets or financial liabilities at fair value through profit or loss’ and ‘bonds payable-net’ as stated above. Conversion options are not subsequently remeasured.
- D. Any transaction costs directly attributable to the issuance of convertible corporate bonds are allocated to the liability and equity components in proportion to the allocation of proceeds.
- E. When bondholders exercise conversion options, the liability component of the bonds (including ‘bonds payable’ and ‘financial assets or financial liabilities at fair value through profit or loss’) shall be remeasured on the conversion date. The book value of common shares issued due to the conversion shall be based on the adjusted book value of the abovementioned liability component plus the book value of capital surplus - stock warrants.

(25) Non-hedging derivatives

Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss.

(26) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead.
- ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees' and directors' remuneration

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

(27) Employee share-based payment

- A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.
- B. Employee restricted shares:
  - (a) Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period.
  - (b) The issued employee restricted shares before meeting the vesting conditions are not entitled to appropriation of earnings (including but not limited to dividend, bonus and the distribution rights of capital surplus) and share options of cash capital increase.

- (c) For restricted stocks where employees do not need to pay to acquire those stocks. If employees resign during the vesting period, the Company will redeem without consideration and retire those stocks.

(28) Income tax

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

F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(29) Share capital

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

(30) Dividends

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

(31) Revenue recognition

- A. The Group manufactures and sells flexible printed circuit board products. Sales are recognised when control of the products has transferred, being 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 wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- B. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts and sales discounts and allowances.
- C. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(32) Government grants

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

(33) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker. The Group's Chief Operating Decision-Maker is responsible for allocating resources and assessing performance of the operating segments.

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

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

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

None.

(2) Critical accounting estimates and assumptions

A. Expected credit losses for accounts receivable

The Group shall measure the loss allowance at an amount equal to lifetime expected credit losses for accounts receivable. When assessing expected credit losses, the Group must use judgements to determine the influence factors for the collectibility of accounts receivable such as customers' operation conditions and historical transaction records which may influence the payment abilities of customers also consider the time value of money and future economic conditions to estimate reasonable and supporting information. The aforementioned judgements and considerations may all have significant impacts on the measurement outcome of expected credit losses.

B. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash:		
Cash on hand and revolving funds	\$ 1,157	\$ 905
Checking accounts and demand deposits	<u>1,750,328</u>	<u>1,927,477</u>
	<u>1,751,485</u>	<u>1,928,382</u>
Cash equivalents:		
Time deposits	8,813,668	5,386,403
Bonds sold under repurchase agreements	<u>2,088,144</u>	<u>581,490</u>
	<u>10,901,812</u>	<u>5,967,893</u>
	<u>\$ 12,653,297</u>	<u>\$ 7,896,275</u>

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

B. The Group has no cash and cash equivalents pledged to others as collaterals.

C. The above time deposits and bonds sold under the repurchase agreement with original maturities of less than three months were classified as cash equivalents.

### (2) Financial assets and liabilities at fair value through profit or loss

<u>Items</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	\$ 16,074	\$ 35,669
Forward foreign exchange	590	4,596
Structured certificates of deposit	<u>881,831</u>	<u>2,827,327</u>
	898,495	2,867,592
Valuation adjustments	( 6,248)	( 4,602)
	<u>\$ 892,247</u>	<u>\$ 2,862,990</u>
<u>Items</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current items:		
Financial liabilities held for trading		
Forward foreign exchange	\$ 15,920	\$ -
Financial liabilities designated as at fair value through profit or loss		
Put options of convertible bonds	<u>3,769</u>	<u>13,021</u>
	<u>\$ 19,689</u>	<u>\$ 13,021</u>



- A. The Group recognised net (loss) gain of (\$11,703) and \$64,491, respectively, for the years ended December 31, 2022 and 2021.
- B. The Group entered into contracts relating to derivative financial assets which were not accounted for under hedge accounting. The information is listed below:

Derivative Financial Assets	December 31, 2022	
	Contract Amount (notional principal)	Contract Period
Current items:		
Structured certificates of deposit	RMB 50,000 thousand	2022.12~2023.01
Structured certificates of deposit	RMB 150,000 thousand	2022.12~2023.03
Forward foreign exchange contracts	USD 21,000 thousand	2022.12~2023.01
Derivative Financial Liabilities		
Forward foreign exchange contracts	USD 134,000 thousand	2022.12~2023.04

Derivative Financial Assets	December 31, 2021	
	Contract Amount (notional principal)	Contract Period
Current items:		
Structured certificates of deposit	RMB 231,000 thousand	2021.10~2022.01
Structured certificates of deposit	RMB 170,000 thousand	2021.11~2022.02
Structured certificates of deposit	RMB 100,000 thousand	2021.11~2022.03
Structured certificates of deposit	RMB 150,000 thousand	2021.12~2022.03
Forward foreign exchange contracts	USD 49,000 thousand	2021.11~2022.01

- C. The Group has no financial assets at fair value through profit or loss pledged to others as collaterals.
- D. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

(3) Financial assets at fair value through other comprehensive income

Items	December 31, 2022	December 31, 2021
Non-current items:		
Equity instruments		
Unlisted stocks	\$ 88,215	\$ 88,215
Valuation adjustments	3,909	(5,145)
	<u>\$ 92,124</u>	<u>\$ 83,070</u>

- A. The Group has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$92,124 and \$83,070, respectively, as at December 31, 2022 and 2021.

B. Amounts that the Group recognised in other comprehensive income for the years ended December 31, 2022 and 2021 in relation to the financial assets at fair value through other comprehensive income were \$9,054 and (\$1,886), respectively.

C. The Group has no financial assets at fair value through other comprehensive income pledged to others as collaterals.

(4) Financial assets at amortised cost

Items	December 31, 2022	December 31, 2021
Current items		
Time deposits maturing in excess of three months	\$ 1,848,360	\$ 7,325,420

A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

	For the years ended December 31,	
	2022	2021
Interest income	\$ 22,341	\$ 35,735

B. The counterparties of the Group's investments in certificates of deposits are financial institutions with high credit quality, so the Group expects that the probability of counterparty default is remote.

C. The Group has no financial assets at amortised cost pledged to others as collateral.

(5) Accounts receivable

	December 31, 2022	December 31, 2021
Accounts receivable	\$ 6,037,039	\$ 8,604,962
Less: Allowance for doubtful accounts	( 6,991)	( 396)
Allowance for sales returns and discounts	( 741)	( 631)
	\$ 6,029,307	\$ 8,603,935

A. The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	December 31, 2022	December 31, 2021
Up to 90 days	\$ 6,009,293	\$ 8,577,204
91 to 180 days	22	8,617
181 to 365 days	3,879	2,208
Over one year	23,845	16,933
	\$ 6,037,039	\$ 8,604,962

The above ageing analysis was based on overdue dates.

B. As of December 31, 2022 and 2021, and January 1, 2021, the balances of receivables from contracts with customers amounted to \$6,037,039, \$8,604,962 and \$7,429,709, respectively.

C. The Group does not hold collateral as security for accounts receivable.

D. As at December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's accounts receivable were \$6,029,037 and \$8,603,935, respectively.

E. Information relating to credit risk of accounts receivable is provided in Note 12(2).

(6) Inventories

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Raw materials	\$ 1,022,962	\$ 1,375,976
Work in process and semi-finished goods	1,156,590	1,606,155
Finished goods	<u>2,659,162</u>	<u>2,220,127</u>
	<u>\$ 4,838,714</u>	<u>\$ 5,202,258</u>

The cost of inventories recognised as expense for the years ended December 31, 2022 and 2021, was \$33,247,051 and \$29,239,168, respectively, including the amount of \$59,286 and \$257,500, respectively for the years ended December 31, 2022 and 2021, that the Group wrote down from cost to net realizable value accounted for as increase of cost of good sold.

(7) Property, plant and equipment

A. Book values of property, plant and equipment are as follows:

	December 31, 2022	December 31, 2021
Land	\$ 4,949,953	\$ 2,407,376
Buildings	3,228,749	2,500,352
Machinery	8,357,672	6,572,028
Transportation equipment	5,886	5,205
Office equipment	1,481	1,540
Other equipment	447,204	292,607
Construction in progress and equipment under acceptance	398,376	2,859,891
	<u>\$ 17,389,321</u>	<u>\$ 14,638,999</u>

B. Changes in property, plant and equipment are as follows:

Cost	For the year ended December 31, 2022				
	Opening net book amount	Additions and transfer	Deduction	Effects of exchange rate changes	Closing net book amount
Land	\$ 2,407,376	\$ 2,542,577	\$ -	\$ -	\$ 4,949,953
Buildings	3,783,042	967,082	( 8,475)	14,932	4,756,581
Machinery	14,343,197	3,995,317	( 273,710)	89,730	18,154,534
Transportation equipment	26,515	3,568	( 849)	250	29,484
Office equipment	14,533	200	-	209	14,942
Other equipment	708,821	315,654	( 28,673)	6,547	1,002,349
Construction in progress and equipment under acceptance	2,859,891	( 2,497,058)	-	35,543	398,376
	<u>\$ 24,143,375</u>	<u>\$ 5,327,340</u>	<u>(\$ 311,707)</u>	<u>\$ 147,211</u>	<u>\$ 29,306,219</u>

For the year ended December 31, 2021

Cost	Opening net book amount	Additions and transfer	Deduction	Effects of exchange rate changes	Closing net book amount
Land	\$ 786,599	\$ 1,620,777	\$ -	\$ -	\$ 2,407,376
Buildings	2,422,044	1,372,601	-	( 11,603)	3,783,042
Machinery	10,780,904	3,718,801	( 121,247)	( 35,261)	14,343,197
Transportation equipment	24,892	2,281	( 560)	( 98)	26,515
Office equipment	13,990	620	-	( 77)	14,533
Other equipment	505,701	219,428	( 14,220)	( 2,088)	708,821
Construction in progress and equipment under acceptance	1,744,209	1,116,650	-	( 968)	2,859,891
	<u>\$ 16,278,339</u>	<u>\$ 8,051,158</u>	<u>(\$ 136,027)</u>	<u>(\$ 50,095)</u>	<u>\$ 24,143,375</u>

For the year ended December 31, 2022

Accumulated depreciation and impairment	Opening net book amount	Additions	Deduction	Effects of exchange rate changes	Closing net book amount
Buildings	\$ 1,282,690	\$ 238,788	(\$ 8,475)	\$ 14,829	\$ 1,527,832
Machinery	7,771,169	2,215,110	( 238,304)	48,887	9,796,862
Transportation equipment	21,310	2,934	( 849)	203	23,598
Office equipment	12,993	276	-	192	13,461
Other equipment	416,214	162,807	( 26,957)	3,081	555,145
	<u>\$ 9,504,376</u>	<u>\$ 2,619,915</u>	<u>(\$ 274,585)</u>	<u>\$ 67,192</u>	<u>\$ 11,916,898</u>

For the year ended December 31, 2021

Accumulated depreciation and impairment	Opening net book amount	Additions	Deduction	Effects of exchange rate changes	Closing net book amount
Buildings	\$ 1,086,545	\$ 201,490	\$ -	(\$ 5,345)	\$ 1,282,690
Machinery	6,321,564	1,559,873	( 91,404)	( 18,864)	7,771,169
Transportation equipment	19,225	2,722	( 560)	( 77)	21,310
Office equipment	13,028	34	-	( 69)	12,993
Other equipment	352,301	76,480	( 11,425)	( 1,142)	416,214
	<u>\$ 7,792,663</u>	<u>\$ 1,840,599</u>	<u>(\$ 103,389)</u>	<u>(\$ 25,497)</u>	<u>\$ 9,504,376</u>

C. No borrowing costs were capitalized as part of property, plant and equipment for the years ended December 31, 2022 and 2021.

D. Impairment information about the property, plant and equipment is provided in Note 6(10).

E. The Group did not have property, plant and equipment pledged to others as collaterals.

F. Property, plant and equipment were not classified as operating leases assets.

(8) Leasing arrangements - lessee

- A. The Group leases various assets including land, buildings and business vehicles. Rental contracts are typically made for periods of 1 to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used for leasing, subleasing, selling or any action affecting the ownership of the lessor.
- B. Short-term leases with a lease term of 12 months or less comprise of certain machinery and equipment, business vehicles and accommodations.
- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 195,608	\$ 198,628
Buildings	901,852	73,718
Transportation equipment (Business vehicles)	742	2,535
	<u>\$ 1,098,202</u>	<u>\$ 274,881</u>

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 6,078	\$ 5,953
Buildings	113,941	48,620
Transportation equipment (Business vehicles)	2,143	2,153
	<u>\$ 122,162</u>	<u>\$ 56,726</u>

- D. For the years ended December 31, 2022 and 2021, the additions to right-of-use assets were \$946,505 and \$65,450, respectively.
- E. Information on profit or loss in relation to lease contracts is as follows:

	<u>For the years ended December 31,</u>	
<u>Items affecting profit or loss</u>	<u>2022</u>	<u>2021</u>
Interest expense on lease liabilities	\$ 1,078	\$ 972
Expense on short-term lease contracts	72,172	67,189

- F. For the years ended December 31, 2022 and 2021, the Group's total cash outflow for leases were \$410,090 and \$119,104, respectively.

(9) Intangible assets-computer software cost

A. Changes in computer software cost are as follows:

	<u>2022</u>	<u>2021</u>
At January 1	\$ 13,914	\$ 20,645
Additions-acquired separately	28,037	8,375
Amortization	( 16,367)	( 15,082)
Effects of exchange rate changes	13	( 24)
At December 31	<u>\$ 25,597</u>	<u>\$ 13,914</u>

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

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Operating costs	\$ 511	\$ 240
General and administrative expenses	10,734	9,478
Research and development expenses	5,122	5,364
	<u>\$ 16,367</u>	<u>\$ 15,082</u>

(10) Impairment of non-financial assets

A. Details of impairment losses recognised by the Company are as follows:

	<u>Recognised in profit or loss</u>	
	<u>2022</u>	<u>2021</u>
Impairment loss – machinery	\$ 64,037	\$ -
Impairment loss – other equipment	10,504	-
	<u>\$ 74,541</u>	<u>\$ -</u>

B. In 2022, the changes in product structures and replacement of existing product equipment resulted in an impairment. The Group wrote down the carrying amount of the asset based on the recoverable amount and recognised an impairment loss of \$74,541 accordingly. The recoverable amount is the fair value of those property, plant and equipment less costs of disposal, estimated in accordance with the income approach. The fair value is classified as a level 3 fair value.

(11) Other non-current assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Prepayment for land purchases	\$ 116,165	\$ 116,165
Prepayment for equipment	232,039	86,565
Refundable deposits	289,318	340,524
	<u>\$ 637,522</u>	<u>\$ 543,254</u>

Information about the refundable deposits that were pledged to others as collaterals is provided in Note 8.



(12) Other payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Processing fees payable	\$ 1,377,533	\$ 2,119,931
Wages and salaries payable	647,855	637,260
Payables on employees' compensation and remuneration to directors	125,000	186,000
Payables on machinery and equipment	1,718,358	2,127,178
Other payables	<u>1,625,518</u>	<u>1,566,276</u>
	<u>\$ 5,494,264</u>	<u>\$ 6,636,645</u>

(13) Bonds payable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Third overseas unsecured convertible bonds	\$ -	\$ -
Fourth overseas unsecured convertible bonds	3,359,400	3,359,400
Less: Discount on bonds payable	<u>( 22,601)</u>	<u>( 43,328)</u>
	3,336,799	3,316,072
Less: current portion		
(Shown as long-term liabilities, current portion)	<u>( 3,336,799)</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 3,316,072</u>

A. The terms of the Third overseas unsecured convertible bonds issued by the Company are as follows:

(a) On January 22, 2019, the Company issued 0% coupon, 3-year unsecured convertible bonds in the amount of US\$100 million. Except for the Company's bonds that were redeemed, repurchased and retired or had their conversion rights exercised by the bondholders (the "bondholders"), the bonds are repayable in full by cash at face value at maturity. Redemption price at maturity would be translated into NTD at the fixed exchange rate of 30.838, then translate the NTD into USD using the currency rate on that day for repayment. The bonds were traded in the Singapore Exchange Limited since January 22, 2019.

(b) Except for the bond redeemed early, repurchased and retired, bonds that were converted by their bondholders and the mandatory stop transfer period regulated by law and agreed in the bond indenture separately, the bondholders have the right to ask for conversion of the bonds into common shares of the Company in accordance with the relevant regulation and the bond indenture during the period from the date after 90 days of the bonds issue to 10 days before the maturity date, or on the day that the bondholders exercise the put option, or the fifth business day before the issue company exercise the early redemption.

As at January 22, 2022, the bonds with face value in the amount of US\$ 100,000 thousand had been converted into 39,725 thousand shares of common stocks (shown as 'Share capital-common stock' of \$397,252 and 'capital surplus, additional paid-in capital arising from bond conversion' of \$2,767,823).

- (c) The conversion price is set up according to the terms of the bonds and is subject to adjustments when the anti-dilution provisions occur. The conversion price was set at NT\$83.95 (in dollars) per share on issuance. If the conversion price reset according to the terms is higher than the original conversion price of current year, then the conversion price will not be adjusted. At the time of conversion, the principal of the bond is multiplied by the fixed exchange rate of 30.838 agreed on the pricing date as the numerator, and the conversion price at the time of conversion is used as the denominator to calculate the number of shares convertible into common stocks. As at January 22, 2022, the conversion price was adjusted to NT\$75.88 (in dollars) per share.
- (d) The rules of put options are as follows:
- i. The bondholders have no right to ask for whole or partial redemption of the bonds, except the following:
    - (i) Except for the bond redeemed early, repurchased and retired, bonds that were converted by their bondholders, the bondholders have right to ask for whole or partial redemption of the bonds with an added interest rate of 0.425% per annum (compounded semi-annually) on the face value as the premium which is equivalent to 100.8527% of the face value (the “early redemption price for the bondholders”), after two years from the issue date.
    - (ii) If the Company’s common shares are unlisted from the Taiwan Stock Exchange or ceased trading over 30 consecutive business days, the bondholders have right to ask for only whole redemption of the bonds with an added interest rate of 0.425% per annum on the face value as the premium (the “early redemption amount”).
    - (iii) If any changes occurs to the Company’s controlling power as defined in the bond indenture (the “bond indenture”), the bondholders have right to ask for only whole redemption of the bonds.
  - ii. The exercise of the aforementioned put options by the bondholders and the acceptance of the bondholders’ requests by the Company shall in accordance with the procedures of the bond indenture. The early redemption price for the bondholders and the early redemption amount of bonds shall be paid on the payment date defined in the bond indenture by cash.
  - iii. The early redemption price for the bondholders and the early redemption amount of bonds shall be translated into NTD at the fixed exchange rate of 30.838, then translate the NTD into USD using the currency rate on that day for repayment.
- (e) The rules of redemption are as follows:
- i. For the period starting 2 years from the issue date until the maturity date, if the closing price (If the ex-right or the ex-dividend incurred, the adoption of the closing price shall be imputed to the price before ex-right and ex-dividend during the transaction date of the ex-right or the ex-dividend to the effective date of the ex-rights) of the issuing company’s common shares converted to USD using the currency exchange rate of the day on the Taiwan Stock Exchange reaches 130% of the total amount of the early redemption price multiply conversion price on that day (using the fixed currency exchange rate on the price settlement date to convert to USD) divided by the face value for 30 consecutive business

days, the issuing company has the right to redeem all or part of bonds at the early redemption price.

- ii. If over 90% of the outstanding bonds' is redeemed, converted repurchased or retired, the Company can redeem all the bonds that are still outstanding at the early redemption price.
  - iii. If changes to the R.O.C.'s tax regulations occur after the issue date and cause the Company to bear more tax or to pay extra interest expenses or increase in costs for the bonds, the Company can redeem all the bonds at the early redemption price in accordance with the bond indenture. And the bondholders have no right to ask the issuing company covers the extra tax and expense for their nonparticipation of the redemption.
  - iv. The early redemption amount of bonds shall all be translated into NTD at the fixed exchange rate of 30.838, then translate the NTD into USD using the currency rate on that day for repayment.
- (f) Under the terms of the bonds, all bonds redeemed (including from secondary market), matured and converted will be retired and not to be reissued.
- (g) Regarding the issuance of convertible bonds, the equity conversion options amounting to \$246,517 were separated from the liability component and were recognised in 'capital surplus - share options' in accordance with IAS 32. As of January 22, 2022, the balance of "capital surplus - share options" after adjusting the amount converted into common stock is \$0. The non-equity redeem options and put options embedded in bonds payable were separated from their host contracts and were recognised in 'financial assets and liabilities at fair value through profit or loss' in net amount in accordance with IFRS 9 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. The annual effective interest rate of the bonds payable after separation is 3.335%

B. The terms of the Fourth overseas unsecured convertible bonds issued by the Company are as follows:

- (a) On January 25, 2021, the Company issued 0% coupon, 3-year unsecured convertible bonds in the amount of US\$120 million. Except for the Company's bonds that were redeemed, repurchased and retired or had their conversion rights exercised by the bondholders (the "bondholders"), the bonds are repayable in full by cash at face value at maturity. Redemption price at maturity would be translated into NTD at the fixed exchange rate of 27.995, then translate the NTD into USD using the currency rate on that day for repayment. The bonds were traded in the Singapore Exchange Limited since January 25, 2021.
- (b) Except for the bond redeemed early, repurchased and retired, bonds that were converted by their bondholders and the mandatory stop transfer period regulated by law and agreed in the bond indenture separately, the bondholders have the right to ask for conversion of the bonds into common shares of the Company in accordance with the relevant regulation and the bond indenture during the period from the date after 90 days of the bonds issue to 10 days before the maturity date, or on the day that the bondholders exercise the put option, or the fifth business day before the issue company exercise the early redemption. As of December 31, 2022, no bonds have been converted or redeemed.

- (c) The conversion price is set up according to the terms of the bonds and is subject to adjustments when the anti-dilution provisions occur. The conversion price was set at NT\$136.00 (in dollars) per share on issuance. If the conversion price reset according to the terms is higher than the original conversion price of current year, then the conversion price will not be adjusted. At the time of conversion, the principal of the bond is multiplied by the fixed exchange rate of 27.995 agreed on the pricing date as the numerator, and the conversion price at the time of conversion is used as the denominator to calculate the number of shares convertible into common stocks. As at December 31, 2022, the conversion price was adjusted to NT\$123.22 (in dollars) per share.
- (d) The rules of put options are as follows:
- i. The bondholders have no right to ask for whole or partial redemption of the bonds, except the following:
    - (i) Except for the bond redeemed early, repurchased and retired, bonds that were converted by their bondholders, the bondholders have the right to ask for whole or partial redemption of the bonds with an added interest rate of 0% per annum on the face value as the premium after two years from the issue date.
    - (ii) If the Company's common shares are unlisted from the Taiwan Stock Exchange or ceased trading over 30 consecutive business days, the bondholders have the right to ask for only whole redemption of the bonds with an added interest rate of 0% per annum on the face value as the premium (the "early redemption amount").
    - (iii) If any changes occurs to the Company's controlling power as defined in the bond indenture (the "bond indenture"), the bondholders have right to ask for only whole redemption of the bonds.
  - ii. The exercise of the aforementioned put options by the bondholders and the acceptance of the bondholders' requests by the Company shall in accordance with the procedures of the bond indenture. The early redemption price for the bondholders and the early redemption amount of bonds shall be paid on the payment date defined in the bond indenture by cash.
  - iii. The early redemption price for the bondholders and the early redemption amount of bonds shall be translated into NTD at the fixed exchange rate of 27.995, then translate the NTD into USD using the currency rate on that day for repayment.
- (e) The rules of redemption are as follows:
- i. For the period starting 2 years from the issue date until the maturity date, if the closing price (If the ex-right or the ex-dividend incurred, the adoption of the closing price shall be imputed to the price before ex-right and ex-dividend during the transaction date of the ex-right or the ex-dividend to the effective date of the ex-rights) of the issuing company's common shares converted to USD using the currency exchange rate of the day on the Taiwan Stock Exchange reaches 130% of the total amount of the early redemption price multiply conversion price on that day (using the fixed currency exchange rate on the price settlement date to convert to USD) divided by the face value for 30 consecutive business days, the issuing company has the right to redeem all or part of bonds at the early redemption price.

- ii. If over 90% of the outstanding bonds' is redeemed, converted repurchased or retired, the Company can redeem all the bonds that are still outstanding at the early redemption price.
  - iii. If changes to the R.O.C.'s tax regulations occur after the issue date and cause the Company to bear more tax or to pay extra interest expenses or increase in costs for the bonds, the Company can redeem all the bonds at the early redemption price in accordance with the bond indenture. And the bondholders have no right to ask the issuing company covers the extra tax and expense for their nonparticipation of the redemption.
  - iv. The early redemption amount of bonds shall all be translated into NTD at the fixed exchange rate of 27.995, then translate the NTD into USD using the currency rate on that day for repayment.
- (f) Under the terms of the bonds, all bonds redeemed (including from secondary market), matured and converted will be retired and not to be reissued.
- (g) Regarding the issuance of convertible bonds, the equity conversion options amounting to \$112,250 were separated from the liability component and were recognised in 'capital surplus - share options' in accordance with IAS 32. The non-equity redeem options and put options embedded in bonds payable were separated from their host contracts and were recognised in 'financial assets or liabilities at fair value through profit or loss' in net amount in accordance with IFRS 9 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. The annual effective interest rate of the bonds payable after separation is 0.6748%.

(14) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2022
Long-term bank borrowings				
Unsecured borrowings	Borrowing period is from May, 2019 to May, 2026; interest is payable monthly; principal is repayable in instalments from June, 2022.	0.425%~1.970%	None	\$ 683,333
Unsecured borrowings	Borrowing period is from May, 2019 to May, 2029; interest is payable monthly; principal is repayable in instalments from June, 2022.	0.425%~1.970%	None	1,100,000
Unsecured borrowings	Borrowing period is from July, 2019 to July, 2026; interest is payable monthly; principal is repayable in instalments from August, 2022.	0.425%~1.970%	None	1,702,084
				<u>3,485,417</u>
Less: Current portion				( 846,429)
				<u>\$ 2,638,988</u>

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2021
Long-term bank borrowings				
Unsecured borrowings	Borrowing period is from May, 2019 to May, 2026; interest is payable monthly; principal is repayable in instalments from June, 2022.	0.030%~1.300%	None	\$ 800,000
Unsecured borrowings	Borrowing period is from May, 2019 to May, 2029; interest is payable monthly; principal is repayable in instalments from June, 2022.	0.030%~1.300%	None	1,200,000
Unsecured borrowings	Borrowing period is from July, 2019 to July, 2026; interest is payable monthly; principal is repayable in instalments from August, 2022.	0.030%~1.300%	None	1,900,000
				3,900,000
Less: Current portion				( 414,583)
				\$ 3,485,417

Details of interest expense of bank borrowings recognised in profit or loss are provided in Note 6(25).

#### (15) Pensions

##### A. Defined benefit plans

(a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit by next March.

(b) The amounts recognised in the balance sheet are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligations	(\$ 66,710)	(\$ 70,635)
Fair value of plan assets	<u>51,465</u>	<u>47,059</u>
Net defined benefit liability		
(shown as 'Other non-current liabilities')	<u>(\$ 15,245)</u>	<u>(\$ 23,576)</u>

(c) Changes in present value of defined benefit obligations are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>For the year ended December 31, 2022</u>			
Balance at January 1	(\$ 70,635)	\$ 47,059	(\$ 23,576)
Interest (expense) income	( 459)	311	( 148)
	<u>(\$ 71,094)</u>	<u>\$ 47,370</u>	<u>(\$ 23,724)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	3,610	3,610
Experience adjustments	4,384	( 1,215)	3,169
	<u>4,384</u>	<u>2,395</u>	<u>6,779</u>
Pension fund contribution	-	1,700	1,700
Balance at December 31	<u>(\$ 66,710)</u>	<u>\$ 51,465</u>	<u>(\$ 15,245)</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>For the year ended December 31, 2021</u>			
Balance at January 1	(\$ 65,257)	\$ 44,578	(\$ 20,679)
Interest (expense) income	( 686)	477	( 209)
	<u>(\$ 65,943)</u>	<u>\$ 45,055</u>	<u>(\$ 20,888)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	310	310
Experience adjustments	( 4,692)	-	( 4,692)
	<u>( 4,692)</u>	<u>310</u>	<u>( 4,382)</u>
Pension fund contribution	-	1,694	1,694
Balance at December 31	<u>(\$ 70,635)</u>	<u>\$ 47,059</u>	<u>(\$ 23,576)</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of

the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2022 and 2021 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate	<u>1.25%</u>	<u>0.65%</u>
Future salary increases	<u>3.00%</u>	<u>3.00%</u>

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	<u>Discount rate</u>		<u>Future salary increases</u>	
	<u>Increase</u>	<u>Decrease</u>	<u>Increase</u>	<u>Decrease</u>
	<u>0.25%</u>	<u>0.25%</u>	<u>1%</u>	<u>1%</u>
December 31, 2022				
Effect on present value of defined benefit obligation	(\$ 1,933)	\$ 2,011	\$ 8,440	(\$ 7,335)
December 31, 2021				
Effect on present value of defined benefit obligation	(\$ 2,505)	\$ 2,625	\$ 11,013	(\$ 9,354)

The sensitivity analysis above is based on other conditions that are unchanged but only one assumption is changed. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The method and assumptions used for the preparation of sensitivity analysis during 2022 and 2021 are the same.

(f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2023 amount to \$1,700.

(g) As of December 31, 2022, the weighted average duration of that retirement plan is 14.1 years.

#### B. Defined contribution plan

(a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering



all regular employees with R.O.C. nationality. Under the New Plan, Taiwan-based companies of the Group contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b)The Company's mainland China subsidiaries, have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on a certain percentage of employees' monthly salaries and wages.

(c)The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2022 and 2021 were \$299,263 and \$239,827, respectively.

(16) Share-based payment

On August 3, 2022, July 3, 2020 and July 1, 2019, the Board of Directors of the Company has resolved to issue employee restricted shares:

A. Details of the share-based payment arrangements are as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Number of shares granted (in thousands)</u>	<u>Contract period</u>	<u>Vesting conditions</u>
Restricted stock transferred to employees (Note 1)	2020.08.03	2,500	3 years	Service period and performance condition (Note 3)
Restricted stock transferred to employees (Note 1)	2020.07.03	1,000	3 years	Service period and performance condition (Note 2)
Restricted stock transferred to employees (Note 1)	2019.07.01	5,500	3 years	Service period and performance condition (Note 2)

Note 1: The restricted shares issued by the Company cannot be transferred during the vesting period before meeting the vesting conditions. The right of attendance, proposal, presentation, voting and election at the shareholders' meeting are the same as the Company's issued ordinary shares, except appropriation of earnings (including but not limited to dividend, bonus and the distribution rights of capital surplus) and share options of cash capital increase. The Company has rights to take back the unvested shares at no consideration and retire the shares if employees resign during the vesting period.

Note 2: For the employees who are currently working in the Company, whose services have reached 1 year, 2 years and 3 years since the allocation of restricted shares and who achieved the target performance and have made contributions, the ceiling of accumulated vested share ratio is up to 30%, 30% and 40%, respectively.

Note 3: For the employees who are currently working in the Company, whose services have reached 1 year since the allocation of restricted shares and who achieved the target performance and have made contributions, the ceiling of accumulated vested share ratio is up to 100%.

B. Details of the share-based payment arrangements are as follows: (Shares in thousands)

	<u>2022</u>	<u>2021</u>
Employee restricted shares at January 1	2,734	4,630
Options issued for the year	2,500	-
Options retired for the year	( 1,040)	( 850)
Unrestriction for the year	( 1,309)	( 1,046)
Employee restricted shares at December 31	<u>2,885</u>	<u>2,734</u>

C. Expenses incurred on share-based payment transactions amounted to \$102,623 and \$91,871 for the years ended December 31, 2022 and 2021, respectively.

(17) Share capital

A. As of December 31, 2022, the Company's authorized capital was \$6,000,000 (including 20,000 thousand shares reserved for employee stock options and convertible bonds issued by the Company), and the paid-in capital was \$3,227,909, consisting of 322,791 thousand shares of ordinary stock, with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

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

	<u>2022</u>	<u>2021</u>
At January 1	351,331	361,374
Employee restricted shares	2,500	-
Employee restricted shares cancellation	( 1,040)	( 850)
Conversion of convertible bonds	-	609
Treasury share cancellation	( 30,000)	( 9,802)
At December 31	<u>322,791</u>	<u>351,331</u>

B. The information on conversion requests on convertible bonds for the year ended December 31, 2022 is provided in Note 6(13).

C. The Board of Directors during its meeting on August 3, 2022 adopted a resolution to issue employee restricted ordinary shares (see Note 6(16)) with the effective date set on September 5, 2022. The subscription price is \$0 (in dollars) per share. The employee restricted ordinary shares issued are subject to certain transfer restrictions before their vesting conditions are met. After meeting their vesting conditions, the rights and obligations of these shares issued are the same as other issued ordinary shares.

#### D. Treasury shares

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

There was no such transaction as of December 31, 2022 and 2021.

(b) Pursuant to the R.O.C. Securities and Exchange Law, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.

(c) Pursuant to the R.O.C. Securities and Exchange Law, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.

(d) Pursuant to the R.O.C. Securities and Exchange Law, treasury shares should be reissued to the employees or be distributed for equity transfer within five years from the reacquisition date and shares not reissued within the three-year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.

(e) To maintain the Company's credit and the stockholders' equity, the Board of Directors during their meeting on February 9, 2022 resolved to repurchase the Company's shares in the amount of 15,000 thousand shares in accordance with related regulations. As of December 31, 2022, the Company had repurchased 15,000 thousand shares and completed the registration of share retirement.

(f) To maintain the Company's credit and the stockholders' equity, the Board of Directors during their meeting on March 16, 2022 resolved to repurchase the Company's shares in the amount of 15,000 thousand shares in accordance with related regulations. As of December 31, 2022, the Company had repurchased 15,000 thousand shares and completed the registration of share retirement.

#### (18) Capital surplus

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

2022						
	Share premium	Stock options	Donated assets	Employee restricted shares	Others	Total
At January 1, 2022	\$ 2,595,672	\$ 112,250	\$ 1,245	\$ 337,772	\$ 1,771	\$ 3,048,710
Employee restricted shares	290,133	-	-	( 79,973)	-	210,160
Treasury shares cancellation	( 85,830)	-	-	-	-	( 85,830)
Cash dividends from capital surplus	( 1,593,170)	-	-	-	-	( 1,593,170)
At December 31, 2022	<u>\$ 1,206,805</u>	<u>\$ 112,250</u>	<u>\$ 1,245</u>	<u>\$ 257,799</u>	<u>\$ 1,771</u>	<u>\$ 1,579,870</u>
2021						
	Share premium	Stock options	Donated assets	Employee restricted shares	Others	Total
At January 1, 2021	\$ 4,440,733	\$ 1,232	\$ 1,245	\$ 326,710	\$ 1,771	\$ 4,771,691
Employee restricted shares	-	-	-	11,062	-	11,062
Treasury shares cancellation	( 72,404)	-	-	-	-	( 72,404)
Cash dividends from capital surplus	( 1,786,765)	-	-	-	-	( 1,786,765)
Conversion option of convertible bonds	14,108	111,018	-	-	-	125,126
At December 31, 2021	<u>\$ 2,595,672</u>	<u>\$ 112,250</u>	<u>\$ 1,245</u>	<u>\$ 337,772</u>	<u>\$ 1,771</u>	<u>\$ 3,048,710</u>

- B. On May 4, 2022, the Board of Directors, by a special resolution, decided to distribute cash dividend from capital surplus in the amount of \$1,593,170, at NT\$5 (in dollars) per share. On February 17, 2021, the Board of Directors, by a special resolution, decided to distribute cash dividend from capital surplus in the amount of \$1,786,765, at NT\$5 (in dollars) per share. For the above mentioned relevant shareholders' meeting resolutions and distribution, please refer to "Market Observation Post System" at the website of the Taiwan Stock Exchange.
- C. On February 9, 2023, the Board of Directors, by a special resolution, decided to distribute cash dividend from capital surplus in the amount of \$799,903, at NT\$2.5 (in dollars) per share.
- D. For details of capital reserve from stock options, please refer to Note 6(13).

#### (19) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the total capital stock balance, and setting aside or reversal for special reserve in accordance with related laws or Competent Authority's rule, if any, the Board of Directors should present the distribution of the remaining earnings along with undistributed earnings at beginning of periods for the approval of the shareholders based on the capital condition and economic development.

In accordance with Article 240, Item 5 of the Company Law and Article 241 of the Company Law, the Company authorizes the Board of Directors to have more than two-thirds of directors present and resolutions of more than half of the directors present to distribute dividends or legal reserve and capital surplus are distributed in cash and reported to the shareholders' meeting.

- B. The Company's dividend policy is in line with the development plan and capital requirement for expanding production line in the near future as the Company is currently in the growth phase. Therefore, the Board of Directors proposed the appropriation of unappropriated retained earnings

at the shareholders' meeting for approval. Cash dividend shall be more than 5% of total dividends, but will not be distributed if it is lower than \$0.1 per share, which will instead be distributed in the form of stocks.

- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the 25% of the Company's paid-in capital.
- D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- (b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.
- E. The appropriation of 2021 earnings had been resolved at the shareholders' meeting on May 31, 2022. All distributable earnings have been retained and not distributed as dividends. The appropriation of 2020 earnings had been resolved after meeting the statutory voting threshold on June 14, 2021 via the electronic voting platform for shareholders' meeting. All distributable earnings have been retained and not distributed as dividends. For the above mentioned relevant shareholders' meeting resolutions and distribution, please refer to "Market Observation Post System" at the website of the Taiwan Stock Exchange.
- F. On February 9, 2023, the Board of Directors resolved that the cash dividends for the distribution of earnings was \$799,903, at NT\$2.5 (in dollars) per share.

(20) Other equity items

	2022			
	Currency translation	Unearned compensation	Unearned gain (losses) on valuation	Total
At January 1	(\$ 472,029)	(\$ 45,511)	(\$ 5,145)	(\$ 522,685)
Currency translation differences:				
–Group	140,028	-	-	140,028
Issuance of employee restricted shares	-	( 142,600)	-	( 142,600)
Compensation cost of share-based payment	-	102,623	-	102,623
Valuation adjustments	-	( 82,160)	9,054	( 73,106)
At December 31	<u>(\$ 332,001)</u>	<u>(\$ 167,648)</u>	<u>\$ 3,909</u>	<u>(\$ 495,740)</u>

	2021			
	Currency translation	Unearned compensation	Unearned gain (losses) on valuation	Total
At January 1	(\$ 425,066)	(\$ 134,821)	(\$ 3,259)	(\$ 563,146)
Currency translation differences:				
–Group	( 46,963)	-	-	( 46,963)
Compensation cost of share-based payment	-	91,871	-	91,871
Valuation adjustments	-	( 2,561)	( 1,886)	( 4,447)
At December 31	<u>(\$ 472,029)</u>	<u>(\$ 45,511)</u>	<u>(\$ 5,145)</u>	<u>(\$ 522,685)</u>

(21) Operating revenue

Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods at a point in time in the following major geographical regions:

	For the years ended December 31,	
	2022	2021
	Revenue	Revenue
Taiwan	\$ 1,361,057	\$ 1,691,296
China	2,825,064	4,767,628
Asia (excluding Taiwan and China)	1,323,667	2,482,916
Europe and America	34,560,334	26,626,826
	<u>\$ 40,070,122</u>	<u>\$ 35,568,666</u>

(22) Interest income

	For the years ended December 31,	
	2022	2021
Interest income from bank deposits	\$ 134,210	\$ 72,851
Other interest income	153,672	103,963
	<u>\$ 287,882</u>	<u>\$ 176,814</u>

(23) Other income

	For the years ended December 31,	
	2022	2021
Rent income	\$ 13,647	\$ 12,593
Dividend income	1,892	530
Government grant revenue	28,572	287,863
Other income	35,190	27,759
	<u>\$ 79,301</u>	<u>\$ 328,745</u>

(24) Other gains and losses

	For the years ended December 31,	
	2022	2021
Losses on disposal of property, plant and equipment	(\$ 18,217)	(\$ 5,702)
Foreign exchange gains	562,919	5,789
Net (losses) gain on financial assets/ liabilities at fair value through profit or loss	( 11,703)	64,491
Impairment loss on property, plant and equipment	( 74,541)	-
Others	( 6,472)	( 3,065)
	<u>\$ 451,986</u>	<u>\$ 61,513</u>

(25) Finance costs

	For the years ended December 31,	
	2022	2021
Interest expense:		
Bank borrowings	\$ 16,103	\$ 1,109
Convertible bonds	20,727	24,015
Imputed interest on deposit	8	8
Interest expense on lease liabilities	1,078	972
	<u>\$ 37,916</u>	<u>\$ 26,104</u>

(26) Expenses by nature

	For the years ended December 31,	
	2022	2021
Employee benefit expense	\$ 6,157,592	\$ 4,931,390
Depreciation charge on property, plant and equipment	2,545,374	1,840,599
Depreciation expenses on right-of-use assets	122,162	56,726
Amortisation on intangible assets	16,367	15,082

(27) Employee benefit expense

	For the years ended December 31,	
	2022	2021
Wages and salaries	\$ 5,284,603	\$ 4,211,383
Employee restricted stock	102,623	91,871
Labor and health insurance fees	249,567	206,691
Pension costs	299,411	240,036
Other personnel expenses	221,388	181,409
	<u>\$ 6,157,592</u>	<u>\$ 4,931,390</u>

A. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, if any, shall not be less than 1% for employees' compensation, and shall be less than 2% for directors' remuneration. However, if the Company has accumulated deficit, the earnings shall first be reserved to offset the deficit.

B. For the years ended December 31, 2022 and 2021, employees' compensation was accrued \$100,000 and \$83,000; while directors' remuneration were \$25,000 and \$20,000, respectively. The aforementioned amounts were recognised in salary expenses.

For the year ended December 31, 2022, the employees' compensation and directors' remuneration were estimated and accrued based on a certain ratio of distributable profit of current year as of the end of reporting period. The amounts resolved by the Board of Directors were in agreement with the accrued amounts. Employees' compensation will be distributed in the form of cash.

Employees' compensation and directors' remuneration of 2021 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2021 financial statements.

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



(28) Income tax

A. Income tax expense

Components of income tax expense:

	For the years ended December 31,	
	2022	2021
Current tax :		
Current tax on profits for the year	\$ 841,285	\$ 641,887
Tax on undistributed earnings	131,756	134,251
Overestimation of prior year's income tax	( 135,272)	( 97,379)
Total current tax	<u>837,769</u>	<u>678,759</u>
Deferred tax:		
Origination and reversal of temporary differences	(47,739)	255,420
Income tax expense	<u>\$ 790,030</u>	<u>\$ 934,179</u>

B. Reconciliation between income tax expense and accounting profit

	For the years ended December 31,	
	2022	2021
Tax calculated based on profit before tax and statutory tax rate	\$ 1,094,222	\$ 968,177
Effect from items adjusted in accordance with tax regulation	( 300,676)	( 70,870)
Tax on undistributed earnings	131,756	134,251
Overestimation of prior year's income tax	( 135,272)	( 97,379)
Income tax expense	<u>\$ 790,030</u>	<u>\$ 934,179</u>

Note: The basis for computing the applicable tax rate are the rates applicable in the respective countries where the Group entities operate.

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

	For the year ended December 31, 2022				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Effects of exchange rate changes	December 31
Temporary differences:					
– Deferred tax assets:					
Allowance for obsolescence and decline in market value of inventories	\$ 75,222	\$ 15,870	\$ -	\$ 1,083	\$ 92,175
Unrealised gross profit	4,133	12,157	-	-	16,290
Unrealised compensated absences	7,495	72	-	-	7,567
Cost of bond issuance	1,964	( 900)	-	-	1,064
Refund liability	3,591	-	-	-	3,591
Unrealised estimated expense	15	7,415	-	-	7,430
Impairment of assets	70	10,347	-	( 61)	10,356
Others	79	1,012	-	-	1,091
Subtotal	<u>\$ 92,569</u>	<u>\$ 45,973</u>	<u>\$ -</u>	<u>\$ 1,022</u>	<u>\$ 139,564</u>
– Deferred tax liabilities:					
Gain on foreign investment accounted for under equity method	(\$ 1,437,902)	\$ -	\$ -	\$ -	(\$ 1,437,902)
Pension expense	( 2,412)	( 310)	-	-	( 2,722)
Unrealised exchange gain	( 7,870)	2,076	-	-	( 5,794)
Subtotal	<u>(\$ 1,448,184)</u>	<u>\$ 1,766</u>	<u>\$ -</u>	<u>\$ -</u>	<u>( 1,446,418)</u>
Total	<u>(\$ 1,355,615)</u>	<u>\$ 47,739</u>	<u>\$ -</u>	<u>\$ 1,022</u>	<u>(\$ 1,306,854)</u>

	For the year ended December 31, 2021				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Effects of exchange rate changes	December 31
Temporary differences:					
– Deferred tax assets:					
Allowance for obsolescence and decline in market value of inventories	\$ 40,433	\$ 34,994	\$ -	(\$ 205)	\$ 75,222
Unrealised gross profit	11,670	( 7,537)	-	-	4,133
Unrealised compensated absences	6,058	1,437	-	-	7,495
Cost of bond issuance	923	1,041	-	-	1,964
Refund liability	3,591	-	-	-	3,591
Unrealised estimated expense	7	8	-	-	15
Impairment of assets	70	-	-	-	70
Others	80	( 1)	-	-	79
Subtotal	<u>\$ 62,832</u>	<u>\$ 29,942</u>	<u>\$ -</u>	<u>(\$ 205)</u>	<u>\$ 92,569</u>
– Deferred tax liabilities:					
Gain on foreign investment accounted for under equity method	(\$ 1,152,271)	(\$ 285,631)	\$ -	\$ -	(\$ 1,437,902)
Pension expense	( 2,115)	( 297)	-	-	( 2,412)
Unrealised exchange gain	( 8,392)	522	-	-	( 7,870)
Others	( 44)	44	-	-	-
Subtotal	<u>(\$ 1,162,822)</u>	<u>(\$ 285,362)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>( 1,448,184)</u>
Total	<u>(\$ 1,099,990)</u>	<u>(\$ 255,420)</u>	<u>\$ -</u>	<u>(\$ 205)</u>	<u>(\$ 1,355,615)</u>

D. The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority.

(29) Earnings per share

	<u>For the year ended December 31, 2022</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 3,521,557</u>	<u>325,213</u>	<u>\$ 10.83</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 3,521,557	325,213	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,031	
Convertible bonds	9,180	27,263	
Employee restricted stock	-	1,586	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 3,530,737</u>	<u>355,093</u>	<u>\$ 9.94</u>
	<u>For the year ended December 31, 2021</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 2,879,750</u>	<u>351,470</u>	<u>\$ 8.19</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 2,879,750	351,470	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	883	
Convertible bonds	23,626	24,139	
Employee restricted stock	-	3,295	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 2,903,376</u>	<u>379,787</u>	<u>\$ 7.64</u>

(30) Supplemental cash flow information

A. Investing activities with partial cash payments:

	For the years ended December 31,	
	2022	2021
Purchase of property, plant and equipment (including prepayments for equipment and for land purchases)	\$ 5,472,814	\$ 6,601,824
Add: opening balance of payable on equipment	2,127,178	2,133,232
Less: ending balance of payable on equipment	(1,718,358)	(2,127,178)
Cash paid during the period	<u>\$ 5,881,634</u>	<u>\$ 6,607,878</u>

B. Financing activities with no cash flow effects:

	For the years ended December 31,	
	2022	2021
Convertible bonds being converted to capital stocks and capital surplus	<u>\$ -</u>	<u>\$ 14,908</u>

(31) Changes in liabilities from financing activities

	2022				
	Short-term loans	Lease liability	Bonds payable	Long-term borrowings	Liabilities from financing activities-gross
At January 1	\$ -	\$ 75,428	\$ 3,316,072	\$ 3,900,000	\$ 7,291,500
Changes in cash flow from financing activities	( 8,265)	( 336,840)	-	( 414,583)	( 751,423)
Increase in lease liabilities	-	946,505	-	-	946,505
Amortisation of discounts on bonds payable	-	-	20,727	-	20,727
Impact of changes in foreign exchange rate	8,265	( 3,607)	-	-	( 3,607)
At December 31	<u>\$ -</u>	<u>\$ 681,486</u>	<u>\$ 3,336,799</u>	<u>\$ 3,485,417</u>	<u>\$ 7,503,702</u>

	2021				
	Lease liability	Bonds payable	Long-term borrowings	Liabilities from financing activities-gross	
At January 1	\$ 60,821	\$ 14,886	\$ 2,955,362	\$ 3,031,069	
Changes in cash flow from financing activities	( 50,943)	3,411,855	944,638	4,305,550	
Increase in lease liabilities	65,450	-	-	65,450	
Amortisation of discounts on bonds payable	-	24,015	-	24,015	
Conversion rights of convertible bonds	-	( 112,250)	-	( 112,250)	
Put options of convertible bonds	-	( 7,526)	-	( 7,526)	
Convertible bonds converted to capital stocks and capital surplus	-	( 14,908)	-	( 14,908)	
Impact of changes in foreign exchange rate	100	-	-	100	
At December 31	<u>\$ 75,428</u>	<u>\$ 3,316,072</u>	<u>\$ 3,900,000</u>	<u>\$ 7,291,500</u>	

## 7. RELATED PARTY TRANSACTIONS

### Key management compensation

	For the years ended December 31,	
	2022	2021
Short-term employee benefits	\$ 83,829	\$ 84,708
Post-employment benefits	168	169
Share-based payments	21,493	14,378
	<u>\$ 105,490</u>	<u>\$ 99,255</u>

## 8. PLEDGED ASSETS

Pledged asset	Book value		Purpose
	December 31, 2022	December 31, 2021	
Refundable deposits (recorded in "Other non-current assets")	<u>\$ 247,939</u>	<u>\$ 323,462</u>	Guarantee for land bid and gas

## 9. COMMITMENTS AND CONTINGENT LIABILITIES

(1) As of December 31, 2022 and 2021, the Group issued promissory notes both amounting to \$723,848 for applying loan facilities from the banks to meet the operational needs.

(2) As of December 31, 2022 and 2021, the Group entered into several contracts for construction and acquisition of machinery with total values of \$2,257,204 and \$4,274,936, respectively, and the unpaid balance on these contracts amounted to \$1,553,352 and \$1,832,422, respectively.

## 10. SIGNIFICANT CATASTROPHE

None.

## 11. SUBSEQUENT EVENTS

None.

## 12. OTHERS

### (1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Total debt is calculated as 'current and non-current liabilities' as shown in the consolidated balance sheet.

During 2022, the Group's strategy, which was unchanged from 2021, was to maintain the balance of the capital structure. The gearing ratio at December 31, 2022 and 2021 were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Total liabilities	\$ 21,173,788	\$ 22,630,609
Total assets	\$ 46,120,668	\$ 48,315,063
Gearing ratio	<u>46</u>	<u>47</u>

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 892,247	\$ 2,862,990
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	\$ 92,124	\$ 83,070
Financial assets at amortised cost		
Cash and cash equivalents	\$ 12,653,297	\$ 7,896,275
Financial assets at amortised cost	1,848,360	7,325,420
Notes receivable	-	23
Accounts receivable	6,029,307	8,603,935
Other receivables	121,461	254,842
Refundable deposits	289,318	340,524
	<u>\$ 20,941,743</u>	<u>\$ 24,421,019</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	\$ 15,920	\$ -
Financial liabilities designated at fair value through profit or loss	3,769	13,021
	<u>\$ 19,689</u>	<u>\$ 13,021</u>
Financial liabilities at amortised cost		
Accounts payable	\$ 5,319,859	\$ 5,904,771
Other payables	5,494,264	6,636,645
Bonds payable (including current portion)	3,336,799	3,316,075
Long-term borrowings (including current portion)	3,485,417	3,900,000
Guarantee deposits received	11,931	11,046
	<u>\$ 17,648,270</u>	<u>\$ 19,768,537</u>
Lease liabilities	<u>\$ 681,486</u>	<u>\$ 75,428</u>

## B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimise any adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange forward contracts are used to hedge certain exchange rate risk. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.
- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

## C. Significant financial risks and degrees of financial risks

### (a) Market risk

#### Foreign exchange risk

- i. The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Exchange rate risk arises from future commercial transactions and recognised assets and liabilities.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. Exchange rate risk is measured through a forecast of highly probable USD and RMB expenditures. Forward foreign exchange contracts are adopted to minimise the volatility of the exchange rate affecting cost of forecast inventory purchases.
- iii. The Group hedges foreign exchange rate by using forward exchange contracts. However, the Group does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(2).
- iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

							December 31, 2022		
Foreign currency			Sensitivity analysis						
amount (In thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income				
(Foreign currency: functional currency)									
<u>Financial assets</u>									
<u>Monetary items</u>									
USD:NTD	\$ 660,215	30.7080	\$ 20,273,882	1%	\$ 202,739	\$ -			
USD:RMB	379,057	6.9646	11,640,082	1%	116,401	-			
<u>Non-monetary items</u>									
USD:NTD	3,000	30.7080	92,124	1%	-	921			
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD:NTD	407,655	30.7080	12,518,270	1%	( 125,183)	-			
USD:RMB	254,102	6.9646	7,802,964	1%	( 78,030)	-			
December 31, 2021									
Foreign currency			Sensitivity analysis						
amount (In thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income				
(Foreign currency: functional currency)									
<u>Financial assets</u>									
<u>Monetary items</u>									
USD:NTD	\$ 489,476	27.6900	\$ 13,553,590	1%	\$ 135,536	\$ -			
USD:RMB	285,148	6.3757	7,895,748	1%	78,957	-			
<u>Non-monetary items</u>									
USD:NTD	3,000	27.6900	83,070	1%	-	831			
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD:NTD	335,222	27.6900	9,282,297	1%	( 92,823)	-			
USD:RMB	259,372	6.3757	7,182,011	1%	( 71,820)	-			



- v. The total exchange gain, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2022 and 2021 amounted to \$562,919 and \$5,789, respectively.

#### Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- ii. The Group's investments in equity securities comprise shares issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2022 and 2021 would have increased/decreased by \$98 and \$311, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$921 and \$831, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

#### Cash flow and fair value interest rate risk

- i. The Group's issued zero coupon liability financial instruments with embedded conversion options and call options. The fair value of the financial instrument is exposed under the risk of market fluctuation. There was no cash flow risk arising from significant changes in interest rate after assessment.
- ii. The Group's main interest rate risk arises from long-term borrowings with floating rates, which expose the Group to cash flow interest rate risk, but some of the risks are offset by cash and cash equivalents with variable interest rate. As of December 31, 2022 and 2021, the Group's borrowings at variable rate were mainly denominated in New Taiwan dollars.
- iii. If borrowing interest rate had increased/decreased by 0.25% with all other variables held constant, profit, net of tax for the years ended December 31, 2022 and 2021 would have increased/decreased by \$8,714 and \$9,750, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at fair value through profit or loss.
- ii. The Group manages their credit risk taking into consideration the entire group's concern. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. If the contract payments were past due over certain days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- iv. The default occurs when the contract payments are expected unrecoverable and are transferred to overdue receivables.
- v. The Group classifies customers' accounts receivable in accordance with credit risk on trade. The Group applies the simplified approach using provision matrix to estimate expected credit loss under the provision matrix basis.
- vi. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. As of December 31, 2022 and 2021, the provision matrix classified by customers are as follows:

	Group A	Group B	Group C	Group D	Group E	Total
December 31, 2022						
Total book value	\$ 5,034,999	\$ 118,923	\$ 644,994	\$ 170,383	\$ 67,740	\$ 6,037,039
Allowance for sales returns and discounts	( 741)	-	-	-	-	( 741)
Book value	<u>\$ 5,034,258</u>	<u>\$ 118,923</u>	<u>\$ 644,994</u>	<u>\$ 170,383</u>	<u>\$ 67,740</u>	<u>\$ 6,036,298</u>
Expected loss rate	0.01%	0.01%	0.04%	0.01%	9.51%	
Loss allowance	<u>\$ 258</u>	<u>\$ 10</u>	<u>\$ 269</u>	<u>\$ 12</u>	<u>\$ 6,442</u>	<u>\$ 6,991</u>

	Group A	Group B	Group C	Group D	Group E	Total
December 31, 2021						
Total book value	\$ 7,023,237	\$ 269,659	\$ 927,935	\$ 314,496	\$ 69,635	\$ 8,604,962
Allowance for sales returns and discounts	( 631)	-	-	-	-	( 631)
Book value	<u>\$ 7,022,606</u>	<u>\$ 269,659</u>	<u>\$ 927,935</u>	<u>\$ 314,496</u>	<u>\$ 69,635</u>	<u>\$ 8,604,331</u>
Expected loss rate	0.00%	0.01%	0.01%	0.01%	0.01%	
Loss allowance	<u>\$ 223</u>	<u>\$ 24</u>	<u>\$ 112</u>	<u>\$ 28</u>	<u>\$ 9</u>	<u>\$ 396</u>

Accounts receivable is grouped based on stock liquidity, paid-in capital, current ratio and debt ratio of counterparties.

- vii. Movements in relation to the Group applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	2022	2021
	Accounts receivable	Accounts receivable
At January 1	\$ 396	\$ 415
Provision for (reversal of) impairment loss	6,595	( 19)
At December 31	<u>\$ 6,991</u>	<u>\$ 396</u>

For provisioned loss in 2022, the impairment losses arising from customers' contracts are \$6,595. For provisioned loss in 2021, the reversal of impairment losses arising from customers' contracts amounts to \$19.

### (c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities.
- ii. Surplus cash held by the operating entities over and above balance required for working capital management are invested in interest bearing current accounts, time deposits, Bonds with repurchase agreements, structured certificates of deposit and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. As of December 31, 2022 and 2021, the Group held money market position of \$15,392,157 and \$18,079,184, respectively, that are expected to readily generate cash inflows for managing liquidity risk.
- iii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

<u>December 31, 2022</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Over 2 years</u>
Non-derivative financial liabilities:			
Accounts payable	\$ 5,319,859	\$ -	\$ -
Other payables	5,494,264	-	-
Lease liabilities	124,910	101,618	676,896
Bonds payable	3,359,400	-	-
Long-term borrowings	847,358	847,104	1,793,322
Derivative financial liabilities:			
Put options of convertible bonds	3,769	-	-
Forward foreign exchange contracts	15,920	-	-
<u>December 31, 2021</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Over 2 years</u>
Non-derivative financial liabilities:			
Accounts payable	\$ 5,904,771	\$ -	\$ -
Other payables	6,636,645	-	-
Lease liabilities	58,646	21,604	-
Bonds payable	-	3,359,400	-
Long-term borrowings	415,727	847,358	2,640,426
Derivative financial liabilities:			
Put options of convertible bonds	13,021	-	-

### (3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks with quoted market prices is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment in certain derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market is included in Level 3.

#### B. Financial instruments not measured at fair value

The carrying amounts of financial instruments not measured at fair value, including cash and cash equivalents, financial assets at amortised cost, notes receivable, accounts receivable, other

receivables, guarantee deposits paid (recorded in “Other non-current assets”), accounts payable, other payables, lease liabilities, bonds payable, long-term borrowings and guarantee deposits received (recorded in “Other non-current assets”), are approximate to their fair values.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

(a) The related information of natures of the assets and liabilities is as follows:

<u>December 31, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 9,826	\$ -	\$ -	\$ 9,826
Forward foreign exchange contracts	-	590	-	590
Structured certificates of deposit	-	881,831	-	881,831
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	92,124	92,124
	<u>\$ 9,826</u>	<u>\$ 882,421</u>	<u>\$ 92,124</u>	<u>\$ 984,371</u>
Liabilities:				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Put options of convertible bonds	\$ -	\$ -	\$ 3,769	\$ 3,769
Forward foreign exchange contracts	-	15,920	-	15,920
	<u>\$ -</u>	<u>\$ 15,920</u>	<u>\$ 3,769</u>	<u>\$ 19,689</u>
<u>December 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 31,067	\$ -	\$ -	\$ 31,067
Forward foreign exchange contracts	-	4,596	-	4,596
Structured certificates of deposit	-	2,827,327	-	2,827,327
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	83,070	83,070
	<u>\$ 31,067</u>	<u>\$ 2,831,923</u>	<u>\$ 83,070</u>	<u>\$ 2,946,060</u>
Liabilities:				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Put options of convertible bonds	\$ -	\$ -	\$ 13,021	\$ 13,021

(b) The methods and assumptions the Group used to measure fair value are as follows:

- i. The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	<u>Listed shares</u>
Market quoted price	Closing price

- ii. The assessment of structured certificates of deposit is calculated based on the product revenue that is provided by counterparties.
- iii. Forward exchange contracts are usually valued based on the current forward exchange rate.
- iv. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.
- v. For high-complexity financial instruments, the fair value is measured by using self-developed valuation model based on the valuation method and technique widely used within the same industry. The valuation model is normally applied to derivative financial instruments, debt instruments with embedded derivatives or securitised instruments. Certain inputs used in the valuation model are not observable at market, and the Group must make reasonable estimates based on its assumptions. The effect of unobservable inputs to the valuation of financial instruments is provided in Note 12(3)H.

D. For the years ended December 31, 2022 and 2021, there was no transfer between Level 1 and Level 2.

E. The following chart is the movement of Level 3 for the years ended December 31, 2022 and 2021:

	<u>2022</u>	
	<u>Derivative instruments</u>	<u>Non-derivative equity instruments</u>
At January 1	(\$ 13,021)	\$ 83,070
Gains recognised in profit or loss (Note)	9,252	-
Gains recognised in other comprehensive income	-	9,054
December 31	<u>(\$ 3,769)</u>	<u>\$ 92,124</u>
Movement of unrealised gain in profit or loss of assets and liabilities held as of December 31, 2022 (Note)	<u>\$ 9,252</u>	<u>\$ -</u>

	2021	
	Derivative instruments	Non-derivative equity instruments
At January 1	\$ 22	\$ 57,016
Issued in the year	( 7,506)	-
Losses recognised in profit or loss (Note)	( 5,517)	-
Losses recognised in other comprehensive income	-	( 1,886)
Investments in the year	-	27,940
Conversion in the year	( 20)	-
December 31	<u>(\$ 13,021)</u>	<u>\$ 83,070</u>

Movement of unrealised gain in profit or loss of assets and liabilities held as of December 31, 2021 (Note) (\$ 5,517) \$ -

Note: Recorded as non-operating income and expenses.

F. For the years ended December 31, 2022 and 2021, there was no transfer into or out from Level 3.

G. Treasury segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments using the actuarial reports issued by external experts. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2022	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Hybrid instruments:					
Convertible bonds	(\$ 3,769)	Binary tree Convertible bond valuation model	Stock price volatility	24.08%~29.13%	The higher the stock price volatility, the lower the fair value
Non-derivative equity instruments:					
Unlisted shares	\$ 92,124	Discounted cash flow	Long-term revenue growth rate and long- term pre-tax operating margin	N/A	The higher the long- term revenue growth rate and long-term pre-tax operating margin, the higher the fair value

	Fair value at December 31, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Hybrid instruments:					
Convertible bonds	(\$ 13,021)	Binary tree Convertible bond valuation model	Stock price volatility	30.25%~43.03%	The higher the stock price volatility, the lower the fair value
Non-derivative equity instruments:					
Unlisted shares	\$ 83,070	Discounted cash flow	Long-term revenue growth rate and long- term pre-tax operating margin	N/A	The higher the long- term revenue growth rate and long-term pre-tax operating margin, the higher the fair value

I. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

		December 31, 2022			
		Recognised in profit or loss		Recognised in other comprehensive income	
Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets					
Equity instruments	\$ 92,124 ±1%	\$ -	\$ -	\$ 921	(\$ 921)
Financial liabilities					
Hybrid instruments	Stock price volatility ±5%	\$ 2,688	(\$ 11,086)	\$ -	\$ -
		December 31, 2021			
		Recognised in profit or loss		Recognised in other comprehensive income	
Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets					
Equity instruments	\$ 83,070 ±1%	\$ -	\$ -	\$ 831	(\$ 831)
Financial liabilities					
Hybrid instruments	Stock price volatility ±5%	\$ 1,681	(\$ 2,354)	\$ -	\$ -



### 13. SUPPLEMENTARY DISCLOSURES

#### (1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: Please refer to table 3.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 4.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 5.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(2) and 12(2).
- J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

#### (2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 7.

#### (3) Information on investments in Mainland China

- A. Basic information: Please refer to table 8.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 9.

#### (4) Major shareholders information

Names of shareholders who hold more than 5% of the Company: Please refer to table 10.

### 14. SEGMENT INFORMATION

#### (1) General information

The Group operates business in manufacturing and sale of flexible PCBs. The Group allocates resources and assesses performance of the Group as a whole, and has identified that the Group has only one reportable operating segment.

(2) Measurement of segment information

The Group evaluates the performances of the operating segments based on their net income (loss).

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

The segment information is provided to the Chief Operating Decision-Maker for the reportable segments. Please refer to the balance sheet and statement of comprehensive income.

(4) Reconciliation for segment income (loss)

The revenue from customers reported to the Chief Operating Decision-Maker is measured in a manner consistent with that in the statement of comprehensive income. The amounts provided to the Chief Operating Decision-Maker with respect to total assets and liabilities are measured in a manner consistent with that of the financial statements.

(5) Information on products and services

Revenue from external customers is mainly from sales of flexible printed circuit boards and related raw materials and supplies.

(6) Revenue information by geographic areas

Revenue information by geographic areas of the Group for 2022 and 2021 is shown below:

	For the years ended December 31,			
	2022		2021	
	Revenue	Non-Current Assets	Revenue	Non-Current Assets
Taiwan	\$ 1,361,057	\$ 12,123,637	\$ 1,691,296	\$ 10,084,626
China	2,825,064	7,026,517	4,767,628	5,386,382
Asia (excluding Taiwan and China)	1,323,667	-	2,482,916	-
Europe and America	34,560,334	488	26,626,826	40
	<u>\$ 40,070,122</u>	<u>\$ 19,150,642</u>	<u>\$ 35,568,666</u>	<u>\$ 15,471,048</u>

Revenue recognition is based on clients' geographic locations and non-current assets are classified based on their locations.

(7) Information on major customers

	For the years ended December 31,				
	2022		2021		
	Company Name	Revenue	Company Name	Revenue	
A customer	\$	33,906,144	A customer	\$	26,337,973

Flexium Interconnect Inc.  
Loans to others  
For the year ended December 31, 2022

Table 1

Expressed in thousands of NTD  
(Except as otherwise indicated)

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum	Balance at	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 2)	Ceiling on total loans granted (Note 3)	Footnote
					outstanding balance during the year ended December 31, 2022	December 31, 2022							Item	Value			
0	FLEXIUM INTERCONNECT INC.	FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION	Other receivables - related parties	Yes	\$ 2,334,925	\$ 1,247,344	\$ -	-	Note 1	\$ -	Company operation	\$ -	-	\$ -	\$ 4,989,376	\$ 9,978,752	-
0	FLEXIUM INTERCONNECT INC.	FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	Other receivables - related parties	Yes	3,503,106	2,494,689	1,197,612	0.80%	Note 1	-	Company operation	-	-	-	4,989,376	9,978,752	-

Note 1: Fill in purpose of loan when nature of loan is for short-term financing.

Note 2: In accordance with the Company's "Procedures for Provision of Loans", limit on loans to a single party with business transactions is the higher value of purchasing and selling during current year on the year of financing and is 20% of the Company's net asset based on the latest audited or reviewed consolidated financial statements; limit on loans to a single party with short-term financing is 10% of the Company's net assets based on the latest audited or reviewed financial statements.

Note 3: In accordance with the Company's "Procedures for Provision of Loans", ceiling on total loans is 40% of the Company's net assets based on the latest audited or reviewed financial statements.

Flexium Interconnect Inc.

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

For the year ended December 31, 2022

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer	General ledger account	As of December 31, 2022				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
FLEXIUM INTERCONNECT INC.	Etherdyne Technologies, Inc.	None.	Financial assets at fair value through other comprehensive income - non-current	2,074,346	\$ 92,124	16.90%	\$ 92,124	-
FLEXIUM INTERCONNECT INVESTMENT CO., LTD.	Mycenax Biotech Inc. (Stock)	None.	Financial assets at fair value through profit or loss - current	169,123	9,826	Note 2	9,826	-

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IFRS 9, 'Financial instruments'

Note 2: Not applicable since the percentage of ownership is less than 5%.

Flexium Interconnect Inc.  
Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more  
For the year ended December 31, 2022

Table 3

Expressed in thousands of NTD  
(Except as otherwise indicated)

If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below:													
Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Amount	Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments
FLEXIUM INTERCONNECT INC.	Buildings and structures	March 11, 2019	777,000	769,898	Li Jin engineering Co., Ltd.	Non-related party	-	-	-	-	Price comparison and negotiation	Building plants	None
FLEXIUM INTERCONNECT INC.	Buildings and structures	July 30, 2019	458,000	442,934	Lee Ming construction Co., Ltd.	Non-related party	-	-	-	-	Price comparison and negotiation	Building plants	None
FLEXIUM INTERCONNECT INC.	Land	February 27, 2020	774,432	116,165	Kaohsiung City government	Non-related party	-	-	-	-	Subscription based on the notice released by the Kaohsiung city government	Building plants	The land shall be constructed within 3 years starting from the next day of the land turned over
FLEXIUM INTERCONNECT INC.	Buildings and structures	October 8, 2020	555,975	524,567	Acter Technology Co., Ltd.	Non-related party	-	-	-	-	Price comparison and negotiation	Building plants	None
FLEXIUM INTERCONNECT INC.	Land	July 28, 2022	467,991	467,991	Kaohsiung City government	Non-related party	-	-	-	-	Subscription based on the notice released by the Kaohsiung city government	Building plants	The land shall be constructed within 3 years starting from the next day of the land turned over
FLEXIUM INTERCONNECT INC.	Land	July 28, 2022	2,049,450	2,049,450	Kaohsiung City government	Non-related party	-	-	-	-	Subscription based on the notice released by the Kaohsiung city government	Building plants	The land shall be constructed within 3 years starting from the next day of the land turned over
FLEXIUM INTERCONNECT(K UNSHAN) INCORPORATION	Right-of-use assets	July 18, 2022	828,039	286,595	Yupintang Electronic Technology (Suzhou) Co., Ltd.	Non-related party	-	-	-	-	Price comparison and negotiation	Build staff dormitory	None

Flexium Interconnect Inc.  
Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more  
For the year ended December 31, 2022

Table 3

Expressed in thousands of NTD  
(Except as otherwise indicated)

If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below:													
Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Amount	Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments
FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	Buildings and structures	November 12, 2019	491,479	491,479	Jiangsu Chengzhang Construction Group Co., Ltd.	Non-related party	-	-	-	-	Price comparison and negotiation	Building plants	None
FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	Buildings and structures	January 29, 2021	304,218	304,218	Yankey Engineering Co., Ltd.	Non-related party	-	-	-	-	Price comparison and negotiation	Building plants	None

Flexium Interconnect Inc.

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

For the year ended December 31, 2022

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales) Note1	Transaction			Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
				Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
FLEXIUM INTERCONNECT INC.	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	Subsidiary	(Sales)	( 6,139,683)	15	180 days	Note 2	Note 2	3,245,266	35	Note 5
FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	FLEXIUM INTERCONNECT INC.	The Company	(Sales)	( 36,273,709)	100	90 days	Note 3	Note 3	11,506,236	100	
FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	Subsidiary	(Sales)	( 2,856,089)	99	90 days	Note 4	Note 4	1,027,268	100	

Note 1: If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, only sales transaction is required to disclose.

Note 2: In the sales to related parties, the price of work in progress is based on mutual agreement. The price cannot be compared with regular sales due to a lack of similar counterparties. The price of materials and supplies is determined by adding the margin to the cost.

The collection period to third parties is approximately 45~120 days after the end of each month while those to related parties are 180 days after the end of each month.

Note 3: The transaction is sales from FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION to FLEXIUM INTERCONNECT INC., and the collection period is approximately 90 days after the end of each month.

Note 4: The transaction is sales from FLEXIUM TECHNOLOGY(SUZHOU) INCORPORATION to FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION, and the collection period is approximately 90 days after the end of each month.

Note 5: The purchase (sales) amount is contained the eliminates to sales revenue and operating costs (merchandise purchase) arising from raw material processing, which are provided by the Company through the offshore company that is in the third place to the subsidiary, FLEXIUM INTERCONNECT(KUNSHAN). The eliminated amount was \$6,139,683 for the year ended December 31, 2022.

Flexium Interconnect Inc.

Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more

For the year ended December 31, 2022

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2022	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
FLEXIUM INTERCONNECT INC.	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	Subsidiary	Accounts receivable \$3,245,266	2.10	\$ -	-	\$ 1,722,117	\$ -
FLEXIUM INTERCONNECT INC.	FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	Subsidiary	Other receivables 1,200,768	Note			-	-
FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	FLEXIUM INTERCONNECT INC.	The Company	Accounts receivable \$11,506,236	3.75	-	-	5,104,291	-
FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	Subsidiary	Accounts receivable \$ 1,027,268	3.08	-	-	404,884	-

Note: Other receivables, not applicable for calculating of turnover rate.



Flexium Interconnect Inc.  
 Significant inter-company transactions during the reporting periods  
 For the year ended December 31, 2022

Table 6

Expressed in thousands of NTD  
 (Except as otherwise indicated)

Details of significant inter-company transactions reaching NT\$100 million or 20% of paid-in capital or more are as follows:

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets
				General ledger account	Amount	Transaction terms	
0	FLEXIUM INTERCONNECT INC.	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	1	Sales	\$ 6,139,683	Note 3	15
0	FLEXIUM INTERCONNECT INC	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	1	Accounts receivable	3,245,266	Note 3	7
0	FLEXIUM INTERCONNECT INC.	FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	1	Other receivables	1,200,768	Note 4	3
1	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	FLEXIUM INTERCONNECT INC.	2	Sales	36,273,709	Note 5	91
1	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	FLEXIUM INTERCONNECT INC.	2	Accounts receivable	11,506,236	Note 5	25
2	FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	3	Sales	2,856,089	Note 6	7
2	FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	3	Accounts receivable	1,027,268	Note 6	2

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

- (1) Parent company is "0".
- (2) The subsidiaries are numbered in order starting from "1".

Note 2: Relationship between transaction company and counterparty is classified into the following three categories (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice.

For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

Note 3: In the sales to related parties, the price of work in progress is based on mutual agreement. The price cannot be compared with regular sales due to a lack of similar counterparties. The price of materials and supplies is determined by adding the margin to the cost. The collection period to third parties is approximately 45~120 days after the end of each month while those to related parties are 180 days after the end of each month.

Note 4: The interest was at 0.8% per annum for the year ended December 31, 2022.

Note 5: The transaction is sales from FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION to FLEXIUM INTERCONNECT INC. and the collection period is approximately 90 days after the end of each month.

Note 6: The transaction is sales from FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION to FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION, and the collection period is approximately 90 days after the end of each month.

Flexium Interconnect Inc.  
Information on investees  
For the year ended December 31, 2022

Table 7

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022				Net profit (loss) of the investee for the year ended December 31, 2022	Investment income (loss) recognised by the Company for the year ended December 31, 2022	Footnote
				Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value				
FLEXIUM INTERCONNECT INC.	FLEXIUM INTERCONNECT INC.	British Virgin Islands	General investments	\$ 835,252	\$ 835,252	50,000	100	\$ 6,984,407	\$ 958,232	\$ 859,865	Note 1	
FLEXIUM INTERCONNECT INC.	UFLEX TECHNOLOGY CO., LTD.	British Virgin Islands	General investments	39,711	39,711	50,000	100	2,409,971	334,706	300,342	Note 1	
FLEXIUM INTERCONNECT INC.	FLEXIUM INTERCONNECT INVESTMENT CO., LTD.	Taiwan	General investments	50,000	50,000	5,000,000	100	34,046 (	11,289) (	11,289)		
FLEXIUM INTERCONNECT INC.	BOOM BUSINESS LIMITED	Samoa	General investments	1,064,460	1,064,460	35,000,000	100	1,201,655	31,612	31,612		
FLEXIUM INTERCONNECT INC.	FLEXIUM INTERCONNECT AMERICA LLC.	U.S.A	Marketing, customer support and supporting technical services	8,067	8,067	-	100	4,913 (	589) (	589)		
FLEXIUM INTERCONNECT INC.	Universe Energy Co., Ltd	Taiwan	Renewable energy self-use power generation equipment and energy technology services, etc.	50,000	-	5,000,000	100	49,992 (	8) (	8)		
FLEXIUM INTERCONNECT INC.	GRANDPLUS ENTERPRISES LTD.	Samoa	General investments	62,001	62,001	1,880,578	100	55	-	-	Note 2	
FLEXIUM INTERCONNECT INC.	SUCCESS GLORY INVESTMENTS LTD.	Samoa	General investments	719,042	719,042	23,510,000	100	7,175,428	958,232	-	Note 2	
GRANDPLUS ENTERPRISES LTD.	CHOSEN GLORY LIMITED	Samoa	General investments	-	-	-	100	-	-	-		
GRANDPLUS ENTERPRISES LTD.	CHAMPION BEYOND LIMITED	Samoa	General investments	-	-	-	100	-	-	-		
GRANDPLUS ENTERPRISES LTD.	FOREVER MASTER LIMITED	Samoa	General investments	-	-	-	100	23	-	-	Note 2	
BOOM BUSINESS LIMITED	CLEAR SUCCESS GLOBAL LIMITED	Samoa	General investments	1,064,460	1,064,460	35,000,000	100	1,201,655	31,612	-	Note 2	

Note 1: Investment income (loss) recognised by the Company for the year ended December 31, 2022 included elimination of unrealised gain (loss).

Note 2: Profit (loss) of investee has been included in the investor, and will not be disclosed separately.

Flexium Interconnect Inc.  
Information on investments in Mainland China  
For the year ended December 31, 2022

Table 8

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2022		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Net income of investee as of December 31, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2022 (Note 2)	Book value of investments in Mainland China as of December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION	Research, development, manufacture and sale of new-type electronic components and devices such as flexible printed circuit boards.	\$ 2,478,470	Through investing in an existing company in the third area, which then invested in the investee in Mainland China.	\$ 793,771	\$ -	\$ -	\$ 793,771	\$ 1,292,986	100	\$ 1,292,986	\$ 9,642,624	\$ -	Note 1、3
FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	Research, development, manufacture and sale of new-type electronic components and devices such as flexible printed circuit boards.	1,074,780	Through investing in an existing company in the third area, which then invested in the investee in Mainland China.	1,074,780	-	-	1,074,780	31,612	100	31,612	1,201,655	-	Note 1、4

Note 1: The financial statements are audited and attested by R.O.C. parent company's CPA.

Note 2: The numbers in this table are expressed in New Taiwan Dollars. Translated at exchanges rate of NT\$30.708 US\$1.00.

Note 3: The Group invested in the company through FLEXIUM INTERCONNECT INC., SUCCESS GLORY INVESTMENTS LTD., and UFLEX TECHNOLOGY CO., LTD.

Note 4: The Group invested in the company through BOOM BUSINESS LIMITED and CLEAR SUCCESS GLOBAL LIMITED.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)		Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
FLEXIUM INTERCONNECT INC.	\$ 1,868,551	\$ 5,730,457	\$ -	

Note: In accordance with 'Regulations Governing the Approval of Investment or Technical Cooperation in Mainland China' amended by Ministry of Economic Affairs effective on August 29, 2008, as the Company has obtained the certificate of being qualified for operating headquarters, issued by the Industrial Development Bureau, MOEA, the ceiling amount of the investment in Mainland China is not applicable to the Company.

Flexium Interconnect Inc.

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas

For the year ended December 31, 2022

Table 9

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				Others	
	Amount	%	Amount	%	Balance at December 31, 2022	%	Balance at December 31, 2022	Purpose	Maximum balance during the year ended December 31, 2022	Balance at December 31, 2022	Interest rate	Interest during the year ended December 31, 2022		
FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION	\$ 36,273,709	92	\$ -	-	(\$ 11,506,236)	94	\$ -	-	\$ 2,334,925	\$ 1,247,344	-	\$ -	Other expenses	\$ 70,589
	6,139,683	15			3,245,266	35							Other income	69,941
													Other receivables	7,002
													Other payables	33,543
FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	-	-	-	-	-	-	-	-	3,503,106	2,494,689	0.80%	8,217	Other receivables	1,200,768

Note: The Company has reversed the sales revenue and operating cost (merchandise purchase) arising from raw material processing which are provided by the Company through the offshore company that is in the third place to the subsidiary, FLEXIUM INTERCONNECT(KUNSHAN), when preparing the financial statements. The eliminated amount was \$6,139,683 for the year ended December 31, 2022.

Flexium Interconnect Inc.  
Major shareholders information  
December 31, 2022

Table 10

	Shares		Expressed in shares
Name of major shareholders	Name of shares held	Ownership (%)	
Cathay Life Insurance Company, Ltd.	22,144,958		6.86%

Note 1: The major shareholders information was from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded on the financial statements may be different from the actual number of shares in dematerialised form due to the difference of calculation basis.

Note 2: If the aforementioned data contains shares which were kept at the trust by the shareholders, the data was disclosed as separate account of client which was set by the trustee. As for the shareholder who reports share equity as a insider whose shareholding ratio greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio including the self-owned shares and trusted shares, at the same time, persons who have power to decide how to allocate the trust assets. For the information of reported share equity of insider, please refer to Market Observation Post System.

**Attachment 2: 2022 Parent Only Financial Report**

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR22000298

To the Board of Directors and Shareholders of Flexium Interconnect, Inc.

***Opinion***

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

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

***Basis for opinion***

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditor’s 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 Accountants in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Key audit matters***

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

Key audit matters for the Company's financial statements of the current period are stated as follows:

### **Key audit matter - Valuation of impairment of accounts receivable**

#### Description

For the accounting policies on accounts receivable, please refer to Note 4(8). For the uncertainty of accounting estimates and assumptions in relation to accounts receivable, please refer to Note 5(2). For the details of net accounts receivable, please refer to Note 6(4).

The criteria that the Company uses to measure expected credit loss includes the aging of accounts receivable past due, financial situation of customers, internal credit ranking and historical transaction records. Based on this criterion, the Company estimates the amounts of allowance for accounts receivable that the Company has to provision. As the estimates are subject to management's judgement and involves uncertainty, the recoverable amount may be significantly affected. Thus, we consider the valuation of impairment of accounts receivable as one of the key audit matters.

#### How our audit addressed the matter

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

- A. Obtained an understanding of the Company's operation and sales customers. Assessed the reasonableness of policies and process applied in allowance for accounts receivable, including the objective evidence for the loss rate and compared whether the provision policies adopted in the different periods are consistently applied.
- B. Verified the consistency between the expected credit loss in the past due period for each group applied in calculating allowance for accounts receivable and the provision policies.
- C. Verified the accuracy of the classification for accounts receivable aging to confirm that the information in the reports is consistent with its policies.
- D. Sampled and performed subsequent collection tests for material accounts receivable and evaluated their recoverability.

## **Key audit matter - Inventory valuation**

### Description

For the accounting policies on inventory valuation, please refer to Note 4(12). For the uncertainty of accounting estimates and assumptions in relation to inventory valuation, please refer to Note 5(2). For the details of inventory, please refer to Note 6(5).

The Company is primarily engaged in manufacturing and sales of flexible print circuit board which belongs to a rapidly changing industry and is easily affected by the market price. Thus, there is a higher risk of incurring inventory valuation losses or having obsolete inventory. The Company determines inventory value using the item-by-item approach and recognised at the lower of cost and net realisable value. For inventory that is over a certain age, the net realised value was calculated from the historical experience of disposing old inventories.

The determination of net realisable value for obsolete or slow-moving inventory are subject to management's judgement and involves uncertainty. Considering the Company's inventory balance and the allowance for inventory valuation losses are material to its financial statements, we consider the inventory valuation as one of the key audit matters.

### How our audit addressed the matter

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

- A. Obtained an understanding of the Company's operation and industry. Assessed the reasonableness of the policy and procedures applied to recognise allowance for inventory evaluation losses and whether the accounting policy has been consistently applied in the comparative periods of financial statements.
- B. Understood the Company's inventory control procedures. Participated in the annual inventory count in order to assess the effectiveness of the classification of obsolete inventory and internal control over obsolete inventory.
- C. Sampled and verified the accuracy of inventory aging calculation, confirmed and verified the reasonableness of obsolete inventories identification, the basis of net realisable value valuation of inventories to assess the reasonableness of provision of allowance for inventory valuation losses.



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

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

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

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

## ***Auditors' responsibilities for the audit of the financial statements***

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

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

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

- B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- D. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- E. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

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Wu, Chien-Chih

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Liao, A-Shen

For and on behalf of PricewaterhouseCoopers, Taiwan  
February 9, 2023

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

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

FLEXIUM INTERCONNECT, INC.  
PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2022		December 31, 2021		
		AMOUNT	%	AMOUNT	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 11,242,661	23	\$ 5,702,494	12
1136	Current financial assets at amortised cost	6(3)	1,848,360	4	7,325,420	16
1150	Notes receivable, net		-	-	23	-
1170	Accounts receivable, net	6(4)	6,011,340	12	8,576,308	18
1180	Accounts receivable due from related parties, net	6(4) and 7	3,245,449	7	2,609,197	6
1200	Other receivables		114,738	-	227,231	-
1210	Other receivables due from related parties	7	1,245,393	3	716,985	2
1220	Current tax assets		620	-	32,169	-
130X	Inventories	6(5)	1,727,524	4	1,857,522	4
1410	Prepayments		43,936	-	33,419	-
1470	Other current assets		9	-	79	-
11XX	<b>Current Assets</b>		<u>25,480,030</u>	<u>53</u>	<u>27,080,847</u>	<u>58</u>
<b>Non-current assets</b>						
1517	Non-current financial assets at fair value through other comprehensive income	6(2)	92,124	-	83,070	-
1550	Investments accounted for under equity method	6(6)	10,684,984	22	9,375,806	20
1600	Property, plant and equipment	6(7)(10) and 7	11,727,404	24	9,619,974	21
1755	Right-of-use assets	6(8)	1,790	-	9,870	-
1780	Intangible assets	6(9)	22,662	-	12,056	-
1840	Deferred income tax assets	6(29)	74,327	-	26,275	-
1900	Other non-current assets	6(11) and 8	371,779	1	442,726	1
15XX	<b>Non-current assets</b>		<u>22,975,070</u>	<u>47</u>	<u>19,569,777</u>	<u>42</u>
1XXX	<b>Total assets</b>		<u>\$ 48,455,100</u>	<u>100</u>	<u>\$ 46,650,624</u>	<u>100</u>

(Continued)

FLEXIUM INTERCONNECT, INC.  
PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2022		December 31, 2021	
			AMOUNT	%	AMOUNT	%
	<b>Current liabilities</b>					
2120	Financial liabilities at fair value through profit or loss - current	6(12)	\$ 3,769	-	\$ 13,021	-
2170	Accounts payable		770,909	2	996,411	2
2180	Accounts payable to related parties	7	11,506,236	24	7,829,702	17
2200	Other payables	6(13) and 7	1,706,943	3	2,331,476	5
2230	Current income tax liabilities		1,202,936	2	1,062,069	2
2280	Current lease liabilities		1,708	-	8,389	-
2320	Long-term liabilities, current portion	6(14)(15)	4,183,228	9	414,583	1
2399	Other current liabilities, others		24,473	-	26,455	-
21XX	<b>Current Liabilities</b>		<u>19,400,202</u>	<u>40</u>	<u>12,682,106</u>	<u>27</u>
	<b>Non-current liabilities</b>					
2530	Bonds payable	6(14)	-	-	3,316,072	7
2540	Non-current portion of non-current borrowings	6(15)	2,638,988	6	3,485,417	8
2570	Deferred income tax liabilities	6(29)	1,446,418	3	1,448,184	3
2580	Non-current lease liabilities		118	-	1,607	-
2600	Other non-current liabilities	6(16)	22,494	-	32,784	-
25XX	<b>Non-current liabilities</b>		<u>4,108,018</u>	<u>9</u>	<u>8,284,064</u>	<u>18</u>
2XXX	<b>Total Liabilities</b>		<u>23,508,220</u>	<u>49</u>	<u>20,966,170</u>	<u>45</u>
	<b>Equity</b>					
	Share capital	6(14)(17)(18)				
3110	Share capital - common stock		3,227,909	7	3,513,309	7
	Capital surplus	6(14)(19)				
3200	Capital surplus		1,579,870	3	3,048,710	7
	Retained earnings	6(20)				
3310	Legal reserve		2,609,073	5	2,417,676	5
3320	Special reserve		477,174	1	428,325	1
3350	Unappropriated retained earnings		17,548,594	36	16,799,119	36
	Other equity interest	6(21)				
3400	Other equity interest		( 495,740)	( 1)	( 522,685)	( 1)
3XXX	<b>Total equity</b>		<u>24,946,880</u>	<u>51</u>	<u>25,684,454</u>	<u>55</u>
	Significant contingent liabilities and unrecognised contract commitments	9				
3X2X	<b>Total liabilities and equity</b>		<u>\$ 48,455,100</u>	<u>100</u>	<u>\$ 46,650,624</u>	<u>100</u>

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

**FLEXIUM INTERCONNECT, INC.**  
**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**  
(Expressed in thousands of New Taiwan dollars, earnings per share)

	Items	Notes	Year ended December 31			
			2022		2021	
			AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(22) and 7	\$ 40,001,113	100	\$ 35,426,904	100
5000	Operating costs	6(5)(9)(27)(28) and 7	( 36,607,903)	( 92)	( 32,182,386)	( 91)
5900	Net operating margin		<u>3,393,210</u>	<u>8</u>	<u>3,244,518</u>	<u>9</u>
	Operating expenses	6(9)(27)(28) and 7				
6100	Selling expenses		( 128,919)	-	( 110,063)	-
6200	General and administrative expenses		( 488,733)	( 1)	( 433,931)	( 1)
6300	Research and development expenses		( 699,783)	( 2)	( 683,766)	( 2)
6450	Impairment gain and reversal of impairment loss determined in accordance with IFRS 9	12(2)	( 6,595)	-	11	-
6000	Total operating expenses		( 1,324,030)	( 3)	( 1,227,749)	( 3)
6900	Operating profit		<u>2,069,180</u>	<u>5</u>	<u>2,016,769</u>	<u>6</u>
	Non-operating income and expenses					
7100	Interest income	6(3)(23) and 7	139,683	-	56,491	-
7010	Other income	6(24) and 7	106,099	-	92,288	-
7020	Other gains and losses	6(10)(12)(25)	639,481	2	67,506	-
7050	Finance costs	6(26)	( 27,847)	-	( 25,278)	-
7070	Share of profit of associates and joint ventures accounted for using equity method, net	6(6)	<u>1,179,933</u>	<u>3</u>	<u>1,432,449</u>	<u>4</u>
7000	Total non-operating income and expenses		<u>2,037,349</u>	<u>5</u>	<u>1,623,456</u>	<u>4</u>
7900	<b>Profit before income tax</b>		<u>4,106,529</u>	<u>10</u>	<u>3,640,225</u>	<u>10</u>
7950	Income tax expense	6(29)	( 584,972)	( 1)	( 760,475)	( 2)
8200	<b>Profit for the year</b>		<u>\$ 3,521,557</u>	<u>9</u>	<u>\$ 2,879,750</u>	<u>8</u>
	<b>Other comprehensive income</b>					
	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>					
8311	Other comprehensive income (loss), before tax, actuarial losses on defined benefit plans	6(16)	\$ 6,779	-	( \$ 4,382)	-
8316	Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income	6(2)(21)	9,054	-	( 1,886)	-
	<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
8361	Financial statements translation differences of foreign operations	6(21)	<u>140,028</u>	-	( 46,963)	-
8300	<b>Total other comprehensive income (loss)</b>		<u>\$ 155,861</u>	<u>-</u>	<u>( \$ 53,231)</u>	<u>-</u>
8500	<b>Total comprehensive income</b>		<u>\$ 3,677,418</u>	<u>9</u>	<u>\$ 2,826,519</u>	<u>8</u>
	Earnings per share	6(30)				
9750	Basic earnings per share		<u>\$ 10.83</u>		<u>\$ 8.19</u>	
9850	Diluted earnings per share		<u>\$ 9.94</u>		<u>\$ 7.64</u>	

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

FLEXIUM INTERCONNECT, INC.  
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)

	Notes	Share capital			Retained Earnings				Treasury stocks	Total equity
		Common stock	Certificate of bond-to-stock conversion	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Other equity interest		
<u>Year ended December 31, 2021</u>										
Balance at January 1, 2021		\$ 3,613,734	\$ 4,064	\$ 4,771,691	\$ 2,129,895	\$ 523,311	\$ 15,077,940	(\$ 563,146)	\$ -	\$ 25,557,489
Profit for the year		-	-	-	-	-	2,879,750	-	-	2,879,750
Other comprehensive loss	6(16)(21)	-	-	-	-	-	(4,382)	(48,849)	-	(53,231)
Total comprehensive income (loss)		-	-	-	-	-	2,875,368	(48,849)	-	2,826,519
Appropriation and distribution of 2020 earnings:										
Legal reserve		-	-	-	287,781	-	(287,781)	-	-	-
Special reserve		-	-	-	-	(94,986)	94,986	-	-	-
Cash dividends from capital surplus	6(19)	-	-	(1,786,765)	-	-	-	-	-	(1,786,765)
Share-based payment transactions	6(17)(18)(19)(21)	(8,501)	-	11,062	-	-	-	89,310	-	91,871
Issuance of convertible bonds	6(14)(19)	-	-	112,250	-	-	-	-	-	112,250
Conversion of convertible bonds	6(14)(18)(19)	6,096	(4,064)	12,876	-	-	-	-	-	14,908
Purchase of treasury share	6(18)	-	-	-	-	-	-	-	(1,131,818)	(1,131,818)
Retirement of treasury share	6(18)(19)	(98,020)	-	(72,404)	-	-	(961,394)	-	1,131,818	-
Balance at December 31, 2021		\$ 3,513,309	\$ -	\$ 3,048,710	\$ 2,417,676	\$ 428,325	\$ 16,799,119	(\$ 522,685)	\$ -	\$ 25,684,454
<u>Year ended December 31, 2022</u>										
Balance at January 1, 2022		\$ 3,513,309	\$ -	\$ 3,048,710	\$ 2,417,676	\$ 428,325	\$ 16,799,119	(\$ 522,685)	\$ -	\$ 25,684,454
Profit for the year		-	-	-	-	-	3,521,557	-	-	3,521,557
Other comprehensive income	6(16)(21)	-	-	-	-	-	6,779	149,082	-	155,861
Total comprehensive income		-	-	-	-	-	3,528,336	149,082	-	3,677,418
Appropriation and distribution of 2021 earnings:										
Legal reserve		-	-	-	191,397	-	(191,397)	-	-	-
Special reserve		-	-	-	-	48,849	(48,849)	-	-	-
Cash dividends from capital surplus	6(19)	-	-	(1,593,170)	-	-	-	-	-	(1,593,170)
Share-based payment transactions	6(17)(18)(19)(21)	14,600	-	210,160	-	-	-	(122,137)	-	102,623
Purchase of treasury share	6(18)	-	-	-	-	-	-	-	(2,924,445)	(2,924,445)
Retirement of treasury share	6(18)(19)	(300,000)	-	(85,830)	-	-	(2,538,615)	-	2,924,445	-
Balance at December 31, 2022		\$ 3,227,909	\$ -	\$ 1,579,870	\$ 2,609,073	\$ 477,174	\$ 17,548,594	(\$ 495,740)	\$ -	\$ 24,946,880

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

FLEXIUM INTERCONNECT, INC.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2022	2021
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit before tax		\$ 4,106,529	\$ 3,640,225
Adjustments			
Adjustments to reconcile profit (loss)			
Share-based payments	6(17)	102,623	91,871
Expected credit loss (gain)	12(2)	6,595	( 11 )
Depreciation expense	6(7)(8)(27)	1,337,664	879,688
Amortization expense	6(9)(27)	10,071	11,155
Net (profit) loss on valuation of financial assets at fair value through profit or loss	6(12)(25)	( 9,252 )	2,839
Interest expense	6(26)	27,847	25,278
Interest income	6(23)	( 139,683 )	( 56,491 )
Share of profit of associates and joint ventures accounted for using equity method	6(6)	( 1,179,933 )	( 1,432,449 )
Gain on disposal of property, plant and equipment	6(25)	( 100 )	( 438 )
Impairment loss on property, plant and equipment	6(10)(25)	5,030	-
Unrealized profit from sales		81,449	20,666
Realized profit on from sales		( 20,666 )	( 58,347 )
Changes in operating assets and liabilities			
Changes in operating assets			
Decrease in financial assets at fair value-current		-	3,472
Decrease in financial assets at amortised cost-current		5,477,060	1,949,900
Decrease (increase) in notes receivable		23	( 23 )
Decrease (increase) in accounts receivable		2,558,373	( 1,279,759 )
Increase in accounts receivable due from related parties		( 636,252 )	( 644,186 )
Decrease (increase) in other receivable		131,079	( 120,657 )
Decrease in other receivables due from related parties		6,815	16,043
Decrease (increase) in inventories		129,998	( 536,843 )
Increase in prepayments		( 10,517 )	( 11,854 )
Decrease in other current assets		70	62,051
Changes in operating liabilities			
(Decrease) increase in accounts payable		( 225,502 )	221,040
Increase (decrease) in accounts payable to related parties		3,676,534	( 400,409 )
Increase in other payables		104,117	99,313
Decrease in other current liabilities, others		( 1,982 )	( 658 )
Cash inflow generated from operations		15,537,990	2,481,416
Interest received		94,436	56,150
Interest paid		( 6,485 )	( 1,247 )
Income tax paid		( 462,374 )	( 394,714 )
Net cash flows from operating activities		<u>15,163,567</u>	<u>2,141,605</u>

(Continued)



FLEXIUM INTERCONNECT, INC.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2022	2021
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Increase in other receivables due from related parties		(\$ 533,052 )	(\$ 664,560 )
Increase in non-current financial assets at fair value through other comprehensive income	12(3)	-	( 27,940 )
Acquisition of investments accounted for using equity method		( 50,000 )	-
Acquisition of property, plant and equipment (including prepayment for equipment and for land purchases)	6(31)	( 4,179,829 )	( 4,706,507 )
Proceeds from disposal of property, plant and equipment		4,518	438
Acquisition of intangible assets	6(9)	( 20,677 )	( 6,920 )
Decrease (increase) in refundable deposits		75,379	( 62,724 )
Interest received		24,490	847
Net cash flows used in investing activities		<u>( 4,679,171 )</u>	<u>( 5,467,366 )</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Repayments of principal portion of lease liabilities	6(32)	( 8,520 )	( 8,570 )
Proceeds from issuing bonds	6(32)	-	3,411,855
Proceeds from long-term borrowings	6(32)	-	944,638
Repayments of long-term debt	6(32)	( 414,583 )	-
Decrease in other non-current liabilities		( 3,511 )	( 6,824 )
Payments to acquire treasury shares	6(18)	( 2,924,445 )	( 1,131,818 )
Cash dividends paid and cash dividends from capital surplus	6(19)	<u>( 1,593,170 )</u>	<u>( 1,786,765 )</u>
Net cash flows (used in) from financing activities		<u>( 4,944,229 )</u>	<u>1,422,516</u>
Net increase (decrease) in cash and cash equivalents		5,540,167	( 1,903,245 )
Cash and cash equivalents at beginning of year	6(1)	<u>5,702,494</u>	<u>7,605,739</u>
Cash and cash equivalents at end of year	6(1)	<u>\$ 11,242,661</u>	<u>\$ 5,702,494</u>

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

FLEXIUM INTERCONNECT, INC.  
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

Flexium Interconnect, Inc. (the “Company”) was incorporated under the provisions of the Company Law of the Republic of China (R.O.C.) and other relevant regulations on December 19, 1997. The Company is primarily engaged in the following: (1) manufacturing of build-up copper clad laminate; (2) manufacturing, processing, research, development, trading and repair of build-up printed circuit boards, flexible printed circuit boards, related semi-finished goods and parts; (3) manufacturing, research, development, and trading of parts for semi-finished goods of polyimide film base copper clad laminate; (4) manufacturing, processing, repair, design, trading of moulds, tools and clamping apparatuses; and (5) sale of raw materials for the products mentioned above. The Company’s shares have been traded in the Taiwan Stock Exchange since September, 2003.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These financial statements were authorised for issuance by the Board of Directors on February 9, 2023.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

(2) Effect of new issuances of or amendments to IFRSs that came into effect as endorsed by the FSC but not yet adopted by the Company

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

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

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

##### (1) Compliance statement

The financial statements have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

##### (2) Basis of preparation

A. Except for the following items, the parent company only financial statements have been prepared under the historical cost convention:

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income.
- (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

##### (3) Foreign currency translation

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

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within other gains and losses.

#### B. Translation of foreign operations

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

#### (4) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realised within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- (a) Liabilities that are expected to be settled within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be settled within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash equivalents

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

(6) Financial assets at fair value through other comprehensive income

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using settlement date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:

The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(7) Financial assets at amortised cost

The Company's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(8) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.

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

(9) Impairment of financial assets

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

(10) Derecognition of financial assets

The Company derecognises a financial asset when one of the following conditions is met:

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Company has not retained control of the financial asset.

(11) Operating leases (lessor)

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(12) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in process comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale.

(13) Investments accounted for using equity method / subsidiaries and associates

- A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

- B. Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Company are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise losses in proportion to its ownership.
- D. Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
- E. When the Company loses control of a subsidiary, the Company remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Company loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.
- F. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- G. The Company's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- H. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognises the Company's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.



- I. Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- J. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- K. In accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers", the profit or loss and other comprehensive income or loss presented on the parent company only financial statements are consistent with those presented on the consolidated financial statements. In addition, owner's equity presented on the parent company only is consistent with equity attributable to owners of parent presented on the consolidated financial statements.

(14) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings	2 ~ 50 years
Machinery equipment	2 ~ 15 years
Transportation equipment	2 ~ 15 years
Office equipment	3 ~ 10 years
Other equipment	2 ~ 10 years

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

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable.

The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

- (a) The amount of the initial measurement of lease liability; and
- (b) Any lease payments made at or before the commencement date.

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

(16) Intangible assets

Computer software is stated at cost and amortized using the straight-line method over its estimated economic service life.

(17) Impairment of non-financial assets

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

amortised historical cost would have been if the impairment had not been recognised.

(18) Borrowings

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

(19) Notes and accounts payable

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

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

(20) Financial liabilities at fair value through profit or loss

A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges or financial liabilities at fair value through profit or loss. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss at initial recognition:

(a) Hybrid (combined) contracts; or

(b) They eliminate or significantly reduce a measurement or recognition inconsistency; or

(c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

B. At initial recognition, the Company measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Company subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(21) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(22) Offsetting financial instruments

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

(23) Financial liabilities and equity instruments

Bonds payable

Convertible corporate bonds issued by the Company contain conversion options (that is, the bondholders have the right to convert the bonds into the Company's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Company classifies the bonds payable and derivative features embedded in convertible corporate bonds on initial recognition as a financial asset, a financial liability or an equity instrument ('capital surplus - stock warrants') in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument. Convertible corporate bonds are accounted for as follows:

- A. Call options and put options embedded in convertible corporate bonds are recognised initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.
- B. Bonds payable of convertible corporate bonds is initially recognised at fair value and subsequently stated at amortised cost. Any difference between the proceeds and the redemption value is accounted for as the premium or discount on bonds payable and presented as an addition to or deduction from bonds payable, which is amortised in profit or loss as an adjustment to the 'finance costs' over the period of bond circulation using the effective interest method.
- C. Conversion options embedded in convertible corporate bonds issued by the Company, which meet the definition of an equity instrument, are initially recognised in 'capital surplus - stock warrants' at the residual amount of total issue price less amounts of 'financial assets or financial liabilities at fair value through profit or loss' and 'bonds payable - net' as stated above. Conversion options are not subsequently remeasured.
- D. Any transaction costs directly attributable to the issuance of convertible corporate bonds are allocated to the liability and equity components in proportion to the allocation of proceeds.
- E. When bondholders exercise conversion options, the liability component of the bonds (including 'bonds payable' and 'financial assets or financial liabilities at fair value through profit or loss') shall be remeasured on the conversion date. The book value of common shares issued due to the conversion shall be based on the adjusted book value of the abovementioned liability component plus the book value of capital surplus - stock warrants.

(24) Non-hedging derivatives

Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss.

## (25) Employee benefits

### A. Short-term employee benefits

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

### B. Pensions

#### (a) Defined contribution plans

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

#### (b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Company uses interest rates of government bonds (at the balance sheet date) instead.
- ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

### C. Employees' and directors' remuneration

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

(26) Employee share-based payment

- A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.
- B. Employee restricted shares:
- (a) Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period.
  - (b) The issued employee restricted shares before meeting the vesting conditions are not entitled to appropriation of earnings (including but not limited to dividend, bonus and the distribution rights of capital surplus) and share options of cash capital increase.
  - (c) For restricted stocks where employees do not need to pay to acquire those stocks. If employees resign during the vesting period, the Company will redeem without consideration and retire those stocks.

(27) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
- D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(28) Share capital

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

(29) Dividends

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

(30) Revenue recognition

- A. The Company manufactures and sells flexible printed circuit board products. Sales are recognised when control of the products has transferred, being 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 wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.
- B. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts and sales discounts and allowances.
- C. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(31) Government grants

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

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

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

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

None.



(2) Critical accounting estimates and assumptions

A. Expected credit losses for accounts receivable

The Company shall measure the loss allowance at an amount equal to lifetime expected credit losses for accounts receivable. When assessing expected credit losses, the Company must use judgements to determine the influence factors for the collectibility of accounts receivable such as customers' operation conditions and historical transaction records which may influence the payment abilities of customers also consider the time value of money and future economic conditions to estimate reasonable and supporting information. The aforementioned judgements and considerations may all have significant impacts on the measurement outcome of expected credit losses.

B. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash:		
Cash on hand and revolving funds	\$ 566	\$ 416
Checking accounts and demand deposits	<u>556,925</u>	<u>867,573</u>
	<u>557,491</u>	<u>867,989</u>
Cash equivalents:		
Time deposits	8,597,026	4,253,015
Bonds sold under repurchase agreements	<u>2,088,144</u>	<u>581,490</u>
	<u>10,685,170</u>	<u>4,834,505</u>
	<u>\$ 11,242,661</u>	<u>\$ 5,702,494</u>

- A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- B. The Company has no cash and cash equivalents pledged to others as collateral.
- C. The above time deposits and bonds sold under the repurchase agreement with original maturities of less than three months were classified as cash equivalents.

(2) Financial assets at fair value through other comprehensive income

Items	December 31, 2022	December 31, 2021
Non-current items:		
Equity instruments		
Unlisted stocks	\$ 88,215	\$ 88,215
Valuation adjustments	3,909	( 5,145)
	\$ 92,124	\$ 83,070

- A. The Company has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$92,124 and \$83,070, respectively, as at December 31, 2022 and 2021.
- B. Amounts that the Company recognised in other comprehensive income for the years ended December 31, 2022 and 2021 in relation to the financial assets at fair value through other comprehensive income were \$9,054 and (\$1,886), respectively.
- C. The Company has no financial assets at fair value through other comprehensive income pledged to others as collateral.

(3) Financial assets at amortised cost

Items	December 31, 2022	December 31, 2021
Current items:		
Time deposits maturing in excess of three months	\$ 1,848,360	\$ 7,325,420

- A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

	For the years ended December 31,	
	2022	2021
Interest income	\$ 22,341	\$ 35,735

- B. The counterparties of the Company's investments in certificates of deposits are financial institutions with high credit quality, so the Company expects that the probability of counterparty default is remote.
- C. The Company has no financial assets at amortised cost pledged to others as collateral.

(4) Accounts receivable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivable	\$ 6,018,329	\$ 8,576,702
Less: Allowance for doubtful accounts	( 6,989)	( 394)
	<u>\$ 6,011,340</u>	<u>\$ 8,576,308</u>
Accounts receivable due from related parties	<u>\$ 3,245,449</u>	<u>\$ 2,609,197</u>

A. The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Up to 90 days	\$ 9,236,032	\$ 11,158,141
91 to 180 days	22	8,617
181 to 365 days	3,879	2,208
Over one year	23,845	16,933
	<u>\$ 9,263,778</u>	<u>\$ 11,185,899</u>

The above ageing analysis was based on overdue dates.

B. As of December 31, 2022 and 2021, and January 1, 2021, the balances of receivables (including related parties) from contracts with customers amounted to \$9,263,778, \$11,185,899 and \$9,261,954, respectively.

C. The Company does not hold collateral as security for accounts receivable.

D. As at December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's accounts receivable ( including related parties) were \$9,256,789 and \$11,185,505, respectively.

E. Information relating to credit risk of accounts receivable is provided in Note 12(2).

(5) Inventories

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Raw materials	\$ 156,336	\$ 175,318
Work in process and semi-finished goods	157,287	371,225
Finished goods and merchandise inventory	1,412,901	1,310,979
	<u>\$ 1,726,524</u>	<u>\$ 1,857,522</u>

The cost of inventories recognised as expense for the years ended December 31, 2022 and 2021, was \$36,607,903 and \$32,182,386, respectively, including the amounts of \$141,481 and \$8,296, respectively for the years ended December 31, 2022 and 2021, that the Company wrote down from cost to net realizable value accounted for as increase of cost of good sold.

(6) Investments accounted for using equity method

A. Details are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
FLEXIUM INTERCONNECT INC.	\$ 6,984,407	\$ 6,077,038
UFLEX TECHNOLOGY CO., LTD.	2,409,971	2,095,979
FLEXIUM INTERCONNECT INVESTMENT CO., LTD.	34,046	45,334
BOOM BUSINESS LIMITED	1,201,655	1,152,485
FLEXIUM INTERCONNECT AMERICA LLC.	4,913	4,970
UNIVERSE ENERGY CO., LTD	49,992	-
	<u>\$ 10,684,984</u>	<u>\$ 9,375,806</u>

B. Subsidiaries

- (a) For the information about the subsidiaries, please refer to Note 4(3) in the consolidated financial statements for the year ended December 31, 2022.
- (b) For the years ended December 31, 2022 and 2021, gains on investments accounted for using equity method amounted to \$1,179,933 and \$1,432,449, respectively.

(7) Property, plant and equipment

A. Book values of property, plant and equipment are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Land	\$ 4,949,953	\$ 2,407,376
Buildings	1,551,618	1,600,565
Machinery	4,878,766	3,966,548
Transportation equipment	4,714	3,304
Office equipment	513	586
Other equipment	54,002	39,642
Construction in progress and equipment under acceptance	<u>287,838</u>	<u>1,601,953</u>
	<u>\$ 11,727,404</u>	<u>\$ 9,619,974</u>

B. Changes in property, plant and equipment are as follows:

Cost	For the year ended December 31, 2022			
	Opening net book amount	Additions and transfer	Deduction	Closing net book amount
Land	\$ 2,407,376	\$ 2,542,577	\$ -	\$ 4,949,953
Buildings	1,840,870	10,674	-	1,851,544
Machinery	7,327,625	2,171,640	( 7,351)	9,491,914
Transportation equipment	10,766	3,060	( 849)	12,977
Office equipment	3,499	193	-	3,692
Other equipment	213,162	32,083	( 9,264)	235,981
Construction in progress and equipment under acceptance	1,601,953	( 1,314,115)	-	287,838
	<u>\$ 13,405,251</u>	<u>\$ 3,446,112</u>	<u>(\$ 17,464)</u>	<u>\$ 16,833,899</u>
Cost	For the year ended December 31, 2021			
	Opening net book amount	Additions and transfer	Deduction	Closing net book amount
Land	\$ 786,599	\$ 1,620,777	\$ -	\$ 2,407,376
Buildings	496,803	1,344,067	-	1,840,870
Machinery	4,626,531	2,721,924	( 20,830)	7,327,625
Transportation equipment	9,671	1,655	( 560)	10,766
Office equipment	2,879	620	-	3,499
Other equipment	198,130	15,254	( 222)	213,162
Construction in progress and equipment under acceptance	1,395,301	206,652	-	1,601,953
	<u>\$ 7,515,914</u>	<u>\$ 5,910,949</u>	<u>(\$ 21,612)</u>	<u>\$ 13,405,251</u>

For the year ended December 31, 2022				
<u>Accumulated depreciation and impairment</u>	<u>Opening net book amount</u>	<u>Additions</u>	<u>Deduction</u>	<u>Closing net book amount</u>
Buildings	\$ 240,305	\$ 59,621	\$ -	\$ 299,926
Machinery	3,361,077	1,255,004	( 2,933)	4,613,148
Transportation equipment	7,462	1,650	( 849)	8,263
Office equipment	2,913	266	-	3,179
Other equipment	<u>173,520</u>	<u>17,723</u>	<u>( 9,264)</u>	<u>181,979</u>
	<u>\$ 3,785,277</u>	<u>\$ 1,334,264</u>	<u>(\$ 13,046)</u>	<u>\$ 5,106,495</u>

Accumulated depreciation and impairment	For the year ended December 31, 2021			Closing net book amount
	Opening net book amount	Additions	Deduction	
Buildings	\$ 198,281	\$ 42,024	\$ -	\$ 240,305
Machinery	2,566,300	815,607	( 20,830)	3,361,077
Transportation equipment	6,644	1,378	( 560)	7,462
Office equipment	2,879	34	-	2,913
Other equipment	161,656	12,086	( 222)	173,520
	<u>\$ 2,935,760</u>	<u>\$ 871,129</u>	<u>(\$ 21,612)</u>	<u>\$ 3,785,277</u>

C. No borrowing costs were capitalized as part of property, plant and equipment for the years ended December 31, 2022 and 2021.

D. Impairment information about the property, plant and equipment is provided in Note 6(10).

E. The Company did not have property, plant and equipment pledged to others as collaterals.

F. Property, plant and equipment were not classified as operating lease assets.



(8) Leasing arrangements – lessee

- A. The Company leases various assets including buildings and business vehicles. Rental contracts are typically made for periods of 2 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used for leasing, subleasing, selling or any action affecting the ownership of the lessor.
- B. Short-term leases with a lease term of 12 months or less comprise of certain machinery and equipment, business vehicles and accommodations.
- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Buildings	\$ 1,048	\$ 7,335
Transportation equipment (Business vehicles)	742	2,535
	<u>\$ 1,790</u>	<u>\$ 9,870</u>
	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Buildings	\$ 6,287	\$ 6,406
Transportation equipment (Business vehicles)	2,143	2,153
	<u>\$ 8,430</u>	<u>\$ 8,559</u>

- D. For the years ended December 31, 2022 and 2021, the additions to right-of-use assets were \$350 and \$2,968, respectively.
- E. Information on profit or loss in relation to lease contracts is as follows:

	<u>For the years ended December 31,</u>	
<u>Items affecting profit or loss</u>	<u>2022</u>	<u>2021</u>
Interest expense on lease liabilities	\$ 73	\$ 146
Expense on short-term lease contracts	401	973

- F. For the years ended December 31, 2022 and 2021, the Company's total cash outflow for leases were \$8,994 and \$9,689, respectively.

(9) Intangible assets-computer software cost

A. Changes in computer software cost are as follows:

	<u>2022</u>	<u>2021</u>
At January 1	\$ 12,056	\$ 16,291
Additions-acquired separately	20,677	6,920
Amortization	( 10,071)	( 11,155)
At December 31	<u>\$ 22,662</u>	<u>\$ 12,056</u>

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

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Manufacturing expenses	\$ 483	\$ 204
General and administrative expenses	5,322	8,078
Research and development expenses	4,266	2,873
	<u>\$ 10,071</u>	<u>\$ 11,155</u>

(10) Impairment of non-financial assets

A. Details of impairment losses recognised by the Company are as follows:

	<u>Recognised in profit or loss</u>	
	<u>2022</u>	<u>2021</u>
Impairment loss – machinery	<u>\$ 5,030</u>	<u>\$ -</u>

B. In 2022, the changes in product structures and replacement of existing product equipment resulted in an impairment. The Company wrote down the carrying amount of the asset based on the recoverable amount and recognised an impairment loss of \$5,030 accordingly. The recoverable amount is the fair value of those property, plant and equipment less costs of disposal, estimated in accordance with the income approach. The fair value is classified as a level 3 fair value.

(11) Other non-current assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Prepayment for land purchases	\$ 116,165	\$ 116,165
Prepayment for equipment	4,576	144
Refundable deposits	251,038	326,417
	<u>\$ 371,779</u>	<u>\$ 442,726</u>

Information about the refundable deposits that were pledged to others as collaterals is provided in Note 8.

(12) Financial liabilities at fair value through profit or loss

Items	December 31, 2022	December 31, 2021
Current items:		
Financial assets designated as at fair value through profit or loss		
Put options of convertible bonds	\$ 3,769	\$ 13,021

The Company recognised net gain (loss) of \$9,252 and (\$2,839), respectively, for the years ended December 31, 2022 and 2021.

(13) Other payables

	December 31, 2022	December 31, 2021
Wages and salaries payable	\$ 378,072	\$ 309,317
Payables on employees' compensation and remuneration to directors	125,000	186,000
Payables on machinery and equipment	759,132	1,488,417
Other payables	444,739	347,742
	\$ 1,706,943	\$ 2,331,476

(14) Bonds payable

	December 31, 2022	December 31, 2021
Third overseas unsecured convertible bonds	\$ -	\$ -
Fourth overseas unsecured convertible bonds	3,359,400	3,359,400
Less: Discount on bonds payable	( 22,601)	( 43,328)
	3,336,799	3,316,072
Less: current portion		
(Shown as long-term liabilities, current portion)	( 3,336,799)	-
	\$ -	\$ 3,316,072

A. The terms of the Third overseas unsecured convertible bonds issued by the Company are as follows:

- (a) On January 22, 2019, the Company issued 0% coupon, 3-year unsecured convertible bonds in the amount of US\$100 million. Except for the Company's bonds that were redeemed, repurchased and retired or had their conversion rights exercised by the bondholders (the "bondholders"), the bonds are repayable in full by cash at face value at maturity. Redemption price at maturity would be translated into NTD at the fixed exchange rate of 30.838, then translate the NTD into USD using the currency rate on that day for repayment. The bonds were traded in the Singapore Exchange Limited since January 22, 2019.

- (b) Except for the bond redeemed early, repurchased and retired, bonds that were converted by their bondholders and the mandatory stop transfer period regulated by law and agreed in the bond indenture separately, the bondholders have the right to ask for conversion of the bonds into common shares of the Company in accordance with the relevant regulation and the bond indenture during the period from the date after 90 days of the bonds issue to 10 days before the maturity date, or on the day that the bondholders exercise the put option, or the fifth business day before the issue company exercise the early redemption.

As of January 22, 2022, the bonds with face value in the amount of US\$ 100,000 thousand had been converted into 39,725 thousand shares of common stocks (shown as ‘Share capital - common stock’ of \$397,252 and ‘capital surplus, additional paid-in capital arising from bond conversion’ of \$2,767,823).

- (c) The conversion price is set up according to the terms of the bonds and is subject to adjustments when the anti-dilution provisions occur. The conversion price was set at NT\$83.95 (in dollars) per share on issuance. If the conversion price reset according to the terms is higher than the original conversion price of current year, then the conversion price will not be adjusted. At the time of conversion, the principal of the bond is multiplied by the fixed exchange rate of 30.838 agreed on the pricing date as the numerator, and the conversion price at the time of conversion is used as the denominator to calculate the number of shares convertible into common stocks. As of January 22, 2022, the conversion price was adjusted to NT\$75.88 (in dollars) per share.

- (d) The rules of put options are as follows:

i. The bondholders have no right to ask for whole or partial redemption of the bonds, except the following:

(i) Except for the bond redeemed early, repurchased and retired, bonds that were converted by their bondholders, the bondholders have right to ask for whole or partial redemption of the bonds with an added interest rate of 0.425% per annum (compounded semi-annually) on the face value as the premium which is equivalent to 100.8527% of the face value (the “early redemption price for the bondholders”), after two years from the issue date.

(ii) If the Company’s common shares are unlisted from the Taiwan Stock Exchange or ceased trading over 30 consecutive business days, the bondholders have right to ask for only whole redemption of the bonds with an added interest rate of 0.425% per annum on the face value as the premium (the “early redemption amount”).

(iii) If any changes occurs to the Company’s controlling power as defined in the bond indenture (the “bond indenture”), the bondholders have right to ask for only whole redemption of the bonds.

- ii. The exercise of the aforementioned put options by the bondholders and the acceptance of the bondholders' requests by the Company shall in accordance with the procedures of the bond indenture. The early redemption price for the bondholders and the early redemption amount of bonds shall be paid on the payment date defined in the bond indenture by cash.
  - iii. The early redemption price for the bondholders and the early redemption amount of bonds shall be translated into NTD at the fixed exchange rate of 30.838, then translate the NTD into USD using the currency rate on that day for repayment.
- (e) The rules of redemption are as follows:
- i. For the period starting 2 years from the issue date until the maturity date, if the closing price (If the ex-right or the ex-dividend incurred, the adoption of the closing price shall be imputed to the price before ex-right and ex-dividend during the transaction date of the ex-right or the ex-dividend to the effective date of the ex-rights) of the issuing company's common shares converted to USD using the currency exchange rate of the day on the Taiwan Stock Exchange reaches 130% of the total amount of the early redemption price multiply conversion price on that day (using the fixed currency exchange rate on the price settlement date to convert to USD) divided by the face value for 30 consecutive business days, the issuing company has the right to redeem all or part of bonds at the early redemption price.
  - ii. If over 90% of the outstanding bonds' is redeemed, converted repurchased or retired, the Company can redeem all the bonds that are still outstanding at the early redemption price.
  - iii. If changes to the R.O.C.'s tax regulations occur after the issue date and cause the Company to bear more tax or to pay extra interest expenses or increase in costs for the bonds, the Company can redeem all the bonds at the early redemption price in accordance with the bond indenture. And the bondholders have no right to ask the issuing company covers the extra tax and expense for their nonparticipation of the redemption.
  - iv. The early redemption amount of bonds shall all be translated into NTD at the fixed exchange rate of 30.838, then translate the NTD into USD using the currency rate on that day for repayment.
- (f) Under the terms of the bonds, all bonds redeemed (including from secondary market), matured and converted will be retired and not to be reissued.
- (g) Regarding the issuance of convertible bonds, the equity conversion options amounting to \$246,517 were separated from the liability component and were recognised in 'capital surplus - share options' in accordance with IAS 32. As of January 22, 2022, the balance of "capital surplus - share options" after adjusting the amount converted into common stock is \$0. The non-equity redeem options, put options embedded in bonds payable were separated from their host contracts and were recognised in 'financial assets or liabilities at fair value through profit or loss' in net amount in accordance with IFRS 9 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. The annual effective interest rate of the bonds payable after separation is 3.335%.

B. The terms of the Fourth overseas unsecured convertible bonds issued by the Company are as follows:

- (a) On January 25, 2021, the Company issued 0% coupon, 3-year unsecured convertible bonds in the amount of US\$120 million. Except for the Company's bonds that were redeemed, repurchased and retired or had their conversion rights exercised by the bondholders (the "bondholders"), the bonds are repayable in full by cash at face value at maturity. Redemption price at maturity would be translated into NTD at the fixed exchange rate of 27.995, then translate the NTD into USD using the currency rate on that day for repayment. The bonds were traded in the Singapore Exchange Limited since January 25, 2021.
- (b) Except for the bond redeemed early, repurchased and retired, bonds that were converted by their bondholders and the mandatory stop transfer period regulated by law and agreed in the bond indenture separately, the bondholders have the right to ask for conversion of the bonds into common shares of the Company in accordance with the relevant regulation and the bond indenture during the period from the date after 90 days of the bonds issue to 10 days before the maturity date, or on the day that the bondholders exercise the put option, or the fifth business day before the issue company exercise the early redemption. As of December 31, 2022, no bonds have been converted or redeemed.
- (c) The conversion price is set up according to the terms of the bonds and is subject to adjustments when the anti-dilution provisions occur. The conversion price was set at NT\$136.00 (in dollars) per share on issuance. If the conversion price reset according to the terms is higher than the original conversion price of current year, then the conversion price will not be adjusted. At the time of conversion, the principal of the bond is multiplied by the fixed exchange rate of 27.995 agreed on the pricing date as the numerator, and the conversion price at the time of conversion is used as the denominator to calculate the number of shares convertible into common stocks. As at December 31, 2022, the conversion price was adjusted to NT\$123.22 (in dollars) per share.
- (d) The rules of put options are as follows:
  - i. The bondholders have no right to ask for whole or partial redemption of the bonds, except the following:
    - (i) Except for the bond redeemed early, repurchased and retired, bonds that were converted by their bondholders, the bondholders have right to ask for whole or partial redemption of the bonds with an added interest rate of 0% per annum on the face value as the premium after two years from the issue date.
    - (ii) If the Company's common shares are unlisted from the Taiwan Stock Exchange or ceased trading over 30 consecutive business days, the bondholders have right to ask for only whole redemption of the bonds with an added interest rate of 0% per annum on the face value as the premium (the "early redemption amount").
    - (iii) If any changes occurs to the Company's controlling power as defined in the bond indenture (the "bond indenture"), the bondholders have right to ask for only whole redemption of the bonds.

- ii. The exercise of the aforementioned put options by the bondholders and the acceptance of the bondholders' requests by the Company shall in accordance with the procedures of the bond indenture. The early redemption price for the bondholders and the early redemption amount of bonds shall be paid on the payment date defined in the bond indenture by cash.
  - iii. The early redemption price for the bondholders and the early redemption amount of bonds shall be translated into NTD at the fixed exchange rate of 27.995, then translate the NTD into USD using the currency rate on that day for repayment.
- (e) The rules of redemption are as follows:
- i. For the period starting 2 years from the issue date until the maturity date, if the closing price (If the ex-right or the ex-dividend incurred, the adoption of the closing price shall be imputed to the price before ex-right and ex-dividend during the transaction date of the ex-right or the ex-dividend to the effective date of the ex-rights) of the issuing company's common shares converted to USD using the currency exchange rate of the day on the Taiwan Stock Exchange reaches 130% of the total amount of the early redemption price multiply conversion price on that day (using the fixed currency exchange rate on the price settlement date to convert to USD) divided by the face value for 30 consecutive business days, the issuing company has the right to redeem all or part of bonds at the early redemption price.
  - ii. If over 90% of the outstanding bonds' is redeemed, converted repurchased or retired, the Company can redeem all the bonds that are still outstanding at the early redemption price.
  - iii. If changes to the R.O.C.'s tax regulations occur after the issue date and cause the Company to bear more tax or to pay extra interest expenses or increase in costs for the bonds, the Company can redeem all the bonds at the early redemption price in accordance with the bond indenture. And the bondholders have no right to ask the issuing company covers the extra tax and expense for their nonparticipation of the redemption.
  - iv. The early redemption amount of bonds shall all be translated into NTD at the fixed exchange rate of 27.995, then translate the NTD into USD using the currency rate on that day for repayment.
- (f) Under the terms of the bonds, all bonds redeemed (including from secondary market), matured and converted will be retired and not to be reissued.
- (g) Regarding the issuance of convertible bonds, the equity conversion options amounting to \$112,250 were separated from the liability component and were recognised in 'capital surplus - share options' in accordance with IAS 32. The non-equity redeem options, put options embedded in bonds payable were separated from their host contracts and were recognised in 'financial assets or liabilities at fair value through profit or loss' in net amount in accordance with IAS 9 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. The annual effective interest rate of the bonds payable after separation is 0.6748%.

(15) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2022</u>
Long-term bank borrowings				
Unsecured borrowings	Borrowing period is from May, 2019 to May, 2026; interest is payable monthly; principal is repayable in instalments from June, 2022.	0.425%~1.970%	None	\$ 683,333
Unsecured borrowings	Borrowing period is from May, 2019 to May, 2029; interest is payable monthly; principal is repayable in instalments from June, 2022.	0.425%~1.970%	None	1,100,000
Unsecured borrowings	Borrowing period is from July, 2019 to July, 2026; interest is payable monthly; principal is repayable in instalments from August, 2022.	0.425%~1.970%	None	1,702,084
				<u>3,485,417</u>
Less: Current portion				( <u>846,429</u> )
				<u>\$ 2,638,988</u>

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2021</u>
Long-term bank borrowings				
Unsecured borrowings	Borrowing period is from May, 2019 to May, 2026; interest is payable monthly; principal is repayable in instalments from June, 2022.	0.030%~1.300%	None	\$ 800,000
Unsecured borrowings	Borrowing period is from May, 2019 to May, 2029; interest is payable monthly; principal is repayable in instalments from June, 2022.	0.030%~1.300%	None	1,200,000
Unsecured borrowings	Borrowing period is from July, 2019 to July, 2026; interest is payable monthly; principal is repayable in instalments from August, 2022.	0.030%~1.300%	None	1,900,000
				<u>3,900,000</u>
Less: Current portion				( <u>414,583</u> )
				<u>\$ 3,485,417</u>

Details of interest expense of bank borrowings recognised in profit or loss are provided in Note 6(26).



(16) Pensions

A. Defined benefit plans

(a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit by next March.

(b) The amounts recognised in the balance sheet are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligations	(\$ 66,710)	(\$ 70,635)
Fair value of plan assets	<u>51,465</u>	<u>47,059</u>
Net defined benefit liability (shown as 'Other non-current liabilities')	<u>(\$ 15,245)</u>	<u>(\$ 23,576)</u>

(c) Changes in present value of defined benefit obligations are as follows:

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
<u>For the year ended December 31, 2022</u>			
Balance at January 1	(\$ 70,635)	\$ 47,059	(\$ 23,576)
Interest (expense) income	( 459)	311	( 148)
	<u>( 71,094)</u>	<u>47,370</u>	<u>( 23,724)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	3,610	3,610
Experience adjustments	4,384	( 1,215)	3,169
	<u>4,384</u>	<u>2,395</u>	<u>6,779</u>
Pension fund contribution	-	1,700	1,700
Balance at December 31	<u>(\$ 66,710)</u>	<u>\$ 51,465</u>	<u>(\$ 15,245)</u>
	<u>Present value of</u>		
	<u>defined benefit</u>	<u>Fair value of</u>	<u>Net defined</u>
	<u>obligations</u>	<u>plan assets</u>	<u>benefit liability</u>
<u>For the year ended December 31, 2021</u>			
Balance at January 1	(\$ 65,257)	\$ 44,578	(\$ 20,679)
Interest (expense) income	( 686)	477	( 209)
	<u>( 65,943)</u>	<u>45,055</u>	<u>( 20,888)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	310	310
Experience adjustments	( 4,692)	-	( 4,692)
	<u>( 4,692)</u>	<u>310</u>	<u>( 4,382)</u>
Pension fund contribution	-	1,694	1,694
Balance at December 31	<u>(\$ 70,635)</u>	<u>\$ 47,059</u>	<u>(\$ 23,576)</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2022 and 2021 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate	<u>1.25%</u>	<u>0.65%</u>
Future salary increases	<u>3.00%</u>	<u>3.00%</u>

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	<u>Discount rate</u>		<u>Future salary increases</u>	
	<u>Increase</u>	<u>Decrease</u>	<u>Increase</u>	<u>Decrease</u>
	<u>0.25%</u>	<u>0.25%</u>	<u>1%</u>	<u>1%</u>
December 31, 2022				
Effect on present value of defined benefit obligation	(\$ 1,933)	\$ 2,011	\$ 8,440	(\$ 7,335)
December 31, 2021				
Effect on present value of defined benefit obligation	(\$ 2,505)	\$ 2,625	\$ 11,013	(\$ 9,354)

The sensitivity analysis above is based on other conditions that are unchanged but only one assumption is changed. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The method and assumptions used for the preparation of sensitivity analysis during 2022 and 2021 are the same.

(f) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2023 amount to \$1,700.

(g) As of December 31, 2022, the weighted average duration of that retirement plan is 14.1 years.

#### B. Defined contribution plan

(a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, Taiwan-based companies of the Company contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The pension costs under the defined contribution pension plans of the Company for the years ended December 31, 2022 and 2021 were \$71,399 and \$61,682, respectively.

#### (17) Share-based payment

On August 3, 2022, July 3, 2020 and July 1, 2019, the Board of Directors of the Company has resolved to issue employee restricted shares:

A. Details of the share-based payment arrangements are as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Number of shares granted (in thousands)</u>	<u>Contract period</u>	<u>Vesting conditions</u>
Restricted stock transferred to employees (Note 1)	2022.08.03	2,500	1 years	Service period and performance condition (Note 3)
Restricted stock transferred to employees (Note 1)	2020.07.03	1,000	3 years	Service period and performance condition (Note 2)
Restricted stock transferred to employees (Note 1)	2019.07.01	5,500	3 years	Service period and performance condition (Note 2)

Note 1: The restricted shares issued by the Company cannot be transferred during the vesting period before meeting the vesting conditions. The right of attendance, proposal, presentation, voting and election at the shareholders' meeting are the same as the Company's issued ordinary shares, except appropriation of earnings (including but not limited to dividend, bonus and the distribution rights of capital surplus) and share options of cash capital increase. The Company has rights to take back the unvested shares at no consideration and retire the shares if employees resign during the vesting period.

Note 2: For the employees who are currently working in the Company, whose services have reached 1 year, 2 years and 3 years since the allocation of restricted shares and who achieved the target performance and have made contributions, the ceiling of accumulated vested share ratio is up to 30%, 30% and 40%, respectively.

Note 3: For the employees who are currently working in the Company, whose services have reached 1 year since the allocation of restricted shares and who achieved the target performance and have made contributions, the ceiling of accumulated vested share ratio is up to 100%.

B. Details of the share-based payment arrangements are as follows: (Shares in thousands)

	2022	2021
Employee restricted shares at January 1	2,734	4,630
Option issued for the year	2,500	-
Option retired for the year	( 1,040)	( 850)
Unrestriction for the year	( 1,309)	( 1,046)
Employee restricted shares at December 31	2,885	2,734

C. Expenses incurred on share-based payment transactions amounted to \$102,623 and \$91,871 for the years ended December 31, 2022 and 2021, respectively.

(18) Share capital

A. As of December 31, 2022, the Company's authorized capital was \$6,000,000 (including 20,000 thousand shares reserved for employee stock options and convertible bonds issued by the Company), and the paid-in capital was \$3,227,909, consisting of 322,791 thousand shares of ordinary stock, with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

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

	<u>2022</u>	<u>2021</u>
At January 1	351,331	361,374
Employee restricted shares	2,500	-
Employee restricted shares cancellation	( 1,040)	( 850)
Conversion of convertible bonds	-	609
Treasury shares cancellation	( 30,000)	( 9,802)
At December 31	<u>322,791</u>	<u>351,331</u>

- B. The information on conversion requests on convertible bonds for the year ended December 31, 2021 is provided in Note 6(14).
- C. The Board of Directors during its meeting on August 3, 2022 adopted a resolution to issue employee restricted ordinary shares (see Note 6(17)) with the effective date set on September 5, 2022. The subscription price is \$0 (in dollars) per share. The employee restricted ordinary shares issued are subject to certain transfer restrictions before their vesting conditions are met. After meeting their vesting conditions, the rights and obligations of these shares issued are the same as other issued ordinary shares.
- D. Treasury shares
- (a) Reason for share reacquisition and movements in the number of the Company's treasury shares are as follows:
- There was no such transaction as of December 31, 2022 and 2021.
- (b) Pursuant to the R.O.C. Securities and Exchange Law, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.
- (c) Pursuant to the R.O.C. Securities and Exchange Law, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.
- (d) Pursuant to the R.O.C. Securities and Exchange Law, treasury shares should be reissued to the employees or be distributed for equity transfer within three years from the reacquisition date and shares not reissued within the three-year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.
- (e) To maintain the Company's credit and the stockholders' equity, the Board of Directors during their meeting on February 9, 2022 resolved to repurchase the Company's shares in the amount of 15,000 thousand shares in accordance with related regulations. As of December 31, 2022, the Company had repurchased 15,000 thousand shares and completed the registration of share retirement.

(f) To maintain the Company's credit and the stockholders' equity, the Board of Directors during their meeting on March 16, 2022 resolved to repurchase the Company's shares in the amount of 15,000 thousand shares in accordance with related regulations. As of December 31, 2022, the Company had repurchased 15,000 thousand shares and completed the registration of share retirement.

(19) Capital surplus

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

	2022					
	Share premium	Stock option	Donated assets	Employee	Others	Total
				restricted shares		
At January 1, 2022	\$ 2,595,672	\$ 112,250	\$ 1,245	\$ 337,772	\$ 1,771	\$ 3,048,710
Employee restricted shares	290,133	-	-	( 79,973)	-	210,160
Treasury shares cancellation	( 85,830)	-	-	-	-	( 85,830)
Cash dividends from capital surplus	( 1,593,170)	-	-	-	-	( 1,593,170)
At December 31, 2022	<u>\$ 1,206,805</u>	<u>\$ 112,250</u>	<u>\$ 1,245</u>	<u>\$ 257,799</u>	<u>\$ 1,771</u>	<u>\$ 1,579,870</u>
	2021					
	Share premium	Stock option	Donated assets	Employee	Others	Total
				restricted shares		
At January 1, 2021	\$ 4,440,733	\$ 1,232	\$ 1,245	\$ 326,710	\$ 1,771	\$ 4,771,691
Employee restricted shares	-	-	-	11,062	-	11,062
Treasury shares cancellation	( 72,404)	-	-	-	-	( 72,404)
Cash dividends from capital surplus	( 1,786,765)	-	-	-	-	( 1,786,765)
Conversion option of convertible bonds	14,108	111,018	-	-	-	125,126
At December 31, 2021	<u>\$ 2,595,672</u>	<u>\$ 112,250</u>	<u>\$ 1,245</u>	<u>\$ 337,772</u>	<u>\$ 1,771</u>	<u>\$ 3,048,710</u>

B. On May 4, 2022, the Board of Directors, by a special resolution, decided to distribute cash dividend from capital surplus in the amount of \$1,593,170, at NT\$5 (in dollars) per share. On February 17, 2021, the Board of Directors, by a special resolution, decided to distribute cash dividend from capital surplus in the amount of \$1,786,765, at NT\$5 (in dollars) per share. For the above mentioned relevant shareholders' meeting resolutions and distribution, please refer to "Market Observation Post System" at the website of the Taiwan Stock Exchange.

C. On February 9, 2023, the Board of Directors, by a special resolution, decided to distribute cash dividend from capital surplus in the amount of \$799,903, at NT\$2.5 (in dollars) per share.

D. For details of capital reserve from stock options, please refer to Note 6(14).

(20) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the total capital stock balance, and setting aside or reversal for special reserve in accordance with related laws or Competent Authority's rule, if any, the Board of Directors should present the distribution of the remaining earnings along with undistributed earnings at beginning of periods for the approval of the shareholders based on the capital condition and economic development.

In accordance with Article 240, Item 5 of the Company Law and Article 241 of the Company Law, the Company authorizes the Board of Directors to have more than two-thirds of directors present and resolutions of more than half of the directors present to distribute dividends or legal reserve and capital surplus are distributed in cash and reported to the shareholders' meeting.

B. The Company's dividend policy is in line with the development plan and capital requirement for expanding production line in the near future as the Company is currently in the growth phase. Therefore, the Board of Directors proposed the appropriation of unappropriated retained earnings at the shareholders' meeting for approval. Cash dividend shall be more than 5% of total dividends, but will not be distributed if it is lower than \$0.1 per share, which will instead be distributed in the form of stocks.

C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the 25% of the Company's paid-in capital.

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

(b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.



E. The appropriation of 2021 earnings had been resolved at the shareholders' meeting on May 31, 2022. All distributable earnings have been retained and not distributed as dividends. The appropriation of 2020 earnings had been resolved after meeting the statutory voting threshold on June 14, 2021 via the electronic voting platform for shareholders' meeting. All distributable earnings have been retained and not distributed as dividends. For the above mentioned relevant shareholders' meeting resolutions and distribution, please refer to "Market Observation Post System" at the website of the Taiwan Stock Exchange.

F. On February 9, 2023, the Board of Directors resolved that the cash dividends for the distribution of earnings was \$799,903, at NT\$2.5 (in dollars) per share.

(21) Other equity items

	2022			
	Currency translation	Unearned Compensation	Unrealised gain (losses) on valuation	Total
At January 1	(\$ 472,029)	(\$ 45,511)	(\$ 5,145)	(\$ 522,685)
Currency translation differences:				
–Group	140,028	-	-	140,028
Issuance of employee restricted shares	-	( 142,600)	-	( 142,600)
Compensation cost of share-based payment	-	102,623	-	102,623
Valuation adjustments	-	( 82,160)	9,054	( 73,106)
At December 31	<u>(\$ 332,001)</u>	<u>(\$ 167,648)</u>	<u>\$ 3,909</u>	<u>(\$ 495,740)</u>
	2021			
	Currency translation	Unearned Compensation	Unrealised gain (losses) on valuation	Total
At January 1	(\$ 425,066)	(\$ 134,821)	(\$ 3,259)	(\$ 563,146)
Currency translation differences:				
–Group	( 46,963)	-	-	( 46,963)
Compensation cost of share-based payment	-	91,871	-	91,871
Valuation adjustments	-	( 2,561)	( 1,886)	( 4,447)
At December 31	<u>(\$ 472,029)</u>	<u>(\$ 45,511)</u>	<u>\$ 5,145)</u>	<u>(\$ 522,685)</u>

(22) Operating revenue

Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of goods at a point in time in the following major geographical regions:

	For the years ended December 31,	
	2022	2021
	Revenue	Revenue
Taiwan	\$ 1,360,224	\$ 1,691,101
China	2,761,109	4,631,998
Asia (excluding Taiwan and China)	1,319,446	2,476,979
Europe and America	34,560,334	26,626,826
	<u>\$ 40,001,113</u>	<u>\$ 35,426,904</u>

(23) Interest income

	For the years ended December 31,	
	2022	2021
Interest income from bank deposits	\$ 100,804	\$ 54,322
Other interest income	38,879	2,169
	<u>\$ 139,683</u>	<u>\$ 56,491</u>

(24) Other income

	For the years ended December 31,	
	2022	2021
Rent income	\$ 1,268	\$ 917
Other income	104,831	91,371
	<u>\$ 106,099</u>	<u>\$ 92,288</u>

(25) Other gains and losses

	For the years ended December 31,	
	2022	2021
Gains on disposal of property, plant and equipment	\$ 100	\$ 438
Foreign exchange (losses) gains	633,818	72,336
Net gain (loss) on financial assets/ liabilities at fair value through profit or loss	9,252 (	2,839)
Impairment loss on property and equipment	( 5,030)	-
Others	1,341 (	2,429)
	<u>\$ 639,481</u>	<u>\$ 67,506</u>

(26) Finance costs

	For the years ended December 31,	
	2022	2021
Interest expense:		
Bank borrowings	\$ 7,039	\$ 1,109
Convertible bonds	20,727	24,015
Imputed interest on deposit	8	8
Interest expense on lease liability	73	146
	<u>\$ 27,847</u>	<u>\$ 25,278</u>

(27) Expenses by nature

	For the years ended December 31,	
	2022	2021
Employee benefit expense	\$ 2,100,621	\$ 1,862,628
Depreciation charge on property, plant and equipment	1,329,234	871,129
Depreciation expenses on right-of-use assets	8,430	8,559
Amortisation on intangible assets	10,071	11,155

(28) Employee benefit expense

	For the years ended December 31,	
	2022	2021
Wages and salaries	\$ 1,687,526	\$ 1,493,039
Employee restricted stock	102,623	91,871
Labor and health insurance fees	163,170	146,726
Pension costs	71,547	61,891
Other personnel expenses	75,755	69,101
	<u>\$ 2,100,621</u>	<u>\$ 1,862,628</u>

- A. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, if any, shall not be less than 1% for employees' compensation, and shall be less than 2% for directors' remuneration. However, if the Company has accumulated deficit, the earnings shall first be reserved to offset the deficit.
- B. For the years ended December 31, 2022 and 2021, employees' compensation was accrued \$100,000 and \$83,000; while directors' remuneration were \$25,000 and \$20,000, respectively. The aforementioned amounts were recognised in salary expenses.

For the year ended December 31, 2022, the employees' compensation and directors' remuneration were estimated and accrued based on a certain ratio of distributable profit of current year as of the end of reporting period. The amounts resolved by the Board of Directors were in agreement with the accrued amounts. Employees' compensation will be distributed in the form of cash.

Employees' compensation and directors' remuneration of 2021 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2021 financial statements.

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

(29) Income tax

A. Income tax expense

Components of income tax expense:

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Current tax :		
Current tax on profits for the year	\$ 638,170	\$ 444,938
Tax on undistributed earnings	131,756	134,251
Overestimation of prior year's income tax	( 135,136)	( 107,513)
Total current tax	<u>634,790</u>	<u>471,676</u>
Deferred tax:		
Origination and reversal of temporary differences	( 49,818)	288,799
Income tax expense	<u>\$ 584,972</u>	<u>\$ 760,475</u>

B. Reconciliation between income tax expense and accounting profit

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Tax calculated based on profit before tax and statutory tax rate	\$ 821,306	\$ 728,045
Effect from items adjusted in accordance with tax regulation	( 232,954)	5,692
Tax on undistributed earnings	131,756	134,251
Overestimation of prior year's income tax	( 135,136)	( 107,513)
Income tax expense	<u>\$ 584,972</u>	<u>\$ 760,475</u>

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

	For the year ended December 31, 2022			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
– Deferred tax assets:				
Allowance for obsolescence and decline in market value of inventories	\$ 8,998	\$ 28,296	\$ -	\$ 37,294
Unrealised gross profit	4,133	12,157	-	16,290
Unrealised compensated absences	7,495	72	-	7,567
Cost of bond issuance	1,964	( 900)	-	1,064
Refund liability	3,591	-	-	3,591
Unrealised estimated expense	15	7,415	-	7,430
Others	79	1,012	-	1,091
Subtotal	<u>\$ 26,275</u>	<u>\$ 48,052</u>	<u>\$ -</u>	<u>\$ 74,327</u>
– Deferred tax liabilities:				
Gain on foreign investment accounted for under equity method	(\$ 1,437,902)	\$ -	\$ -	(\$ 1,437,902)
Pension expense	( 2,412)	( 310)	-	( 2,722)
Unrealised exchange gain	( 7,870)	2,076	-	( 5,794)
Subtotal	<u>(\$ 1,448,184)</u>	<u>\$ 1,766</u>	<u>\$ -</u>	<u>(\$ 1,446,418)</u>
Total	<u>(\$ 1,421,909)</u>	<u>\$ 49,818</u>	<u>\$ -</u>	<u>(\$ 1,372,091)</u>

	For the year ended December 31, 2021			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
– Deferred tax assets:				
Allowance for obsolescence and decline in market value of inventories	\$ 7,339	\$ 1,659	\$ -	\$ 8,998
Unrealised gross profit	11,670	( 7,537)	-	4,133
Unrealised compensated absences	6,058	1,437	-	7,495
Cost of bond issuance	923	1,041	-	1,964
Refund liability	3,591	-	-	3,591
Unrealised estimated expense	7	8	-	15
Others	80	( 1)	-	79
Subtotal	<u>\$ 29,668</u>	<u>(\$ 3,393)</u>	<u>\$ -</u>	<u>\$ 26,275</u>
– Deferred tax liabilities:				
Gain on foreign investment accounted for under equity method	(\$ 1,152,271)	(\$ 285,631)	\$ -	(\$ 1,437,902)
Pension expense	( 2,115)	( 297)	-	( 2,412)
Unrealised exchange gain	( 8,392)	522	-	( 7,870)
Subtotal	<u>(\$ 1,162,778)</u>	<u>(\$ 285,406)</u>	<u>\$ -</u>	<u>(\$ 1,448,184)</u>
Total	<u>(\$ 1,133,110)</u>	<u>(\$ 288,799)</u>	<u>\$ -</u>	<u>(\$ 1,421,909)</u>

D. The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority.

(30) Earnings per share

	<u>For the year ended December 31, 2022</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the Company	<u>\$ 3,521,557</u>	<u>325,213</u>	<u>\$ 10.83</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the Company	\$ 3,521,557	325,213	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,031	
Convertible bonds	9,180	27,263	
Employee restricted stock	<u>-</u>	<u>1,586</u>	
Profit attributable to ordinary shareholders of the Company plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 3,530,737</u>	<u>355,093</u>	<u>\$ 9.94</u>
	<u>For the year ended December 31, 2021</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the Company	<u>\$ 2,879,750</u>	<u>351,470</u>	<u>\$ 8.19</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the Company	\$ 2,879,750	351,470	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	883	
Convertible bonds	23,626	24,139	
Employee restricted stock	<u>-</u>	<u>3,295</u>	
Profit attributable to ordinary shareholders of the Company plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 2,903,376</u>	<u>379,787</u>	<u>\$ 7.64</u>

(31) Supplemental cash flow information

A. Investing activities with partial cash payments:

	For the years ended December 31,	
	2022	2021
Purchase of property, plant and equipment (including prepayments for equipment and for land purchases)	\$ 3,450,544	\$ 4,448,217
Add: Opening balance of other payables (including related parties)	1,488,417	1,746,707
Less: Ending balance of other payables (including related parties)	( 759,132)	( 1,488,417)
Cash paid during the period	<u>\$ 4,179,829</u>	<u>\$ 4,706,507</u>

B. Financing activities with no cash flow effects:

	For the years ended December 31,	
	2022	2021
Convertible bonds being converted to capital stocks and capital surplus	<u>\$ -</u>	<u>\$ 14,908</u>

(32) Changes in liabilities from financing activities

	2022			
	<u>Lease liability</u>	<u>Bonds payable</u>	<u>Long-term borrowings</u>	<u>Liabilities from financing activities-gross</u>
At January 1	\$ 9,996	\$ 3,316,072	\$ 3,900,000	\$ 7,226,068
Changes in cash flow from financing activities	( 8,520)	-	( 414,583)	( 423,103)
Increase in lease liabilities	350	-	-	350
Amortisation of discounts on bonds payable	-	<u>20,727</u>	-	<u>20,727</u>
At December 31	<u>\$ 1,826</u>	<u>\$ 3,336,799</u>	<u>\$ 3,485,417</u>	<u>\$ 6,824,042</u>
	2021			
	<u>Lease liability</u>	<u>Bonds payable</u>	<u>Long-term borrowings</u>	<u>Liabilities from financing activities-gross</u>
At January 1	\$ 15,598	\$ 14,886	\$ 2,955,362	\$ 2,985,846
Changes in cash flow from financing activities	( 8,570)	3,411,855	944,638	4,347,923
Increase in lease liabilities	2,968	-	-	2,968
Amortisation of discounts on bonds payable	-	24,015	-	24,015
Conversion rights of convertible bonds	-	( 112,250)	-	( 112,250)
Put options of convertible bonds	-	( 7,526)	-	( 7,526)
Convertible bonds converted to capital stocks and capital surplus	-	( 14,908)	-	( 14,908)
At December 31	<u>\$ 9,996</u>	<u>\$ 3,316,072</u>	<u>\$ 3,900,000</u>	<u>\$ 7,226,068</u>

## 7. RELATED PARTY TRANSACTIONS

### (1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
FLEXIUM INTERCONNECT INC. (“FLEXIUM”)	The Company's wholly-owned subsidiary
SUCCESS GLORY INVESTMENTS LTD. (“SUCCESS”)	FLEXIUM's wholly-owned subsidiary
GRANDPLUS ENTERPRISES LTD. (“GRANDLUS”)	FLEXIUM's wholly-owned subsidiary
UFLEX TECHNOLOGY CO., LTD. (“UFLEX”)	The Company's wholly-owned subsidiary
FLEXIUM INTERCONNECT AMERICA LLC (“FLEXIUM USA”)	The Company's wholly-owned subsidiary
FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION (“FLEXIUM INTERCONNECT(KUNSHAN)”)	Subsidiary held by UFLEX and SUCCESS with 25.89% and 74.11% ownership, respectively.
FLEXIUM INTERCONNECT INVESTMENT Co., Ltd. (“FLEXIUM INTERCONNECT INVESTMENT”)	The Company's wholly-owned subsidiary
CHOSEN GLORY LIMITED (“CHOSEN”)	GRANDLUS's wholly-owned subsidiary
CHAMPION BEYOND LIMITED (“CHAMPION”)	GRANDLUS's wholly-owned subsidiary
FOREVER MASTER LIMITED (“FOREVER”)	GRANDLUS's wholly-owned subsidiary
BOOM BUSINESS LIMITED (“BOOM”)	The Company's wholly-owned subsidiary
CLEAR SUCCESS GLOBAL LIMITED (“CLEAR”)	BOOM's wholly-owned subsidiary
FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION (“FLEXIUM TECHNOLOGY (SUZHOU)”)	CLEAR's wholly-owned subsidiary
UNIVERSE ENERGY CO., LTD. (UNIVERSE)	The Company's wholly-owned subsidiary
QUANTUM Z INC.(QUANTUM Z)	The same chairman

### (2) Significant related party transactions

#### A. Sales of goods

- (a) For the year ended December 31, 2022, the Company’s sales to QUANTUM Z amounted to \$183. Goods are sold based on the price lists in force and terms that would be available to third parties. There was no such transaction for the year ended December 31, 2021.
- (b) Sales revenue (from sales of materials and supplies) and operating costs (from purchases of goods) arising from processing services for the subsidiary, FLEXIUM INTERCONNECT (KUNSHAN), through an offshore entity were written off when preparing the parent company only financial statements. For the years ended December 31, 2022 and 2021, the write-offs amounted to \$6,139,683 and \$4,725,248, respectively.
- (c) Sales of work in progress to the related parties have no comparative transactions. The prices are based on mutual agreement. The prices of materials and supplies are costs plus margin. The credit terms are 180 days for related parties and 45~120 days for regular clients after monthly billing for related parties.



B. Purchases:

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Purchases of goods:		
- FLEXIUM INTERCONNECT(KUNSHAN)	<u>\$ 3,014,026</u>	<u>\$ 27,220,144</u>

(a) Sales revenue (from sales of materials and supplies) and operating costs (from purchases of goods) arising from processing services for the subsidiary, FLEXIUM INTERCONNECT (KUNSHAN), through an offshore entity were written off when preparing the parent company only financial statements.

(b) Prices of purchases from the related parties are the same with those from other suppliers. The payment terms are 90 days to the related parties and 60~90 days to other suppliers after monthly billing.

C. Miscellaneous income

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
SUCCESS	<u>\$ 69,941</u>	<u>\$ 65,194</u>

D. Other expenses

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
SUCCESS	\$ 70,589	\$ 65,362
FLEXIUM USA	17,799	12,609
	<u>\$ 88,388</u>	<u>\$ 77,971</u>

E. Accounts receivable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
FLEXIUM INTERCONNECT(KUNSHAN)	\$ 3,245,266	\$ 2,609,197
Quantum Z	183	-
	<u>\$ 3,245,449</u>	<u>\$ 2,609,197</u>

F. Other receivables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
FLEXIUM TECHNOLOGY (SUZHOU)	\$ 1,200,768	\$ 665,545
SUCCESS	37,623	34,886
FLEXIUM INTERCONNECT(KUNSHAN)	7,002	16,554
	<u>\$ 1,245,393</u>	<u>\$ 716,985</u>

The financing situation for FLEXIUM INTERCONNECT (KUNSHAN), please refer to 7(2)10.

G. Accounts payable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
FLEXIUM INTERCONNECT(KUNSHAN)	\$ 11,506,326	\$ 7,829,702

H. Other payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
SUCCESS	\$ 33,543	\$ 31,101
FLEXIUM INTERCONNECT(KUNSHAN)	140	-
	<u>\$ 33,683</u>	<u>\$ 31,101</u>

I. Property transactions

Acquisition of property, plant and equipment

	<u>For the year ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
FLEXIUM INTERCONNECT(KUNSHAN)	\$ 5,471	\$ 6,288
FOREVER	-	13,359
	<u>\$ 5,471</u>	<u>\$ 19,647</u>

J. Financing situation

Loans to related parties

(a) Outstanding balance at the end of period

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
FLEXIUM TECHNOLOGY (SUZHOU)	\$ 1,197,612	\$ 664,560

(b) Interest income

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
FLEXIUM TECHNOLOGY (SUZHOU)	\$ 8,217	\$ 985

The loans to FLEXIUM TECHNOLOGY (SUZHOU) are repayable at maturity and carry interest both at 0.80% per annum for the years ended December 31, 2022 and 2021.

(3) Key management compensation

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 76,800	\$ 76,089
Post-employment benefits	168	169
Share-based payments	21,493	14,378
	<u>\$ 98,461</u>	<u>\$ 90,636</u>

## 8. PLEDGED ASSETS

<u>Pledged asset</u>	<u>Book value</u>		<u>Purpose</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>	
Refundable deposits (recorded in “Other non-current assets”)	<u>\$ 247,939</u>	<u>\$ 323,462</u>	Guarantee for land bid and gas

## 9. COMMITMENTS AND CONTINGENT LIABILITIES

(1) As of December 31, 2022 and 2021, the Group issued promissory notes both amounting to \$723,848 for applying loan facilities from the banks to meet the operational needs.

(2) As of December 31, 2022 and 2021, the Company entered into several contracts for construction and acquisition of machinery with total values of \$1,315,116 and \$2,437,413, respectively, and the unpaid balance on these contracts amounted to \$947,966 and \$1,332,522, respectively.

## 10. SIGNIFICANT CATASTROPHE

None.

## 11. SUBSEQUENT EVENTS

None.

## 12. OTHERS

### (1) Capital management

The Company’s objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Total debt is calculated as ‘current and non-current liabilities’ as shown in the consolidated balance sheet.

During 2022, the Company’s strategy, which was unchanged from 2021, was to maintain the balance of the capital structure. The gearing ratio at December 31, 2022 and 2021 were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Total liabilities	<u>\$ 23,508,220</u>	<u>\$ 20,966,170</u>
Total assets	<u>\$ 48,455,100</u>	<u>\$ 46,650,624</u>
Gearing ratio	<u>49</u>	<u>45</u>

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	\$ 92,124	\$ 83,070
Financial assets at amortised cost		
Cash and cash equivalents	\$ 11,242,661	\$ 5,702,494
Financial assets at amortised cost	1,848,360	7,325,420
Notes receivable	-	23
Accounts receivable (including related parties)	9,256,789	11,185,505
Other receivables (including related parties)	1,360,131	944,216
Refundable deposits	251,038	326,417
	<u>\$ 23,958,979</u>	<u>\$ 25,484,075</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss		
Financial liabilities designated at fair value through profit or loss	\$ 3,769	\$ 13,021
Financial liabilities at amortised cost		
Accounts payable (including related parties)	\$ 12,277,145	\$ 8,826,113
Other payables	1,706,943	2,331,476
Bonds payable (including current portion)	3,336,799	3,316,072
Long-term borrowings (including current portion)	3,485,417	3,900,000
Guarantee deposits received	7,250	8,020
	<u>\$ 20,813,554</u>	<u>\$ 18,381,681</u>
Lease liabilities	<u>\$ 1,826</u>	<u>\$ 9,996</u>

B. Financial risk management policies

- (a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimise any adverse effects on the financial performance of the Company, derivative financial instruments, such as foreign exchange forward contracts are used to hedge certain exchange rate risk. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.

- (b) Risk management is carried out by a central treasury department (Company treasury) under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close cooperation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Company operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD. Exchange rate risk arises from future commercial transactions and recognised assets and liabilities.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Company treasury. Exchange rate risk is measured through a forecast of highly probable USD expenditures. Forward foreign exchange contracts are adopted to minimise the volatility of the exchange rate affecting cost of forecast inventory purchases.
- iii. The Company hedges foreign exchange rate by using forward foreign exchange contracts. However, the Company does not adopt hedging accounting and derivative instruments were recorded as financial assets or liabilities at fair value through profit or loss. There was no forward foreign exchange transaction as at December 31, 2022 and 2021.
- iv. The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2022						
	Foreign currency		Book value (NTD)	Sensitivity analysis		
	amount (In thousands)	Exchange rate		Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 660,215	30.708	\$ 20,273,882	1%	\$ 202,739	\$ -
<u>Non-monetary items</u>						
USD:NTD	3,000	30.708	92,124	1%	-	921
<u>Long-term equity investments accounted for under equity method</u>						
USD:NTD	345,218	30.708	10,600,954	1%	-	106,009
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	407,655	30.708	12,518,270	1%	( 125,183)	-
December 31, 2021						
	Foreign currency		Book value (NTD)	Sensitivity analysis		
	amount (In thousands)	Exchange rate		Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 489,476	27.690	\$ 13,553,590	1%	\$ 135,536	\$ -
<u>Non-monetary items</u>						
USD:NTD	3,000	27.690	83,070	1%	-	831
<u>Long-term equity investments accounted for under equity method</u>						
USD:NTD	336,962	27.690	9,330,472	1%	-	93,305
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	335,222	27.690	9,282,297	1%	( 92,838)	-

- v. The total exchange gain, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2022 and 2021 amounted to \$633,818 and \$72,336, respectively.

#### Price risk

- i. The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.
- ii. The Company's investments in equity securities comprise shares issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, for the years ended December 31, 2022 and 2021 other components of equity would have increased/decreased by \$921 and \$831, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

#### Cash flow and fair value interest rate risk

- i. The Company's issued zero coupon liability financial instruments with embedded conversion options and call options. The fair value of the financial instrument is exposed under the risk of market fluctuation. There was no cash flow risk arising from significant changes in interest rate after assessment.
- ii. The Company's main interest rate risk arises from long-term borrowings with floating rates, which expose the Company to cash flow interest rate risk, but some of the risks are offset by cash and equivalents with variable interest rate. As of December 31, 2022 and 2021, the Company's borrowings at variable rate were mainly denominated in New Taiwan dollars.
- iii. If borrowing interest rate had increased/decreased by 0.25% with all other variables held constant, profit, net of tax for the years ended December 31, 2022 and 2021, would have increased/decreased by \$8,714 and \$9,750, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

#### (b)Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.

- ii. The Company manages their credit risk taking into consideration the entire company's concern. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. If the contract payments were past due over certain days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- iv. The default occurs when the contract payments are expected unrecoverable and are transferred to overdue receivables
- v. The Company classifies customers' accounts receivable in accordance with credit risk on trade. The Company applies the simplified approach using provision matrix to estimate expected credit loss under the provision matrix basis.
- vi. The Company used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. As of December 31, 2022 and 2021, the provision matrix classified by customers is as follows:

	Group A	Group B	Group C	Group D	Group E	Total
December 31, 2022						
Book value	\$ 5,023,587	\$ 117,150	\$ 643,166	\$ 170,383	\$ 64,043	\$ 6,018,329
Expected loss rate	0.01%	0.01%	0.04%	0.01%	10.06%	
Loss allowance	\$ 256	\$ 10	\$ 269	\$ 12	\$ 6,442	\$ 6,989
December 31, 2021						
Book value	\$ 7,010,735	\$ 258,365	\$ 926,991	\$ 312,927	\$ 67,684	\$ 8,576,702
Expected loss rate	0.00%	0.01%	0.01%	0.01%	0.01%	
Loss allowance	\$ 222	\$ 23	\$ 112	\$ 28	\$ 9	\$ 394

Accounts receivable is grouped based on stock liquidity, paid-in capital, current ratio and debt ratio of counterparties.

- vii. Movements in relation to the Company applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	2022	2021
At January 1	\$ 394	\$ 405
Provision for (reversal of) impairment loss	6,595	( 11)
At December 31	\$ 6,989	\$ 394



For provisioned loss in 2022, the impairment losses arising from customers' contracts are \$6,595. For provisioned loss in 2021, the reversal of impairment losses arising from customers' contracts amounts to \$11.

(c)Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities.
- ii. Surplus cash held by the operating entities over and above balance required for working capital management are invested in interest bearing current accounts, time deposits, structured certificates of deposit and bonds sold under repurchase agreement, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. As at December 31, 2022 and 2021, the Company held money market position of \$13,090,455 and \$13,027,498, respectively, that are expected to readily generate cash inflows for managing liquidity risk.
- iii. The table below analyses the Company's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

<u>December 31, 2022</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Over 2 years</u>
Non-derivative financial liabilities:			
Accounts payable(including related parties)	\$ 12,277,145	\$ -	\$ -
Other payables	1,706,943	-	-
Lease liabilities	1,787	118	-
Bonds payable	3,359,400	-	-
Long-term borrowings	847,358	847,104	1,793,322
Derivative financial liabilities:			
Put options of convertible bonds	3,769	-	-
<u>December 31, 2021</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Over 2 years</u>
Non-derivative financial liabilities:			
Accounts payable(including related parties)	\$ 8,826,113	\$ -	\$ -
Other payables	2,331,476	-	-
Lease liabilities	8,538	1,610	-
Bonds payable	-	3,359,400	-
Long-term borrowings	415,727	847,358	2,640,426
Derivative financial liabilities:			
Put options of convertible bonds	13,021	-	-

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Company's investment in equity investment without active market is included in Level 3.

B. Financial instruments not measured at fair value

The carrying amounts of financial instruments not measured at fair value, including cash and cash equivalents, financial assets at amortised cost, notes receivable, accounts receivable, other receivables, guarantee deposits paid (recorded in "Other non-current assets"), accounts payable, other payables, lease liabilities, bonds payable, long-term borrowings and guarantee deposits received (recorded in "Other non-current assets"), are approximate to their fair values.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

(a) The related information of natures of the assets and liabilities is as follows:

<u>December 31, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	\$ -	\$ -	\$ 92,124	\$ 92,124
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through				
Put options of convertible bonds	\$ -	\$ -	\$ 3,769	\$ 3,769

<u>December 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	\$ -	\$ -	\$ 83,070	\$ 83,070
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through				
Put options of convertible bonds	\$ -	\$ -	\$ 13,021	\$ 13,021

(b) The methods and assumptions the Company used to measure fair value are as follows:

- i. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the parent company only balance sheet date.
- ii. For high-complexity financial instruments, the fair value is measured by using self-developed valuation model based on the valuation method and technique widely used within the same industry. The valuation model is normally applied to derivative financial instruments, debt instruments with embedded derivatives or securitised instruments. Certain inputs used in the valuation model are not observable at market, and the Company must make reasonable estimates based on its assumptions. The effect of unobservable inputs to the valuation of financial instruments is provided in Note 12(3)H.

D. For the years ended December 31, 2022 and 2021, there was no transfer between Level 1 and Level 2.

E. The following chart is the movement of Level 3 for the years ended December 31, 2022 and 2021:

	<u>2022</u>	
	<u>Derivative instruments</u>	<u>Non-derivative equity instruments</u>
At January 1	(\$ 13,021)	\$ 83,070
Gains recognised in profit or loss (Note)	9,252	-
Gains recognised in other comprehensive income	-	9,054
December 31	<u>(\$ 3,769)</u>	<u>\$ 92,124</u>
Movement of unrealised gain in profit or loss of assets and liabilities held as at December 31, 2022 (Note)	<u>\$ 9,252</u>	<u>\$ -</u>

	<u>2021</u>	
	<u>Derivative instruments</u>	<u>Non-derivative equity instruments</u>
At January 1	\$ 22	\$ 57,016
Issued in the year	( 7,506)	-
Losses recognised in profit or loss (Note)	( 5,517)	-
Losses recognised in other comprehensive income	-	( 1,886)
Investments in the year	-	27,940
Conversion in the year	( 20)	-
December 31	<u>(\$ 13,021)</u>	<u>\$ 83,070</u>
Movement of unrealised gain in profit or loss of assets and liabilities held as at December 31, 2021 (Note)	<u>(\$ 5,517)</u>	<u>\$ -</u>

Note: Recorded as non-operating income and expenses.

F. For the years ended December 31, 2022 and 2021, there was no transfer into or out from Level 3.

G. Treasury segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments using the actuarial reports issued by external experts. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	<u>Fair value at December 31, 2022</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Hybrid instruments:					
Convertible bonds	(\$ 3,769)	Binary tree Convertible bond valuation model	Stock price volatility	24.08%~29.13%	The higher the stock price volatility, the lower the fair value
Non-derivative equity instruments:					
Unlisted shares	\$ 92,124	Discounted cash flow	Long-term revenue growth rate and long-term pre-tax operating margin	N/A	The higher the long- term revenue growth rate and long-term pre- tax operating margin, the higher the fair value

	Fair value at December 31, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Hybrid instruments:					
Convertible bonds (\$	13,021)	Binary tree Convertible bond valuation model	Stock price volatility	30.25%~43.03%	The higher the stock price volatility, the higher the fair value
Non-derivative equity instruments:					
Unlisted shares \$	83,070	Discounted cash flow	Long-term revenue growth rate and long-term pre-tax operating margin	N/A	The higher the long- term revenue growth rate and long-term pre- tax operating margin, the higher the fair value

- I. The Company has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

December 31, 2022						
	Input	Change	Recognised in profit or loss		Recognised in other comprehensive income	
			Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instruments	\$ 92,124	±1%	\$ -	\$ -	\$ 921	(\$ 921)
Hybrid instruments	Stock price volatility	±5%	\$ 2,688	(\$ 11,086)	\$ -	\$ -
December 31, 2021						
	Input	Change	Recognised in profit or loss		Recognised in other comprehensive income	
			Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instruments	\$ 83,070	±1%	\$ -	\$ -	\$ 831	(\$ 831)
Hybrid instruments	Stock price volatility	±5%	\$ 1,681	(\$ 2,354)	\$ -	\$ -

### 13. SUPPLEMENTARY DISCLOSURES

#### (1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: Please refer to table 3.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 4.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 5.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(12) and 12(2).
- J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

#### (2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 7.

#### (3) Information on investments in Mainland China

- A. Basic information: Please refer to table 8.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 9.

#### (4) Major shareholders information

Names of shareholders who hold more than 5% of the Company: Please refer to table 10

### 14. Segment Information

None.

FLEXIUM INTERCONNECT, INC.  
STATEMENT OF CASH AND CASH EQUIVALENTS  
DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Items	Summary	Amount
Cash on hand and revolving funds		\$ 566
Demand deposits	NTD	363,287
	USD (US\$6,236 thousand at exchange rate of 30.708)	191,507
	Other foreign currency	2,131
Cash equivalents		
Time deposits	USD (US\$216,520 thousand at exchange rate of 30.708)	6,648,896
	Interest rate range: 4.23% ~ 5.10%	
	Expiration date: From January 5, 2023 to March 22, 2023	
	NTD	1,948,130
	Interest rate range: 0.85% ~ 1.45%	
	Expiration date: From January 3, 2023 to March 8, 2023	
Bonds sold under the repurchase agreement	USD (US\$68,000 thousand at exchange rate of 30.708)	
	Interest rate range: 4.30% ~ 4.66%	
	Expiration date: From January 13, 2023 to February 10, 2023	<u>2,088,144</u>
		<u>\$ 11,242,661</u>

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FLEXIUM INTERCONNECT, INC.  
STATEMENT OF FINANCIAL ASSETS MEASURED AT AMORTIZED COST -CURRENT  
DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

<u>Name</u>	<u>Summary</u>	<u>Contract period</u>	<u>Amount</u>	<u>Interest rate</u>	<u>Note</u>
First Commercial Bank	USD time deposits	2022.12 ~ 2023.03	\$ 307,080	5.00%	Fixed interest rate
E.Sun Commercial Bank, Ltd.	USD time deposits	2022.10 ~ 2023.01	614,160	4.80%	Fixed interest rate
DBS Bank Ltd.	NTD time deposits	2022.07 ~ 2023.06	759,900	0.88% ~ 1.13%	Fixed interest rate
Hua Nan Commercial Bank	NTD time deposits	2022.01 ~ 2023.01	5,980	0.82%	Fixed interest rate
Far Eastern International Bank	NTD time deposits	2022.02 ~ 2023.04	<u>161,240</u>	0.94% ~ 1.10%	Fixed interest rate
			<u>\$ 1,848,360</u>		

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FLEXIUM INTERCONNECT, INC.  
STATEMENT OF ACCOUNTS RECEIVABLE  
DECEMBER 31, 2022  
 (Expressed in thousands of New Taiwan dollars)

<u>Customer name</u>	<u>Summary</u>	<u>Amount</u>	<u>Note</u>
Non-related parties:			
A Company	Sales revenue	\$ 4,282,912	
Others (minor amount less than 5%)	Sales revenue	<u>1,735,417</u>	
		6,018,329	
Less: Allowance for uncollectible accounts		( <u>6,989</u> )	
		<u>\$ 6,011,340</u>	
Related parties:			
FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION	Sales revenue	3,245,266	
QUANTUM Z INC	Sales revenue	<u>183</u>	
		<u>\$ 3,245,449</u>	

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FLEXIUM INTERCONNECT, INC.  
STATEMENT OF INVENTORIES  
DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Items	Summary	Amount		Note
		Cost	Net realisable value	
Materials and supplies		\$ 170,098	\$ 170,098	Use the net realizable value as the market price
Work in progress and semi-finished goods		172,531	224,337	Use the net realizable value as the market price
Finished goods and merchandise inventory		<u>1,571,369</u>	<u>1,554,028</u>	Use the net realizable value as the market price
		1,913,998	<u>\$ 1,948,463</u>	
Less: Allowance for inventory valuation losses		( 186,474)		
		<u>\$ 1,727,524</u>		

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**FLEXIUM INTERCONNECT, INC.**  
**STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Name	Opening balance		Additions (Note)		Reductions (Note)		Ending balance			Market price or net value per share		Collateral or pledged	Note
	Number of shares		Number of shares		Number of shares		Number of shares		%	Price			
	(per thousand share)	Amount	(per thousand share)	Amount	(per thousand share)	Amount	(per thousand share)	Ownership		Amount	(in dollar)		
FLEXIUM INTERCONNECT INC.	50	\$ 6,077,038	-	\$ 907,369	-	\$ -	50	100.00%	\$ 6,984,407	\$ 143,509.84	\$ 7,175,492	None	
UFLEX TECHNOLOGY CO., LTD.	50	2,095,979	-	313,992	-	-	50	100.00%	2,409,971	49,534.50	2,476,725	None	
FLEXIUM INTERCONNECT INVESTMENT CO., LTD.	5,000	45,334	-	-	-	( 11,288)	5,000	100.00%	34,046	6.81	34,046	None	
BOOM BUSINESS LIMITED	35,000	1,152,485	-	49,170	-	-	35,000	100.00%	1,201,655	34.33	1,201,655	None	
FLEXIUM INTERCONNECT AMERICA LLC.	-	4,970	-	-	-	( 57)	-	100.00%	4,913	-	4,913	None	
UNIVERSE ENERGY CO., LTD.	-	-	5,000	50,000	-	( 8)	50,000	100.00%	49,992	10.00	49,992	None	
		<u>\$ 9,375,806</u>		<u>\$ 1,320,531</u>		<u>(\$ 11,353)</u>			<u>\$ 10,684,984</u>		<u>\$ 10,942,823</u>		

Note: Including net income (losses) of the investee, realised (unrealised) gain (loss) and financial statements translation differences of foreign operations.

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FLEXIUM INTERCONNECT, INC.  
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

The information on 'Property, plant and equipment' is provided in Note 6(7).

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FLEXIUM INTERCONNECT, INC.  
STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF  
PROPERTY, PLANT AND EQUIPMENT  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

The information on 'Property, plant and equipment' is provided in Note 6(7).

Please refer to Note 4(14), for the information of depreciation methods and useful lives.

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FLEXIUM INTERCONNECT, INC.  
STATEMENT OF ACCOUNTS PAYABLE  
DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

<u>Vendor name</u>	<u>Summary</u>	<u>Amount</u>	<u>Note</u>
Non-related parties:			
A supplier	Purchases	\$ 131,446	
D supplier	Purchases	81,039	
B supplier	Purchases	59,457	
C supplier	Purchases	53,451	
Others (minor amount less than 5%)	Purchases	<u>445,516</u>	
		<u>\$ 770,909</u>	
Related parties:			
FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION	Purchases	<u>\$ 11,506,236</u>	

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FLEXIUM INTERCONNECT, INC.  
STATEMENT OF OTHER PAYABLES  
DECEMBER 31, 2022

(Expressed in thousands of New Taiwan dollars)

The information on 'Other Payables' is provided in Note 6(13) and Note 7(2)H.

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FLEXIUM INTERCONNECT, INC.  
STATEMENT OF BONDS PAYABLE  
DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Name of Bond	Guarantor	Period	Date of interest payment	Interest rate	Total issued amount	Repayment	Balance at December 31, 2022	Balance at	Unamortised	Repayment method	Collateral or pledged	Note	
								December 31, 2022	premium				
								(NTD)	(discount)	Book value			
Fourth overseas unsecured convertible bonds	KGI Securities Co. Ltd - Department of Trusts	2021.01.25	Note	Note	USD 120,000 thousand	-	USD 120,000 thousand	\$ 3,359,400	(\$ 22,601)	\$ 3,336,799	Note	None	The bonds were traded in the Singapore Exchange Limited
								Less: Current portion	( 3,336,799)				
										\$ -			

Note: Please refer to Note 6(14) for details.

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FLEXIUM INTERCONNECT, INC.  
STATEMENT OF LONG-TERM BORROWINGS  
DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

<u>Creditor</u>	<u>Summary</u>	<u>Amount</u>	<u>Contract period</u>	<u>Interest rate</u>	<u>Collateral or pledged</u>	<u>Note</u>
CTBC Bank	Unsecured borrowings	\$ 683,333	2019.05~2026.05	0.425% ~ 1.970%	None	
CTBC Bank	Unsecured borrowings	1,100,000	2019.05~2029.05	0.425% ~ 1.970%	None	
E. Sun Commercial Bank, Ltd.	Unsecured borrowings	<u>1,702,084</u>	2019.07~2026.07	0.425% ~ 1.970%	None	
		3,485,417				
	Less: Current portion	( <u>846,429</u> )				
		<u>\$ 2,638,988</u>				

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FLEXIUM INTERCONNECT, INC.  
STATEMENT OF OPERATING REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2022  
 (Expressed in thousands of New Taiwan dollars)

<u>Items</u>	<u>Quantity</u>	<u>Amount</u>	<u>Note</u>
Flexible printed circuit board	1,289,537 thousand PCS	\$ 39,712,675	
Other		<u>687,015</u>	
		40,399,690	
Less: Sales returns		( 106,571)	
Sales discounts		<u>( 292,006)</u>	
		<u>\$ 40,001,113</u>	

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FLEXIUM INTERCONNECT, INC.  
STATEMENT OF OPERATING COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Items	Amount
Opening merchandise inventory	\$ 1,302,018
Add: Purchased during the year	30,285,612
Less: Goods transfer	( 857,592)
Ending merchandise inventory	( 1,553,555)
Scrapping of merchandises	( 231,002)
Reclassified to expenses	( 75)
Cost of goods manufactured and sold	28,945,406
Opening balance of raw materials	184,990
Add: Purchased during the year	2,944,546
Less: Ending balance of raw materials	( 170,098)
Scrapping of raw materials	( 2,640)
Reclassified to expenses	( 685,583)
Raw materials for sale	( 27,543)
Raw materials consumption	2,243,672
Direct labours	789,024
Manufacturing expenses	3,303,920
Manufacturing costs	6,336,616
Add: Opening work in progress and semi-finished goods	383,609
Purchased during the year	64,982
Finished goods and merchandise inventory	872,457
Less: Ending work in progress and semi-finished goods	( 172,531)
Scrapped work in progress	( 3,508)
Reclassified to expenses	( 286,380)
Work in progress for sale	( 5,298,002)
Cost of finished goods	1,897,243
Add: Opening finished goods	31,898
Purchased during the year	61,891
Less: Ending finished goods	( 17,814)
Scrapping finished goods	( 4,097)
Finished product transfer	( 14,865)
Reclassified to expenses	( 32)
Production and marketing costs	1,954,224
Other operating costs- raw materials for sale	27,543
Other operating costs- work in progress for sale	5,298,002
Loss for market price decline and slow-moving inventories	141,481
Loss on scrapping of inventories	241,247
Cost of sales	\$ 36,607,903

FLEXIUM INTERCONNECT, INC.  
STATEMENT OF MANUFACTURING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022  
 (Expressed in thousands of New Taiwan dollars)

<u>Items</u>	<u>Summary</u>	<u>Amount</u>	<u>Note</u>
Depreciation		\$ 1,237,669	
Wages and salaries		553,559	
Spent material		527,700	
Utilities expense		300,749	
Repairs and maintenance expense		282,375	
Others (minor amount less than 5%)		401,868	
		<u>\$ 3,303,920</u>	

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FLEXIUM INTERCONNECT, INC.  
STATEMENT OF SELLING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022  
 (Expressed in thousands of New Taiwan dollars)

<u>Items</u>	<u>Summary</u>	<u>Amount</u>	<u>Note</u>
Export expenses		\$ 49,771	
Wages and salaries		43,547	
Freight		15,549	
Others (minor amount less than 5%)		<u>20,052</u>	
		<u>\$ 128,919</u>	

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FLEXIUM INTERCONNECT, INC.  
STATEMENT OF ADMINISTRATIVE EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

<u>Items</u>	<u>Summary</u>	<u>Amount</u>	<u>Note</u>
Wages and salaries		\$ 244,147	
Depreciation		66,899	
Employee benefits/welfare		35,582	
Professional service fee		26,109	
Others (minor amount less than 5%)		115,996	
		<u>\$ 488,733</u>	

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FLEXIUM INTERCONNECT, INC.  
STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022  
 (Expressed in thousands of New Taiwan dollars)

<u>Items</u>	<u>Summary</u>	<u>Amount</u>	<u>Note</u>
Wages and salaries		\$ 271,487	
Research and development expense		244,059	
Molding expense		63,756	
Others (minor amount less than 5%)		<u>120,481</u>	
		<u>\$ 699,783</u>	

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FLEXIUM INTERCONNECT, INC.  
STATEMENT OF NET AMOUNT OF OTHER REVENUES AND  
GAINS AND EXPENSES AND LOSSES  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

The information on 'Net Amount of Other Revenues and Gains and Expenses and Losses' is provided in Note 6(25).

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FLEXIUM INTERCONNECT, INC.  
STATEMENT OF FINANCE COST  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

The information on 'Finance Cost' is provided in Note 6(26).

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FLEXIUM INTERCONNECT, INC.  
SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION, DEPLETION AND AMORTIZATION EXPENSES BY FUNCTION  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

By nature \ By function	Years ended December 31,					
	2022			2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expense (Note)						
Salary and bonus	\$ 1,223,082	\$ 438,344	\$ 1,661,426	\$ 1,075,033	\$ 397,276	\$ 1,472,309
Employee restricted shares	27,708	74,915	102,623	22,641	69,230	91,871
Labour and health insurance fees	122,342	40,828	163,170	110,600	36,126	146,726
Pension costs	51,725	19,822	71,547	44,600	17,291	61,891
Directors' remuneration	-	26,100	26,100	-	20,730	20,730
Others	28,531	47,224	75,755	26,860	42,241	69,101
Depreciation	1,237,669	99,995	1,337,664	800,789	78,899	879,688
Amortisation	483	9,588	10,071	204	10,951	11,155
<b>Total</b>	<b>\$ 2,691,540</b>	<b>\$ 756,816</b>	<b>\$ 3,448,356</b>	<b>\$ 2,080,727</b>	<b>\$ 672,744</b>	<b>\$ 2,753,471</b>

Note1 : As of December 31, 2022 and 2021, the numbers of employees of the Company were 2,442 and 2,206, respectively, including the numbers of directors who were not employees were both 8.

Note2: (a) Average employee benefit expense in current year was \$852; average employee benefit expense in previous year was \$838.

(b) Average employee salaries in current year were \$683; average employee salaries in previous year was \$670.

(c) Adjustments of average employee salaries were 1.94%.

(d) The Company has established an audit committee to replace supervisors, therefore no supervisors' remuneration was accrued.

(e) The Company's salary and remuneration policy : Directors' remuneration is not higher than 2% in accordance with Article 29-1 of the Company's Articles of Incorporation. A reasonable remuneration of directors is granted taking into consideration the Company's operating result and directors' contribution to the Company's performance. General managers', vice general managers' and managers' remuneration are determined based on the Company's payment standard of salary and their education and experience and operating performance. The assessment standard of employees' salary is determined based on their education and experience, skill, job responsibilities and dangerous degree of environment. Also, the Company's salary and remuneration policy is conducted in compliance with the Company's Management for Employee Remuneration and Management Measures for Performance Assessment.

Flexium Interconnect Inc.  
Loans to others  
For the year ended December 31, 2022

Table 1

Expressed in thousands of NTD  
(Except as otherwise indicated)

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum	Balance at	Actual amount	Interest	Nature	Amount of	Reason	Allowance	Collateral		Limit on loans	Ceiling on	Footnote
					outstanding balance during the year ended December 31, 2022								December 31, 2022	drawn down			
0	FLEXIUM INTERCONNECT INC.	FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION	Other receivables - related parties	Yes	\$ 2,334,925	\$ 1,247,344	\$ -	-	Note 1	\$ -	Company operation	\$ -	-	\$ -	\$ 4,989,376	\$ 9,978,752	-
0	FLEXIUM INTERCONNECT INC.	FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	Other receivables - related parties	Yes	3,503,106	2,494,689	1,197,612	0.80%	Note 1	-	Company operation	-	-	-	4,989,376	9,978,752	-

Note 1: Fill in purpose of loan when nature of loan is for short-term financing.

Note 2: In accordance with the Company's "Procedures for Provision of Loans", limit on loans to a single party with business transactions is the higher value of purchasing and selling during current year on the year of financing and is 20% of the Company's net asset based on the latest audited or reviewed consolidated financial statements; limit on loans to a single party with short-term financing is 10% of the Company's net assets based on the latest audited or reviewed financial statements.

Note 3: In accordance with the Company's "Procedures for Provision of Loans", ceiling on total loans is 40% of the Company's net assets based on the latest audited or reviewed financial statements.

Flexium Interconnect Inc.

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

For the year ended December 31, 2022

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer	General ledger account	As of December 31, 2022				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
FLEXIUM INTERCONNECT INC.	Etherdyne Technologies, Inc.	None.	Financial assets at fair value through other comprehensive income - non-current	2,074,346	\$ 92,124	16.90%	\$ 92,124	-
FLEXIUM INTERCONNECT INVESTMENT CO., LTD.	Mycenax Biotech Inc. (Stock)	None.	Financial assets at fair value through profit or loss - current	169,123	9,826	Note 2	9,826	-

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IFRS 9, 'Financial instruments'

Note 2: Not applicable since the percentage of ownership is less than 5%.

Flexium Interconnect Inc.  
Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more  
For the year ended December 31, 2022

Table 3

Expressed in thousands of NTD  
(Except as otherwise indicated)

If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below:													
Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Amount	Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments
FLEXIUM INTERCONNECT INC.	Buildings and structures	March 11, 2019	777,000	769,898	Li Jin engineering Co., Ltd.	Non-related party	-	-	-	-	Price comparison and negotiation	Building plants	None
FLEXIUM INTERCONNECT INC.	Buildings and structures	July 30, 2019	458,000	442,934	Lee Ming construction Co., Ltd.	Non-related party	-	-	-	-	Price comparison and negotiation	Building plants	None
FLEXIUM INTERCONNECT INC.	Land	February 27, 2020	774,432	116,165	Kaohsiung City government	Non-related party	-	-	-	-	Subscription based on the notice released by the Kaohsiung city government	Building plants	The land shall be constructed within 3 years starting from the next day of the land turned over
FLEXIUM INTERCONNECT INC.	Buildings and structures	October 8, 2020	555,975	524,567	Acter Technology Co., Ltd.	Non-related party	-	-	-	-	Price comparison and negotiation	Building plants	None
FLEXIUM INTERCONNECT INC.	Land	July 28, 2022	467,991	467,991	Kaohsiung City government	Non-related party	-	-	-	-	Subscription based on the notice released by the Kaohsiung city government	Building plants	The land shall be constructed within 3 years starting from the next day of the land turned over
FLEXIUM INTERCONNECT INC.	Land	July 28, 2022	2,049,450	2,049,450	Kaohsiung City government	Non-related party	-	-	-	-	Subscription based on the notice released by the Kaohsiung city government	Building plants	The land shall be constructed within 3 years starting from the next day of the land turned over
FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	Right-of-use assets	July 18, 2022	828,039	286,595	Yupintang Electronic Technology (Suzhou) Co., Ltd.	Non-related party	-	-	-	-	Price comparison and negotiation	Build staff dormitory	None

Flexium Interconnect Inc.  
Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more  
For the year ended December 31, 2022

Table 3

Expressed in thousands of NTD  
(Except as otherwise indicated)

If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below:													
Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Amount	Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments
FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	Buildings and structures	November 12, 2019	491,479	491,479	Jiangsu Chengzhang Construction Group Co., Ltd.	Non-related party	-	-	-	-	Price comparison and negotiation	Building plants	None
FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	Buildings and structures	January 29, 2021	304,218	304,218	Yankey Engineering Co., Ltd.	Non-related party	-	-	-	-	Price comparison and negotiation	Building plants	None

Flexium Interconnect Inc.

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

For the year ended December 31, 2022

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales) Note1	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
FLEXIUM INTERCONNECT INC.	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	Subsidiary	(Sales)	( 6,139,683)	15	180 days	Note 2	Note 2	3,245,266	35	Note 5
FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	FLEXIUM INTERCONNECT INC.	The Company	(Sales)	( 36,273,709)	100	90 days	Note 3	Note 3	11,506,236	100	
FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	Subsidiary	(Sales)	( 2,856,089)	99	90 days	Note 4	Note 4	1,027,268	100	

Note 1: If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, only sales transaction is required to disclose.

Note 2: In the sales to related parties, the price of work in progress is based on mutual agreement. The price cannot be compared with regular sales due to a lack of similar counterparties. The price of materials and supplies is determined by adding the margin to the cost.

The collection period to third parties is approximately 45~120 days after the end of each month while those to related parties are 180 days after the end of each month.

Note 3: The transaction is sales from FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION to FLEXIUM INTERCONNECT INC., and the collection period is approximately 90 days after the end of each month.

Note 4: The transaction is sales from FLEXIUM TECHNOLOGY(SUZHOU) INCORPORATION to FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION, and the collection period is approximately 90 days after the end of each month.

Note 5: The purchase (sales) amount is contained the eliminates to sales revenue and operating costs (merchandise purchase) arising from raw material processing, which are provided by the Company through the offshore company that is in the third place to the subsidiary,

FLEXIUM INTERCONNECT(KUNSHAN). The eliminated amount was \$6,139,683 for the year ended December 31, 2022.

Flexium Interconnect Inc.

Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more

For the year ended December 31, 2022

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2022	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
FLEXIUM INTERCONNECT INC.	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	Subsidiary	Accounts receivable \$3,245,266	2.10	\$ -	-	\$ 1,722,117	\$ -
FLEXIUM INTERCONNECT INC.	FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	Subsidiary	Other receivables 1,200,768	Note			-	-
FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	FLEXIUM INTERCONNECT INC.	The Company	Accounts receivable \$11,506,236	3.75	-	-	5,104,291	-
FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	Subsidiary	Accounts receivable \$ 1,027,268	3.08	-	-	404,884	-

Note: Other receivables, not applicable for calculating of turnover rate.



Flexium Interconnect Inc.  
 Significant inter-company transactions during the reporting periods  
 For the year ended December 31, 2022

Table 6

Expressed in thousands of NTD  
 (Except as otherwise indicated)

Details of significant inter-company transactions reaching NT\$100 million or 20% of paid-in capital or more are as follows:

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets
				General ledger account	Amount	Transaction terms	
0	FLEXIUM INTERCONNECT INC.	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	1	Sales	\$ 6,139,683	Note 3	15
0	FLEXIUM INTERCONNECT INC	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	1	Accounts receivable	3,245,266	Note 3	7
0	FLEXIUM INTERCONNECT INC.	FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	1	Other receivables	1,200,768	Note 4	3
1	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	FLEXIUM INTERCONNECT INC.	2	Sales	36,273,709	Note 5	91
1	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	FLEXIUM INTERCONNECT INC.	2	Accounts receivable	11,506,236	Note 5	25
2	FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	3	Sales	2,856,089	Note 6	7
2	FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	3	Accounts receivable	1,027,268	Note 6	2

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

- (1) Parent company is "0".
- (2) The subsidiaries are numbered in order starting from "1".

Note 2: Relationship between transaction company and counterparty is classified into the following three categories (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice.

For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

Note 3: In the sales to related parties, the price of work in progress is based on mutual agreement. The price cannot be compared with regular sales due to a lack of similar counterparties. The price of materials and supplies is determined by adding the margin to the cost. The collection period to third parties is approximately 45~120 days after the end of each month while those to related parties are 180 days after the end of each month.

Note 4: The interest was at 0.8% per annum for the year ended December 31, 2022.

Note 5: The transaction is sales from FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION to FLEXIUM INTERCONNECT INC. and the collection period is approximately 90 days after the end of each month.

Note 6: The transaction is sales from FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION to FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION, and the collection period is approximately 90 days after the end of each month.

Flexium Interconnect Inc.  
Information on investees  
For the year ended December 31, 2022

Table 7

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022				Net profit (loss) of the investee for the year ended December 31, 2022	Investment income (loss) recognised by the Company for the year ended December 31, 2022	Footnote
				Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value				
FLEXIUM INTERCONNECT INC.	FLEXIUM INTERCONNECT INC.	British Virgin Islands	General investments	\$ 835,252	\$ 835,252	50,000	100	\$ 6,984,407	\$ 958,232	\$ 859,865	Note 1	
FLEXIUM INTERCONNECT INC.	UFLEX TECHNOLOGY CO., LTD.	British Virgin Islands	General investments	39,711	39,711	50,000	100	2,409,971	334,706	300,342	Note 1	
FLEXIUM INTERCONNECT INC.	FLEXIUM INTERCONNECT INVESTMENT CO., LTD.	Taiwan	General investments	50,000	50,000	5,000,000	100	34,046 (	11,289) (	11,289)		
FLEXIUM INTERCONNECT INC.	BOOM BUSINESS LIMITED	Samoa	General investments	1,064,460	1,064,460	35,000,000	100	1,201,655	31,612	31,612		
FLEXIUM INTERCONNECT INC.	FLEXIUM INTERCONNECT AMERICA LLC.	U.S.A	Marketing, customer support and supporting technical services	8,067	8,067	-	100	4,913 (	589) (	589)		
FLEXIUM INTERCONNECT INC.	Universe Energy Co., Ltd	Taiwan	Renewable energy self-use power generation equipment and energy technology services, etc.	50,000	-	5,000,000	100	49,992 (	8) (	8)		
FLEXIUM INTERCONNECT INC.	GRANDPLUS ENTERPRISES LTD.	Samoa	General investments	62,001	62,001	1,880,578	100	55	-	-	Note 2	
FLEXIUM INTERCONNECT INC.	SUCCESS GLORY INVESTMENTS LTD.	Samoa	General investments	719,042	719,042	23,510,000	100	7,175,428	958,232	-	Note 2	
GRANDPLUS ENTERPRISES LTD.	CHOSEN GLORY LIMITED	Samoa	General investments	-	-	-	100	-	-	-		
GRANDPLUS ENTERPRISES LTD.	CHAMPION BEYOND LIMITED	Samoa	General investments	-	-	-	100	-	-	-		
GRANDPLUS ENTERPRISES LTD.	FOREVER MASTER LIMITED	Samoa	General investments	-	-	-	100	23	-	-	Note 2	
BOOM BUSINESS LIMITED	CLEAR SUCCESS GLOBAL LIMITED	Samoa	General investments	1,064,460	1,064,460	35,000,000	100	1,201,655	31,612	-	Note 2	

Note 1: Investment income (loss) recognised by the Company for the year ended December 31, 2022 included elimination of unrealised gain (loss).

Note 2: Profit (loss) of investee has been included in the investor, and will not be disclosed separately.

Flexium Interconnect Inc.  
Information on investments in Mainland China  
For the year ended December 31, 2022

Table 8

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2022		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Net income of investee as of December 31, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2022 (Note 2)	Book value of investments in Mainland China as of December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION	Research, development, manufacture and sale of new-type electronic components and devices such as flexible printed circuit boards.	\$ 2,478,470	Through investing in an existing company in the third area, which then invested in the investee in Mainland China.	\$ 793,771	\$ -	\$ -	\$ 793,771	\$ 1,292,986	100	\$ 1,292,986	\$ 9,642,624	\$ -	Note 1、3
FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	Research, development, manufacture and sale of new-type electronic components and devices such as flexible printed circuit boards.	1,074,780	Through investing in an existing company in the third area, which then invested in the investee in Mainland China.	1,074,780	-	-	1,074,780	31,612	100	31,612	1,201,655	-	Note 1、4

Note 1: The financial statements are audited and attested by R.O.C. parent company's CPA.

Note 2: The numbers in this table are expressed in New Taiwan Dollars. Translated at exchanges rate of NT\$30.708 US\$1.00.

Note 3: The Group invested in the company through FLEXIUM INTERCONNECT INC., SUCCESS GLORY INVESTMENTS LTD., and UFLEX TECHNOLOGY CO., LTD.

Note 4: The Group invested in the company through BOOM BUSINESS LIMITED and CLEAR SUCCESS GLOBAL LIMITED.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)		Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
FLEXIUM INTERCONNECT INC.	\$ 1,868,551	\$ 5,730,457	\$ -	

Note: In accordance with 'Regulations Governing the Approval of Investment or Technical Cooperation in Mainland China' amended by Ministry of Economic Affairs effective on August 29, 2008, as the Company has obtained the certificate of being qualified for operating headquarters, issued by the Industrial Development Bureau, MOEA, the ceiling amount of the investment in Mainland China is not applicable to the Company.

Flexium Interconnect Inc.

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas

For the year ended December 31, 2022

Table 9

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing			Others		
	Amount	%	Amount	%	Balance at December 31, 2022	%	Balance at December 31, 2022	Purpose	Maximum balance during the year ended December 31, 2022	Balance at December 31, 2022	Interest rate		Interest during the year ended December 31, 2022	
FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION	(\$ 36,273,709)	92	\$ -	-	(\$ 11,506,236)	94	\$ -	-	\$ 2,334,925	\$ 1,247,344	-	\$ -	Other expenses	\$ 70,589
	6,139,683	15			3,245,266	35							Other income	69,941
													Other receivables	7,002
													Other payables	33,543
FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	-	-	-	-	-	-	-	-	3,503,106	2,494,689	0.80%	8,217	Other receivables	1,200,768

Note: The Company has reversed the sales revenue and operating cost (merchandise purchase) arising from raw material processing which are provided by the Company through the offshore company that is in the third place to the subsidiary, FLEXIUM INTERCONNECT(KUNSHAN), when preparing the financial statements. The eliminated amount was \$6,139,683 for the year ended December 31, 2022.

Flexium Interconnect Inc.  
Major shareholders information  
December 31, 2022

Table 10

	Shares	Expressed in shares
Name of major shareholders	Name of shares held	Ownership (%)
Cathay Life Insurance Company, Ltd.	22,144,958	6.86%

Note 1: The major shareholders information was from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded on the financial statements may be different from the actual number of shares in dematerialised form due to the difference of calculation basis.

Note 2: If the aforementioned data contains shares which were kept at the trust by the shareholders, the data was disclosed as separate account of client which was set by the trustee. As for the shareholder who reports share equity as a insider whose shareholding ratio greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio including the self-owned shares and trusted shares, at the same time, persons who have power to decide how to allocate the trust assets. For the information of reported share equity of insider, please refer to Market Observation Post System.