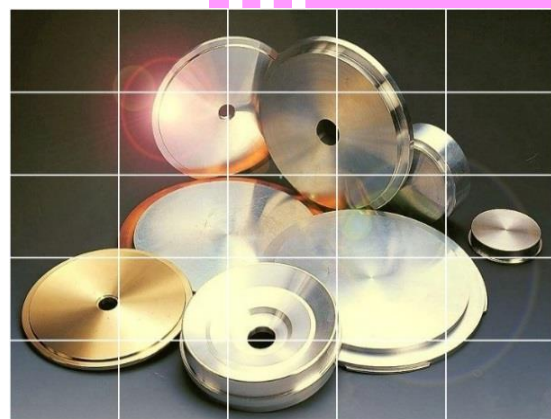
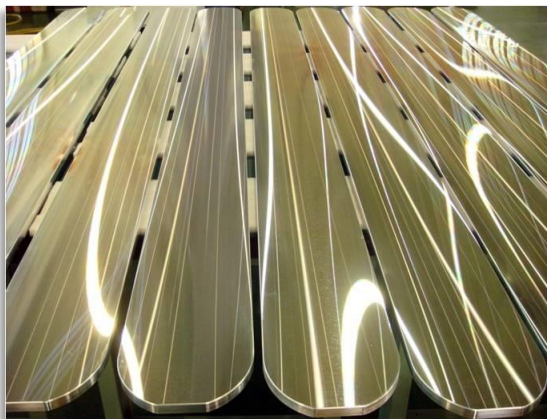




ThinTech Materials

ThinTech Materials Technology Co., Ltd.

2022 Annual Report



Published on March 31, 2023

Website where information is declared and annual report is inquired:

1. MOPS: <http://mops.twse.com.tw>
2. Website of the Company: <http://www.e-ttmc.com.tw>

Notice to readers :

This English-version annual report is a translation of the Chinese version. IF There is any discrepancy between the English and Chinese, the Chinese version shall prevail.

I. Name, title, TEL and e-mail of the Company's spokesperson and acting spokesperson:

Name of spokesperson	:	Pan, Yung-Tsun	Name of acting spokesperson	:	Lin, Ching-Chun
Job title	:	President	Job title	:	Vice President
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E-mail	:	ttmc@e-ttmc.com.tw	E-mail	:	ttmc@e-ttmc.com.tw

II. Address and TEL of headquarters, branch and factory:

Headquarters: 820687, 8F-4 Floor, No. 140, Chungshan North Road, Kangshan District, Kaohsiung City TEL: (07)695-5125

Branch: 821011, No. 1, Luke 8th Road, Luchu District, Kaohsiung City (mailing address) TEL: (07)695-5125

III. Name, address, website and TEL of stock transfer agency

Name: Stock Agent Department of KGI Securities Co., Ltd.
Address: 5F, No. 2, Section 1, Chungching South Road, Taipei
Website: <http://www.kgi.com.tw>
TEL: (02) 2314-8800

IV. Names of CPAs for the financial report in the most recent year as well as firm name, address, website and TEL:

CPAs: Wang, Chao-Chun and Liu, Yu-Hsiang
Name of accounting firm: Deloitte & Touche
Address: 3F, No.88 Chengkung Second Road, Chienchen District, Kaohsiung City
Website: <http://www.deloitte.com.tw>
TEL: (07)530-1888

V. Name of the place where overseas securities are listed for trading and method to inquire after the information of such overseas securities: None

VI. Website of the Company: <http://www.e-ttmc.com.tw>

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One. Letter to Shareholders

Dear Shareholders,

The global COVID-19 epidemic has lasted for more than three years. Although the epidemic has temporarily come to an end, the war between Russia and Ukraine has continued to harm global trade. Inflation shows signs of easing but it remains high-grade. In addition, the monetary policies of central banks led by the Federal Reserve System (Fed) are expected to remain tight. According to the International Monetary Fund (IMF)'s "World Economic Outlook" report, the global economy is expected to grow by 2.7% in 2023, slower than the 3.2% growth rate in 2022. The degree of weakness is comparable to that in 2009 when the global financial crisis came to an end.

In the domestic manufacturing industry, affected by the lower terminal demand, the destocking of industrial chain adjustment and inventory as well as the high base period, the export, production and export orders reduced significantly in 2022. The economic growth rate in Q4 was much lower than expected, changing from the original forecast of 1.52% to -0.86% (announced by the General Accounting Office of the Executive Yuan). The positive growth in the 26th quarter was the largest negative growth since the financial tsunami. Last year, the economic growth rate also dropped to 2.43%, the lowest in six years. In the post-epidemic period, the sales volume of the Company's silver materials returned to the pre-epidemic level in 2022, and the US dollar rose and the price of precious metals fell, which made the revenue of precious metals slightly lower than that of last year (2021). In addition, in 2022, Samsung took the lead in announcing the suspension of panel procurement, which led to the sluggish demand in the panel market. In the second half of the year, panel customers took measures to de-stock and reduce their purchases, which led to the decline in the revenue of targets for panels. In response to the impact of the industrial adverse balance of the political and economic environment, the Company not only dynamically optimized its product mix, but also constantly increased its efforts to reduce costs and increase efficiency, striving to stabilize operating profits. Although the consolidated revenue decreased by 15.8% in 2022, the targets for optical discs, special alloys, biomedical composite materials and semiconductor materials all enjoyed sustained growth profits and foreign exchange benefits, which led to an annual increase of 17% in the current period and reached a new high in the past seven years.

Combined with the Corporate Governance 3.0-Sustainable Development Blueprint, the Company planned short and medium-term ESG targets, and prepared 2021 "Sustainability Report" to disclose ESG-related information, implemented greenhouse gas inventory, promoted a circular economy, constructed an energy-saving and friendly environment, and strived for the sustainable development of enterprises. The Company also won the 2022 commendation and award from the Occupational Safety and Health Administration, Ministry of Labor for "Enterprise Sustainability Report Public Occupational Health and Safety Indicator Evaluation - Top-performing Enterprise", and performed in the Top 10% of enterprises in the electronics industry after an active evaluation by a total of 159 TPEX Listed Companies (including 7 top-performing companies in the electronic industry). In addition, in order to implement corporate governance and enhance the operational effectiveness of the Board of Directors and functional committees, the internal and external performance evaluations of the Board of Directors were conducted and the "Performance Evaluation Certificate for the Board of Directors" issued by the Taiwan Corporate Governance Association was obtained. In addition, a dedicated information security supervisor and dedicated personnel were set up in advance in November 2022 to report to the Board on the implementation of risk management and information security management, and to promote the reporting of integrity operation results. The announced the 9th (2022) Corporate Governance Evaluation Results in 2023, and the Company ranked second among all OTC companies (6%~20%), which shows that the Company has spared no efforts in promoting sustainable operation.

I. Business and financial condition during 2022

(I) Operating performance and profitability analysis

The consolidated revenue in 2022 was NT\$ 2,527,367 thousand, a decrease of 16% compared with NT\$ 3,003,192 thousand in 2021; The consolidated after-Tax net profit

was NT\$ 82,003 thousand, an increase of 17% compared with NT\$ 70,311 thousand in 2021, pushing up the after-Tax earnings per share in 2022 to NT\$ 1.12. In addition to optimizing the product mix, the Company also benefited from a rise in the US dollar as a result of the rise in interest rates, and the extra-industry exchange and valuation benefits increased compared with last year, resulting in an increase in the net profit for the current period compared with last year.

The individual net revenue in 2022 was NT\$ 2,288,609 thousand, a decrease of 17% compared with NT\$ 2,744,818 thousand in 2021. Individual net profit after tax is NT\$ 82,003 thousand, which is 17% higher than the net profit after tax of NT\$ 70,311 thousand in 2021. The reasons for the increase in net profit are as mentioned above.

The consolidated and standalone financial data is listed below:

1. Consolidated financial statements

Unit: NT\$ thousand

Item	December 31, 2022	December 31, 2021	Increase/Decrease amount	Increase/Decrease (%)
Net operating revenue	2,527,367	3,003,192	(475,825)	(16)%
Gross profit	227,824	231,782	(3,958)	(2)%
Net operating income	84,886	92,693	(7,807)	(8)%
Non-operating income and expenses	18,601	(5,438)	24,039	442%
Net Income Before Tax	103,487	87,255	16,232	19%
Net income after tax	82,003	70,311	11,692	17%

2. Standalone financial statements

Unit: NT\$ thousand

Item	December 31, 2022	December 31, 2021	Increase/Decrease amount	Increase/Decrease (%)
Net operating revenue	2,288,609	2,744,818	(456,209)	(17)%
Gross profit	186,454	183,670	2,784	2%
Net operating income	73,256	78,224	(4,968)	(6)%
Non-operating income and expenses	30,231	9,031	21,200	235%
Net Income Before Tax	103,487	87,255	16,232	19%
Net income after tax	82,003	70,311	11,692	17%
Basic EPS after tax (NT\$)	1.12	0.96	0.16	17%

(II) Research and development (R&D)

In addition to the existing new products/new applications/new process development and strategic new product development, in 2022, the Company also researches the construction of semiconductor material substrate process technology, the development of special alloy/biomedical material products and the circulation of raw materials to strive to enhance the differentiated competitive advantage. The research and development strategy at this stage focuses on the development of targets for semiconductors. In addition to refining the semiconductor material fundamental technology, the target for the packaging bumping process and the middle wafer thinning process will be developed simultaneously and will be continuously promoted to the target for the previous IC manufacturing to expand the customer base.

In order to protect the intellectual property rights of patents, we continue to conduct patent management, trade secret management, and copyright management and adopt protection measures, launch R&D record books and patent management measures, and strengthen and implement the management of intellectual property rights. In addition, we also established development project management in the Company and sign non-compete and non-disclosure agreements based on the type and importance of each

project to strengthen our trade secret management system. The Company's major research and development achievements completed in 2022 are described below.

1. Completed the development of a total of six new products, new applications, and new processes (began to receive orders after clients used them on a trial basis and confirmed the quality); completed the development of a total of four strategic new products, including a total of ten alloy targets for optical discs, and a new photoelectric target process to enhance quality. And, with the integration of CSC's CIP equipment and the downstream hot pressing process, we have not only established the technical set-up of the localized manufacturing process for medical powder metallurgy materials and completed the delivery of mass production orders, but also improved the material availability and shortened the production time.
2. Completed the development of high-purity 4N5 copper and 3N titanium integrated targets for bumping, and the targets were verified by packaging manufacturers and have received positive feedback from customers. And, continued to promote special alloy-related products and provided the localization of the supply of cost-effective heating furnace regenerator grid plate products and integrated supply chain services.
3. Completed the experimental scale copper refining experiment to enable the recycling and refining of copper to achieve the purity of 5N, while developing high-vacuum and low-oxygen smelting process technology, to utilize circular resources to regenerate copper products on the basis of a circular economy.

II. Outline of the 2023 business plan and future development strategies

In 2022, both the overall economy and international politics have undergone drastic changes, and some of these changes may be long-term or permanent. According to the report of "Taiwan Economic Research Institute", the global economic performance was undesirable in 2022. Most countries implemented monetary policy tightening to control high inflation. The negative impacts such as rising inflation, policy tightening and financial pressure made the global economy slump, and the slowdown continued until 2023. The economic performance of the United States and Europe may fall into zero growth. Although China's economy is expected to rebound due to the relaxation of epidemic prevention measures, the extent of the rebound still needs to be observed. Looking forward to Year 2023, the global economy will continue to decline, and it will continue to be affected by geopolitics, financial fluctuations, climate anomalies, and "friendly shore" production in the global supply chain, which will make it more difficult to grasp the timing of economic recovery, and these factors will also affect Taiwan's economic and trade performance.

Because the downturn of the panel industry in 2022 will continue into the first half of 2023, it will directly affect the sales of target materials, and this year's shipments need to be treated with caution. We are now also actively exploring ways to expand our customer base. In terms of new application fields, the Company continues to expand the application of targets and evaporation materials in the semiconductor field, focusing on the application and development of 5G and automotive semiconductor materials, with the revenue share increasing from 14% in 2021 to 15.8% in 2022. As the development of semiconductor materials has already taken shape, it is expected that semiconductor metal materials will continue to grow in 2023.

In response to the changes in external environmental risks, the Company has planned its business policy for Year 2023: "manufacturing digital transformation to improve its competitive advantage; optimize product mix and practice sustainable management; advanced technology research and development to enhance core value; innovate recycling materials and move towards net zero carbon emissions." The execution strategy as per the above business approach is as follows, to continuously strengthen the company management and governance, ensure shareholders' rights and interest, and achieve sustainable development.

1. Manufacturing information is transformed into digitalization, which is integrated and applied to serial process and automation, thus reducing heavy work and improving production efficiency.

2. Keep abreast of the trends of various raw materials, optimize the procurement model and the production and sales process, to cut costs and increase efficiency.
3. Increase the types of optical discs and panel targets for sale, consolidate the local market, and actively expand the Japanese and China's markets.
4. Increase the volume and capacity of metal and ceramic targets and optimize equipment and production technologies to improve company profits.
5. Develop special alloy products, serve clients in the optoelectronic and the metal industries, and increase gross profits.
6. Improve the manufacturing technology of semiconductor targets and evaporation materials and increase the ratio of the revenue from semiconductor targets and evaporation materials to the total revenue.
7. Integrate the Group, the government, academia, and the research circle's resources, establish core technology for semiconductor targets, and enhance competitive advantage.
8. Establish subsidiaries' local supply chains, optimize product mixes, improve quality, cut costs and improve efficiency, and contribute to profits.
9. Deepen the belief in quality, advance the development of new products, new applications, and new processes at the same time, and provide value-added services, and create values for clients.
10. Innovate recycling materials, strive to save energy and reduce carbon, develop green products, conform to international trends, and move towards net zero carbon emissions.

As semiconductors are an important electronic component production and export industry in Taiwan, there are also new products, new markets and new fields that the Company is striving to expand. Therefore, the Company continues to develop niche products and new application fields, and optimize our product portfolio, process reengineering and optimization to enhance production efficiency. In addition, we also integrate resources from the government, China Steel Technology Division,, establish core technologies, and expand revenues from domestic and overseas markets. We also construct local supply chain of subsidiaries to improve quality, reduce cost and increase efficiency, and contribute to profits; and strengthen the differentiation advantage of customer service, all to improve the overall competitiveness of the Company.

Finally, we would like to express our gratitude toward all shareholders for your long-term support on behalf of the Company. We wish you good health and all the best.

Chairman:

Huang, Chung-Chia



President:

Pan, Yeong-Tsuen



Two. Company Profile

I. Date of incorporation

ThinTech Materials Technology Co., Ltd. (hereinafter referred to as “TTMC”) was incorporated on March 29, 2000 by a forward-looking institutional shareholders with a passion for special alloys and optoelectronic thin film materials with the China Steel Group’s resources. With the mission to provide high-quality special alloys and the management team’s expertise in material techniques, the Company has earned downstream clients’ great trust and support since it was established. The application markets include various coating materials for photorecording, displays, passive components, microelectronics/semiconductors, optical components, tools/decoration, biotechnology and quartz crystals. Furthermore, TTMC's alloy customization, manufacturing capabilities, and recycling system allow us to supply targets with high applicability and high economic benefits at a low cost. Regarding business management, with downstream clients’ strict requirements for quality, TTMC aims to create a new vision of material application with the China Steel Group’s strong material technical support to provide clients with complete after-sales services.

II. Company history

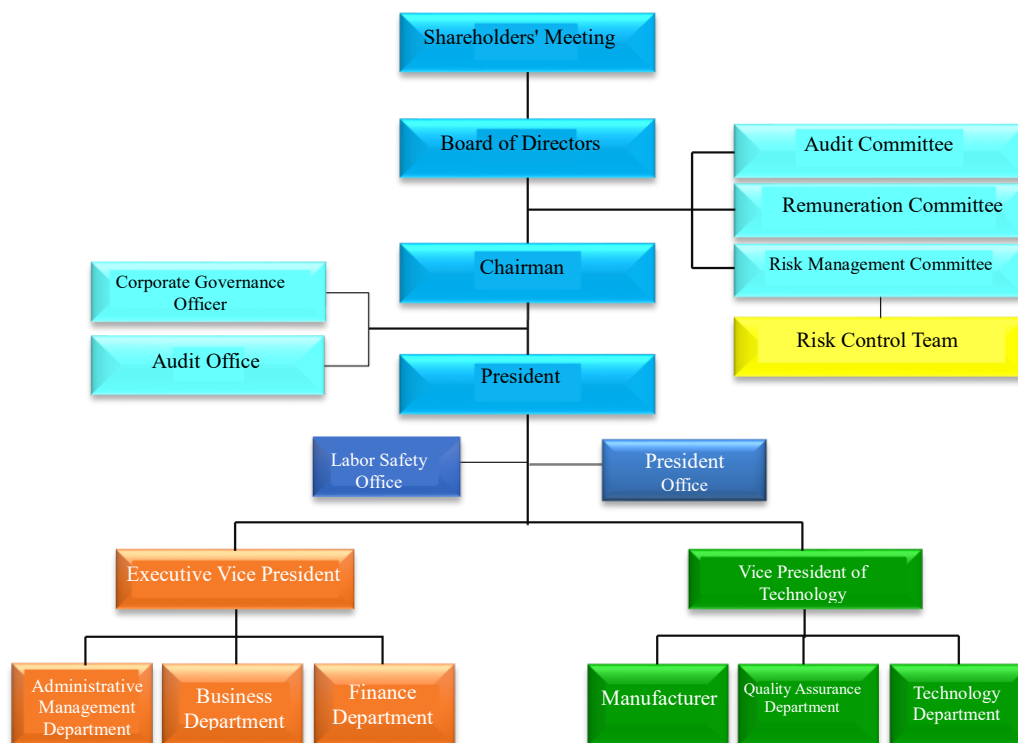
March 2000	Registered the incorporation.
March 2001	Conducted a cash capital increase by issuing 3,830 thousand shares, with the paid-in capital after the capital increase reaching NT\$88,304 thousand, and Gains Investment Corp. obtained the management right.
October 2006	Passed ISO 9001 certification.
February 2008	Passed ISO 14001 certification.
June 2008	Passed OHSAS 18001 certification.
September 2009	Passed ISO 9001: 2008 certification.
May 2010	Successfully adopted the aluminum alloy targets in the touch panel industry and mass produced it after passing clients' certification. Won the Gold Medal of the National Invention Awards for our silver alloy targets.
November 2010	Successfully passed IECQ QC 080000 certification.
February 2011	Officially had the stock listed on the emerging stock market. Established Thintech Global Limited in Samoa during the same period.
June 2011	Won the Executive Yuan’s Outstanding Optoelectronic Product Award for our aluminum targets for LCD panels.
July 2012	Passed ISO 17025 TAF certification in the field of chemical testing.
November 2012	Officially had the stock listed on Taipei Exchange. Developed dielectric targets for Blu-ray Disc and passed clients’ certification.
September 2013	Adopted the Authorized Economic Operator (AEO) certification.
May 2014	Won the Silver Medal of the National Invention Awards for our aluminum targets for LCD panels.
November 2014	Passed IECQ QC 080000: 2012 certification.
February 2015	Developed an improved approach to the flat die forging forming uniformity and obtained a R.O.C. patent certificate.
March 2015	Developed jointed tubular sputtering targets and its manufacturing method and obtained a R.O.C. patent certificate.
May 2015	Developed low-oxygen pure titanium targets for optoelectronics industry and won the 18th Outstanding Optoelectronic Product Award in June 2015.
July 2015	Developed the manufacturing method of chalcogen alloy materials without sulfur under high vapor pressure and obtained a R.O.C. patent certificate.
July 2016	Passed ISO 14001: 2015 certification.
September 2017	Passed ISO 9001: 2015 certification.
July 2018	Passed IECQ QC 080000: 2017 certification.
December 2018	Developed equipment consumables for the aviation field, passed clients’ verification, and began mass production.
March 2019	Developed high-nickel superalloy pickling-resistant hooks and began mass production and sales.
July 2019	Developed metal materials for semiconductor evaporation and began mass production and sales; passed ISO 45001: 2018 certification.
September 2019	Began mass production and sales of silver targets for the crystal oscillator industry.
November 2019	Passed ISO 17025: 2017 certification.
March 2020	Targets for semiconductor packaging and testing passed clients’ certification and began mass production and sales.

April 2020	Completed the delivery of the samples of NiV, Ag, and Ti targets for wafer thinning in the middle of the semiconductor process.
June 2020	Developed the components of large panel peripherals and began mass production and sales.
December 2020	Completed the first stage of on-machine verification (OMV) of NiV targets for domestic wafer thinning in the middle of the semiconductor process.
December 2020	Adopted the vacuum-based continuous casting process facilities.
December 2020	Named an excellent business for Promoting Gender Equality in Employment by the Southern Taiwan Science Park Bureau, Ministry of Science and Technology.
May 2021	Was qualified as a supplier of the second-generation semiconductor foundry.
June 2021	Passed the OMV of our domestic second-generation compound Au targets and was qualified as a supplier of the targets.
July 2021	New dielectric targets for the optical disc industry passed certification and began mass production.
August 2021	Passed the domestic audit of NiV and Ag targets for wafer thinning in the middle of the semiconductor process.
August 2021	Was qualified as a supplier for the wafer thinning plants in the middle of the semiconductor process.
September 2021	Prepared the first 2020 Corporate Social Responsibility (CSR) report.
October 2021	Successfully introduced the semiconductor-grade Ag slug into a local supply chain of a domestic wafer thinning plant.
December 2021	Passed the certification of our second-generation semiconductor Au evaporation materials and was qualified as a supplier of the materials.
January 2022	Passed the certification of the mass production by Ni/Ti evaporation materials of GaAs second generation semiconductor customers.
January 2022	Passed the certification of aluminum alloy target for SiC third generation semiconductor customers and was qualified as a supplier of the materials.
May 2022	Obtained the qualification of making souvenirs of Sinosteel's annual shareholders' meeting.
August 2022	Passed the certification of domestic semiconductor mid-end wafer thinning evaporation materials and consumables and began mass production.
September 2022	Won the 2022 commendation and award from the Occupational Safety and Health Administration, Ministry of Labor for “Enterprise Sustainability Report Public Occupational Health and Safety Indicator Evaluation - Top-performing Enterprise”.
December 2022	Developed carrier materials for fanout packaging and began mass production and sales.
December 2022	Entered boron neutron capture therapy equipment material supply in the field of biomedical materials.
January 2023	Approved for issuance of the third domestic secured convertible corporate bonds.

Three. Corporate Governance Report

I. Organization

(I) Organizational chart:



(II) Main business of each department:

Department	Main duties
Administrative Management Department	<ol style="list-style-type: none"> 1. Coordinate the establishment of the Company's human resources information, purchase labor and health insurance, manage attendance, leave, and recruitment, and carry out recruitment, selection, education, employment, and retention processes in alignment with the payroll cycle. 2. Plan, report, and offer employee education and training. 3. Establish and maintain the Company's information system to maintain obstacle-free computerized operations and comprehensively plan, implement, and manage the Company's information strategies and plans, to optimize the information system structure and information management efficiency; engage information security supervisors and management personnel to coordinate network/system security management, system enhancement and configuration management, data center/physical security management to duly implement information security management. 4. Manage employee group insurance and catering, maintain environmental landscape, establish public relations with society and schools, and handle other general affairs.
Finance Department	<ol style="list-style-type: none"> 1. Manage accounting, taxation, budget preparation, and capital movement. 2. Manage the Company's cost calculation, planning, and control, and prepare accounting reports. 3. Handle affairs related to corporate governance, the Board of Directors, and functional committees as well as information to investors, serve shareholders, and handle affairs related to shareholders' meetings. 4. Evaluate and implement the establishment or dissolution of investees, supervise their operations, and analyze and provide suggestions about their operating performance.
Business Department	<ol style="list-style-type: none"> 1. Accept and review orders, understand clients' needs through visits and negotiations with them, and strive for more orders. 2. Follow up on and confirm product shipments. 3. Regularly carry out client satisfaction surveys and prepare reports. 4. Survey market and client demand, assess product feasibility, and establish data on product quotes. 5. Collect environmental laws and regulations and clients' environmental requirements in different countries and regions and send them to the Quality Assurance Department for compilation. 6. Convey the Company's environmental protection information to clients. 7. Coordinate the purchase of raw materials, equipment, engineering service, and goods, as well as the manage and document the information on the search for as well as comparison, evaluation, and assessment of suppliers. 8. Explain to suppliers TTMC's responsibilities and obligations for a green product assurance system and request a non-use certificate from them (in the acceptance stage and the mass production stage) to ensure that the products they provide are aligned with the standards and our control measures.

Department	Main duties
Production Plants	<ol style="list-style-type: none"> 1. Plan and control the production, delivery, and yield rate of various products, and formulate quality of operating standards, and amend and maintain them. 2. Regularly inspect, repair, operate, and maintain various production equipment. 3. Schedule outsourced production processes, follow up on progress, control quality, and manage accounts payables; regularly audit and evaluate outsourced subcontractors. 4. Manage the inventories of various raw materials, regularly take inventory of raw materials, and hold inactive stock review meetings. 5. Coordinate, manage, and regularly maintain raw material transportation vehicles in the plants. 6. Cooperate with the development unit to develop and produce new products. 7. Standardize the use of recyclable raw materials, to align them with the Restricted Substance Control Standard.
Technology Department	<ol style="list-style-type: none"> 1. Develop new products, control progress, develop and adopt production technology, machine tools, and jigs. 2. Review process improvement, put forth proposals and suggestions, as well as communicate and reply to clients' technical questions about our products. 3. Standardize parts specifications (including blueprints) to restrict the use of restricted substances; test the content of and evaluate various restricted substances in the sample evaluation stage. 4. Provide the Quality Assurance Department with product environmental review materials before the mass production of each product. 5. Analyze restricted substances from raw materials, semi-finished goods to finished products in the case of non-conformance. 6. Take the initiative to submit any production materials for inspection if there is a doubt that they do not meet the restricted substances standards.
Quality Assurance Department	<ol style="list-style-type: none"> 1. Lead the internal audit and the external verification of our quality systems, including the implementation and maintenance of the ISO 9001 quality management system, the QC 080000 hazardous substance management system, and the ISO 17025 laboratory quality management system, and the IATF16949 automobile quality management system. 2. Formulate the hazardous substance free (HSF) HSF management standards as per the Restriction of Hazardous Substances (RoHS), Green Partner (GP), and clients' requirements, and align our operations with the requirements in clients' quality system audits and relevant quality document operations to meet their needs. 3. Ensure the implementation of the modification, documentation, sign-off, release, and return of documents in the management system through the operations of the document management center. 4. Investigate, analyze, and follow up on the improvement to client complaints and customer service cases. 5. Operate and maintain analytical instruments in the labs and review and archive various instrument calibration reports. 6. Randomly inspect and analyze raw materials, semi-finished goods, and finished products and handle any issues. 7. Ensure the implementation of production units' voluntary inspections and quality awareness through assembly line inspections and audits.
Audit Office	Directly governed by the Board of Directors and responsible for assisting the board in checking and reviewing the defects in the internal control system, measuring the effectiveness and efficiency of our operations, and providing timely improvement suggestions to managers, including checking whether the internal control system is effective and complete, seeking any deviations from the targets, searching for actions that may cause losses, making appropriate reports and suggestions, and following up on improvements to ensure that the internal control system is continuously and effectively implemented.
Labor Safety Office	<ol style="list-style-type: none"> 1. Is responsible for the launch, planning, supervision, and maintenance of the ISO 14001 environmental management system and the ISO 45001 occupational safety and health management system and provide clients with the environment, safety, and health requirements. 2. Is responsible for filing reports on, changing, supervising, and planning improvement to relevant environmental protection business, such as air pollution control, water pollution control, waste control, and toxic chemicals control management. 3. Is responsible for filing reports on, changing, supervising, and planning improvement to employee health management, safety and health, disaster prevention and control.

II. Information on directors, the President, Vice Presidents, and the heads of various departments and their remuneration:

(I) Directors:

1.Information on directors

March 31, 2023; unit: shares

Job title	Nationality or place of registration	Name	Gender/Age (Note 1)	Date elected/Term of office/Date first elected	Shareholding when elected	Number of shares currently held	Current shareholding of spouse or minor children	Shareholding by nominee arrangement	Major education and experience	Concurrent positions at the Company or other companies	Spouse or relatives within second degree of kinship who are other managers or directors	Remarks (Note 4)
					Number of shares/Shareholding	Number of shares/Shareholding	Number of shares/Shareholding	Number of shares/Shareholding			Job title/Name/Relations	
Chairman	R.O.C	Gains Investment Corp.	-	2020.06 3 years 2001.03	23,423,016 31.86%	23,423,016 31.86%	N/A	N/A	N/A	N/A	N/A	N/A
		Representative: Huang, Chung-Chia	Male 61–70 years old	2020.06 3 years 2020.02	0%	0%	None	None	Master of EMBA, National Sun Yat-sen University Representative of the director, China Steel Structure Co., Ltd. President, Dragon Steel Co., Ltd. Assistant Vice President, Technical Department, China Steel Corporation	Chairman, TTMC	None	None
Director	R.O.C	Gains Investment Corp.	-	2020.06 3 years 2001.03	23,423,016 31.86%	23,423,016 31.86%	N/A	N/A	N/A	N/A	N/A	N/A
		Representative: Huang, Pai-Chien (Note 2)	Male 61–70 years old	2020.06 3 years 2018.07	0%	0%	None	None	Department of Business Administration, National Cheng Kung University Assistant Vice President, Finance Department, China Steel Corporation Vice President, Finance Department, Dragon Steel Co., Ltd. Assistant Vice President, Administration Department, Chung Hung Steel Corp. Chairman, Gains Investment Corp.	Retired on February 1, 2023	None	None
		Representative: Wu, Chun-Hui (Note 2)	Male 61–70 years old	2020.06 3 years 2023.02	0%	0%	None	None	Master of EMBA, National Sun Yat-sen University Assistant Vice President, Finance Department, Dragon Steel Co., Ltd. President, Gains Investment Corp.	Chairman, Gains Investment Corp. President, Yunhong China Holdings Director, Betacera Inc. Director, Fukuta Electric & Machinery Co., Ltd. Chairman, Eminence Investment Corporation Chairman, Mentor Consulting Corporation Chairman, Pro-Ascentek Investment Corporation Chairman, Eminent Venture Capital Corporation Director, Omni Gains Investment Corp.	None	None
Director	R.O.C	United Renewable Energy Co., Ltd.	-	2020.06 3 years 2012.06	4,000,000 5.44%	7,000,000 9.52%	N/A	N/A	N/A	N/A	N/A	N/A
		Representative: Hsu, Chia-Cheng (Note 3)	Male 61–70 years old	2020.06 3 years 2020.06	0%	0%	None	None	MBA, University of Michigan Special Assistant to Chairman and President of Power Plant Asset Management Center, United Renewable Energy Co., Ltd. Vice President, JPMorgan Chase Bank, N.A. Chief Finance Officer of Innolux Corporation Chief Financial Officer, Tatung	Retired on September 30, 2021	None	None
		Representative: Pan, Lei-Lei (Note 3)	Female 41–50 years old	2020.06 3 years 2021.09	0%	0%	None	None	Master of Marketing at Saint John's University Vice President of Finance and Chief Financial Officer, Ascent Solar Technologies, Inc.	Vice President of Finance and Chief Financial Officer, United Renewable Energy Co., Ltd. Supervisor, DS Energy Technology Co., Ltd.	None	None

									Manager, Malabs Junior Manager, Citibank Taiwan	Supervisor, Utech Solar Corporation Director, Xinjing Optoelectronics Co., Ltd. Director, Hsinjing Solar Co., Ltd. Supervisor, Ri-Yao Energy Co., Ltd. Supervisor, Yongliang Co., Ltd. Director of Xier (Stock) Company Supervisor, United Renewable Energy Engineering Co., Ltd.		
Director	R.O.C	Ever Wealthy International Corporation	-	2020.06 3 years 2002.10	6,119,748 8.32%	6,119,748 8.32%	N/A	N/A	N/A	N/A	N/A	N/A
		Representative: Fang, Ming-Dar	Male 61–70 years old	2020.06 3 years 2002.10	0%	0%	None	None	Doctoral degree, Department of Chemical and Materials Engineering, National Kaohsiung University of Applied Sciences Master's degree, Department of Chemical Engineering, National Taiwan University Vice President of Production, China Steel Chemical Corporation	President, China Steel Chemical Corporation Chairman, Ever Wealthy International Corporation Director, Formosa Ha Tinh (Cayman) Limited Taiwan Branch Chairman, Changzhou Carbon New Material Technology Co., Ltd. Supervisor, Eminent Venture Capital Corporation Director, Eminent III Venture Capital Corporation	None	None
Independent Director	R.O.C	Liang, Su-Mei	Female 51–60 years old	2020.06 3 years 2020.06	0%	0%	None	None	Master of Finance, National Sun Yat-sen University Assistant Manager, Deloitte & Touche Independent Director, Bin Chuan Enterprise Co., Ltd.	Partner, Zhongjia CPAs & Co.	None	None
Independent Director	R.O.C	Tsai, Ming-Chi	Male 61–70 years old	2020.06 3 years 2020.06	0%	0%	None	None	Doctoral degree, Engineering Science, University of Oxford, UK Deputy Minister of Ministry of Science and Technology, Executive Yuan Chairman, Metal Industries Research & Development Center Director, Innovation Headquarters, National Cheng Kung University Secretary General, Academia-Industry Consortium for Southern Taiwan Science Park, National Cheng Kung University Director, Research NCKU, National Cheng Kung University Head of the Engineering Technology Development Department, National Science Council, Executive Yuan Winner of the 5th Presidential Innovation Award in 2022 and Lifetime Achievement Award of Automatic Control Engineering of Chinese Automatic Control Society (CACS)	Chair Professor, Department of Mechanical Engineering, National Cheng Kung University Director, Electric Motor Technology Research Center, National Cheng Kung University Independent Director, Jufan Industrial Co., Ltd.	None	None
Independent Director	R.O.C	Fang, Chen-Hua	Male 61–70 years old	2020.06 3 years 2020.06	0%	0%	None	None	MBA, University of Central Missouri Director, Operating Department, Cowealth (China) Medical Technology Co., Ltd., Shanghai Branch President, Medtecs (Taiwan) Corp. President, Chow Sang Sang Jewellery (Taiwan) Limited, Taiwan Branch (BVI) President, Megafull Co., Ltd.	Senior Consultant, Cowealth Medical Holding Co., Ltd., Taiwan Branch (Cayman)	None	None

Note 1: Please list the actual age, which may be presented in intervals, such as 41–50 years old or 51–60 years old.

Note 2: As Mr. Huang, Pai-Chien, the representative of the director, Gains Investment Corp., retired on February 1, 2023, Mr. Wu, Chun-Hui was appointed as the new representative and took office immediately on the same day.

Note 3: As Mr. Hsu, Chia-Cheng, the representative of the director, United Renewable Energy Co., Ltd., retired on September 30, 2021, Ms. Pan, Lei-Lei was appointed as the new representative and took office immediately on the same day.

Note 4: Where the Chairman, President or person holds an equivalent position (the highest level management) of the Company are the same person, spouses, or relatives within the first degree of relationship, an relevant explanation shall be given regarding the information on the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (including methods such as increasing the number of seats for Independent Directors and more than half of the Directors shall not hold a position as employees or managements).

2. Major shareholders of institutional shareholders

March 31, 2023

Name of institutional shareholder	Major shareholders of institutional shareholders	
Gains Investment Corp.	China Steel Corporation	100%
Ever Wealthy International Corporation	China Steel Chemical Corporation	100%
United Renewable Energy Co., Ltd.	National Development Fund, Executive Yuan	6.57%
	Yao-Hwa Glass Management Commission	6.27%
	Delta Electronics, Inc.	2.08%
	Investment Account of the Norges Bank under the custody of JPMorgan Chase Bank, N.A., Taipei Branch	1.21%
	Vanguard Emerging Markets Stock Index Fund Investment Account managed by Vanguard Group under custody of JPMorgan Chase Bank, N.A., Taipei Branch	1.12%
	PGIA Integrated International ETF under custody of JPMorgan Chase	0.95%
	iShares Emerging Market ETF under custody of Standard Chartered	0.75%
	DFA Emerging Market Core Securities Investment Account under custody of Citibank Taiwan	0.65%
	Credit Suisse International Investment Account under custody of Standard Chartered	0.55%
	Ton Shun Industry Co., Ltd.	0.55%

3. Major shareholders of major institutional shareholders

Name of institutional shareholder	Major shareholder of major institutional shareholder	
China Steel Corporation (2022.12.31)	Ministry of Economic Affairs	20.00%
	China Steel Corporation Employee Stock Ownership Trust Account under custody of Mega International Commercial Bank	2.24%
	Transglory Investment Corporation	1.63%
	Fubon Life Insurance Co. Ltd.	1.58%
	Labor Pension Fund under the Old Scheme	1.12%
	Vanguard Stock Index Account under custody of JPMorgan Chase Bank, N.A., Taipei Branch	1.09%
	PGIA Integrated International ETF under custody of JPMorgan Chase	1.03%
	Winning Investment Corporation	1.01%
	Labor Pension Fund under the New Scheme	0.96%
	Special Account for High Dividend Funds from Baolai Securities in Taiwan	0.93%
China Steel Chemical Corporation (2022.12.31)	China Steel Corporation	29.04%
	Fubon Life Insurance Co. Ltd.	5.31%
	International CSRC Investment Holdings Co., Ltd.	4.96%
	Ever Wealthy International Corporation	2.01%
	Chi Cheng Teh Co., Ltd.	1.46%
	Special account of Morgan Stanley International Limited under custody of HSBC	1.22%
	Xinyang Investment Co., Ltd.	0.93%
	Chang Gung Medical Foundation	0.93%
	Vanguard Emerging Markets Stock Index Fund Investment Account	0.90%
	Special account for investment of advanced general international stock index fund	0.86%

Note 1: The data in Tables 2 and 3 is based on that as of the most recent book closure date.

Note 2: If the institutional shareholder is not a business organization, the name of the shareholder and its shareholding that shall be disclosed above shall be the name of benefactor or donor and the proportion of its funding or donation (refer to the announcement by the Judicial Yuan). Any donor who has passed away should be marked "Deceased": N/A.

4. Disclosure of information on directors' professional qualifications and the independence of independent directors:

March 31, 2023

Name	Criteria	Professional qualifications and experience (Note 1)	Independence (Note 2)	Number of other public companies where the individual serves as an independent director concurrently
Institutional director Representative: Huang, Chung-Chia		Specialties: Industry experience related to metal materials; material technology innovation, business management and strategic policy, product development, and technology marketing Education: Master of EMBA, National Sun Yat-sen University Other major positions: None Experience: Institutional director, China Steel Structure Co., Ltd., President, Dragon Steel Co., Ltd., and Assistant Vice President, Technical Department, China Steel Corporation	The Company's institutional director representatives all meet the criteria below: 1. Not a spouse or relative within two degrees of kinship of another director. 2. Not a director, spouse, minor child thereof, or other natural person shareholders who hold more than 1% of the total issued shares of the Company by nominee arrangement or with top ten ownership.	0
Institutional director Representative: Huang, Pai-Chien (Note 1)		Specialties: Steel; finance, investment, business management, and corporate governance Education: Department of Business Administration, National Cheng Kung University Other major positions: Retired on February 1, 2023 Experience: Vice President, Planning Department, China Steel Corporation, Chairman, Gains Investment Corp., Vice President, Finance Department, Dragon Steel Co., Ltd., Assistant Vice President, Administration Department, Chung Hung Steel Corp., Director, C.S. Aluminium Corporation, and representatives of the directors from many listed and unlisted companies		0
Institutional director Representative: Wu, Chun-Hui (Note 1)		Specialties: Steel; finance, investment, business management, and corporate governance Education: Master of EMBA, National Sun Yat-sen University Other major positions: Chairman, Gains Investment Corp., President, Yunhong China Holdings, Director, Betacera Inc., Director, Fukuta Electric & Machinery Co., Ltd., Chairman, Eminence Investment Corporation, Chairman, Mentor Consulting Corporation, Chairman, Pro-Ascentek Investment Corporation, Chairman, Eminent III Venture Capital Corporation, and Director, Omni Gains Investment Corp. Experience: Assistant Vice President, Finance Department, Dragon Steel Co., Ltd., and President, Gains Investment Corp.		0
Institutional director Representative: Pan, Lei-Lei		Specialties: Marketing, finance, investment, and business management Education: Master of Marketing at Saint John's University Other major positions: Vice President of Finance and Chief Financial Officer, United Renewable Energy Co., Ltd., Supervisor, DS Energy Technology Co., Ltd., Supervisor, Utech Solar Corporation, Director, Xinjing Optoelectronics Co., Ltd., Director, Hsinjing Solar Co., Ltd., and Supervisor, Ri-Yao Energy Co., Ltd., Supervisor, Yongliang Co., Ltd., Director of Xier (Stock) Company, and Supervisor, United Renewable Energy Engineering Co., Ltd. Experience: Manager, Malabs, and Junior Manager, Citibank Taiwan, and Vice President of Finance and Chief Financial Officer, Ascent Solar Technologies, Inc.		0
Institutional director Representative: Fang, Ming-Dar		Specialties: Chemistry, materials, production, technology, and business management Education: Doctoral degree, Department of Chemical and Materials Engineering, National Kaohsiung University of Applied Sciences Other major positions: President, China Steel Chemical Corporation, Chairman, Ever Wealthy International Corporation, director, Formosa Ha Tinh (Cayman) Limited Taiwan Branch, Chairman, Changzhou Carbon New Material Technology Co., Ltd., supervisor, Eminent Venture Capital Corporation, and director, Eminent III Venture Capital Corporation Experience: Vice President of Production, China Steel Chemical Corporation and Chairman, Yongjia International Co., Ltd.		0

Name \ Criteria	Professional qualifications and experience (Note 1)	Independence (Note 2)	Number of other public companies where the individual serves as an independent director concurrently
Independent Director Liang, Su-Mei	Specialties: Passed the Accountant Examination of the R.O.C., financial planning, accounting, and risk management Education: Master of Finance, National Sun Yat-sen University Other major positions: Partner, Zhongjia CPAs & Co., Independent Director, Bin Chuan Enterprise Co., Ltd., and the convener of the Company's Audit Committee, Remuneration Committee, and Risk Management Committee (since June 2020) Experience: Assistant Manager, Deloitte & Touche, independent director and member of the Audit Committee, Bin Chuan Enterprise Co., Ltd. (from May 2004 to June 2022)	The three independent directors have met the criteria below during the two years before being elected and during the term of office: 1. Is not elected as a government agency, juridical person, or its representative as defined in Article 27 of the Company Act. 2. Is not and spouse and relatives within the second degree of kinship thereof are not serving as directors, supervisors, or employees of the Company or its affiliates. 3. Is not serving as a director, supervisor, or employee of a company with specific relations with the Company. 4. Is not a director, supervisor, or manager at a specific company or institution with financial relations or business dealings with the Company, or shareholder holding 5% or more of the Company's total shares. 5. Did not receive remuneration for providing business, legal, financial, accounting, or other services to the company or its affiliates in the last two years.	1
Independent Director Tsai, Ming-Chi	Specialties: Engineering science R&D, technological innovation, and risk management Education: Doctoral degree, Engineering Science, University of Oxford, UK Other major positions: Chair Professor, Department of Mechanical Engineering, National Cheng Kung University, Director, Electric Motor Technology Research Center, National Cheng Kung University, independent director, Jufan Industrial Co., Ltd. (since September 2021), and member of the Company's Audit Committee, Remuneration Committee, and Risk Management Committee (since June 2020) Experience: Deputy Minister of Ministry of Science and Technology, Executive Yuan, Chairman, Metal Industries Research & Development Center, Director, Innovation Headquarters, National Cheng Kung University, Secretary General, Academia-Industry Consortium for Southern Taiwan Science Park, National Cheng Kung University, Director, Research NCKU, National Cheng Kung University, and head of the Engineering Technology Development Department, National Science Council, Executive Yuan, Winner of the 5th Presidential Innovation Award in 2022 and Lifetime Achievement Award of Automatic Control Engineering of Chinese Automatic Control Society (CACS)		1
Independent Director Fang, Chen-Hua	Specialties: Finance, marketing, corporate governance, and risk management Education: MBA, University of Central Missouri Other major positions: Senior Consultant, Cowealth Medical Holding Co., Ltd., Taiwan Branch (Cayman), and member of the Company's Audit Committee, Remuneration Committee, and Risk Management (since June 2020) Experience: Director, Operating Department, Cowealth (China) Medical Technology Co., Ltd., Shanghai Branch, President, Medtecs (Taiwan) Corp., President, Chow Sang Sang Jewellery (Taiwan) Limited, Taiwan Branch (BVI), and President, Megaful Co., Ltd.		0

Note 1: All board members meet the criteria for professional qualifications, have five years or more of work experience, and are not under any of the circumstances under each subparagraph of Article 30 of the Company Act.

Note 2: The directors and independent directors are aligned with the criteria for independence based on the review results.

5. Board diversity and independence:

(1) Board diversity indicators:

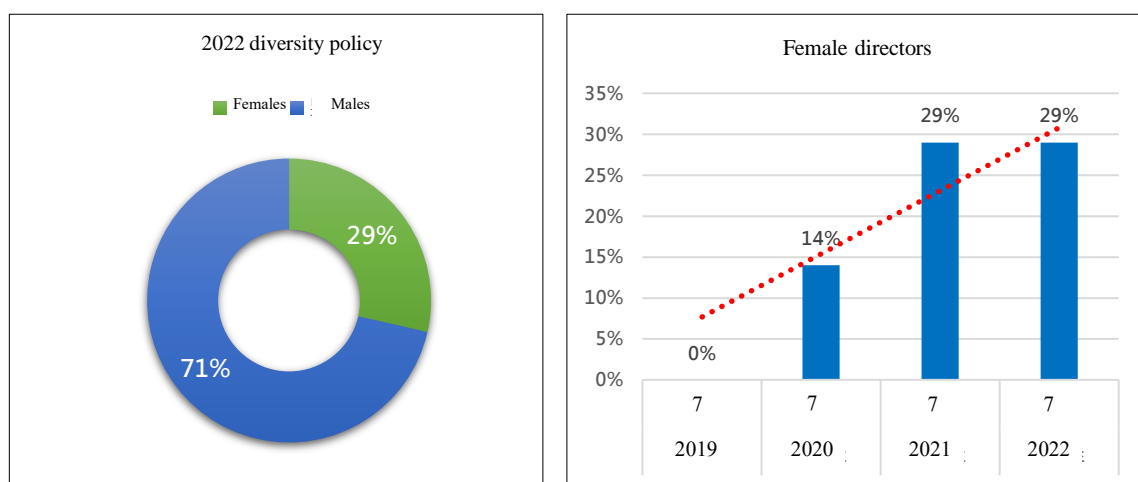
A. As per Article 20 of the Company's Corporate Governance Best Practice Principles, the Company shall take into account the diversity principle for the board structure; the number of directors who also serve as the Company's managers is advised not to exceed one-third of all directors; the Company shall draw up an appropriate diversity policy as per the operations, business model, and development needs. We strive to have board members in different gender and age groups with professional knowledge in different fields; they shall excel in business judgment, accounting and financial analysis, business management, crisis management, industry knowledge, leadership, and decision-making, and have an international market perspective as well as knowledge, skills, and competencies required to perform their duties, thereby effectively supervising and urging the Company to abide by the law, disclose important information immediately, and operate honestly. The board members shall maintain smooth communication and positive interaction with the management team, guide the Company's business direction and major decisions to be made, to ensure the Company's further development and protect shareholders' rights and interest, to achieve the Company's ideal goal of governance.

B. In alignment with the diversity policy, there shall be at least one female member on the board (14.29%) as the target.

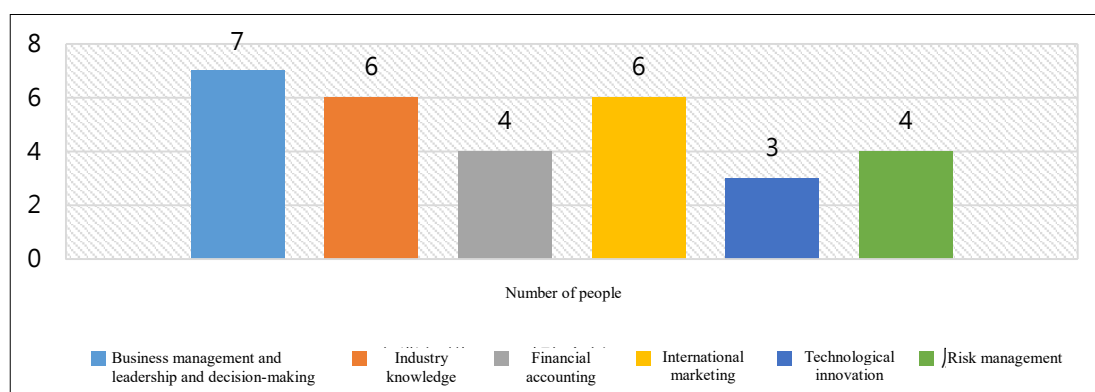
C. There shall be at least 50% of the board members who excel in financial accounting and risk management and at least 40% who are good at technological innovation.

(2) The implementation of the board diversity policy is as follows:

- A. As the Company focuses on compliance with laws and regulations, technological innovation, and integration and transformation, when we select directors, we consider their academic backgrounds, experience, age, areas of expertise, and gender balance, and seek candidates from the industry and academia. After taking into account the Company's five-year business development strategy and goals, our independent directors include one certified public accountants (CPA), that is independent director Liang, Su-Mei, who supervises and reviews the quality of financial reports and financial risk early warning and provides professional advice on compliance with accounting standards; one national university professor, that is independent director Tsai, Ming-Chi, who excels in mechanical engineering management and technological innovation and used to be the Deputy Minister of Ministry of Science and Technology, Executive Yuan, and the Chairman, Metal Industries Research & Development Center, so he can provide suggestions on product technology and product R&D. Other directors include Chairman Huang, Chung-Chia, who is familiar with the overall trends of the target industry, understands the target market, and is capable of integrating the upstream and downstream target industries, providing competitive advantages; directors Wu, Chun-Hui (director Huang, Pai-Chien was retired on February 1, 2023) and Fang, Ming-Dar, who are good at focusing on corporate governance, financial management; independent director Fang, Chen-Hua and director Pan, Lei-Lei, who excel at marketing and planning the Company's future sales strategies; as well as independent directors Liang, Su-Mei, Tsai, Ming-Chi, and Fang, Chen-Hua and Chairman Huang, Chung-Chia, who are able to identify operational risks, issue early warnings, and formulate countermeasures.
- B. The 8th Board of Directors consists of seven directors with two female directors on the board accounting for 28.57% of all members to ensure gender equality.



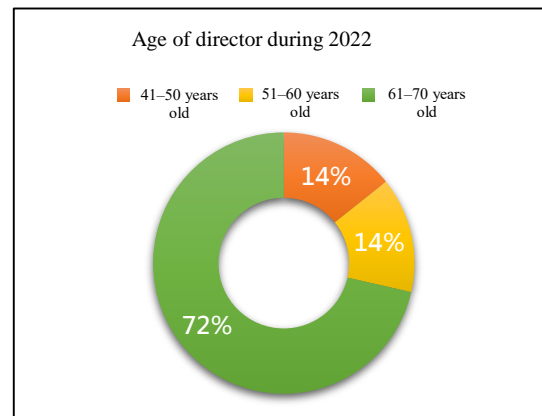
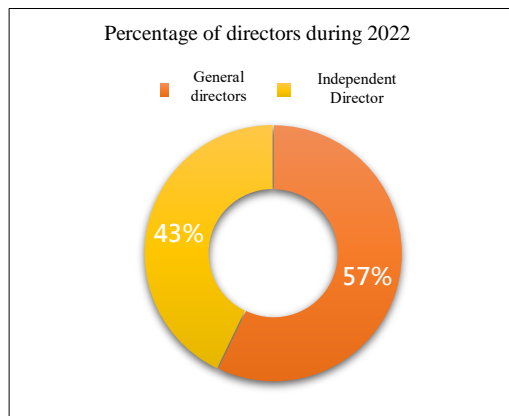
- C. Four of the Company's board members excel at financial accounting, accounting for 57% of all directors; four are equipped with product, R&D, finance, and market risk management capabilities, accounting for 57%; three are good at technological innovation, accounting for 43%. The board members are from a variety of fields. As per Article 20, paragraph 4 of the Corporate Governance Best Practice Principles, the distribution of the competencies and professional knowledge and skills possessed by the board as a whole is described below.



Board of Directors/Committee	Description	Number
Business management and leadership and decision-making	The market environment is complex and changing rapidly. Facing the fierce competition, board members should formulate corresponding strategies to help the Company review operations, finance, and investments.	7
Industry knowledge	The Company's products range from the optical discs, optoelectronic products, semiconductors, to biomedical technology products. Important industry knowledge, including the industry trends, technology development, and competition, is a key to influencing our management and decision-making process.	6
Financial accounting	Board members should improve the quality and reliability of financial reports in compliance with laws and regulations and provide professional consultation service.	4
International marketing	Facing the fierce competition in the market, climate change, and force majeure factors (such as wars and epidemic diseases), which in turn, affect and change people's consumption habits, board members should help the Company to expand our products and increase business profits.	6
Technological innovation	The technical threshold of the targets industry is quite high. In terms of technologies, products, and process innovation needed by the market, technological innovation is an important core competence in the board/committee member diversity policy.	3
Risk management	Compliance, identification of high risks involved in various operations, formulation of strategies, and communication with stakeholders are directors and committee members' responsibilities.	4

(3) Percentage of directors and age distribution:

Our independent directors account for 42.86% of all directors; general directors 57.14%, and directors who are also employees 0%. Five directors are between 61 and 70 years old, and one between 51 and 60 years old, and one between 41 and 50 years old.



The implementation situation is as follows:

Job title	Representative	Nationality	Gender	Age	Serving as the Company's employee concurrently	Independent Director Term of office			Core diversity indicator						
						3 years or less	3 to 9 years	9 years or longer	Business management	Leadership and decision-making	Industry knowledge	Financial accounting	International marketing	Technological innovation	Risk management
Chairman	Huang, Chung-Chia	R.O.C	Male	61~70	None				•	•	•		•	•	•
Director	Huang, Pai-Chien (note)	R.O.C	Male	61~70	None				•	•	•	•	•		
	Wu, Chun-Hui (Note)	R.O.C	Male	61~70	None				•	•	•	•	•		
Director	Fang, Ming-Dar	R.O.C	Male	61~70	None				•	•	•		•	•	
Director	Pan, Lei-Lei	R.O.C	Female	41~50	None				•	•		•	•		
Independent Director	Tsai, Ming-Chi	R.O.C	Male	61~70	None	•			•	•	•		•	•	•
Independent Director	Liang, Su-Mei	R.O.C	Female	51~60	None	•			•	•	•	•			•
Independent Director	Fang, Chen-Hua	R.O.C	Male	61~70	None	•			•	•	•	•	•		•

Note : As Mr. Huang, Pai-Chien, the representative of the director, Gains Investment Corp., retired on February 1, 2023, Mr. Wu, Chun-Hui was appointed as the new representative and took office immediately on the same day.

(4) Independence of the Board of Directors

The Company has a total of seven directors on the board, of whom three are independent directors (42.86%) and have all held the position for three years or less. No director is a spouse or relative within the second degree of kinship of any other director nor are they under circumstances under any of the subparagraphs of Article 30 of the Company Act and Article 26-3, paragraphs 3 and 4 of the Securities and Exchange Act.

(II) Information on the President, Vice Presidents, and the heads of various departments and branches:

March 31, 2023; unit: shares

Job title	Nationality	Name	Gender	Date elected	Shareholding	Shareholding of spouse or minor children	Shareholding by nominee arrangement	Major education and experience	Concurrent positions other companies	Spouse or relatives within second degree of kinship who are other managers	Remarks (Note 1)
					Number of shares/Shareholding	Number of shares/Shareholding	Number of shares/Shareholding			Job title/Name/Relations	
President	R.O.C	Pan, Yeong-Tsuen	Male	2020.08.15	0 0.00%	0 0.00%	None	Doctoral degree, Department of Materials and Optoelectronic Science, National Sun Yat-sen University Deputy Project Director, Technical Department, China Steel Corporation Adjunct Associate Professor, National University of Kaohsiung (2008 through 2014)	Chairman of Taicang ThinTech Material Co., Ltd. Representative of director, Thintech Global Limited	None	None
Vice President-cum-R&D Officer	R.O.C	Lin, Ching-Fu	Male	2014.06.03	6,780 0.01%	0 0%	None	Master's degree, Department of Materials Science and Engineering, National Cheng Kung University R&D Officer, TTMC Researcher, Industrial Technology Research Institute	None	None	None
Vice President	R.O.C	Lin, Ching-Chun	Male	2021.04.01	0 0.00%	0 0.00%	None	Master's degree, Department of Electrical Engineering, National Cheng Kung University Professional Manager, Direct Investment Department, Gains Investment Corp. Director, LuxNet Corp. Supervisor, Tai-Saw Technology Co., Ltd. Director, Transcom, Inc.	None	None	None
Production Plants Production Plant	R.O.C	Huang, Jung-Chang	Male	2022.02.01	1,302 0%	None	None	Bachelor's degree, Department of Business Administration, National Kaohsiung University of Applied Sciences Chief of the Production Plant, TTMC Director, Taicang ThinTech Material Co., Ltd. President, Taicang ThinTech Material Co., Ltd. Vice President, Taicang ThinTech Material Co., Ltd. Manager, Production Department, Niu, Feng Industrial Co., Ltd.	None	None	None
Production Plants Deputy Chief of the Production Plant	R.O.C	Kuo, Shu-Kai	Male	2021.03.01	280 0.00%	0 0.00%	None	Master's degree, Institute of Materials Science and Engineering, National Taipei University of Technology Bachelor's degree, Materials Science and Engineering, National Taipei University of Technology Vice President, Taicang ThinTech Material Co., Ltd. Manager, Technology Department, TTMC Manager, Production Plant, TTMC	None	None	None
Business Department Department	R.O.C	Lin, Yu-Chuan	Male	2022.08.01	2,831 0.00%	0 0.00%	None	Master's degree, Department of Materials Science and Engineering, National Taiwan University Deputy Chief of the Production Plant, TTMC Vice President, Taicang ThinTech Material Co., Ltd. Process and R&D Engineer, Yi-Deng High-Tech Co., Ltd. Deputy Head of the Business Department, TTMC	Representative of director, Taicang ThinTech Material Co., Ltd.	None	None
Quality Assurance Department Department	R.O.C	Juan, Wei	Male	2008.03.17	0 0.00%	0 0.00%	None	Master's degree, Department of Statistics, Tunghai University Head of the Administrative Management Department, TTMC Assistant Manager, United Microelectronics Corporation	None	None	None

Job title	Nationality	Name	Gender	Date elected	Shareholding	Shareholding of spouse or minor children	Shareholding by nominee arrangement	Major education and experience	Concurrent positions other companies	Spouse or relatives within second degree of kinship who are other managers	Remarks (Note 1)
					Number of shares/Shareholding	Number of shares/Shareholding	Number of shares/Shareholding			Job title/Name/Relations	
Administrative Management Department Deputy Department Head	R.O.C	Ling, Yung-Fu	Male	2014.06.01	465 0.00%	1,377 0.00%	None	Master's degree, Department of Asia-Pacific Industrial and Business Management, National University of Kaohsiung Deputy Head of the Quality Assurance Department, TTMC Section Chief, R&D Department, Kao Chen Telecom Technology Co., Ltd.	None	None	None
Technology Department Department	R.O.C	Kuan, Chi-Yun	Female	2022.09.16	0 0.00%	0 0.00%	None	Doctoral degree, Department of Materials Science and Engineering, National Cheng Kung University Postdoctoral Research Fellow, Department of Materials Science and Engineering, National Cheng Kung University Deputy Head of the Technology Department, TTMC	None	None	None
Financial Accounting Officer-cum-Corporate Governance Officer	R.O.C	Chang, Chia-Wen	Female	Financial Accounting Officer (2021.03.01) Corporate Governance Officer (2021.10.29)	0 0.00%	0 0.00%	None	Master's degree, Department of Finance, National Sun Yat-sen University Department of Accounting, Southern Taiwan University of Science and Technology Deputy Head of the Finance Department, TTMC (Assistant) Manager, Accounting Section, TTMC Auditor, TTMC Auditor and Bookkeeper, Yongxiang CPA Firm Auditor, JSG	Representative of director, Taicang ThinTech Material Co., Ltd.	None	None
Audit Office	R.O.C	Liu, Cheng-Yen	Male	2017.11.16	0 0.00%	0 0.00%	None	Bachelor's degree, Department of Accounting, Tunghai University Auditor, Grant Thornton Auditor, Ernst & Young	None	None	None

Note 1: Where the Chairman and the President or person in an equivalent position (top-level manager) are the same person, spouses, or relatives within the first degree of kinship, the reason for, reasonableness, necessity thereof, and countermeasures shall be disclosed (e.g., increasing the number of independent directors on the board or having more than half of the directors not concurrently serving as employees or managers): N/A.

(III) Remuneration paid to directors, the President, and Vice Presidents in the most recent year:

1. Remuneration paid to directors (including independent directors)

December 31, 2022; Unit: NT\$ thousands/in thousands of shares

Job title	Name	Remuneration to directors								Sum of A, B, C, and D as a % of the net income after tax		Remuneration received for serving as an employee concurrently								Sum of A, B, C, D, E, F, and G as a % of the net income after tax		Remuneration from investees other than subsidiaries or from the parent company
		Base remuneration (A)		Severance and pension (B)		Remuneration to directors (C)		Business execution expenses (D)				Remuneration, bonus, and allowance (E)		Severance and pension (F)		Remuneration to employees (G)						
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company		All companies in the financial statements		The Company	All companies in the financial statements	
																Cash amount	Stock amount	Cash amount	Stock amount			
Chairman	Gains Investment Corp. Representative: Huang, Chung-Chia	3,726	3,726	0	0	772	772	234	234	5.77%	5.77%	0	0	0	0	0	None	0	None	5.77%	5.77%	9,336
Director	Gains Investment Corp. Representative: Huang, Pai-Chien (note 1)																					
Director	United Renewable Energy Co., Ltd. Representative: Pan, Lei-Lei																					
Director	Ever Wealthy International Corporation Representative: Fang, Ming-Dar																					
Independent director	Tsai, Ming-Chi	1,080	1,080	0	0	0	0	187	187	1.55%	1.55%	0	0	0	0	0	None	0	None	1.55%	1.55%	0
	Liang, Su-Mei																					
	Fang, Chen-Hua																					
<p>1. Please specify the policy, system, standard, and structure of remuneration to independent directors, and the association between the amount of remuneration and the responsibilities and risks assumed, time spent, and other factors:</p> <p>(1)The remuneration paid to independent directors is handled in accordance with Article 21 of the Company's Articles of Incorporation, and we have formulated the Rules of the Scope of Powers of Independent Directors and implemented it accordingly. We review and improve the implementation as per the Rules of the Performance Evaluation of the Board of Directors on an annual basis.</p> <p>(2)The functional committees we established include the Audit Committee, the Remuneration Committee, and the Risk Management Committee, all of which consist of three independent directors to increase their participation in the Company's operations and enhance our risk management and control.</p> <p>(3)The fixed remuneration paid to independent directors is determined by the Board of Directors with reference to the general standard in the industry. After prudent internal assessment of future risks and individual contributions, the Board of Directors reviewed the proposal and resolved to pay NT\$30,000 to each independent director per month, and they do not participate in the Company's earnings distribution.</p> <p>(4)The honoraria for independent directors' attendance at board meetings and functional committee meetings are determined with reference to the general standard in the industry.</p> <p>2. Except as disclosed in the above table, the remuneration received by the Company's directors for providing services to all companies in the financial statements (such as serving as a consultant in a non-employee capacity) in the most recent year: None.</p>																						

Note 1: As Mr. Huang, Pai-Chien, the representative of the director, Gains Investment Corp., retired on February 1, 2023, Mr. Wu, Chun-Hui was appointed as the new representative and took office immediately on the same day.

Note 2: It is based on the percentage for the distribution and the amount paid out for the prior year as per the 2022 directors' remuneration and employee remuneration distribution proposal approved by the Board of Directors before the shareholders' meeting was held.

Directors' (independent directors') remuneration range table

Ranges of remuneration paid to each director of the Company	Name of director			
	Sum of A+B+C+D		Sum of A+B+C+D+E+F+G	
	The Company	All companies in the financial statements	The Company	Parent company and all investees I
Below NT\$1,000,000	Gains Investment Corp. (Representative: Huang, Pai-Chien) United Renewable Energy Co., Ltd. (Representative: Pan, Lei-Lei) Ever Wealthy International Corporation (Representative: Fang, Ming-Dar) Tsai, Ming-Chi, Liang, Su-Mei, and Fang, Chen-Hua	Gains Investment Corp. (Representative: Huang, Pai-Chien) United Renewable Energy Co., Ltd. (Representatives: Pan, Lei-Lei) Ever Wealthy International Corporation (Representative: Fang, Ming-Dar) Tsai, Ming-Chi, Liang, Su-Mei, and Fang, Chen-Hua	Gains Investment Corp. (Representative: Huang, Pai-Chien) United Renewable Energy Co., Ltd. (Representative: Pan, Lei-Lei) Ever Wealthy International Corporation (Representative: Fang, Ming-Dar) Tsai, Ming-Chi, Liang, Su-Mei, and Fang, Chen-Hua	United Renewable Energy Co., Ltd. (Representatives: Pan, Lei-Lei) Ever Wealthy International Corporation (Representative: Fang, Ming-Dar) Tsai, Ming-Chi, Liang, Su-Mei, and Fang, Chen-Hua
NT\$1,000,000 (inclusive)–NT\$2,000,000 (exclusive)	None	None	None	None
NT\$2,000,000 (inclusive)–NT\$3,500,000 (exclusive)	None	None	None	None
NT\$3,500,000 (inclusive)–NT\$5,000,000 (exclusive)	Gains Investment Corp. (Representative: Huang, Chung-Chia)	Gains Investment Corp. (Representative: Huang, Chung-Chia)	Gains Investment Corp. (Representative: Huang, Chung-Chia)	Gains Investment Corp. (Representative: Huang, Chung-Chia)
NT\$5,000,000 (inclusive)–NT\$10,000,000 (exclusive)	None	None	None	Gains Investment Corp. (Representative: Huang, Pai-Chien)
NT\$10,000,000 (inclusive)–NT\$15,000,000 (exclusive)	None	None	None	None
NT\$15,000,000 (inclusive)–NT\$30,000,000 (exclusive)	None	None	None	None
NT\$30,000,000 (inclusive)–NT\$50,000,000 (exclusive)	None	None	None	None
NT\$50,000,000 (inclusive)–NT\$100,000,000 (exclusive)	None	None	None	None
NT\$100,000,000 or more	None	None	None	None
Total	7	7	7	7

Note: 1. If a director of the Company receives remuneration from investees other than subsidiaries or from the parent company, the remuneration received by the director from investees other than subsidiaries or from the parent company shall be included in column I of the remuneration range table with said column renamed "Parent company and all investees".

2. Remuneration refers to the compensation, remuneration (including employee, director, and supervisor remuneration), and business execution expenses received by the directors of the Company for serving as directors, supervisors, or managers of investees other than subsidiaries or the parent company.

3. The content of remuneration disclosed in this table is different from the concept of income under the Income Tax Act, so this table is for disclosure purposes rather than for taxation purposes.

2. Remuneration to the President and Vice Presidents

December 31, 2022; Unit: NT\$ thousands/in thousands of shares

December 31, 2022, Unit: NT\$ thousands/in thousands of shares														
Job title	Name	Salary (A)		Severance and pension (B)		Bonus and allowance (C)		Employee remuneration (D)				Sum of A, B, C, and D as a % of the net income after tax		Remuneration from investees other than subsidiaries or from the parent company
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company		All companies in the financial statements		The Company	All companies in the financial statements	
								Cash amount	Stock amount	Cash amount	Stock amount			
President	Pan, Yeong-Tsuen	5,069	5,069	None	None	594	594	656	None	656	None	92%	92%	1,490
Vice President	Lin, Ching-Fu													
	Lin, Ching-Chun													

Note: It is based on the percentage for the distribution and the amount paid out for the prior year as per the 2022 directors' remuneration and employee remuneration distribution proposal approved by the Board of Directors before the shareholders' meeting was held.

The President and Vice Presidents' remuneration range table

Ranges of remuneration to the President manager and Vice Presidents of the Company	Name of the President or Vice President	
	The Company	All companies in the financial statements
Below NT\$1,000,000	None	None
NT\$1,000,000 (inclusive)–NT\$2,000,000 (exclusive)	Lin, Ching-Chun	Lin, Ching-Chun
NT\$2,000,000 (inclusive)–NT\$3,500,000 (exclusive)	Pan, Yeong-Tsuen, Lin, Ching-Fu	Pan, Yeong-Tsuen, Lin, Ching-Fu
NT\$3,500,000 (inclusive)–NT\$5,000,000 (exclusive)	None	None
NT\$5,000,000 (inclusive)–NT\$10,000,000 (exclusive)	None	None
NT\$10,000,000 (inclusive)–NT\$15,000,000 (exclusive)	None	None
NT\$15,000,000 (inclusive)–NT\$30,000,000 (exclusive)	None	None
NT\$30,000,000 (inclusive)–NT\$50,000,000 (exclusive)	None	None
NT\$50,000,000 (inclusive)–NT\$100,000,000 (exclusive)	None	None
NT\$100,000,000 or more	None	None
Total	3	3

Note: 1. Remuneration refers to the compensation, remuneration (including employee, director, and supervisor remuneration), and business execution expenses received by the President or Vice Presidents of the Company for serving as directors, supervisors, or managers of investees other than subsidiaries or the parent company: N/A.

2. The content of remuneration disclosed in this table is different from the concept of income under the Income Tax Act, so this table is for disclosure purposes rather than for taxation purposes.

3. Name of manager who receives employee remuneration and distribution:

December 31, 2022; Unit: NT\$ thousands

Job title	Name	Stock amount	Cash amount	Total	Total amount as a % of the net income after tax
President	Pan, Yeong-Tsuen	None	1,142	1,142	1.39%
Vice President of Technology	Lin, Ching-Fu				
Executive Vice President	Lin, Ching-Chun				
Chief of the Production Plant	Huang, Jung-Chang				
Deputy Chief of the Production Plant	Kuo, Shu-Kai				
Head of the Quality Assurance Department	Juan, Wei				
Deputy Head of the Administrative Management Department	Ling, Yung-Fu				
Head of the Technology Department	Kuan, Chi-Yun				
Head of the Business Department	Lin, Yu-Chuan				
Financial Accounting Officer-cum-Corporate Governance Officer	Chang, Chia-Wen				
Auditor	Liu, Cheng-Yen				

Note: It is based on the percentage for the distribution and the amount paid out for the prior year as per the 2022 directors' remuneration and employee remuneration distribution proposal approved by the Board of Directors before the shareholders' meeting was held.

(IV) An analysis of the total remuneration paid to the Company's directors, the President, and Vice Presidents as a percentage of the net income after tax for the most recent two years, and a description of the remuneration policy, standard, and package, the procedure for determining the remuneration, and the association between business performance and future risks:

1. An analysis of the total remuneration paid to the Company's directors, the President, and Vice Presidents by the Company and all companies in consolidated financial statements as a percentage of the net income after tax for the most recent two years:

Unit: NT\$ thousands

Unit: NT\$ thousands

Year	2022			2021		
Job title	An analysis of the total remuneration paid to the Company's directors, the President, and Vice Presidents by the Company and all companies in consolidated financial statements as a percentage of the net income after tax recorded in the parent company only or individual financial statements			An analysis of the total remuneration paid to the Company's directors, the President, and Vice Presidents by the Company and all companies in consolidated financial statements as a percentage of the net income after tax recorded in the parent company only or individual financial statements		
Job title	Total remuneration	Net income after tax	Total remuneration as a % of the net income after tax	Total remuneration	Net income after tax	Total remuneration as a % of the net income after tax
Director	3,726	82,003	4.54%	3,230	70,311	4.59%
The President and Vice Presidents	7,319		8.93%	6,810		9.69%
An analysis of the difference in the total remuneration as a % of the net income after tax for the most recent two years	The total remuneration for 2022 was NT\$11,045 thousand, and its percentage of the net income after tax is lower than that for 2021, mainly because the amount of the net income after tax for 2022 increased by 16.63% compared with 2021.					

2. The remuneration policy, standard, and package, the procedure for determining the remuneration, and the association between business performance and future risks:

- (1) As per Article 28 of the Company's Articles of Incorporation, where the Company makes a profit for a year, it shall allocate no less than 0.1% of the balance as employee remuneration and no more than 1% as directors' remuneration and report to the shareholders' meeting. In addition, the travel expenses of the representative of the director of the Company shall be determined with reference to the standards of the same industry. The directors' remuneration and travel expenses shall be determined by the corporate director, and the independent directors shall not participate in the company's earnings distribution, and their monthly fixed remuneration shall be determined by the board of directors with reference to the usual

standards of the same industry.

- (2) The Company's directors' remuneration and employee remuneration is determined in a reasonable manner based on individuals' responsibilities, their participation in, and values of their contribution to Company's business, as well as their performance evaluation results, and we should report on the affairs to the shareholders' meeting. There is no obvious association between the remuneration paid and future risks.

- The performance assessment and compensation for the directors and managers of the Company shall take into consideration the results of job performance, time dedicated to the Company, the responsibilities held, the achievement of objectives, the performance in other positions, the compensation given by the Company to those in similar positions in recent years, and the reasonableness of the performance assessment in relation to the Company's operating performance and future risks, the Company's financial condition, the compensation of peer companies, and shall be in accordance with the regulations on salary management and provisions of Article 28 of the Company's Articles of Incorporation. The relevant performance assessment and compensation reasonableness shall be reviewed by the Remuneration Committee and the Board and distributed after approval by the Board.
- Staff compensation is based on salary, promotion and assessment, bonuses and other related management measures, and takes into account the results of performance evaluation. The evaluation items include financial indicators, such as shipment volume, cost reduction amount, and profit amount; non-financial indicators, such as new technological capability, attention to work safety regulations, process improvement and project completions, and customer claims and complaints, etc. Relevant performance appraisals and remuneration reasonableness are reviewed by the Remuneration Committee and the Board.

III. Implementation of corporate governance:

(I) Operations of the Board of Directors:

The Board of Directors held six meetings during the most recent year (2022), and the overall attendance rate is as high as 97.62%. Directors' attendance is as follows:

Job title	Name	Attendance in person	Attendance by proxy	Attendance (%) (Note 1)	Remarks
Chairman	Gains Investment Corp. Representative: Huang, Chung-Chia	6	0	100%	
Director	Gains Investment Corp. Representative: Huang, Pai-Chien	6	0	100%	Retired on February 1, 2023
Director	United Renewable Energy Co., Ltd. Representative: Pan, Lei-Lei	6	0	100%	
Director	Ever Wealthy International Corporation Representative: Fang, Ming-Dar	6	0	100%	
Independent Director	Liang, Su-Mei	6	0	100%	
Independent Director	Tsai, Ming-Chi	5	1	83.33%	
Independent Director	Fang, Chen-Hua	6	0	100%	

(II) Additional information on the operations of the Board of Directors:

1. If the operations of the Board of Directors is under any of the circumstances below, the date of the board meeting, the session, the content of the proposal, all independent directors' opinions, and the Company's response to said opinions shall be specified:
 - (1) For matters under Article 14-3 of the Securities and Exchange Act, no independent director expressed objection or reservation during 2022. Please refer to the Additional information on the operations of the Audit Committee (1).
 - (2) Except for the above matters, other matters resolved by the Board of Directors with objection or reservation made by any independent directors, with records or a written statement: None.
2. In the event of directors' recusal from proposals, the name of director, the content of proposal, the reasons for recusal, and the participation in voting shall be specified:

The Directors comply with Article 15 of the Rules of the Procedure for Board of Directors Meetings of Thintech Materials Technology Co., Ltd., "Directors or other representatives of the juridical persons shall explain the important content of their interest or the interest of the juridical persons they represent involved in any proposal at a board meeting and shall be recused from the deliberation of the matters below and from the discussion and voting on the motion; shall not exercise their voting rights on behalf of other directors: 1. Where those whose interest or the interest

of the juridical persons they represent involved may be detrimental to the Company's interest. 2. Where directors believe that they should recuse themselves. 3. Where directors should be recused by the resolution of the Board of Directors. If a director's spouse, lineal relatives within the second degree of kinship, or a company with which the director has a controlling or subordinate relation, has its own interest involved in any proposal at the meeting in the preceding paragraph, the director shall be deemed to have their personal interest involved in the motion. For directors who are not allowed to exercise their voting rights in accordance with the preceding two paragraphs, Article 180, paragraph 2 of the Company Act shall apply mutatis mutandis in accordance with Article 206, paragraph 4 of the Company Act, and such directors shall not be counted toward the number of directors present. ”

Date/Session of the board meeting	Content of proposal	Resolution results
2022.02.18 9th meeting of the 8th term of the 8th term	Proposal 5 in the discussions: The proposal to adjust the Chairman's and the President's salaries.	After Chairman Huang, Chung-Chia and President Pan, Yeong-Tsuen were recused from the meeting, the proposal was approved by all the directors present.
2023.02.21 15th meeting of the 8th term	Proposal 6 in the discussions: The proposal to adjust the Chairman's and the President's salaries.	After Chairman Huang, Chung-Chia and President Pan, Yeong-Tsuen were recused from the meeting, the proposal was approved by all the directors present.

3. Information on the cycle, period, scope, method, and content of the Board of Directors' self-evaluation (peer evaluation):

(1) The Company has formulated the Rules of the Performance Evaluation of the Board of Directors (approved by the Board of Directors), the amendment to which was approved by the 2nd board meeting in 2021. The Company evaluates the performance of the Board of Directors, individual directors, the Audit Committee, the Remuneration Committee, and the Risk Management Committee once per year. The results of the internal and external board performance evaluation shall be completed before the end of the first quarter of the following year. The Company implemented the performance evaluation of Directors from 2020 to 2022, and it was ended after three years in 2022. Therefore, in Q3/2022, the Company entrusted the Taiwan Corporate Governance Association to conduct an external evaluation through an on-the-spot examination. The results of the internal and external evaluations have been reported in the latest Board Report as a reference for future selection or nomination of Directors and the results of performance evaluation of individual Directors (excluding independent Directors) as a reference for determining the remuneration distribution for corporate Directors.

(2) The implementation situation is as follows:

Item	Description
Cycle	Once per year
Period	January 1–December 31 each year
Scope	The performance evaluation covers the Board of Directors, individual directors, functional committees (the Remuneration Committee, the Audit Committee, and the Risk Management).
Method	Internal self-evaluation of the Board of Directors, board members' self-evaluation, peer evaluation, appointment of external professional organizations or experts for performance evaluation at least once every three years, or other appropriate methods.
Content	<p>1. The board performance evaluation indicators shall cover at least the aspects below: Degree of involvement in the Company's operations; improvement to the quality of the Board of Directors' decision-making; composition and selection of members of the Board of Directors; election of directors and their continuing education; internal control.</p> <p>2. The board member performance evaluation indicators shall cover at least the aspects below: Alignment with the Company's goals and mission; awareness of responsibilities as a director; degree of involvement in the Company's operations; management and communication of internal relations; directors' professional and continuing education; internal control.</p> <p>3. The functional committee performance evaluation indicators shall cover at least the aspects below: Degree of involvement in the Company's operations; awareness of responsibilities as a functional committee member; improvement to the quality of the functional committee's decision-making; composition and selection of members of the functional committees; internal control.</p>

4. The objectives of reinforcement of the competency of the Board of Directors in the current year and the most recent year and the implementation:

(1) Reinforce the functions of the Board of Directors and functional committees:

- As per Article 14 of the Articles of Incorporation, there shall be seven directors on the board. With a candidate nomination system adopted, directors shall be elected by the shareholders' meeting from the list of candidates to serve a term of three years and may be re-elected.
- The Company has established an Audit Committee, a Remuneration Committee, and a Risk Management Committee, to evaluate and manage all strategies, operations, finances, and hazards that may affect the Company's operations and profits. Each functional committee is entirely composed of independent directors. With their independence and professionalism, they strengthen the Company's corporate governance and the functions of the Board of Directors.

- The manager reports to the board of directors on the results of the implementation of the Company's sustainable development, the operation and implementation of ethical corporate management, concerns and responses of stakeholders, intellectual property management plans and implementation, information security management implementation, etc., and includes goals and suggestions for operational strategies.

(2) The implementation of the performance evaluation of the Board of Directors and functional committees

- Performance evaluation self-evaluation indicators and grades of board of directors in 2022

1 Strongly disagree; 2 Disagree; 3 Ordinary; 4 Agree; 5 Strongly agree.

Board performance self-evaluation	Board member performance self-evaluation	Audit Committee performance self-evaluation	Remuneration Committee performance self-evaluation	Risk Management Committee performance self-evaluation
26 self-evaluation indicators	20 self-evaluation indicators	21 self-evaluation indicators	19 self-evaluation indicators	18 self-evaluation indicators

- 2022 self-evaluation results

Board of Directors performance self-evaluation	Board member performance self-evaluation	Audit Committee performance self-evaluation	Remuneration Committee performance self-evaluation	Risk Management Committee performance self-evaluation
4.93 points	4.92 points	4.97 points	5.00 points	4.94 points

The Company's 2022 directors and functional committees (governed by the Board of Directors) performance self-evaluations were completed in December. The average scores of each self-assessment result ranged from 4.92 to 5.00, and was better than the self-assessment result score of 4.89 to 5.00 in 2021. Indicating that the Board of Directors, board members, the Audit Committee, the Remuneration Committee, and the Risk Management Committee are functioning well in alignment with the corporate governance requirements and effectively assist the Board of Directors in keeping abreast of the risks in various business activities, implementing ESG initiatives continuously, and promoting corporate sustainability to reinforce the board functions and safeguard shareholders' rights and interest.

- Improvement plans

We reported the 2022 board performance evaluation results to the Remuneration Committee and the Board of Directors on February 21, 2023 and put forth the improvement plans for the indicators with lower average scores

Item	Indicators with a lower average score	Countermeasure
1	Directors clearly understand the characteristics and risks of the Company's industry	Due to the dramatic changes in the environment (such as COVID-19 epidemic, wars, and other geopolitical strife), some directors have insufficient awareness of the company's industrial characteristics and risks, which may affect their professional judgment and recommendations. It is proposed to invite the management team to produce relevant information for a two-way interaction with board members, in an effort to build the board members' understanding of the industry.
2	Directors make effective contributions at Board of Directors meetings, such as making specific recommendations on motions, etc.	
3	The Directors clearly understand the Company, the Company's management team and the Company's industry to make professional and appropriate judgment	

■ Description of the implementation of improvements with lower self-assessment scores in the past (2021)

Item	Indicators with a lower average score	Improvement situation
1	Directors' attendance at shareholders' meetings is high.	Approved by the Board of Directors on October 26, 2022, amendment of the basis for grading according to the number of attendance of directors.
2	Directors and the CPAs have communicated and interacted with each other positively.	The CPAs attended the second Board of Directors meeting on February 18, 2022 and October 26, 2022, respectively; individual interactive meeting with members of the Audit Committee on October 26, 2022; interaction with independent directors, directors and managers on February 18, 2022, October 26, 2022 and December 8, 2022, respectively.
3	The average attendance of each member of the functional committees (excluding attendance by proxy) is up to standard.	1. The Board of Directors met six times in 2022, and the attendance rate was 97.62% 2. The Audit Committee met six times in 2022, and the attendance rate was 88.9% 3. The Remuneration Committee met twice in 2022, and the attendance rate was a perfect 100% 4. The Risk Management Committee met twice in 2022, and the attendance rate was 83.3%
4	The Risk Management Committee members make effective contributions.	1. Risk scanning of major issues, such as major "capital expenditure" was held in advance to explain to the three Independent Directors at the meeting on the investment case on April 22, 2022, and the issuance of the third domestic secured convertible corporate bonds were explained to the directors in advance, and the above two items were submitted to the Audit Committee and the Board of Directors for review and approval. 2. The Risk Control Team scanned the Company's potential risks in "major investments, information security, subsidiary supervision, product sales, supply chain and finance" in light of the internal and external environment, and reported to the second Risk Management Committee for review and to the Board of Directors on October 26, 2022. 3. On October 26, 2022, the Board of Directors gave a presentation to the attending directors and showcased the company's material application areas and the development results of various targets for semiconductors.
5	The Risk Management Committee can duly assess and supervise the Company's existing or potential risks	
6	The Risk Management Committee can timely, professionally, and objectively provide suggestions to the Board of Directors as a reference for the board to make decisions.	

Item	Indicators with a lower average score	Improvement situation
7	There is sufficient time for the Risk Management Committee to discuss relevant affairs.	4. During 2022, there were seven board members and five of them completed 18 hours of advanced courses on risk management.
8	The proposals submitted by the Company to the Risk Management Committee for resolution is appropriate.	

■ **Results of the external evaluation of the Board of directors performance in 2022**

In 2022, the Company commissioned the "China Corporate Governance Association" to conduct an evaluation of the effectiveness of the Board of Directors. The period being evaluated is the 12 months from July 1, 2021 to June 30, 2022. The scope includes the Board of Directors and functional Committees. The Association commissioned four evaluation experts (Executive Committee Member and Convenor Lin, Chun-Cheng, Executive Committee Member Chiu, Cheng-Jen, Evaluation Team Leader Lu, Shu-Man, and Evaluation Specialist Chen, Yi-En) to evaluate the effectiveness of the Board of Directors through on-site visits on 20 indicators in eight major areas, including board composition, guidance, authorization, supervision, communication and internal control, risk management, and self-regulation; the Association and the executive specialist have no business dealings with the Company with independence and presented their evaluation report on August 17, 2022 and the Company reported the results to the Board of Directors and the Remuneration Committee on October 26, 2022 and February 21, 2023. The Chinese Corporate Governance Association issued a "Certificate of Performance Evaluation of the Board of Directors" with the following overall comments, recommendations and suggested improvements in implementation by the Company:

(I) Overall Comments:

1. Your company invited a third-party professional and independent organization to assist in the performance evaluation of the Board of Directors, which demonstrates the proactive attitude of your Board of Directors in implementing the corporate governance system and enhancing the effectiveness of the Board of Directors, and seeks opportunities for further improvement through a credible and objective review.
2. Considering the risks that may arise in the process of transformation and innovation, the Board of Directors formally approved the establishment of a "Risk Management Committee" on July 28, 2021, which will meet at least twice a year and set up a "Risk Control Team" to provide information and risk assessment on relevant proposals, and report and discuss them with the Risk Management Committee and finally report them to the Board of Directors, which fully demonstrates that the Company attaches importance to risk control and response.
3. Your company attaches importance to the international trend of sustainable development and incorporates ESG-related concepts such as carbon neutrality, circular economy and social welfare into the company's long-term development strategy and implements them into its daily operations. At the same time, ESG-related issues will be incorporated into the performance indicators of senior managers and employees in each department to actively promote sustainable management.
4. The Company's "Management Strategy" was developed by senior management and the Board of Directors through numerous interactive meetings. The "Annual Budget" is a preliminary set of objectives, plans and operating statements proposed by the management team, which are reported and discussed by the Audit Committee and then submitted to the Board of Directors for resolution, demonstrating the professionalism and responsibility of the Board of Directors.

(II) Recommendations and Improvements in Implementation

Recommendation 1: Your company should provide a complete manual for new directors to perform their duties before they take office, and then the Corporate Governance Officer can arrange business briefings by the relevant units according to the needs of directors after they take office, so that new directors can fully understand the operation of the company. It is recommended that the Company systematize the aforementioned practices and establish a training program for new directors to strengthen the relevant systems of corporate governance.

Improvements in implementation: The Company's current practice is to provide directors with relevant laws and regulations, precautions to be taken, briefings on the Company's operations and site visits to production lines prior to their appointment, and also provide assistance in attending corporate governance-related courses, etc., but these are not explicitly provided for in the Management Regulations. The proposed amendments to certain provisions of the Code of Corporate Governance Best Practice Principles have been submitted to the Board of Directors for consideration and approval in the first quarter of 2023 to facilitate compliance.

Recommendation 2: Your company has a "Whistleblower System Management Regulations", in which the Audit Office Department receives reports of incidents, and after an internal investigation, submits them to the president or the Chairman or Independent Directors depending on the significance of the incident. However, the whistle-blower mechanism places primary importance on the knowledge of the Board of Directors, especially Independent Directors. It is recommended that the Company set up a reporting channel for the Independent Directors (or

the Audit Committee) to receive reports simultaneously to further strengthen the whistle-blower mechanism.

Improvements in implementation: On August 24, 2022, the Company completed the establishment of a whistleblower mailbox as proposed; and submitted to the Board of Directors in the fourth quarter of 2022 a review of and amendments to some of the provisions of the "Internal Important Information Processing Procedures".

Recommendation 3: It is recommended that the Company establish a mechanism and procedures for the reporting of occasional material information to regulate the material events that should be reported immediately, the reporting procedures, and the reporting deadlines, etc. The reporting procedures should cover all Board members to ensure that outside directors can fully grasp material information of the Company during non-meeting periods, so that the directors can better perform their supervisory duties.

Improvements in implementation: The Company's current material incidental events are required by law to be communicated by the Finance Department to all Board members simultaneously after the release of material information, but are not explicitly stated in the operating procedures; in 2022 Q4, an amendment to Article 5 of the "Internal Important Information Processing Procedures" has been submitted to the Board of Directors for consideration, specifying that all Board members are to be included in the reporting.

(III) The operations of the Audit Committee:

1. The Audit Committee held six meetings during the most recent year (2022), and members' attendance is as follows:

Job title	Name	Attendance in person	Attendance by proxy	Attendance (%)	Remarks
Independent Director	Liang, Su-Mei	6	0	100.00	Took office on 2020.06.11
Independent Director	Tsai, Ming-Chi	5	1	83.33	
Independent Director	Fang, Chen-Hua	6	0	100.00	

2. Additional information on the operations of the Audit Committee

- (1) Where matters under Article 14-5 of the Securities and Exchange Act have not been approved by the Audit Committee but have been approved by more than two-thirds of all directors, the date of the board meeting, the session, the content of the proposal, the Audit Committee's resolution results, and the Company's response to said opinions shall be specified:

Date/Session of meeting	Content of proposal	Board of Directors Resolution results	Audit Committee Resolution results
2022.02.18 9th meeting of the 8th term of the Board of Directors and 8th meeting of the 3rd term of the Audit Committee	Proposal 1 in the discussions: The Company's 2021 business report and financial statements.	Passed by all directors present.	Passed by all committee members present.
	Proposal 3 in the discussions: The Company's 2021 earnings distribution proposal.		
	Proposal 4 in the discussions: The proposal of the Company's 2021 Report on Self-inspection of the Internal Control System (including the Statement of Internal Control System) was submitted.		
	Proposal 6 in the discussions: The proposal to amend the Articles of Incorporation.		
	Proposal 7 in the discussions: The proposal to amend the Procedures for Asset Acquisition and Disposal.		
	Proposal 8 in the discussions: The proposal to amend the Company's Corporate Governance Best Practice Principles.		
2022.04.27 10th meeting of the 8th term of the Board of Directors and 9th meeting of the 3rd term of the Audit Committee	Proposal 1 in the discussions: The Company's 2022 Q1 Consolidated Financial Statements.	Passed by all directors present.	Passed by all committee members present.
	Proposal 2 in the discussions: The proposal to amend the Procedures for Asset Acquisition and Disposal.		
	Proposal 3 in the discussions: The proposal to amend the Company's Rules of Procedure for Shareholders' Meetings.		
	Proposal 4 in the discussions: The proposal to amend the Sustainable Development Best Practice Principles.		
	Proposal 5 in the discussions: The proposal to amend the Procurement and Payment Cycle Internal Control System.		

Date/Session of meeting	Content of proposal	Board of Directors Resolution results	Audit Committee Resolution results
2022.07.01 11th meeting of the 8th term of the Board of Directors and 10th meeting of the 3rd term of the Audit Committee	Proposal 1 in the discussions: The proposal of the Company’s capital expenditure for the procurement of production equipment was submitted.	Passed by all directors present.	Passed by all committee members present.
2022.07.27 12th meeting of the 8th term of the Board of Directors and 11th meeting of the 3rd term of the Audit Committee	Proposal 1 in the discussions: The Company's 2022 Q2 Consolidated Financial Statements.	Passed by all directors present.	Passed by all committee members present.
	Proposal 2 in the discussions: The proposal to increase the short-term credit limits during 2022.		
	Proposal 3 in the discussions: The report on the proposal to lend funds to investees and determine the amounts.		
	Proposal 4 in the discussions: The proposal to determine the amounts of endorsements/guarantees provided to investees.		
2022.10.26 13th meeting of the 8th term of the Board of Directors and 12th meeting of the 3rd term of the Audit Committee	Proposal 1 in the discussions: The Company's 2022 Q3 Consolidated Financial Statements.	Passed by all directors present.	Passed by all committee members present.
	Proposal 2 in the discussions: The Company's 2023 budget plan.		
	Proposal 3 in the discussions: The Company's 2023 Annual Audit Plan.		
	Proposal 4 in the discussions: The proposal to increase the short-term credit limit from The Shanghai Commercial & Savings Bank during 2022.		
	Proposal 5 in the discussions: The proposal to apply for short-term credit limits during 2023.		
	Proposal 7 in the discussions: The proposal to lend funds to investees and determine the amounts.		
	Proposal 8 in the discussions: The proposal to assess the independence of CPAs.		
	Proposal 9 in the discussions: The Company and Deloitte & Touche agreed on an annual audit fee of NT\$3.58 million (excluding cushion fees) for the period from 2023 to 2027.		
	Proposal 10 in the discussions: The proposal to amend the Internal Important Information Processing Procedures.		
2022.12.08 14th meeting of the 8th term of the Board of Directors and 13th meeting of the 3rd term of the Audit Committee	Proposal 12 in the discussions: The proposal to amend the Production and Cost Cycle Internal Control System.	Passed by all directors present.	Passed by all committee members present.
	Proposal 1 in the discussions: The Company proposed to handle the third domestic secured convertible corporate bonds B case.		
	Proposal 2 in the discussions: The Company proposed to apply to Bank SinoPac Company Limited for a bank guarantee for the issuance of the third domestic secured convertible corporate bonds.		
	Proposal 3 in the discussions: The proposal to increase the credit limit from Bank SinoPac during 2022.		
	Proposal 4 in the discussions: The proposal to amend the Insider Trading Prevention Processing Procedures.		
	Proposal 5 in the discussions: The proposal to amend the Company's Rules of Procedure for Board of Directors’ Meetings.		
Other than those described above, any resolutions not approved by the Audit Committee but approved by more than two-thirds of all directors: None.			

■ Except for the above matters, matters that have not been approved by the Audit Committee but have been approved by more than two-thirds of all directors: None.

(2) In the event of independent directors' recusal from proposals, the name of independent director, the content of proposal, the reasons for recusal, and the participation in voting shall be specified: None.

(3) Communication between independent directors and the chief internal auditor/CPAs:

① Communication between the chief internal auditor and the Audit Committee is as follows:

■ In addition to attending quarterly Audit Committee meetings and reporting to the Board of Directors on

recent auditing business performance, internal auditing officers of the Company provide independent directors with written audit reports and improvement follow-up reports on a monthly and quarterly basis, and communicate directly with independent directors by email or phone or face-to-face as necessary, allowing them to better understand more immediately and supervise the Company's overall operational and financial risks. An interactive meeting with independent directors is held at least once a year to report on the implementation of the Company's recent audit projects, defects identified and abnormal matters in the internal control system, as well as issues improvements made and follow-up actions.

■ Communication meetings between the chief internal auditor and the Audit Committee during 2022:

Audit Committee Interaction Date	Interaction and Attendees	Communication Focus	Independent Directors' Opinions and Communication Results
2022.10.26 Audit Office and Independent Director Interaction	Independent Director Liang, Su-Mei Independent Director Tsai, Ming-Chi Independent Director Fang, Chen-Hua Audit Office Liu, Cheng-Yen	Main findings and improvements in the audits for the first three quarters of 2022.	Independent directors' opinions: Should be explored whether the lack of internal control of procurement is only due to cheapness. Audit Office reply: For the opinions of independent directors, the company has strengthened internal control measures and followed up with implementation.

■ The chief internal auditor's attendance at the board meetings and interaction with the independent directors during 2022 are as follows:

Date/Session of the board meeting	Content of proposal	Independent directors' opinions	Response to independent directors' opinions
2022.02.18 9th meeting of the 8th term of the 8th term	A total of 13 audits were performed with 13 audit reports issued from October 2021 through December 2021.	No opinion was expressed.	N/A.
2022.04.27 10th meeting of the 8th term of the 8th term	A total of 9 audits were performed with 9 audit reports issued from January 2022 through March 2022.	No opinion was expressed.	N/A.
2022.07.27 12th meeting of the 8th term of the 8th term	A total of 14 audits were performed with 14 audit reports issued from April 2022 through June 2022.	No opinion was expressed.	N/A.
2022.10.26 13th meeting of the 8th term of the 8th term	I. A total of 14 audits were performed with 14 audit reports issued from July 2022 through September 2022. II. The 2023 audit plan was submitted.	I. No opinion was expressed. II. Approved.	N/A.

② The interaction between CPAs and the Audit Committees/independent directors is as follows:

- The CPAs reported to the independent directors based on their professional judgment and response to audit issues, including audit scope, audit findings, potential risks and impacts of financial statements, latest laws and information security awareness raising, internal control implementation, and other important findings, to allow each independent director to comprehensively understand CPAs' audit results and opinions.

■ Communication meetings between CPAs and the Audit Committee during 2022:

Date of meeting with the Audit Committee	Interaction and Attendees	Communication Focus	Independent Directors' Opinions and Communication Results
2022.10.26 CPA and Independent Director Interaction	Independent Director Liang, Su-Mei Independent Director Tsai, Ming-Chi Independent Director Fang, Chen-Hua CPA Wang, Chao-Chun Corporate Governance Officer Chang, Chia-Wen	I. Internal control audit scope and the Group's audit and methods II. Remote audits – Xinchang III. Identification of significant risks and assessment of fraud IV. Key audit matters	CPA communicate with independent directors and directors individually without relevant records.
2022.10.26 CPA and Director Interaction	Director Huang, Chung-Chia Director Huang, Pai-Chien Director Fang, Ming-Dar Director Pan, Lei-Lei Independent Director Liang, Su-Mei Independent Director Tsai, Ming-Chi Independent Director Fang, Chen-Hua CPA Wang, Chao-Chun Corporate Governance Officer Chang, Chia-Wen	I. Strengthen the supervision mechanism of Company's listed on Taipei Exchange II. Analysis of climate related information disclosure of the sustainable development roadmap. III. Increase information security assessment procedures and results IV. Digital transformation innovation research and development project assistance	CPA communicate with independent directors and directors individually without relevant records.

■ Communication meetings between CPAs and Managers during 2022:

Date of meeting with the Audit Committee	Interaction and Attendees	Communication Focus	Independent Directors' Opinions and Communication Results
2022.02.18 CPA and Independent Director and Management Interaction	Independent Director Liang, Su-Mei Independent Director Tsai, Ming-Chi Independent Director Fang, Chen-Hua CPA Wang, Chao-Chun Chairman Huang, Chung-Chia President Pan, Yeong-Tsuen Vice President Lin, Ching-Fu Vice President Lin, Ching-Chun Corporate Governance Officer Chang, Chia-Wen	I. 2021 Audit results of financial statements II. Financial ratio III. Description of key audit matters IV. Internal control and annual audit deficiencies and recommendations V. Information security internal control system correction and bonus points for corporate governance evaluation. VI. Introduction of Technology Intellectual Property System (TIPS), ISO56005 and bonus points for corporate governance evaluation.	Learned about and tested the effectiveness of the internal control related to the recognition of sales revenue of the silver materials stored in the suppliers' warehouses; selected appropriate samples from the sales revenue from the silver materials stored in the suppliers' warehouses, and checked the spot price supporting documents and proof of receipt of payments; obtained the details of the sales returns and discounts during the year and after the balance sheet date and checked whether there were any major unusual returns and discounts. After auditing by the audit team, no abnormalities were found
2022.12.18 CPA and Independent Director and Managers Interaction	Independent Director Liang, Su-Mei Independent Director Fang, Chen-Hua CPA Wang, Chao-Chun Chairman Huang, Chung-Chia President Pan, Yeong-Tsuen Vice President Lin, Ching-Chun Financial Officer Chang, Chia-Wen Audit Office Liu, Cheng-Yen Stock affairs Wu, Yung-Lin	Audit Committee interpretation of Audit Quality Indicator (AQI) guidelines	The CPA based on questions from independent directors and managers replied: AQI has now begun to operate and needs to be approved by the Audit Committee and the Board of directors.

■ The CPA attends the Board of Directors meetings in the first and fourth quarters of 2022 and attends the Audit Committee meeting in the fourth quarter to communicate and discuss matters related to financial reporting; the CPAs of the Company held several separate meetings with the independent directors individually through the Audit Committee based on their professional judgment.

Board of Directors Date/Session	Content of proposal	Independent directors' opinions	Response to independent directors' opinions
2022.02.18 9th meeting of the 8th term	Discussion and communication on the 2021 consolidated financial statements.	No opinion was expressed.	N/A.
2022.10.26 13th meeting of the 8th term	Discussion on the 2022 Q3 consolidated financial statements and communication of audit matters and laws and regulations.	No opinion was expressed.	N/A.

3. Major tasks of the Audit Committee during 2021

Matters reviewed and major tasks	
1. Financial statements and accounting policies and procedures 2. Evaluation of the effectiveness of the design and implementation of the internal control system and the statement of the internal control system 3. Material loans to others and endorsements/ guarantees provided to others 4. Engaging in derivatives trading 5. Significant assets or investments in cash 6. Compliance with laws and regulations 7. The potential related-party transactions by managers or directors and potential conflicts of interest (non-compete clause)	8. Complaint report 9. Ethical management and ethical conduct audit reports 10. Subsidiaries' independent audit and investigation reports 11. Company risk management 12. CPAs' qualification and independence audits 13. Appointment, dismissal, and remuneration of CPAs 14. Appointment or dismissal of the chief financial officer and accounting officers, the internal auditor, and the corporate governance officer

● Review finance report

The Board of Directors prepared the 2022 parent company only and consolidated financial statements, a statement of earnings distribution, and a business report, among which the parent company only and consolidated financial statements have been audited by Wang, Chao-Chun and Liu, Yu-Hsiang, CPAs at Deloitte & Touche, by whom an audit report, along with an unqualified opinion, has been issued. We have reviewed said documents and did not find any misstatement.

● Evaluate the effectiveness of the internal control system

The Audit Committee evaluates the effectiveness of the policies and procedures of the internal control system (including financial, operational, risk management, information security, outsourcing, and legal compliance and other control measures) and reviews the auditing department, CPAs, and management's periodic reports and legal compliance. With reference to the Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013, the Audit Committee concluded that the Company's risk management and internal control system is effective.

● Appointment of CPAs

In order to ensure the independence of the CPAs firm, the Audit Committee established an independence evaluation form with reference to Article 47 of the Certified Public Accountant Act and Statement No. 10 "Integrity, Impartiality, Objectivity and Independence" of the CPA professional and ethical guidelines, to assess the independence (whether they are related parties of the Company, have business or financial interests in each other, etc.), professionalism and appropriateness of the CPA. We require the CPAs to provide a statement of independence each year and submit it to the Audit Committee and the Board of Directors to review their independence and check whether they are a shareholder or director of the Company, have any other personal interest involved in the Company's business except for the tasks entrusted, accept gifts of great value from the Company's directors, managers, or major shareholders, and the rotation of accountants is in compliance with applicable laws and regulations. On October 26, 2022, the Audit Committee and the Board of Directors considered and approved that CPA Wang, Chao-Chun, CPA Liu, Yu-Hsiang and audit team members of Deloitte & Touche met the independence assessment standards. On February 21, 2023, the Audit Committee and the Board of Directors approved the appointment of CPA Wang, Chao-Chun and CPA Kuo, Li-Yuan as CPAs from the first quarter of 2023, as CPA Liu, Yu-Hsiang has reached the age of rotation.

4. During 2022 and as of the date of publication of this annual report, there was no election of independent directors, and the current independent directors have not served three consecutive terms or more.

(IV) Implementation of corporate governance:

Item	Operations			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
I. Has the company formulated and disclosed the Corporate Governance Best Practice Principles in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies?	V		<p>1. The Company formulated the Corporate Governance Best Practice Principles in March 2019, amended it as per the current regulations in February 2023, and disclosed it on the Market Observation Post System (MOPS) and the Company's website.</p> <p>2. To protect shareholders' rights and interest, implement the Company's ethical management, and enhance our corporate governance and business information transparency, we have formulated the Corporate Governance Best Practice Principles, the Code of Ethical Conduct, and the Standard Operating Procedures for Handling Directors' Requests in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and implemented them accordingly.</p>	We proceed in accordance with the Corporate Governance Best Practice Principles.
II. The Company's shareholding structure and shareholders' equity				(I)~(IV) We proceed in accordance with the Corporate Governance Best Practice Principles.
(I) Has the company formulated internal operating procedures for handling shareholders' suggestions or questions or disputes and litigation with them and complied with the procedures?	(I) V		(I) We have a spokesperson and an acting spokesperson in place and handle shareholders' suggestions and disputes with them through a shareholder service agency and attorneys.	
(II) Does the company have a list of the major shareholders with ultimate control over the company and a list of the ultimate controllers of the major shareholders?	(II) V		(II) The Company's ultimate parent company is China Steel Corporation, in which Gains Investment Corp. holds 31.86% of the shares, Ever Wealthy International Corporation holds 8.32%, and United Renewable Energy Co., Ltd. holds 9.52%. Its shareholder structure is simple. We keep abreast of relevant information and a list of major shareholders through a shareholder service agency. Moreover, our directors and major shareholders file a report on their shareholdings per month as required.	
(III) Has the company established and implemented a risk control and a firewall mechanisms between itself and affiliates?	(III) V		(III) We have formulated the Related Party Transaction Management Regulations and the parent-subsidiary transaction manual and clearly regulated the financial or business transactions with affiliates, while having set up a unit dedicated to the management of investees. We supervise and manage subsidiaries in accordance with the Subsidiary Supervision and Management Regulations as well as applicable laws and regulations, while providing them with advice on their operations and business management, market trends, exchange rate risks, the impact of new laws and regulations on business, as well as risks and firewall mechanism management and control to fulfill our obligations as a prudent administrator. We insist on the principles of legality and reasonableness for transactions with other enterprises in the Group.	
(IV) Has the company formulated internal regulations to prohibit insiders from using information undisclosed in the market to buy and sell securities?	(IV) V		(IV) <p>1. We adopt integrity and ethical management as our highest guiding principle for operations. We insist on integrity, fairness, and impartiality either externally or internally, implement ethical management, and abide by various laws and regulations, while conducting business as per Article 5 of the Ethical Corporate Management Best Practice Principles.</p> <p>2. To guide our personnel's behavior to be in compliance with ethical standards and allow our stakeholders to understand the Company's ethical conduct standards, we have formulated the Code of Ethical Conduct with reference to the Guidelines for the Adoption of Codes of Ethical Conduct for TWSE/GTSM Listed Companies to prevent illegal and unethical conduct. Our directors, managers, or employees are not allowed to request or accept bribes or engage in fraudulent behavior when performing their duties. We have also formulated the Procedures for Handling Material Inside Information, the Procedures for Handling Material Inside Information and Managing Insider Trading Prevention, and the Whistleblowing Mechanism Management Regulations as per laws and regulations.</p> <p>3. The Board of Directors approved the amendments to Article 10, paragraph 4 of the Corporate Governance Best Practice Principles, "Public companies shall pay attention to shareholders' right to know and prevent insider trading" on February 18, 2022. We raise personnel's awareness in writing (by email) before the quarterly board meeting is held to approve the financial statements, "Stock trading control measures for the Company's insiders from the date of their learning about the Company's financial statements or relevant performance data include (but are not limited to) the restrictions that directors and insiders shall not trade their shares during the 30 days before the disclosure of the annual financial</p>	

Item	Operations			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
			<p>statements and during the 15 days before the disclosure of the quarterly financial statements.”</p> <p>4. We offer courses on ethical management each year, and the Administrative Management Department holds an awareness-raising event on applicable laws and regulations per year. The Company held six Board of Directors meetings in 2022. During 2022, directors, managers, and employees participated in internal and external training courses and awareness-raising events about prohibiting insider trading and reminding directors not to trade their stocks during the closed period during the 30 days before the annual financial report announcement and during the 15 days before the quarterly financial report announcement, with 163 persons and 337 hours in total. We reported on the implementation of ethical management to the Board of Directors on October 26, 2022, and disclosed the implementation results on the Company's website https://reurl.cc/MRXI8m.</p>	
<p>III. Composition and responsibilities of the Board of Directors</p> <p>(I) Has the board of directors formulated a diversity policy and specific management objectives and implemented them accordingly?</p>	(I) V		<p>(I) 1. Board diversity, professionalism, and independence:</p> <p>As per Article 14 of the Articles of Incorporation, there shall be seven directors on the board. With a candidate nomination system adopted, directors shall be elected by the shareholders' meeting from the list of candidates to serve a term of three years and may be re-elected. As per Article 20, paragraph 3 of the Company's Corporate Governance Best Practice Principles, the Company shall take into account the diversity principle for the board structure; the number of directors who also serve as the Company's managers is advised not to exceed one-third of all directors; the Company shall draw up an appropriate diversity policy as per the operations, business model, and development needs, which may include but not be limited to the two criteria below:</p> <p>(1) Basic criteria and values: Gender, age, nationality, and culture, and the ratio of female directors should reach one-third of the board.</p> <p>(2) Professional knowledge and skills: Professional backgrounds (such as law, accounting, industry, finance, marketing, or technology), professional skills, and industry experience.</p> <p>As per Article 20, paragraph 4 of the Company's Corporate Governance Best Practice Principles, board members should possess the knowledge, skills, and qualities needed to perform their duties. The Board of Directors as a whole should possess the capabilities and skills below to achieve the ideal goals of corporate governance:</p> <p>(1) Business judgment.</p> <p>(2) Accounting and financial analysis.</p> <p>(3) Business management.</p> <p>(4) Crisis management.</p> <p>(5) Industry knowledge.</p> <p>(6) International market perspective.</p> <p>(7) Leadership.</p> <p>(8) Decision-making.</p> <p>2. To enhance the diversity of board members, the targets set are as follows:</p> <p>(1) The Board of Directors consists of seven directors. We focus on gender equality in the board structure and aim to have at least one female director (14.29%) on the board.</p> <p>(2) In alignment with the diversity policy, we manage to prevent board members' professional backgrounds and expertise from being too similar and enable them to provide the Company with professional insight, financial and operational risk warnings, as well as approaches to innovating products, so we aim to increase the percentage of directors with expertise in financial accounting and risk management to 50% or higher and that in technological innovation to 40% or higher.</p> <p>3. Implementation:</p> <p>(1) The Company adopted the nomination system for the first time</p>	(I)-(IV) We proceed in accordance with the Corporate Governance Best Practice Principles.

Item	Operations			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
			<p>in the selection of directors in 2020. On June 11, 2020, the shareholders' meeting elected new directors for the eighth term of the board. Among the seven directors, there were six male directors and one female director (Liang, Su-Mei is an independent director), and United Renewable Energy Co., Ltd. (institutional director) reassigned one female to be its representative (Pan, Lei-Lei) on September 30, 2021. Thus, the Company has two female directors on the board, accounting for 28.5% of all directors.</p> <p>(2) The Company's development focuses on compliance with laws and regulations, technological innovation, and integrated transformation. Therefore, when selecting directors, we will consider educational experience, age, areas of expertise, and gender balance. We will search for candidates in the industry and academia, and consider our 5-year business development strategy and goals. The independent directors include one accountant, who will supervise and review financial report quality, financial risk warning, and provide professional advice on accounting standards compliance; and a national university professor with expertise in mechanical engineering management and technological innovation, providing advice on product technology and product development. Other board members include ones that are familiar with the overall pulse of the target industry, understand the target market, integrating upstream and downstream relationships and competitive advantages of the target, and are adept at paying attention to corporate governance, financial management, marketing strategies, as well as identifying and warning operational risks, and formulating response strategies. At present, four of the Company's board members excel at financial accounting, accounting for 57% of all directors; four are equipped with risk management, product R&D, and market development risk management capabilities, accounting for 57%; three are good at technological innovation, accounting for 43%. Please refer to Chapter 4. Disclosure of information on directors' professional qualifications and the independence of independent directors, and 5. Board diversity and independence for relevant tables, analysis, and relevant implementation status.</p>	
(II) Has the company voluntarily established other functional committees in addition to the remuneration and the audit committees established in accordance with the law?	(II) V		(II) At present, the Company has established a salary and compensation committee and an audit committee. In order to accurately grasp operational and environmental risks, a risk management committee was established in 2021 and reported on its operations to the board of directors at least once a year. Relevant information has been disclosed on our company website. The above functional committees are composed of three independent directors.	
(III) Has the company formulated board performance evaluation regulations and evaluation methods, conducted performance evaluations annually and regularly, reported the results of performance evaluations to the board of directors, and adopted such results as a reference for deciding the remuneration of and nominating candidates for individual directors?	(III) V		(III) The Company conducts regular performance evaluations annually in accordance with the "Board of Directors Performance Evaluation Measures". The performance evaluation of the board of directors and functional committees for the year 2022 was completed in December. The evaluation scope covered the performance of the Board of Directors, individual board members, the Audit Committee, the Remuneration Committee, and the Risk Management Committee. The results of the self-evaluation were excellent, and their implementation and results were aligned with the requirements of corporate governance. They effectively assisted the Board of Directors in keeping abreast of the risks in various business activities and fulfilling our ESG and corporate social responsibility. We submitted the self-evaluation results on February 21, 2023 to the 6th meeting of the 4th Remuneration Committee and reported on the self-evaluation results to the 15th board meeting of the 8th Board of Directors, while disclosing such results on the MOPS and the Company's website on the same day. The company had implemented director performance evaluations since 2020 for three years until 2022. In the third quarter of 2022, we entrusted the Chinese Corporate Governance Association, a legal entity, to conduct external evaluations through on-site inspections. The results of the board's performance evaluation will be submitted to the latest board report as a reference for future selection or nomination of directors. The performance evaluation results of individual directors (excluding independent directors) will be used as a reference for determining the distribution of remuneration for corporate	

Item	Operations			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor																																	
	Yes	No	Brief description																																		
			<p>directors. The various indicators are described below:</p> <table><tr><th>Item</th><th>Description</th></tr><tr><td>Cycle</td><td>Self evaluation is conducted once per year</td></tr><tr><td>Period</td><td>January 1–December 31 each year</td></tr><tr><td>Scope</td><td>The performance evaluation covers the Board of Directors, individual directors, functional committees (the Remuneration Committee, the Audit Committee, and the Risk Management Committee.</td></tr><tr><td>Method</td><td>Internal self-evaluation of the Board of Directors, board members' self-evaluation, peer evaluation, appointment of external professional organizations or experts for performance evaluation at least once every three years, or other appropriate methods.</td></tr><tr><td>Content</td><td>1. The measurement items for the performance evaluation of the board of directors should include at least the following five aspects: (1) level of participation in the company's operations, (2) improvement of the decision-making quality of the board of directors, (3) composition and structure of the board of directors, (4) selection and continuous training of directors, and (5) internal control. 2. The measurement items for the performance evaluation of directors and members should include at least the following six aspects: (1) mastery of company goals and tasks, (2) understanding of directors' responsibilities, (3) level of participation in company operations, (4) internal relationship management and communication, (5) professional and continuous training of directors, and (6) internal control. 3. The measurement items for performance evaluation of functional committees should include at least the following five aspects: (1) level of participation in company operations, (2) awareness of functional committee responsibilities, (3) improvement of decision-making quality of functional committee, (4) composition and member selection of functional committee, and (5) internal control.</td></tr></table> <p>■ The 2022 board and functional committee performance self-evaluation indicators and rating scale: 1 Strongly disagree; 2 Disagree; 3 Fair; 4 Agree; 5 Strongly agree.</p> <table><tr><td>Board of Directors performance self-evaluation</td><td>Board member performance self-evaluation</td><td>Audit Committee performance self-evaluation</td><td>Remuneration Committee performance self-evaluation</td><td>Risk Management Committee performance self-evaluation</td></tr><tr><td>26 self-evaluation indicators</td><td>20 self-evaluation indicators</td><td>20 self-evaluation indicators</td><td>20 self-evaluation 19 indicators</td><td>20 self-evaluation 18 indicators</td></tr></table> <p>■ 2022 self-evaluation results</p> <table><tr><td>Board of Directors performance self-evaluation</td><td>Board member performance self-evaluation</td><td>Audit Committee performance self-evaluation</td><td>Remuneration Committee performance self-evaluation</td><td>Risk Management Committee performance self-evaluation</td></tr><tr><td>4.93 points</td><td>4.92 points</td><td>4.97 points</td><td>5.00 points</td><td>4.94 points</td></tr></table> <p>■ Improvement plans</p> <p>■ We reported to the Remuneration Committee and the Board of Directors on the 2022 board performance evaluation results on results on February 21, 2023. The improvement plans put forth for the indicators with lower average scores in the board and functional committee performance self-evaluation results are as follows:</p>	Item	Description	Cycle	Self evaluation is conducted once per year	Period	January 1–December 31 each year	Scope	The performance evaluation covers the Board of Directors, individual directors, functional committees (the Remuneration Committee, the Audit Committee, and the Risk Management Committee.	Method	Internal self-evaluation of the Board of Directors, board members' self-evaluation, peer evaluation, appointment of external professional organizations or experts for performance evaluation at least once every three years, or other appropriate methods.	Content	1. The measurement items for the performance evaluation of the board of directors should include at least the following five aspects: (1) level of participation in the company's operations, (2) improvement of the decision-making quality of the board of directors, (3) composition and structure of the board of directors, (4) selection and continuous training of directors, and (5) internal control. 2. The measurement items for the performance evaluation of directors and members should include at least the following six aspects: (1) mastery of company goals and tasks, (2) understanding of directors' responsibilities, (3) level of participation in company operations, (4) internal relationship management and communication, (5) professional and continuous training of directors, and (6) internal control. 3. The measurement items for performance evaluation of functional committees should include at least the following five aspects: (1) level of participation in company operations, (2) awareness of functional committee responsibilities, (3) improvement of decision-making quality of functional committee, (4) composition and member selection of functional committee, and (5) internal control.	Board of Directors performance self-evaluation	Board member performance self-evaluation	Audit Committee performance self-evaluation	Remuneration Committee performance self-evaluation	Risk Management Committee performance self-evaluation	26 self-evaluation indicators	20 self-evaluation indicators	20 self-evaluation indicators	20 self-evaluation 19 indicators	20 self-evaluation 18 indicators	Board of Directors performance self-evaluation	Board member performance self-evaluation	Audit Committee performance self-evaluation	Remuneration Committee performance self-evaluation	Risk Management Committee performance self-evaluation	4.93 points	4.92 points	4.97 points	5.00 points	4.94 points		
Item	Description																																				
Cycle	Self evaluation is conducted once per year																																				
Period	January 1–December 31 each year																																				
Scope	The performance evaluation covers the Board of Directors, individual directors, functional committees (the Remuneration Committee, the Audit Committee, and the Risk Management Committee.																																				
Method	Internal self-evaluation of the Board of Directors, board members' self-evaluation, peer evaluation, appointment of external professional organizations or experts for performance evaluation at least once every three years, or other appropriate methods.																																				
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Item	Operations			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor										
	Yes	No	Brief description											
(IV) Does the company regularly assess the independence of the CPAs?			<table><tr><th>Item</th><th>Indicators with a lower average score</th><th>Countermeasure</th></tr><tr><td>1</td><td>Directors clearly understand the characteristics and risks of the Company's industry.</td><td rowspan="3">Due to the dramatic changes in the environment (such as COVID-19 epidemic, wars, and other geopolitical strife), some directors have insufficient awareness of the company's industrial characteristics and risks, which may affect their professional judgment and recommendations. It is proposed to invite the management team to produce relevant information for a two-way interaction with board members, in an effort to build the board members' understanding of the industry.</td></tr><tr><td>2</td><td>Directors make effective contributions at Board of Directors meetings, such as making specific recommendations on motions, etc.</td></tr><tr><td>3</td><td>The Directors clearly understand the Company, the Company's management team and the Company's industry to make professional and appropriate judgment</td></tr></table>	Item	Indicators with a lower average score	Countermeasure	1	Directors clearly understand the characteristics and risks of the Company's industry.	Due to the dramatic changes in the environment (such as COVID-19 epidemic, wars, and other geopolitical strife), some directors have insufficient awareness of the company's industrial characteristics and risks, which may affect their professional judgment and recommendations. It is proposed to invite the management team to produce relevant information for a two-way interaction with board members, in an effort to build the board members' understanding of the industry.	2	Directors make effective contributions at Board of Directors meetings, such as making specific recommendations on motions, etc.	3	The Directors clearly understand the Company, the Company's management team and the Company's industry to make professional and appropriate judgment	
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			3	The Directors clearly understand the Company, the Company's management team and the Company's industry to make professional and appropriate judgment										
■ Results of the external evaluation of the Board of directors performance in 2022														
In 2022, the Company commissioned the "China Corporate Governance Association" to conduct an evaluation of the effectiveness of the Board of Directors. The period being evaluated is the 12 months from July 1, 2021 to June 30, 2022. The scope includes the Board of Directors and functional Committees. The association entrusts four evaluation experts to evaluate the performance of the board of directors through on-site visits, focusing on the composition, guidance, authorization, supervision, communication, internal control, risk management, and self-discipline of the board of directors. The association and operational experts have no business dealings with the company and possess independence. They submitted an evaluation report on August 17, 2022. The company reported the results to the Compensation Committee and the Board of Directors on October 26, 2022 and February 21, 2023. The China Association of Corporate Governance issues a "Performance Evaluation Certificate for the Board of Directors". Please refer to Chapter 3, III. Corporate Governance Operations, (II) Other Matters to be Recorded in the Board of Directors' Operations, and (3) Evaluation Operations of the Board of Directors and Functional Committees for the overall evaluation, recommendations, and improvement of the company's operations.														
(IV) The audit committee of the Company evaluates the independence and competence of its certified public accountants annually. In addition to requiring certified public accountants to provide a “detached independence statement” and “audit quality indicators (AQIs),” the audit committee evaluates the accountants based on five major aspects and 13 AQI indicators. It also verifies that the accountants are not shareholders, directors, and have no interests or business relationships other than those entrusted by the “routine non confident service list”, and have not accepted gifts from Company management, and finally that accountants are rotated in accordance with relevant laws and regulations. Referring to AQI indicator information, it is confirmed that accountants and firms have better training hours, quality control, and investment than the industry average. In addition, digital and cloud audit tools will continue to be introduced to improve audit quality. The evaluation results for the most recent year have been discussed and approved by the audit committee on October 26, 2022 and February 21, 2023, including the independence of accountants, the appointment of accountants for rotation, and the evaluation of audit quality indicators (AQIs). The board of directors has passed resolutions on October 26, 2022 and February 21, 2023 to evaluate the independence and competence of accountants.														

Item	Operations			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor																				
	Yes	No	Brief description																					
IV. Has the company has appointed an appropriate number of competent corporate governance personnel and designated a corporate governance officer to be responsible for corporate governance affairs (including but not limited to providing directors and supervisors with the materials required for performance of their duties, assisting directors and supervisors with compliance, handling matters related to board meetings and the shareholders' meetings, and preparing minutes of board meetings and shareholders' meetings)?	V		<p>(I) The director of Corporate Governance Officer of the Company has been appointed by the board of directors as the deputy director of Financial Accounting Officer, Chang, Chia-Wen, whose main responsibility is to supervise the operation of corporate governance. According to the authority and responsibilities of the Finance Department, competent and appropriate personnel are set up to handle corporate governance affairs, are responsible for handling director requirements, assisting directors in performing their duties, including handling matters related to meetings of the board of directors (including functional committees) and shareholders' meetings, taking meeting minutes, assisting directors in taking office and continuing their education, providing information necessary for directors to conduct business, and assisting directors in complying with laws and regulations as well as any other matters stipulated in accordance with the company's articles of association or contract.</p> <p>(II) Corporate governance affairs handled during this year:</p> <p>(1) Formulated and planed relevant measures for corporate governance and ensured compliance.</p> <p>(2) Provided the directors with the materials needed to perform their duties and assisted them in complying with laws and regulations.</p> <p>(3) Planned board meetings (including all functional committee meetings), notified all directors at least seven days before such meetings, and provided adequate meeting materials, while sending the board meeting minutes to directors within 20 days after each board meeting.</p> <p>(4) Completed the registration of the date of the shareholders' meeting in advance as per law, prepared a meeting notice, a meeting handbook, and meeting minutes prior to a deadline as specified in law and completed the change registration after the amendments to the Articles of Incorporation or the election of directors.</p> <p>(5) Arranged continuing education courses for directors and purchased liability insurance for directors and important officers.</p> <p>(6) Maintained investor relations, held investor conferences, and established a variety of communication channels with investors.</p> <p>(7) Handled other matters as specified in the Articles of Incorporation or contracts.</p> <p>(III) Corporate governance in relevant aspects of corporate social responsibility is implemented by various departments on a concurrent basis. The Finance Department is responsible for implementing corporate governance, the Administrative Management Department is responsible for implementing social charity initiatives and the ethical management policy for all employees, and the labor safety unit is responsible for implementing environmental protection initiatives. They need to report to the Board of Directors from time to time.</p> <p>(IV) Corporate Governance Officer's training: The number of statutory training hours completed by Director Chang, Chia-Wen, a corporate governance officer, in 2022, is shown in the table below:</p> <table><tr><th>Date of training</th><th>Organizer</th><th>Course</th><th>Trainin g hours</th></tr><tr><td>2022.05.06</td><td>The Accounting Research and Development Foundation</td><td>Practical measures for improving "three lines of internal control" (Type of audit)</td><td>6 hours</td></tr><tr><td>2022.07.27</td><td>Jointly organized by the Taiwan Stock Exchange Corporation and Taipei Exchange</td><td>Sustainable Development Path Map Industry Theme Promotion Conference</td><td>2 hours</td></tr><tr><td>2022.08.08</td><td>Taiwan Investor Relations Institute</td><td>Sustainable risks and opportunities for enterprises</td><td>3 hours</td></tr><tr><td>2022.08.25</td><td>Taipei Exchange</td><td>Awareness-Raising Event for the Equity of Insiders at Companies Listed on Taipei Exchange and Emerging Stock Market</td><td>3 hours</td></tr></table>	Date of training	Organizer	Course	Trainin g hours	2022.05.06	The Accounting Research and Development Foundation	Practical measures for improving "three lines of internal control" (Type of audit)	6 hours	2022.07.27	Jointly organized by the Taiwan Stock Exchange Corporation and Taipei Exchange	Sustainable Development Path Map Industry Theme Promotion Conference	2 hours	2022.08.08	Taiwan Investor Relations Institute	Sustainable risks and opportunities for enterprises	3 hours	2022.08.25	Taipei Exchange	Awareness-Raising Event for the Equity of Insiders at Companies Listed on Taipei Exchange and Emerging Stock Market	3 hours	We proceed in accordance with the Corporate Governance Best Practice Principles.
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V. Has the company has established communication channels with stakeholders (including but not limited to shareholders, employees,	V		To pursue sustainable business development, we have discussed with the heads of various departments and identified the Company's major stakeholders (reviewed and approved by the senior managers), including employees, clients, suppliers (contractors), shareholders (investors), society, and government, and have maintained	We proceed in accordance with the Corporate																				

Item	Operations			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor																		
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clients, and suppliers) and set up a section dedicated to stakeholders on the company's website to properly respond to stakeholders' major CSR issues of concern?			obstacle-free communication with them through various departments as per the scope of their business. In addition to the spokesperson and the acting spokesperson, we have set up a Stakeholders section on the website to respond to important corporate social responsibility matter concerning stakeholders. Report to the board of directors on October 26, 2022 on the communication situation with stakeholders and disclose it on our company's website https://reurl.cc/qkZERn .	Governance Best Practice Principles.																		
VI. Does the company appoint a professional stock affairs agency to handle the affairs related to shareholders' meetings?	V		We appoint the Registrar & Transfer Agency Department, KGI Securities Co., Ltd., to handle affairs related to the general shareholders' meeting.	We proceed in accordance with the Corporate Governance Best Practice Principles.																		
VII. Information disclosures (I) Has the company set up a website to disclose information on financial business and corporate governance? (II) Does the company adopt other methods to disclose information (such as setting up an English website, designating personnel to collect and disclose company information, implementing a spokesperson system, or placing the proceeding of investor conferences on the company website)? (III) Does the company announce and submit an annual financial report to the competent authority within two months after the end of each fiscal year and announce and submit the financial reports for the first, second, and third quarters and the operations of each month to the competent authority before a specified deadline?	(I) V (II) V (III) V		(I) We have set up an Investor section on the Company's website, which can be linked to the MOPS, to regularly disclose the Company's financial information and other relevant information. (II) We have designated personnel to be responsible for collecting and disclosing the Company's information and implemented a spokesperson mechanism to ensure that information that may affect shareholders' and stakeholders' decision-making process can be disclosed in a timely and appropriate manner. We have released material information in both Chinese and English and presentation materials for investor conferences in both Chinese and English on the MOPS and the Company's website to ensure full discloses of our information. (III) We used to publish the annual financial statements within three months after the end of a fiscal year in accordance with the laws and regulations. To be aligned with Corporate Governance 3.0-Blueprint for Sustainable Development, we aim to publish the annual financial statements within two months after the end of a fiscal year from 2021. The implementation for this year is as follows. The quarterly and annual financial statements were reviewed and approved by the Audit Committee and then approved by the resolution of the Board of Directors. We published such statements within two months after the end of the fiscal year. We also published and filed the Q1, Q2, and Q3 financial statements in advance prior to a deadline as required and disclosed them on the Company's website at the same time. Meanwhile, the financial statements were approved by the Board of Directors or submitted to the Board of Directors seven days prior to the deadline for publication; we also published the financial statements within one day after the date of approval or submission. The approval and publication dates are as follows. <table><tr><th>Approved by the Board of Directors</th><th>Date of approval by the Board of Directors</th><th>Date of publication</th></tr><tr><td>The 2021 financial statements</td><td>2022/02/18</td><td>2022/02/18</td></tr><tr><td>The 2022 Q1 financial statements</td><td>2022/04/27</td><td>2022/04/27</td></tr><tr><td>The 2022 Q2 financial statements</td><td>2022/07/27</td><td>2022/07/27</td></tr><tr><td>The 2022 Q3 financial statements</td><td>2022/10/26</td><td>2022/10/26</td></tr><tr><td>The 2022 financial statements</td><td>2023/02/21</td><td>2023/02/21</td></tr></table>	Approved by the Board of Directors	Date of approval by the Board of Directors	Date of publication	The 2021 financial statements	2022/02/18	2022/02/18	The 2022 Q1 financial statements	2022/04/27	2022/04/27	The 2022 Q2 financial statements	2022/07/27	2022/07/27	The 2022 Q3 financial statements	2022/10/26	2022/10/26	The 2022 financial statements	2023/02/21	2023/02/21	(I)~(III)We proceed in accordance with the Corporate Governance Best Practice Principles.
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The 2022 financial statements	2023/02/21	2023/02/21																				
VIII. Does the Company have other important information that facilitates the understanding of the operations of corporate governance (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholders' rights, directors' and supervisors' continuing education, the	V		(I) Employee rights and interest: We comply with labor laws and regulations on human rights at home and abroad and treat fairly and respect all employees, including: 1. Formulated working conditions in accordance with labor laws and regulations. 2. Provided equal job opportunities to all job seekers in accordance with the Employment Service Act. 3. Held communication meetings between supervisors and employees from time to time. 4. Launched a staff service hotline at 1805 (sounds like "help you and me in Chinese) and a staff message board.	We proceed in accordance with the Corporate Governance Best Practice Principles.																		

Item	Operations			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor
	Yes	No	Brief description	
implementation of risk management policies and risk measurement standards, the implementation of client policies, and the company's purchase of directors liability insurance)?			<p>5. Launched the service hotline at 1805 for sexual harassment complaints and a dedicated email inbox.</p> <p>6. Recruited medical staff to provide employees with health consultation services on site.</p> <p>7. Provided employees with free health examination and consultation service per year.</p> <p>8. Held a labor-management meeting per quarter.</p> <p>9. Convened the Occupational Safety and Health Committee per quarter.</p> <p>10. Convened the Employee Welfare Committee from time to time.</p> <p>11. Annual Important Excerpts:</p> <ul style="list-style-type: none"> ● In 2022, four labor and management meetings have been held, and a consensus was reached at the fourth labor and management meeting to adjust the content of the work rules. ● To respond to and prevent the COVID-19 pandemic, we took measures, including remote work, alternate working arrangements, and work from home in accordance with the anti-pandemic plan, and the control was gradually adjusted in coordination with government policies to ensure the Company's continuous operations and safe operations. ● In 2022, occupational safety and health care personnel will provide 12 hours of monthly employee health services, while occupational medical specialists or health service doctors will provide 2-3 hours of on-site health services every two months. ● We appointed a qualified operating environment monitoring agency to perform chemical/physical factor tests and comprehensive humidity and temperature tests in March, June, September, and December of 2022. ● We have automated external defibrillators (AEDs) in place, and the Labor Safety Office offered basic emergency medical service courses to emergency personnel during 2021. ● We convened the Occupational Safety and Health Committee four times during 2022. ● In 2022, 4 physical employee welfare committee meetings and 6 online consensus meetings will be held. <p>(II) Employee care</p> <ol style="list-style-type: none"> 1. The Company has passed the audit and verification by the ISO14001 environmental management system, the ISO 45001 occupational safety and health management system, thereby providing a safe work environment to our employees. 2. We purchase labor and health insurance for employees as per labor and health insurance laws and regulations, and they are entitled to childbirth, illness, medical treatment, and other benefits and allowances. 3. We have established an Employee Welfare Committee, which hold activities, including birthday celebrations and employee travel on a regular basis to relax employees' body and mind, thereby improving their quality of life. 4. We facilitate the development of clubs, and employees can freely participate in the cycling, softball, photography, gardening, health promotion clubs, for employees to bond. 5. We signed a contract with a nearby preschool to provide convenient childcare services. 6. We also have facilities in place, including breastfeeding rooms, a collection of books, and large indoor and outdoor parking spaces, for employees. 7. We grant various cash gifts, education scholarships, as well as wedding and funeral allowances on a regular basis per year. 8. We provide employees with additional production and sales bonuses as per the Company's quarterly operating performance. 9. We host the selection and commendation event for excellent employees. In 2022, a total of six employees stood out and were named Outstanding Employee. We recognize employees' diligent and down-to-earth attitude and contributions to the Company's business performance, technological innovation, and industrial competitiveness through the commendation event, to promote talents, enhance the overall morale, and increase their commitment. <p>(III) Client relations</p> <ol style="list-style-type: none"> 1. We regularly visit clients, engage in technical exchanges with them, and assist them in improving process technology and solving materials and processing technology issues, to establish long-term partnerships on the basis of mutual trust. 	

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	Yes	No	Brief description	
			<p>2. We require all sales personnel to strictly keep confidential clients' business information in accordance with the confidentiality agreements.</p> <p>3. We have digital supply chain and electronic sales systems to provide clients with comprehensive supporting services.</p> <p>4. We conduct a client satisfaction survey in the fourth quarter per year.</p> <p>5. Annual Important Excerpts:</p> <ul style="list-style-type: none"> ● We participated in SEMICOM Taiwan 2022. ● We signed the non-recurring engineering (NRE) development agreement with specific clients to enhance the partnership. ● Regularly hold technical exchange meetings with the technical department of China Steel in 2022 to improve the quality of technology research and service. ● The average score of the 2022 client service and satisfaction survey is higher than 137 points (out of 140 points). <p>(IV) Supplier (contractor) relations</p> <ol style="list-style-type: none"> 1. We select and audit suppliers, signed the Hazardous Substances Non-Use Statement, and conducted environment, safety, and health assessment to maintain environmental safety. 2. Suppliers sign the Sustainable Development Declaration to declare their commitment to jointly safeguarding environmental safety. 3. We engage in product or business information exchanges from time to time. 4. Annual Important Excerpts: <ul style="list-style-type: none"> ● We continue to motivate new suppliers to sign the Sustainable Development Declaration. ● In response to the requirements of the new version of the Restriction of Hazardous Substance (RoHS) Directive, our suppliers have renewed and signed the Hazardous Substances Non-Use Statement. ● The average score of supplier quarterly evaluation in 2022 is above 90 points; annual assessment of 60 suppliers meeting the standards <p>(V) Shareholder (investor) relations</p> <ol style="list-style-type: none"> 1. We regularly disclose our revenue and irregularly disclose the material information on major resolutions by the Board of Directors and shareholders' meeting on the MOPS in both Chinese and English as per laws and regulations. 2. We hold the general shareholders' meeting regularly per year and adopt electronic voting to allow investors to vote on proposals and express their opinions. 3. We regularly publish financial reports and annual reports on the MOPS and publish the electronic versions on the Company's website at the same time for the public to download and check. 4. We participate in investor conferences held by securities firms at home and abroad from time to time. 5. We amend internal control management regulations and rules from time to time as per laws and regulations and upload them to the Company's website and the MOPS. 6. We release information on company operations, technology, finance, corporate governance, and ethical management from time to time on the Company's website. 7. Annual Important Excerpts: <ul style="list-style-type: none"> ● We issued the notes to the revenue announcement before the tenth day of each month to indicate the proportion of precious metal sales to the total revenue, allowing shareholders and investors to be informed of our operating information and improve the quality of our information disclosures. ● In 2022, major resolutions of the board of directors and shareholders' meetings, as well as major non routine company news, were simultaneously released in both Chinese and English at the Public Information Observatory. The Sustainable Development Report includes ESG operations, fully disclosing business decisions, and enhancing the quality of information disclosure. ● On June 15, 2022, a regular shareholders' meeting was held in our company, presided over by the chairman, and four directors were invited to attend the meeting and the convener of the audit committee read out the 2021 review report; The management team not only responds positively to shareholders' questions, but also communicates and interacts with them after the meeting. ● Complete the external performance evaluation and self-evaluation of the 	

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			<p>board of directors in August and December 2022, and disclosed the results on our company's website.</p> <ul style="list-style-type: none"> ● The Company was invited to participate in the China Steel Group's investor conference hosted by Fubon Securities Co., Ltd. on December 21, 2022. <p>(VI) Society</p> <ol style="list-style-type: none"> 1. We participate in a variety of seminars, forums, public hearings, training courses, exchanges, and mutual visits on policies and laws from time to time. We also publish press releases and interview the spokesperson from time to time. 2. We visit the chief of village per quarter to understand the village's relevant activities and needs and provide resources and assistance needed in a timely manner. 3. We joined the Kaohsiung Personnel Representative Association and participate in its regular meetings and information exchanges. 4. Annual Important Excerpts: <ul style="list-style-type: none"> ● We donated supply boxes to the local community every month in 2022 and distributed them to the disadvantaged households in urgent need through the chief of the village. We distributed the boxes to a total of 18 households through the chief of the village, to make the society a better place during 2022. We provided employment opportunities to two people in neighboring villages to encourage young people to stay in the countryside. ● In 2022, a rescue campaign was held to encourage employees to purchase overproduced and unsold agricultural products. ● We give priority to working with the sheltered workshop operated by the Kaohsiung Chinese Catering Professional Union entrusted by the Kaohsiung City Government to cater for our lunches and dinners. This has provided employment and training opportunities to about 18 friends with disabilities and helped them to be self-sufficient. ● In 2022, the company took the initiative to visit the sheltered factory in Kaohsiung City and mobilized employees to purchase 20 boxes of Mid Autumn mooncakes produced by it, using actions to support the employment of physically and mentally disabled friends. ● In 2022, the Southern District Silver Hair Center of the Ministry of Labor will assist the company in planning the "Aluminum Wire Beauty and Stress Relief Course", "Self Value Achievement and Growth Course", "Office Healing and Stress Planting Course", and "Mind Consultation and Life Exploration Course" to promote a friendly workplace and care for the physical and mental integrity of silver hair employees at work. ● Participated in the 2022 Taiwan salary survey activity of 104 Talent College, obtained the 2022 salary survey report and related analysis data, as a reference for salary policies. ● Participate in the Chinese Enterprise Personnel Representative Association as a legal entity, participate in conference affairs, and understand market related personnel policies and systems through communication. ● In the 2022 Arbor Day, under the leadership of the chairman and general manager, we planted 5 podocarpus macrophyllus and 300 hibiscus flowers in the garden to enrich the environment of the company and the park. <p>(VII) Government</p> <ol style="list-style-type: none"> 1. We visit elected representatives to communicate reasonable regulations and policies with competent authorities. 2. We participate in symposiums, seminars, and various evaluations organized by competent authorities from time to time. 3. Annual Important Excerpts: <ul style="list-style-type: none"> ● Attend the employer symposium organized by the Kaohsiung Labor Bureau Training and Employment Center in 2022 to understand relevant government policies. ● In 2022, participated in activities related to the Southern District Human Resources Development Center of the Kao P'ing P'eng Tung Branch of the Labor Development Department of the Ministry of Labor, as well as a gave a special lecture on silver haired labor at the Southern District Silver Hair Human Resources Center. ● We participated in seminars and forums on laws online and regulations, promotion of labor-management relations, work safety, and employee 	

Item	Operations			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor
	Yes	No	Brief description	
			<p>health organized by Kaohsiung City Government and the Southern Taiwan Science Park Bureau, Ministry of Science and Technology, during 2022.</p> <p>(VIII) Succession plans for board members and key management personnel and implementation</p> <p>As per the Company's succession plan, in addition to excellent professional capabilities and management skills, a successor must have values consistent with the Company's, and they should be honest, ethical, innovative, and highly motivated. The training for the successors to the top-level management covers management and professional capabilities, job rotation, transfer to other companies in the Group, to comprehensively cultivate their management skills as top-level managers.</p> <p>1. A succession plan for board members:</p> <ul style="list-style-type: none"> • We adopt a candidate nomination system, and the term of office for directors is three years, and they may be re-elected. Unless otherwise stipulated by laws or the Articles of Incorporation, the election of directors should proceed in accordance with the Rules of Election of Directors, with the overall board structure, basic criteria and values (including gender, age, nationality, and culture), as well as professional knowledge and skills (including professional backgrounds, professional skills, and industry experience) considered. • To achieve the ideal goal of corporate governance, board members should possess the following knowledge, skills, and qualities needed to perform their duties: <ul style="list-style-type: none"> (1) Business judgment; (2) accounting and financial analysis; (3) business management; (4) crisis management; (5) industry knowledge; (6) an international market perspective; (7) leadership; (8) decision-making. • The Company selects successors to directors through the methods below: <ul style="list-style-type: none"> (1) The incumbent directors recommend suitable candidates; (2) shareholders recommend candidates for directors; and (3) the board performance evaluation results are adopted as a reference for the nomination for directors. <p>2. A succession plan for key management personnel:</p> <ul style="list-style-type: none"> • The Company's top-level managers, including the Chairman, the President, and the Executive Vice President, are selected by the parent company, and they have the relevant professional, management capabilities, and an international perspective. As per the Company's succession plan, in addition to excellent professional capabilities and management skills, a successor must have values consistent with the Company's, and they should be honest, ethical, innovative, and highly motivated. For the succession training planning of important management, in addition to inventory and selection of potential successors, individual development plans and agent coaching and other systems are used to assist them to effectively improve their succession ability and shorten the succession time. In terms of training mechanism design, potential successors are arranged to intern in the parent company or affiliated enterprises of the Group, and also complete management development courses. Since 2016, with the help of teachers and resources from the Association of Industry and Science in the Southern Science Park, elite management classes have been set up to strengthen business management capabilities, including strategic planning, leadership, organization and management reform and other important issues. To cultivate the business management talents needed for the future (a total of 30 trainees in the 2020 - 2022 tier). • In recent years, the important management succession plan has been exposed on our company's website/investor zone/corporate governance/succession planning. Succession of important management in 2022: Lin Yuquan, Deputy Director of our company's business department, was promoted to Director in August 2022 due to his outstanding performance in leading multiple business projects; Deputy Director of the Technical Department, Guan Qiyun, was promoted to Director in September 2022 due to his outstanding performance in leading multiple development projects. Pan Liang wen, Deputy General Manager stationed in Taicang Xinchang, was promoted to General Manager in February 2022 due to the former General Manager of Taicang Xinchang, Huang, Jung-Chang, returning to the parent company; and select Deputy Manager Chen, Ti-Chun with technical and production experience took 	

Item	Operations			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
			<p>over as the Deputy General Manager of Taicang Xinchang and returned to the company in October 2022; In addition, in February 2023, Yeh Chihlang, the deputy manager of the production plant, was reassigned to take over as the deputy general manager of the subsidiary.</p> <p>(IX) Purchase of directors liability insurance We purchase liability insurance for directors and independent directors each year and reported to the 6th meeting of the 8th Board of Directors on July 27, 2022 and disclosed the information on the MOPS in the following month (August 9, 2022).</p> <p>(X) Directors' continuing education The Company's directors (including independent directors), managers, Chief Accounting Officer and the substitute thereof, as well as auditors and substitutes thereof all have relevant industry or professional backgrounds and practical experience in business management, and they take courses on corporate governance from time to time in accordance with the Corporate Governance Best Practice Principles and applicable laws and regulations. All directors (including independent directors) have completed six or 12 hours of course credits for 2022 and declared the information as required. See (Note 1) for details of directors' (including independent directors'), managers', and their substitutes' training.</p>	

IX. Please specify any improvements made as per the results of the corporate governance evaluation announced by the Corporate Governance Center, Taiwan Stock Exchange Corporation, in the most recent year and put forth prioritized measures to improve those that have not yet improved:
The Company plans to propose improvement measures for the ninth (2022) corporate governance evaluation results released in March 2023 as follows:
1.#1.10 Does the company upload the English version of the meeting handbook and supplementary data at least 30 days before the regular shareholders' meeting?
Explanation: The English version of the 2023 shareholders' Meeting Handbook and supplementary data will be uploaded in a timely manner in accordance with the laws and regulations
2.#1.11 Does the company upload an English version of its annual report at least 7 days before the Shareholders' Meeting*?
Explanation: In accordance with laws and regulations, it is planned to upload the English version of the 2022 annual report at least 7 days before the Shareholders' Meeting.
3.#3.5 Does the company upload its annual and financial report disclosed in English at least 7 days prior to the Shareholders' Meeting*?
Explanation: In accordance with laws and regulations, it is planned to upload the annual financial report disclosed in English for the year 2022 at least 7 days before the Shareholders' Meeting.
4.#4.4 Has the company prepared and uploaded an ESG report to the MOPS and your website before the end of September in accordance with the GRI Standards published by the Global Reporting Initiative (GRI)? [If the sustainability report refers to the SASB guidelines to disclose relevant ESG information, an additional point will be added to the total score.]
Explanation: The Company will disclose relevant ESG information based on SASB guidelines in the 2022 sustainability report.

Note 1: The courses taken by directors (including independent directors), managers, the Chief Accounting Officer and the substitute thereof, as well as auditors and substitutes thereof:

(1) Directors' continuing education during 2022

The Company has a total of seven directors (including three independent directors) on the 8th board. All of them have completed this years required hours of training for new or re-elected directors on corporate governance, ethical management, risk management, and operational management in accordance with laws and regulations. This is in compliance with the Corporate Governance Best Practice Principles.

Job title	Name	Date of taking office	Date of initial appointment	Date of training		Organizer	Course	Training hours
				From	Through			
Representative of the director, Portal International IPRs Service Co., Ltd.	Glamour Investment Development Co., Ltd. representative: Huang, Chung-Chia	2020/02/29	2017/06/03	2022/07/27	2022/07/27	Jointly organized by the Taiwan Stock Exchange Corporation and Taipei Exchange	Sustainable Development Path Map Industry Theme Promotion Conference	2
				2022/07/22	2022/07/22	The Accounting Research and Development Foundation	ESG Information Disclosure Trends and Related Standards	3
				2022/07/14	2022/07/14	The Accounting Research and Development Foundation	"Information Security" and "Privacy Protection" Law Compliance and Anti Fraud Practices	3
Representative of the director, Portal International IPRs Service Co., Ltd.	Glamour Investment Development Co., Ltd. representative: Huang, Pai-Chien	2018/07/01	2018/02/05	2022/10/07	2022/10/07	Jointly organized by the Taiwan Stock Exchange Corporation and Taipei Exchange	2022 Release of Reference Guidelines for the Exercise of Powers by Independent Directors and Audit Committees and Directors' Supervision Promotion Meeting	3
				2022/08/08	2022/08/08	Taiwan Investor Relations Institute	Sustainable risks and opportunities for enterprises	3
				2022/07/27	2022/07/27	Jointly organized by the Taiwan Stock Exchange and the over-the-counter securities trading center	Sustainable Development Path Map Industry Theme Promotion Conference	2
				2022/05/18	2022/05/18	Taiwan Corporate Governance Association	International Twin Peaks Online Forum	2

Job title	Name	Date of taking office	Date of initial appointment	Date of training		Organizer	Course	Training hours
				From	Through			
Representative of the director, Portal International IPRs Service Co., Ltd.	Ever Wealthy International Co., Ltd. representative: Fang, Ming-Dar	2002/10/01	2002/10/01	2022/11/08	2022/11/08	Taiwan Investor Relations Institute	Criminal Liabilities and Case Study of Important Citizens of Directors and Supervisors	3
				2022/08/08	2022/08/08	Taiwan Investor Relations Institute	Sustainable risks and opportunities for enterprises	3
				2022/07/27	2022/07/27	Jointly organized by the Taiwan Stock Exchange Corporation and Taipei Exchange	Sustainable Development Path Map Industry Theme Promotion Conference	2
Representative of the director, Portal International IPRs Service Co., Ltd.	United Renewable Energy Co., Ltd. representative: Pan, Lei-Lei	2021/09/30	2021/09/30	2022/11/08	2022/11/08	Taiwan Investor Relations Institute	Criminal Liabilities and Case Study of Important Citizens of Directors and Supervisors	3
				2022/11/07	2022/11/07	The Accounting Research and Development Foundation	Analysis of Common Lack of Internal Control Management in Enterprises and Practical Cases	6
Independent Director	Liang, Su-Mei	2020/06/11	2004/05/20	2022/09/28	2022/09/28	Professional Education Committee of the National Federation of Certified Public Accountant of Taiwan ROC	Audit Standards Bulletin No. 75 Identifying and Assessing the Risk of Material Misrepresentation	6
Independent Director	Tsai, Ming-Chi	2020/06/11	2020/06/11	2022/07/18	2022/07/18	The Accounting Research and Development Foundation	New Trends in ESG and TCFD Reporting: Mastering Information Focus	3
				2022/07/13	2022/07/13	The Accounting Research and Development Foundation	Analysis of the latest corporate governance policies and corporate governance evaluation practices	3
Independent Director	Fang, Chen-Hua	2020/06/11	2020/06/11	2022/07/14	2022/07/14	The Accounting Research and Development Foundation	"Information Security" and "Privacy Protection" Law Compliance and Anti Fraud Practices	3
				2022/07/06	2022/07/06	The Accounting Research and Development Foundation	Analysis of the latest corporate governance policies and corporate governance evaluation practices	3

(2) Managers' continuing education during 2022

The Company's President, Vice Presidents, Chief Accounting Officer (including the substitute thereof), auditors (including the substitutes thereof), chiefs of plants, department heads, as well as managers, assistant managers, and administrators at various departments have all completed the annual required hours of training on corporate governance, ethical management, risk management, and operational management. This is in compliance with the Corporate Governance Best Practice Principles.

Job title	Name	Date of taking office	Date of training		Organizer	Course	Training hours
			From	Through			
President	Pan, Yeong-Tsuen	2020/08/15	2022/09/21	2022/09/21	South Campus Management Bureau of the National Science and Technology Commission	Prospective semiconductor packaging process	6
			2022/09/30	2022/09/30	Planning Department of China Steel Corporation	Training for New Supervisors of Group Subsidiaries	12
Financial Accounting Officer	Chang, Chia-Wen	2021/03/01	2022/05/27	2022/05/27	The Accounting Research and Development Foundation	Continuing Education Course for Chief Accounting Officers at Issuers, Securities Firms, and Stock Exchanges (3 hours for finance, 3 hours for corporate governance, and 6 hours for professional ethics and legal responsibilities)	12
Corporate governance Manager	Chang, Chia-Wen	2021/10/29	2022/05/06	2022/05/06	The Accounting Research and Development Foundation	Practical measures for improving "three lines of internal control" (Type of audit)	6
			2022/07/27	2022/07/27	Jointly organized by the Taiwan Stock Exchange Corporation and Taipei Exchange	Sustainable Development Path Map Industry Theme Promotion Conference	2
			2022/08/08	2022/08/08	Taiwan Investor Relations Institute	Sustainable risks and opportunities for enterprises	3
			2022/08/25	2022/08/25	Taipei Exchange	Awareness-Raising Event for the Equity of Insiders at Companies Listed on Taipei Exchange and Emerging Stock Market	3
Substitute for the agent	Chien, Chia-Hsiu	2022/1/1	2022/05/06	2022/05/06	The Accounting Research and Development Foundation	Practical measures for improving "three lines of internal control" (Type of audit)	6
			2022/08/02	2022/08/02	The Accounting Research and Development Foundation	How to Analyze Key Financial Information of Enterprises and Strengthen Crisis Warning Ability	6
Auditor	Liu, Cheng-Yen	2017/11/16	2022.06.14	2022.06.14	The Institute of Internal Auditors	Regulations and Practical Analysis on Capital Loan, Endorsement Guarantee, and Acquisition and Disposal of Assets	6
			2022/08/17	2022/08/17	The Institute of Internal Auditors	Legal Risks in Enterprise Operation and Management and Countermeasures for Internal Auditors	6
Substitute for auditor	Lan, Ching-Chou	2022/01/01	2022/05/25	2022/05/27	The Institute of Internal Auditors	Pre employment training and studying for internal auditors for the first time in enterprises	18
Business Department Department	Lin, Yu-Chuan	2011/06/01	2022/09/06	2022/09/06	South science park Industry and Education Association	Prospective semiconductor packaging process	6
			2022/09/19	2022/09/19	Metaage Corporation	Applying cloud technology and innovative services, digital marketing worldwide	3
			2022/09/21	2022/09/21	TTMC	2022 Information Security Education and Training	2
			2022/11/03	2022/11/03	Metal center	Seminar on Business Opportunities for Recycling Aluminum Technology	4

Job title	Name	Date of taking office	Date of training		Organizer	Course	Training hours
			From	Through			
Technology Department	Kuan, Chi-Yun	2019/02/15	2022/09/21	2022/09/21	South science park Industry and Education Association	Prospective semiconductor packaging process	6
Quality Assurance Department	Juan Wei	2008.03.17	2022/09/21	2022/09/21	South science park Industry and Education Association	Prospective semiconductor packaging process	6
Deputy Head of the Administrative Management Department	Ling, Yung-Fu	2014/06/01	2022/02/23	2022/02/23	Kaohsiung City Investigation Office of the Investigation Bureau of the Ministry of Justice	Business Secrets and Information Security	1
			2022/03/26	2022/03/26	Feng Chia University Alumni Association "Feng Ch'uang Forum"	Discussion on opportunities of Taiwan semiconductor equipment localization	2
			2022/09/07	2022/09/07	TTMC	Information security education training - Preventing Various Online Fraud	2
			2022/09/21	2022/09/21	South science park Industry and Education Association	Prospective semiconductor packaging process	6
Production Plants Production Plant	Huang, Jung-Chang	2023/02/01	2022/03/10	2022/03/10	Metal Industry Research and Development Center	On the job education and training for occupational safety and health business supervisors	6
			2022/03/26	2022/03/26	Feng Ch'uang Forum	Discussion on opportunities of Taiwan semiconductor equipment localization	2
Production Plants Deputy Chief of the Production Plant	Kuo, Shu-Kai	2021/03/01	2022/05/26	2022/05/26	INNOLUX/DNV Certification company	Greenhouse Gas Inventory GHG Course	3
			2022/07/22	2022/07/22	CSC/Green Foundation	Product Carbon Footprint Inventory Homework Course	3
			2022/09/21	2022/09/21	South science park Industry and Education Association	Prospective semiconductor packaging process	6
			2022/11/03	2022/11/03	CSC/Environmental Protection Division	The Group's carbon footprint and carbon neutrality path business promote education and training	3
Manager of Information security	Wan Chien hung	2022/11/23	2022/03/23	2022/03/24	DIGITIMES	D Webinar 2022 Digital Transformation Forum - New Work Models	6
			2022/10/20	2022/10/20	American Association in Taiwan	2022 US Taiwan Cloud Data Security Forum	4
			2022/11/02	2022/11/02	AWS	AWS Kaohsiung Cloud Industry Summit	8
			2022/12/02	2022/12/09	Shentong	Firewall and Anti hacking Basic Concepts Course 1~2	8
Information security personnel	Ch'en Chia sheng	2022/11/23	2022/04/28	2022/04/28	HPE	Information security and Seminar Arub Networking Future Innovation Technology Online Seminar	2
			2022/06/15	2022/06/15	Ching Ch'eng Technology	Intelligent manufacturing transformation and comprehensive anti hacker measures, no longer blurring the boundaries of IT/OT	2
			2022/10/20	2022/10/20	American Association in Taiwan	2022 US Taiwan Cloud Data Security Forum	4
			2022/12/02	2022/12/09	Shentong	Firewall and Anti hacking Basic Concepts Course 1~2	12
President of Xinchang	Pan, Liang-Wen	2020/03/01	2022/03/18	2022/06/18	Safety Supervision Office in Taicang City	Standardization of safety production (certified)	22
			2022/09/23	2022/09/23	Quantum Cognitive Forum	Double slit experiment - Explanation of wave particle duality	4
			2022/11/01	2022/11/02	SEMICON China	International and Advanced Packaging Forum on Power and Compound Semiconductors	8

(V) The composition, responsibilities, and operations of the Remuneration Committee:

1. Information on members of the Remuneration Committee

March 31, 2023

Criteria Job title/Name		Professional qualifications and experience (Note 1)	Independence (Note 2)	Number of other public companies where the individual serves as a member of the remuneration committee concurrently
Independent Director Convener	Liang, Su-Mei Liang, Su-Mei	Specialties: Passed the Accountant Examination of the R.O.C., financial planning, accounting, and risk management Education: Master of Finance, National Sun Yat-sen University Other major positions: Partner, Zhongjia CPAs & Co., Independent Director, Bin Chuan Enterprise Co., Ltd., and the convener of the Company's Audit Committee, Remuneration Committee, and Risk Management Committee (since June 2020) Experience: Assistant Manager, Deloitte & Touche, independent director and member of the Audit Committee, Bin Chuan Enterprise Co., Ltd. (from May 2004 to June 2022)	The three independent directors have met the criteria below during the two years before being elected and during the term of office:	0
Independent Director	Tsai, Ming-Chi	Specialties: Engineering science R&D, technological innovation, and risk management Education: Doctoral degree, Engineering Science, University of Oxford, UK Other major positions: Chair Professor, Department of Mechanical Engineering, National Cheng Kung University, Director, Electric Motor Technology Research Center, National Cheng Kung University, independent director, Jufan Industrial Co., Ltd. (since September 2021), and member of the Company's Audit Committee, Remuneration Committee, and Risk Management Committee (since June 2020) Experience: Deputy Minister of Ministry of Science and Technology, Executive Yuan, Chairman, Metal Industries Research & Development Center, Director, Innovation Headquarters, National Cheng Kung University, Secretary General, Academia-Industry Consortium for Southern Taiwan Science Park, National Cheng Kung University, Director, Research NCKU, National Cheng Kung University, and head of the Engineering Technology Development Department, National Science Council, Executive Yuan, Winner of the 5th Presidential Innovation Award in 2022 and Lifetime Achievement Award of Automatic Control Engineering of Chinese Automatic Control Society (CACS)	1. Is not elected as a government agency, juridical person, or its representative as defined in Article 27 of the Company Act. 2. Is not and spouse and relatives within the second degree of kinship thereof are not serving as directors, supervisors, or employees of the Company or its affiliates. 3. Is not serving as a director, supervisor, or employee of a company with specific relations with the Company. 4. Is not a director, supervisor, manager, or employee at a specific company or institution with financial relations or business dealings with the Company. 5. Did not receive remuneration for providing business, legal, financial, accounting, or other services to the company or its affiliates in the last two years.	1
Independent Director	Fang, Chen-Hua	Specialties: Finance, marketing, corporate governance, and risk management Education: MBA, University of Central Missouri Other major positions: Senior Consultant, Cowealth Medical Holding Co., Ltd., Taiwan Branch (Cayman), and member of the Company's Audit Committee, Remuneration Committee, and Risk Management Committee (since June 2020) Experience: Director, Operating Department, Cowealth (China) Medical Technology Co., Ltd., Shanghai Branch, President, Medtects (Taiwan) Corp., President, Chow Sang Sang Jewellery (Taiwan) Limited, Taiwan Branch (BVI), and President, Megaful Co., Ltd.		0

Note: Please refer to the information on directors' professional qualifications and the independence of independent directors and the diversity and independence of the Board of Directors for relevant information. All our independent directors have met the independence criteria.

2. The operations of the Remuneration Committee

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

The term of office of the current term of committee members is from June 12, 2020 through June 10, 2023. The Remuneration Committee held two (A) meetings during the most recent year (2022), and committee members' attendance is as follows:

Job title	Name	Attendance in person (B)	Attendance by proxy	Attendance (%) (B/A) (Note 1)	Remarks
Convener	Liang, Su-Mei	2	0	100%	Took office on 2020.06.12
Committee member	Tsai, Ming-Chi	2	0	100%	
Committee member	Fang, Chen-Hua	2	0	100%	

(2) Additional information:

① If the Board of Directors did not adopt or amend the Remuneration Committee's suggestions, the date of the board meeting, the session, the content of the proposal, the results of the resolutions by the Board of Directors, and the Company's response to said opinions shall be specified (if the remuneration approved by the Board of Directors is better than the Remuneration Committee's suggestions, the difference and the reasons therefor shall be specified): None.

② For proposals resolved by the Remuneration Committee, if any members expressed objection or reservation with a record or written statement, the date of the Remuneration Committee meeting, the session, the content of the proposal, all members' opinions, and the response to the members' opinions shall be specified: None.

Remuneration Committee meeting Date/Session	Content of proposal	Independent directors' opinions	Response to independent directors' opinions
2022.02.18 6th meeting of the 4th term Remuneration Committee Meeting	I. The proposal to adjust the salary for Presidents. II. Retrospectively ratified the proposal for the distribution of the 2021 director's remuneration and employee remuneration for the Chairman, the President, and Vice Presidents.	Passed by all committee members present.	Approved by all the directors present after submitted to the Board of Directors.
2022.07.27 7th meeting of the 4th term Remuneration Committee Meeting	I. Proposal of revising the "Organizational Regulations of Remuneration Committee" of our company.	Passed by all committee members present.	Approved by all the directors present after submitted to the Board of Directors.

Note: The implementation and results of the "Performance Evaluation of the Board of Directors and Functional Committees" for the years 2021 and 2022 were reported to Remuneration Committee on February 18, 2022 and February 21, 2023.

3. Major tasks of the Remuneration Committee during 2021:

Major tasks
1. Formulated policies and systems for the evaluation of the Chairman's, the President's, and Vice Presidents' performance and regularly reviewed their individual performance.
2. Formulated and regularly reviewed and evaluated the remuneration policies, systems, standards, and structures for directors, the Chairman, the President, and Vice Presidents.

(VI) The composition, responsibilities, and operations of the Risk Committee:

1. The organization of the Risk Management Committee

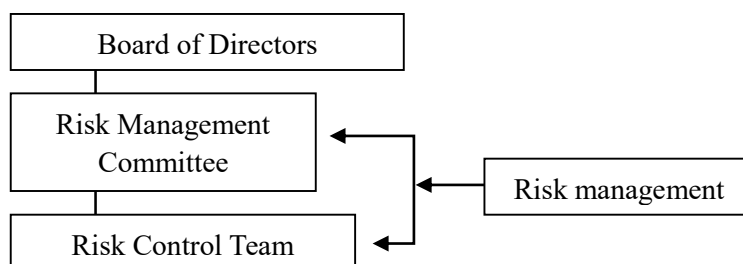
● Risk management policies and procedures

To reinforce the operation mechanism of the Company's risk management, strengthen the integrated risk management communication platform, establish a well-functioning risk management mechanism, thereby ensuring effective risk management and facilitating the Company's stable operations and sustainable development, we have formulated the Risk Management Policies and Procedures, which was approved by the Board of Directors on July 28, 2021 as the Company's highest guiding principle for risk management. We regularly assess risks per year and have formulated risk management policies for each risk to effectively identify, measure, and control our various risks and control the risks arising from business activities at an acceptable level.

● Scope of risk management

We are committed to integrating and managing all potential strategic, operational, financial hazards and risks that may affect our operations and profits in a proactive and cost-effective manner, with the aim of ensuring appropriate risk management for all stakeholders, including the management of operational, financial, information security, environmental, and compliance risks.

● Organizational structure



2. Members and operations of the Risk Management Committee

(1) There are three members in the Risk Management Committee.

The term of office of the current term of committee members is from July 28, 2021 through June 10, 2023. The Remuneration Committee held two (A) meetings during the most recent year (2022), and committee members' professional qualifications, experience, attendance, and discussions are as follows:

Job title	Name	Professional qualifications and experience	Attendance in person (B)	Attendance by proxy	Attendance (%) (B/A)	Remarks
Convener	Liang, Su-Mei	Please refer to the information on members of the Remuneration Committee	2	0	100%	Took office on 2021.07.28
Committee member	Tsai, Ming-Chi	Please refer to the information on members of the Remuneration Committee	1	1	50%	
Committee member	Fang, Chen-Hua	Please refer to the information on members of the Remuneration Committee	2	0	100%	

(2) The operations of the Risk Management Committee

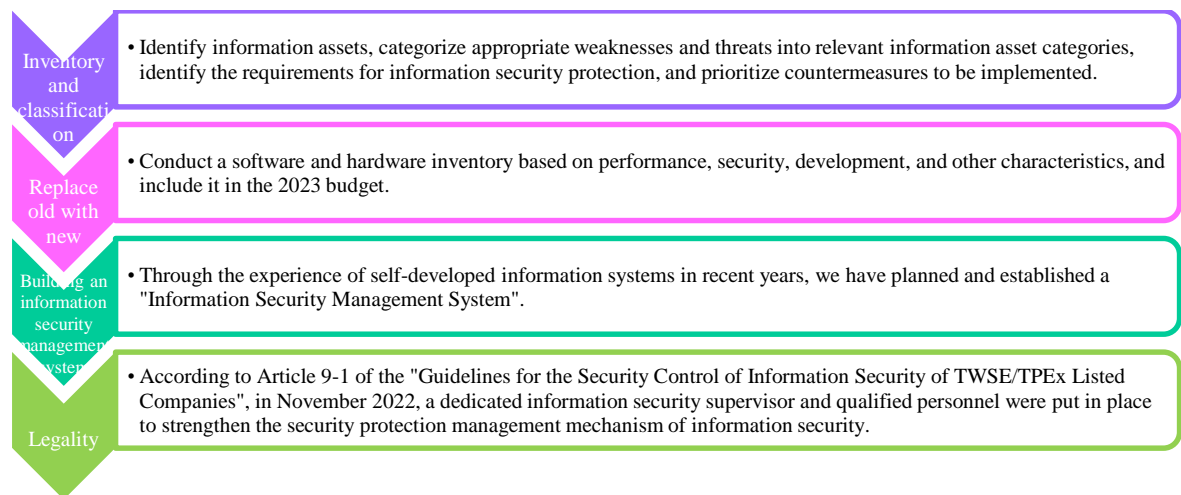
Actively promote the implementation of risk management mechanism and report its operation to the Board of Directors once a year. The operations in 2022 are as follows:

1. On February 25, 2022, the first risk management staff group meeting of 2022 was held to discuss the implementation progress of risk proposals.
2. The 3rd meeting of the 1st term of risk management committee will be held on April 27, 2022.
3. On October 5, 2022, the second risk management staff group meeting in 2022 was held, and a total of 7 risk issues were scanned.
4. The 4th meeting of the 1st term of risk management committee will be held on October 26, 2022.

Considering the international situation factors, the risk management staff team scanned the risk factors of the Company's operation, and found that there were two moderate and five low risk issues, and proposed implementation countermeasures to reduce the overall operational risk. The implementation progress of the two moderate risk issues is explained as follows:

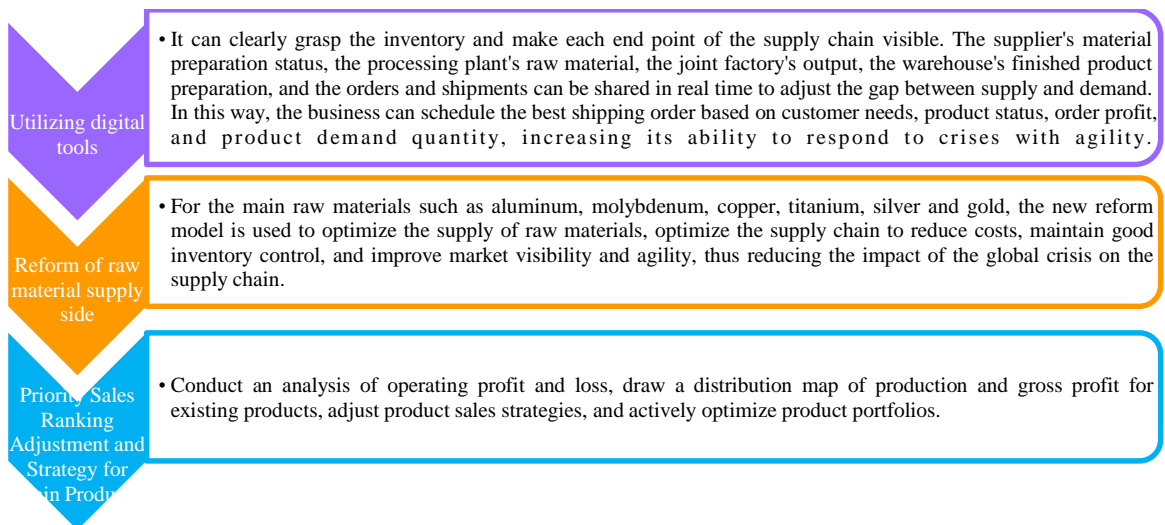
◆ Risk assessment of information security equipment and protection.

During the operation of the information system, when faced with external threats, various threats may be caused by the weaknesses of the information assets themselves, such as data processing errors, network damage, equipment/data theft, software errors, computer fraud, unauthorized access, computer component failure, sabotage, natural environment disasters, equipment misuse, viruses, or information service downtime. Coupled with the aging issue of core equipment, it is unable to effectively form protective capabilities and is insufficient to eliminate the risk of external threats. For courses related to risk awareness and prevention of information security and risk management, 128 people were trained in 2022, for a total of 266 hours. The countermeasures for risk control drawn up are as follows:



◆ Supply chain risk assessment of key raw materials:

In 2022, the influence of the global epidemic and the prolonged Russo-Ukrainian war has caused an impact on raw material supply, leading to an increase in international raw material prices and a significant increase in inflation. Enterprises are faced with shortage of labor and materials, blocked freight capacity, forced production interruption, and increased risk of material supply chain interruption, especially enterprises highly dependent on a specific region and specific product supply chain. Supply chains, to a large extent, directly affects the normalization and sustainability of enterprise operations. In order to maintain customer relationships and strengthen supply chain management, the Company will implement operation transformation and a physical transformation plan. In addition, the combination of sales products will be optimized, and the Company will be able to grow steadily. The countermeasures for risk control drawn up are as follows:



(3) Additional information:

- ① If the Board of Directors did not adopt or amend the Risk Management Committee's suggestions, the date of the board meeting, the session, the content of the proposal, the results of the resolutions by the Board of Directors, and the Company's response to said opinions shall be specified: None.
- ② For proposals resolved by the Risk Management Committee, if any members expressed objection or reservation with a record or written statement, the date of the Risk Management Committee meeting, the session, the content of the proposal, all members' opinions, and the response to the members' opinions shall be specified: None.

Risk Management Committee meeting Date/Session	Content of proposal	Independent directors' opinions	Response to independent directors' opinions
2022.04.27 3th meeting of the 1st term Risk Management Committee Meeting	I. Major investment risks - risk assessment of the establishment of a semiconductor target manufacturing center. II. Information security risk - information security risk assessment in the face of external shocks. III. Supervision risk of subsidiaries (six major circular audits: information security risk assessment of overseas reinvestment companies, quality risk control of overseas reinvestment companies, financial risk control of overseas reinvestment companies, and internal control). IV. Production risk (risk assessment of precious metal management, management risk assessment of gold refining and recovery operations). V. Major equipment investment risk - risk assessment of the construction of	Passed by all directors present.	N/A.

Risk Management Committee meeting Date/Session	Content of proposal	Independent directors' opinions	Response to independent directors' opinions
	hot rolling and rolling equipment. VI. Product sales risk - supply chain risk assessment of key raw materials.		
2022.10.26 4th meeting of the 1st term Risk Management Committee Meeting	I. Information security risk - risk assessment of information security equipment and protection. II. Product sales risk - supply chain risk assessment of key raw materials. III. Major equipment investment risk - risk assessment of semiconductor target production equipment and risk assessment of cold rolling and hot rolling equipment. IV. Financial risk - risk assessment of the financial risk of investment in semiconductor enterprises. V. Production management risk - risk assessment of precious metal recycling and inventory management. VI. Supply chain risk - risk assessment of introducing IATF 16949 certification.	Passed by all directors present.	N/A.

③Major tasks of the Remuneration Committee:

Major tasks
<ol style="list-style-type: none"> 1. Review various operational operations, scan relevant risks, and the risk management and control task force will formulate countermeasures as per the degree of risks and discuss them with the Risk Management Committee to make suggestions to the Board of Directors. 2. Assess risks arising from the procurement of various raw materials based on the international situation and the development of the pandemic and pay attention to the impact of changes in the international situation on the supply of raw materials to put forth countermeasures in a timely manner.

(VII) Promotion of sustainable development:

Item	Status of Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor						
	Yes	No	Brief description							
I. Has the company established a governance structure to promote sustainable development and set up a dedicated (concurrent) unit to promote sustainable development, governed by the senior management as authorized by the board of directors, which supervises the implementation?	V		<p>I. In alignment with the short-, medium-, and long-term ESG blueprint, the Board of Directors delegated the senior management to organize a CSR task force in May 2021 (Production Plant, Quality Assurance Department, Technology Department, Finance Department, Business Department, Administrative Management Department, and Labor Safety Office) to be responsible for promoting and implementing a sustainable development plan, and we renamed the CSR task force the ESG task force in March 2022 in alignment with the amendment to the law. It is responsible for integrating strategic policies and implementation results related to the environment, occupational safety, employee care, social care, corporate governance, and stakeholder communication generated by cross departmental operations of the company. Report to the board of directors at least once a year.</p> <p>II. Convened by the Vice President of Technology and guided by the Chairman, a total of 5 meetings were held in 2022. The proposals included (1) Continuously identifying sustainability related issues and developing action plans to address them, such as a Task Force on Climate-related Financial Disclosures (TCFD); (2) Objectives and policy revisions of sustainability related issues, such as greenhouse gas inventory and verification, carbon neutrality paths and energy; (3) Supervise the implementation of sustainable business matters and evaluate the implementation status.</p> <p>III. On July 1, 2022, the Board of Directors of the Company approved the greenhouse gas inventory and verification schedule, and the implementation will be reported to the Board of Directors every quarter. The implementation of the Company's ESG sustainable development will be reported to the Board of Directors at least once a year, with the most recent report being filed on October 26, 2022. The task forces will modify their plans according to the Board of Directors' recommendations. For ESG short, medium, and long-term plan goals and results, please refer to the Company's website https://reurl.cc/zrxKKV.</p>	It is aligned with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.						
II. Does the company conduct risk assessments of environmental, social, and corporate governance issues related to company operations as per the principle of materiality? Has the company formulated relevant risk management policies or strategies?	V		<p>I. The information disclosed in the ESG Report covers all relevant operating systems and activities of all TTMC's plants in Taiwan from January 1, 2022 through December 31, 2022, with a focus on the management and performance of material topics without including the investees' operating performance (This part is included in the assessment scope of the Risk Management Committee). The amounts in the financial statements are presented in New Taiwan dollar (NTD), and the environment, safety, and health performance and data are presented in internationally accepted ways or indicators required by law.</p> <p>II. Based on the identified operational impacts, the Company evaluates potential risks, takes into account government regulations related to the Company's operations, management requirements of the parent company, and the Company's vision and business strategy of senior management, formulates various risk response measures, and establishes risk prevention and control mechanisms. It is expected that through the good operation of the operation management and internal control system, the possible risks will be minimized, and continuous improvement and refinement will be made to achieve the ultimate goal of sustainable operation of the enterprise.</p> <p>III. As per the materiality principle for sustainable development, we assess environmental, social, economic, and corporate governance risks and have formulated effective risk management policies and management strategies and practices to effectively identify, measure, evaluate, monitor, and control potential risks, to alleviate the impact of relevant risks, and we have disclosed such information on the Company's website (see Sustainable Development - Risk Management).</p> <table><tr><th>Material issue</th><th>Risk</th><th>Risk management policy or strategy</th></tr><tr><td>Environment</td><td>Environmental and ecological protection</td><td>The Company is committed to environmental protection and energy-saving at carbon reduction production. We adopt the Plan-Do-Check-Act (PDCA) management cycle to effectively alleviate the emissions of pollution and the impact on the environment. In response to the government's green energy policy, we have built solar power facilities on the rooftop and adopted refining technology to recycle and reuse all available precious metals to create a economic cycle, and complete the carbon neutrality path planning of the Company in 2050 while drawing up plans and programs per year, following up on and reviewing the progress regularly to ensure that we achieve goals.</td></tr></table>	Material issue	Risk	Risk management policy or strategy	Environment	Environmental and ecological protection	The Company is committed to environmental protection and energy-saving at carbon reduction production. We adopt the Plan-Do-Check-Act (PDCA) management cycle to effectively alleviate the emissions of pollution and the impact on the environment. In response to the government's green energy policy, we have built solar power facilities on the rooftop and adopted refining technology to recycle and reuse all available precious metals to create a economic cycle, and complete the carbon neutrality path planning of the Company in 2050 while drawing up plans and programs per year, following up on and reviewing the progress regularly to ensure that we achieve goals.	It is aligned with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.
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Item	Status of Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
			<div> <div>Society</div> <div>Occupational safety</div> <p>The Company passed the OHSAS18001 occupational safety and health management system certification for the first time in 2008 and continued to improve the effectiveness of the system through the PDCA model. In 2019, we successfully switched to ISO45001:2018. Each plant inspects operations for occupational risks every day. The Occupational Safety and Health Committee holds regular meetings to review and improve relevant issues and raises people's awareness with cases/false alarms in the Group to duly implement the occupational safety and health management system. Secondly, we hold firefighting exercises and occupational safety education and training regularly per year and organize activities in the themes of traffic safety and electrical fire prevention, increase employees' awareness of zero accident, and enhance the emergency response skills. We also cooperated with customers to promote the trial operation project of OSH guidance on optimizing supply chain by the Occupational Safety Department (the self-evaluation result advanced to the leading indicator Group I+). In 2022, there were 1334 times of various industrial safety inspections, including safety observation and inspection by supervisors.</p> </div> <div> <div>Product safety</div> <p>All our products are in compliance with government regulations and the E RoHS Directives. To ensure that the products we provide are free of controlled substances, we passed the QC080000 verification in 2010 and combine product safety elements in the design and development stage through the rigorous ISO9001 quality management system to provide clients with safe and secure products. In addition, we actively conduct customer satisfaction surveys on a regular basis per year, and the partnerships on the basis of mutual benefit and shared prosperity with clients are the cornerstone of the Company's sustainable development.</p> </div> <div> <div>Corporate governance</div> <div>Socioeconomic and legal compliance</div> <p>To protect shareholders and stakeholders' rights and interest, implement the corporate governance blueprint, and strengthen corporate governance, we have set up a Board of Directors, a Remuneration Committee, an Audit Committee, a Risk Management Committee, a unit in charge of implementation of CSR initiatives, and an ESG task force, as well as engaged a Corporate Governance Officer. We actively implement corporate governance and adopt an electronic voting and case-by-case voting mechanism for the shareholders' meetings, and have improved the transparency of information disclosures, and formulated the Corporate Governance Best Practice Principles, the Ethical Corporate Management Best Practice Principles, the Code of Ethical Conduct, and the Insider Trading Prevention Management Procedures. We participate in the corporate governance evaluation every year and raise employees' awareness of the ethical management policy to prevent illegal and unethical conduct, bribery, or fraud.</p> </div>	
<p>III. Environmental issues</p> <p>(I) Has the company set up an appropriate environmental management system as per its industrial characteristics?</p> <p>(II) Is the company committed to improving resource use efficiency and adopting recycled materials with low environmental impact?</p>	<p>(I) V</p> <p>(II) V</p>		<p>(I) We have established the following environmental protection management systems on the basis of the business philosophy of "fulfilling environmental responsibility":</p> <ol style="list-style-type: none"> 1. We established an environment management system and obtained ISO14001 certification. The latest certificate is valid from July 30, 2022 to July 29, 2025. 2. The factory management unit shall assign dedicated personnel to maintain and maintain environmental protection and prevention equipment, and implement a daily inspection system to ensure the normal operation of environmental protection and prevention equipment. 3. We set up an environmental protection unit with appropriate personnel to be dedicated to implementing various environmental protection tasks. 4. Environmental management representatives regularly hold management review meetings to ensure the normal operation of the environmental management system. 5. We conduct greenhouse gas inventory per year, follow up on the emission reduction results, and disclose it in the ESG report and on the Company's website: https://reurl.cc/Dd0OGj. <p>(II) The Company's strategies for improving the use efficiency of various resources are as follows:</p> <ol style="list-style-type: none"> 1. Adopt green procurement and avoid the use of disposable consumables. 2. Develop eco-friendly products and those with low impact on the environment to extend the life cycle of materials. 3. Launch corrosion-resistant and high-temperature-resistant products to help downstream businesses enhance equipment specifications and production capabilities and reduce environmental pollution caused by material loss. 4. Adopt a tailings re-refining process to recycle raw materials (such as silver and indium tailings) and improve the recycling rate through in-plant refining, remelting, and purification process technologies. 5. Adopt durable materials for most of the targets packaging, which can be recycled and reused by clients (such as aluminum or wooden boxes) to improve the use rate of consumables. 6. Resource recycling: Vigorously reduce and classify waste to increase the recycling rate of resources/waste. 7. Waste cleaning: Have the business waste from the processes collected and 	<p>(I)~ (IV)It is aligned with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.</p>

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(III) Has the company assessed its current and future potential risks and opportunities of climate change and taken countermeasures against climate-related issues?	(III) V		<p>disposed of by a management company endorsed by the Environmental Protection Administration, to ensure that the waste is disposed of properly and legally.</p> <p>8. Energy conservation and carbon reduction: Reduce electricity consumption through production capacity planning, equipment availability adjustment, and regular raising of awareness of turning off power supply at any time; is committed to digitalizing paperwork to reduce paper consumption, thereby alleviating the impact on the environment.</p> <p>The source reduction and resource recycling situation in 2022 is shown in the table below:</p> <table><tr><th>Source reduction and resource recycling measures</th><th>Implementation results</th></tr><tr><td>1. Simplify the current sandblasting process (reduce sandblasting usage)</td><td>0.25 metric tons</td></tr><tr><td>2. Metallographic embedding curing agent recycling and reuse</td><td>0.01 metric tons</td></tr><tr><td>3. Reduce printing and digitization of shipping report related materials</td><td>0.1 metric tons</td></tr><tr><td>4. Maximize the use efficiency of clean and dust-free cloth</td><td>0.2 metric tons</td></tr><tr><td>5. Reuse of cutting fluid purification</td><td>6.7 metric tons</td></tr><tr><td>6. Small target splash plating surface protection layer consumables savings</td><td>0.1 metric tons</td></tr><tr><td>7. Filtering, recycling, and reuse of alumina sand (sandblasting)</td><td>0.7 metric tons</td></tr><tr><td>8. Scrapped sodium carbonate used for pH adjustment of wastewater</td><td>0.1 metric tons</td></tr><tr><td>9. Reuse of graphite paper for dielectric targets</td><td>0.01 metric tons</td></tr><tr><td>10. Recycling of silver refining</td><td>8.891 metric tons</td></tr><tr><td>11. Recycling of indium refining</td><td>4.839 metric tons</td></tr><tr><td>12. Recycling of tin zinc bonding materials</td><td>30 metric tons</td></tr><tr><td>13. Recycling of empty acid drums by the original manufacturer</td><td>0.4 metric tons</td></tr><tr><td>14. Using waste wood to remake pallets</td><td>1 metric ton</td></tr><tr><td>15. Recovery, remanufacture, and reuse of aluminum head tailings by original manufacturers</td><td>107.589 metric tons</td></tr></table>	Source reduction and resource recycling measures	Implementation results	1. Simplify the current sandblasting process (reduce sandblasting usage)	0.25 metric tons	2. Metallographic embedding curing agent recycling and reuse	0.01 metric tons	3. Reduce printing and digitization of shipping report related materials	0.1 metric tons	4. Maximize the use efficiency of clean and dust-free cloth	0.2 metric tons	5. Reuse of cutting fluid purification	6.7 metric tons	6. Small target splash plating surface protection layer consumables savings	0.1 metric tons	7. Filtering, recycling, and reuse of alumina sand (sandblasting)	0.7 metric tons	8. Scrapped sodium carbonate used for pH adjustment of wastewater	0.1 metric tons	9. Reuse of graphite paper for dielectric targets	0.01 metric tons	10. Recycling of silver refining	8.891 metric tons	11. Recycling of indium refining	4.839 metric tons	12. Recycling of tin zinc bonding materials	30 metric tons	13. Recycling of empty acid drums by the original manufacturer	0.4 metric tons	14. Using waste wood to remake pallets	1 metric ton	15. Recovery, remanufacture, and reuse of aluminum head tailings by original manufacturers	107.589 metric tons	
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			<p>(III) The Company has evaluated the risks and opportunities of climate change to the company in accordance with the TCFD recommended bookshelf structure published by the Financial Stability Board, and drafted our TCFD structure.</p> <table><tr><td>Governance</td><td><ul style="list-style-type: none">The Board of Directors authorizes the senior management to convene the "Sustainable Development Group" (the manufacturer, the Quality Assurance Department, the Technology Department, the Finance Department, the Business Department, the Administrative Management Department and the Labor Safety Office) to promote sustainable development, serve as a cross departmental communication platform that integrates up and down and connects horizontally, report the implementation results and future work plans to the Board of Directors at least once a year, and also report climate change related issues to the Board of Directors.The Company will also prepare improvement measures based on the risks related to changes, and incorporate them into the management objectives of the Company level ESG. Regular supervisor meetings will be expanded every month for review.</td></tr><tr><td>Strategy</td><td><ul style="list-style-type: none">Through cross departmental discussions and identification of climate related risks and opportunities.Assess the potential operational and financial impacts of significant climate risks and opportunities on the Company.</td></tr></table>	Governance	<ul style="list-style-type: none">The Board of Directors authorizes the senior management to convene the "Sustainable Development Group" (the manufacturer, the Quality Assurance Department, the Technology Department, the Finance Department, the Business Department, the Administrative Management Department and the Labor Safety Office) to promote sustainable development, serve as a cross departmental communication platform that integrates up and down and connects horizontally, report the implementation results and future work plans to the Board of Directors at least once a year, and also report climate change related issues to the Board of Directors.The Company will also prepare improvement measures based on the risks related to changes, and incorporate them into the management objectives of the Company level ESG. Regular supervisor meetings will be expanded every month for review.	Strategy	<ul style="list-style-type: none">Through cross departmental discussions and identification of climate related risks and opportunities.Assess the potential operational and financial impacts of significant climate risks and opportunities on the Company.																													
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			<div>Risk management</div> <ul style="list-style-type: none"> The Sustainable Development Group held a meeting to discuss TCFD and identify and rank climate related risks and opportunities through cross sectoral discussions. Develop response plans based on climate risk identification results. 	
			<div>Indicators and Objectives</div> <ul style="list-style-type: none"> Since 2017, we have been cooperating with the requirements of the Competent authority, the South Science and Technology Administration, and regularly conducting greenhouse gas inventory operations in accordance with the Environmental Protection Agency's greenhouse gas emission inventory and registration guidelines, as well as the greenhouse gas emission coefficient management table version 6.0.4, and disclosing the inventory results. Identify potential reduction opportunities based on the greenhouse gas inventory results. Develop short, medium, and long-term goals for energy management, water resources, and resource cycle management. 	
(IV) Has the company counted the greenhouse gas emissions, water consumption, and total weight of waste over the past two years and formulated policies on greenhouse gas reduction, water consumption reduction, or other waste management?		(IV) V	<p>According to the framework proposed by TCFD, and by referring to the practices of parent companies and benchmark enterprises at home and abroad, the Company implements the identification and ranking of climate related risks and opportunities, and by referring to the climate risk and opportunity research reports of international institutions, and the disclosure model of parent company Sinosteel, the Company has convened multiple internal discussions and defined the Company's risk and opportunity projects by inviting relevant units and the sustainable development team. The latest climate risk assessment was completed by the end of 2021, focusing on eight risks: extreme climate risk, power supply risk, water resource risk, company reputation risk, carbon reduction risk, financial risk, prevention and control equipment abnormality risk, and waste risk. To reduce the aforementioned risk factors, the Company simultaneously identifies feasible opportunities and response measures, identifies potential crises and potential opportunities to respond to climate change, and enables investors to understand our response strategies. Regarding climate change mitigation, the Company is active in programs designed for carbon neutrality, energy management (including green electricity), supply chain management, water resources management and other projects. In terms of climate change adaptation, the Company has built a 499kW solar power plant on the roof of the factory area, and will continue to expand solar power generation in the new factory area in the future. The company has undertaken actual carbon reduction actions to achieve the goal of reducing product energy density, including promoting the localization of suppliers, increasing inventory taxes, and long-term procurement planning to diversify and reduce risks. It is also exploring replacing energy consuming equipment with energy-efficient equipment For a detailed explanation of the Company's climate change risk and opportunity analysis, please refer to the sustainability report and the Company website https://reurl.cc/Dd0OGj</p> <p>(IV) 1. We have formulated and implemented low-carbon manufacturing and circular economy resource and carbon emission reduction policies and incorporated them into the environmental management system to ensure proper implementation:</p> <p>(1) Adoption of low-carbon manufacturing: Continue to use the best technology to reduce greenhouse gas emissions and become a high-quality supplier in low-carbon industries.</p> <p>(2) Circular economy resources: Continue to recycle various metal resources to ensure circular economy to effectively reduce carbon emissions.</p> <p>2. The details of our greenhouse gas emissions, water consumption, and total weight of waste, as well as the policies on greenhouse gas reduction, water consumption reduction, or other waste management are specified below:</p> <p>(1) Greenhouse gas emission management and reduction targets:</p> <ul style="list-style-type: none"> In order to continue to achieve the international reduction trend, according to the greenhouse gas inventory and verification schedule plan approved by the Board of Directors on July 1, 2022, and the reduction tracking through the greenhouse gas inventory and reduction team, the carbon neutrality path plan to 2050 was proposed in 2022, with green electricity, green hydrogen, and electric multiple units as the main concepts, to implement carbon reduction in the design and selection of 	

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			<p>non carbon emitting materials, power saving production, green transportation and other aspects. In addition, 2017 is taken as the base year for energy conservation and carbon reduction, and it is planned to reduce the amount year by year to achieve the long-term goal of carbon neutrality by 2050.</p> <p>●The direct emissions of greenhouse gases (Scope 1) of the Company in 2022 were 206.80 metric tons CO₂e/year, accounting for 10.17% of our total emissions, and the indirect emissions of greenhouse gases (Scope 2) were 1826.56 metric tons CO₂e/year, accounting for 89.83% of our total emissions.</p> <p>The total greenhouse gas emissions in 2022 were 2033.37 metric tons of CO₂e per year, a decrease of 893.38 metric tons of CO₂e (30.52%) compared to the 2017 base year. The greenhouse gas emission density decreased by 10.64% compared to the 2017 base year, achieving the annual carbon reduction target of 3%.</p> <p>▼The amount of greenhouse gas emissions over the last two years: The data on Scopes 1, 2, and 3 emissions is within the boundaries of the parent company's plants in Taiwan and has not been verified by a third party.</p> <table border="1"> <thead> <tr> <th>Year</th><th>Direct Scope 1 (t CO₂e)</th><th>Indirect energy Scope 2 (t CO₂e)</th><th>Other indirect Scope 3 (t CO₂e)</th><th>Carbon emissions per unit product (t CO₂e/per ton of product)</th></tr> </thead> <tbody> <tr> <td>2021</td><td>224.28</td><td>2003.39</td><td>No data available</td><td>4.16</td></tr> <tr> <td>2022</td><td>206.80</td><td>1826.56</td><td>No data available</td><td>5.03</td></tr> </tbody> </table> <p>(2) Energy management and reduction targets:</p> <p>● The Company's energy efficiency improvement policy is focused on updating power-consuming equipment and reducing unnecessary power consumption, while our renewable energy policy is mainly about the establishment of solar power facilities and the purchase of renewable energy certificates.</p> <p>● We have identified that the Company's main source of greenhouse gas emissions is electricity, accounting for about 90% of our total emissions every year. Therefore, we aim to reduce electricity consumption and continue to implement various energy conservation plans, such as shutdown of energy-consuming processes, thermal insulation blankets on the hot plate bonding facilities, lower loads for non-necessary equipment, replacement with energy-efficient equipment, and air conditioner efficiency optimization. With 2017 as the base year, the Company sets a short and medium range target to achieve an annual electricity saving and carbon reduction requirement of over 3% by 2022.</p> <p>●The planned replacement of energy-saving equipment for 2022 involves the gradual replacement of multiple energy-saving equipment such as variable frequency water pumps, motors, and variable frequency energy-saving air compressors. Since 2018, the entire factory area has replaced 5 energy-saving air compressors with a total of 210HP. In 2022, the electricity saving rate was 23.28%; the electricity saving rate per unit product was 1.32%; and the carbon reduction rate per unit product was 9.34%. In 2022, due to the war between Russia and Ukraine, inflation and the production reduction of several panel factories from June, the sales volume of the company dropped significantly to its lowest point in nearly a decade. However, the factory still needs to maintain a fixed amount of electricity demand for air conditioning, exhaust, and other purposes. Therefore, the electricity saving rate per unit product was only 1.32%. However, the annual electricity saving rate and carbon reduction rate per unit product still met the planned goal of 3% electricity saving/carbon reduction.</p> <p>▼The electricity consumption and carbon reduction over the past two years: It is based on the data on the parent company's plants in Taiwan, which has not been verified by a third party yet.</p>	Year	Direct Scope 1 (t CO ₂ e)	Indirect energy Scope 2 (t CO ₂ e)	Other indirect Scope 3 (t CO ₂ e)	Carbon emissions per unit product (t CO ₂ e/per ton of product)	2021	224.28	2003.39	No data available	4.16	2022	206.80	1826.56	No data available	5.03	
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			<table><tr><th>Year</th><th>Electricity consumption per unit product (kWh/kg of product)</th><th>Electricity consumption reduced %</th><th>Carbon emissions per unit product (kg CO₂e/kg product)</th><th>Carbon reduced %</th></tr><tr><td>2021</td><td>7.35</td><td>15.85%</td><td>3.741</td><td>24.87%</td></tr><tr><td>2022</td><td>8.87</td><td>23.28%</td><td>4.514</td><td>9.34%</td></tr></table> <p>(3) Water resource management and reduction targets: The Company takes water conservation measures, classifies and diverts wastewater and sewage, and has set up rainwater and air-conditioning condensate and process cooling water recycling systems and process waste water recovery systems to lay a solid foundation for process water recycling and reuse. With the year of 2017 as the base year, we have set short- and medium-term targets to reduce water consumption by 3% or higher per year by 2022.</p> <ul style="list-style-type: none">● Facing the most severe drought since 1947 in 2021, the Company launched drought countermeasures based on the drought signals at various stages issued by the Southern Taiwan Science Park Bureau and even adopted ion-exchange resin regeneration equipment at a high cost during the water rationing crisis. With the goal of zero liquid discharge, we aim to treat more than 90% of the process effluents for them to meet the “basic suggested value for reclaimed water quality for industrial purposes - cooling water” and then reuse it for cooling water. Although the water situation has returned to stability in 2022, the Company still adheres to the spirit of sustainable water resource improvement and plans to set up RO reverse osmosis regeneration equipment. We plan to regularly discharge more than 90% of the process water for regeneration and reuse in cooling water. The regeneration water equipment has been installed by the end of 2022 and will be put into operation in January 2023.● In 2022, the water-saving rate of tap water consumption will be 10.36%, and the water-saving rate of water consumption per unit product will be -15.3%. In 2022, due to the war between Russia and Ukraine, inflation and the reduction of production by several panel plants from June, the sales volume of the company dropped sharply to its lowest point in nearly ten years. However, the plant still needed to maintain a quantitative demand for plant greening, domestic water for employees and office air conditioning, so that the water-saving rate of water consumption per unit product will be -15.3%. However, the annual water consumption water-saving rate of 10.36% still meets the planned goal of 3% water-saving. <p>▼ The water consumption over the past two years: It is based on the data on the parent company's plants in Taiwan, which has not been verified by a third party yet.</p> <table><tr><th>Year</th><th>Total water consumption Metric ton/Year</th><th>Water consumption per unit product (liter/per kg of product)</th><th>Water consumption reduced %</th><th>Water Intensity Saving %</th></tr><tr><td>2021</td><td>13,201</td><td>24.65</td><td>17.84%</td><td>20.15%</td></tr><tr><td>2022</td><td>14,403</td><td>35.60</td><td>10.36%</td><td>-15.30%</td></tr></table> <p>(4) Waste management: ● The waste produced by our plants is classified in compliance with the environmental protection regulations, and we have a waste storage area in place for proper storage, and outsource the treatment of all waste to third parties (transport it to another site for disposal); we do not dispose of it directly (direct disposal). We appoint qualified companies to collect, dispose of, and reuse the waste legally in accordance with the contract and legal requirements and file a report on such information regularly online. We passed the ISO 14001 environmental management system verification. On a daily basis, the environmental safety personnel shall prepare a waste output/removal balance sheet for statistical control, and report the output of the previous month's waste on the Internet before the end of each month according to the provisions of the Environmental</p>	Year	Electricity consumption per unit product (kWh/kg of product)	Electricity consumption reduced %	Carbon emissions per unit product (kg CO ₂ e/kg product)	Carbon reduced %	2021	7.35	15.85%	3.741	24.87%	2022	8.87	23.28%	4.514	9.34%	Year	Total water consumption Metric ton/Year	Water consumption per unit product (liter/per kg of product)	Water consumption reduced %	Water Intensity Saving %	2021	13,201	24.65	17.84%	20.15%	2022	14,403	35.60	10.36%	-15.30%		
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			<p>Protection Agency, and immediately review the reduction measures with the production unit in case of abnormal waste output.</p> <ul style="list-style-type: none">● "Zero waste" is the ultimate goal of the Company's waste management, which will continue to promote the circular economy. With the strategy of reducing the total amount of waste and recycling waste, the Company will promote green procurement and avoid the use of disposable consumables through source management measures such as process technology improvement and raw material reduction; The secondary refining process can fully recover and utilize raw materials (such as silver, indium, and other scrap materials), and improve the reuse rate through in-plant refining, remelting, and purification recovery process technology; The packaging of target products is mostly made of durable materials. By recycling and reusing at the client end (such as aluminum or wooden boxes), the utilization rate of consumables can be improved to reduce waste output and achieve the goal of waste reduction.● The Company's output of wastes in the previous year is taken as the benchmark, and the goal is for the annual output of wastes to be less than the previous year. In 2022, the output of wastes was 139.4 tons, and the reduction rate of wastes per unit product was -11.65%. In 2022, due to the impact of the Russo-Ukrainian War, inflation, and a number of panel factories' significant production reduction since June, the sales volume hit its low point in the past decade. Because the factory still produces quantitative staff living waste, the reduction rate of wastes per unit product was -11.65%. However, the annual output of wastes was still 25.92 tons (15.67%), lower than that of the previous year. <p>▼ The waste disposed of over the past two years: It is based on the data on the parent company's plants in Taiwan, which has not been verified by a third party yet.</p> <table><tr><td></td><td>2021</td><td>2022</td></tr><tr><td>Hazardous waste (ton)</td><td>30.77</td><td>31.45</td></tr><tr><td>Non-hazardous waste (ton)</td><td>134.55</td><td>107.95</td></tr><tr><td>Output of wastes per unit product (metric ton/per metric ton of product)</td><td>0.309</td><td>0.345</td></tr></table> <p>(5) The above statistical data are reported and improvement measures are reviewed at the annual environmental management system management review meeting. Detailed information and quantity statistics are disclosed in the sustainability report and the Company's website https://reurl.cc/1eK5W9.</p>		2021	2022	Hazardous waste (ton)	30.77	31.45	Non-hazardous waste (ton)	134.55	107.95	Output of wastes per unit product (metric ton/per metric ton of product)	0.309	0.345	
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IV. Social issues (I) Does the company formulate relevant management policies and procedures in accordance with applicable laws and the International Bill of Human Rights?	(I) V		<p>(I) Human rights policy: We protect the basic human rights of employees and all stakeholders to achieve sustainable development, support and voluntarily abide by the international human rights conventions, including the Universal Declaration of Human Rights, and have formulated the employee appointment management regulations as the Company's human rights policy in accordance with the aforementioned guiding principles and the domestic Labor Standards Act, the Act of Gender Equality in Employment, the Occupational Safety and Health Act, and other applicable labor laws and regulations. We do not discriminate against employees in recruitment or at work or in terms of salary, promotions, bonuses, training opportunities, or retirement due to race, social class, language, ideology, religion, party affiliation, place of origin, place of birth, gender, sexual orientation, age, marital status, appearance, facial features, disabilities, zodiac signs, blood types, or past union membership status. The Company's human rights policy is centered on the elimination of any violations and infringement of human rights, allowing all our employees to be treated in a reasonable and dignified manner. We also send people to receive on-the-job training in respect of human rights assessment, specific measures for human rights risk mitigation (including providing a safe work environment, eliminating discrimination and ensuring equal work opportunities, as well as prohibiting child labor and forced labor to maintain physical and psychological balance) in accordance with the applicable laws and regulations. In addition, we offer health promotion and awareness-raising courses in cooperation with local health authorities. We disclosed relevant policies and procedures in Chapter 5 Labor-management relations and</p>	(I)–(VI) are aligned with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.												

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(II) Has the company formulated and implemented reasonable employee benefit measures (including remuneration, leave, and other benefits) and reflected business performance or achievements in employee remuneration appropriately?	(II) V		<p>Employee Care on the Company's website.</p> <p>(II) The Company is a friendly workplace with reasonable employee benefit measures implemented:</p> <p>1. We have formulated work rules and relevant personnel management regulations, covering the base salary, working hours, leave of absence, pension payment, labor and health insurance payment, and occupational accident compensation, in compliance with the applicable provisions of the Labor Standards Act. The Employee Welfare Committee members are elected by employees to handle various benefits. In 2022, we contributed more than NT\$ 5 million to the employee welfare funds to plan and provide various high-quality benefits to employees, such as employee travel subsidies, subsidies for arts and culture courses, birthday gift certificates, marriage allowances, childbirth allowances, funeral allowances, and free health examination.</p> <p>2. The Company has long been concerned about the friendly workplace environment of its employees. In accordance with the “Labor Standards Act” and the “Act of Gender Equality in Employment”, it has stipulated menstruation leave, maternity leave, abortion leave, paternity leave, prenatal check-up leave and maternity protection regulations related to women's physiological characteristics, and has a system of unpaid parental leave, lactation period and family care leave. In 2022, there were 2 employees who applied for unpaid parental leave, and their reinstatement rate reached 100%. Prenatal check-up leave and paternity leave are adjusted to seven days according to law, and the Company will provide salary payment for the extra two days. Employees may ask for family care leave according to their needs and those raising children under the age of three can apply for childcare leave with one hour less working hours every day, while to help balance work and life.</p> <p>3. The ratio of our male to female employees is five to one, the ratio of first-line male to female managers or above is nine to two, and the ratio of middle male to female managers or above is 15:8, and the proportion of female managers is 26.09%, fully indicating our gender equality in the workplace.</p> <table><tr><td>Ratio of female supervisors in the past two years</td><td>% in 2021</td><td>% in 2022</td></tr><tr><td>Female proportion in total employees (%)</td><td>16.43%</td><td>16.43%</td></tr><tr><td>Female proportion in all supervisors (%)</td><td>26.09%</td><td>26.09%</td></tr><tr><td>Female proportion in top-level managers (%)</td><td>18.18%</td><td>18.18%</td></tr></table> <p>4. Employees of the Company are entitled to not less than 1% of the current years profit, as stipulated in Article 28 of the Articles of Incorporation of the Company. The basic salary ratio for female and male employees is 1:1. The production and sales earnings bonus is allocated 20% of quarterly profits to share the achievements with colleagues for achieving incentives, and is based on individual contributions to the Company and takes into account the performance evaluation results. The evaluation items includes financial indicators, such as shipment volume, cost reduction amount, profit amount, etc; Non financial indicators, such as new technological capabilities, part-time work safety incidents, process improvement and number of project completion, reduction of customer claims and complaints, etc. The relevant performance appraisal and remuneration rationality have been reviewed by the Remuneration Committee and the Board of Directors, and no more than 10% of the total employee remuneration shall be allocated for distribution.</p> <p>5. The Company participates in market salary investigations every year, adjusting salaries based on market salary levels, economic trends, and personal performance to maintain overall remuneration competitiveness. The average salary adjustment range for the Company in 2022 is 4.4%, with a maximum of 6.08%.</p> <table><tr><td>Average employee remuneration</td><td>2021</td><td>2022</td></tr><tr><td>Average employee salary</td><td>NT\$ 948 thousand</td><td>NT\$ 983 thousand</td></tr><tr><td>Average employee benefits</td><td>NT\$ 783 thousand</td><td>NT\$ 819 thousand</td></tr></table>	Ratio of female supervisors in the past two years	% in 2021	% in 2022	Female proportion in total employees (%)	16.43%	16.43%	Female proportion in all supervisors (%)	26.09%	26.09%	Female proportion in top-level managers (%)	18.18%	18.18%	Average employee remuneration	2021	2022	Average employee salary	NT\$ 948 thousand	NT\$ 983 thousand	Average employee benefits	NT\$ 783 thousand	NT\$ 819 thousand	
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(III) Does the company provide employees with a safe and healthy work environment and offer safety and health education to employees regularly?	(III) V		<table><tr><td>Average salary of full-time employees in non management positions</td><td>NT\$ 732 thousand</td><td>NT\$ 793 thousand</td></tr><tr><td>Median salary</td><td>NT\$ 700 thousand</td><td>NT\$ 751 thousand</td></tr></table>			Average salary of full-time employees in non management positions	NT\$ 732 thousand	NT\$ 793 thousand	Median salary	NT\$ 700 thousand	NT\$ 751 thousand		
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<p>(III) ● Occupational safety and health management policy is centered on the principles of hazard elimination, all-employee participation, continuous improvement, and health promotion.</p> <p>(1) We manage to eliminate hazards, mitigate occupational safety and health risks, create a safe and healthy work environment, prevent work-related injuries, ill health, diseases, and accidents, and continuously provide workers with consultation and participate in safety and health management affairs. (2) We manage to protect the safety and health of all employees as well as suppliers, contractors, visitors, and other workers in the Company.</p> <p>● The Company has passed the ISO45001 occupational safety and health verification. The latest certificate is valid from 2022.07.30 through 2025.07.29. Through the PDCA mechanism, we implement safety and health management in an all-round manner and develop a healthy work environment. To effectively discuss and solve practical issues, we established an Occupational Safety and Health Committee. Each production unit shares the safety and health information in the work environment per quarter with other units to avoid recurrence of similar issues. The chair of the committee is served by the President concurrently, and the secretary-general is served by the Chief of the Production Plant concurrently. The labor representatives of each unit account for one-third or more of the total number of members; the Occupational Safety and Health Committee holds routine meetings per quarter. In addition, we have established an Employee Welfare Committee in accordance with the law and regularly offer cultural and health education courses per year to protect our employees' physical and psychological health. We encourage employees to participate in social charity activities and commend and reward them where appropriate.</p> <p>1. Operational safety inspection: We regularly organize employee health examinations every year and improve unsafe actions and equipment during on-site operations. The labor safety unit and the heads of the on-site units inspect the site from often; the Deputy Chief of the Production Plant inspects the site based on a 6S model with the committee members from the on-site units per month; the President leads the Company's first-line and middle managers to jointly conduct a 6S inspection every two months, while reviewing the on-site defects at the meetings of the Occupational Safety and Health Committee for improvement.</p> <table><tr><th colspan="2">Occupational safety inspection</th></tr><tr><td>6S inspection</td><td>Each committee member from each unit assigns a person as a team leader to conduct inspection with the labor safety unit once per month.</td></tr><tr><td>Occupational safety inspection</td><td>The President leads the production plant and the head of each unit under the Chemical Analysis Department to conduct an inspection once every two months.</td></tr><tr><td>On-site managers' management by wandering around</td><td>Daily inspections from time to time.</td></tr><tr><td>Labor safety unit</td><td>Inspections shall be conducted at least 3 times a week from time to time.</td></tr></table> <p>2. Risk identification and work environment monitoring: Each unit identifies hazards and assesses risk and evaluates the potential physical, chemical, biological, and ergonomic hazards and risk levels associated with supplies, machines, equipment, operating environment, personnel, guests, contractors, and suppliers involved in the Company's operations through system management, while adopting improvement plans to reduce and respond to hazard and risks, thereby ensuring the safety and health of all colleagues in the Company. We appointed a qualified work environment monitoring institution to conduct measurement of chemical and physical factors in the environment every three months or every six months in accordance with the "Regulations on the Labor Work</p>			Occupational safety inspection		6S inspection	Each committee member from each unit assigns a person as a team leader to conduct inspection with the labor safety unit once per month.	Occupational safety inspection	The President leads the production plant and the head of each unit under the Chemical Analysis Department to conduct an inspection once every two months.	On-site managers' management by wandering around	Daily inspections from time to time.	Labor safety unit	Inspections shall be conducted at least 3 times a week from time to time.	
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			<p>Environment Monitoring Implementation and the Evaluation and Grading Management Measures for Hazardous Chemicals”. The chemical factors include carbon dioxide, dust, organic solvents, and specific chemical substances, while the physical factors include noise, humidity, and temperature. The institution determined the measurement results were in compliance with laws and regulations and provided the results to the head of each unit for announcement; the results were also reported to the Occupational Safety and Health Committee. We quickly improved and rectified issues to ensure employees’ health. We completed monitoring at a total of 127 monitoring points (including areas and individuals) during 2022 in the work environment.</p> <p>3. Education and training: The head of each on-site unit raises people’s awareness from time to time every monthly; the labor safety unit also offers education and training courses from time to time per year to teach employees safety and health knowledge, thereby enhancing our personnel’s safety and health concept as a whole (at least ten safety and health courses per year and safety and health information disclosed on the Company's intranet on a regular basis).</p> <p>4. Implement the results: (1) In 2021 and 2022, the safety and health authorities visited the factory for inspection, guidance, and audit once respectively. In 2022, for violations of Paragraph 1, Article 6 of the Occupational Safety and Health Act, a fine of NT\$ 60,000 was imposed, and one person was injured due to occupational disability. The improvement has been actively completed. (2) Various occupational safety inspections during 2022</p> <table><tr><th colspan="2">Occupational safety inspection</th></tr><tr><td>6S inspection</td><td>9 times.</td></tr><tr><td>Occupational safety inspection</td><td>5 times.</td></tr><tr><td>On-site managers’ management by wandering around</td><td>Daily inspections from time to time.</td></tr><tr><td>Labor safety unit</td><td>Inspections shall be conducted at least 3 times a week from time to time.</td></tr></table> <p>(3) Equipment safety management We classify the equipment, put the dangerous machinery and equipment under management as per law, and conduct detailed inspections to ensure the safe operation of the equipment. Our dangerous machinery included 20 stationary cranes, eight forklifts, and one punching and shearing combined machine; dangerous equipment includes one high-pressure gas equipment, totaling 30 machines/equipment in 2022. We inspected all of them in accordance with the Regulations for Safety Inspection of Hazardous Machines and Equipment to ensure the safety during the use of such machines/equipment.</p> <p>▼ The occupational safety education and training and awareness raising over the past three years</p> <table><tr><th>Category</th><th>Number of on-the-job trainees for safety and health certificates</th><th>Number of participants in the safety and health education and training</th><th>Number of pieces of awareness-raising information on safety and health on the portal</th></tr><tr><td>2020</td><td>37</td><td>1470</td><td>44</td></tr><tr><td>2021</td><td>48</td><td>1312</td><td>81</td></tr><tr><td>2022</td><td>48</td><td>1032</td><td>128</td></tr></table> <p>▼ Occupational safety performance over the past three years - employee disabling injuries</p> <table><tr><th>Year</th><th>2020</th><th>2021</th><th>2022</th></tr><tr><th>Category</th><th>Number of cases</th><th>Number of cases</th><th>Number of cases</th></tr><tr><td>Employees’ disabling injury frequency rate</td><td>0</td><td>0</td><td>1</td></tr><tr><td>Contractors’ disabling injury frequency rate</td><td>0</td><td>0</td><td>0</td></tr><tr><td>Major occupational accident</td><td>0</td><td>0</td><td>0</td></tr></table>	Occupational safety inspection		6S inspection	9 times.	Occupational safety inspection	5 times.	On-site managers’ management by wandering around	Daily inspections from time to time.	Labor safety unit	Inspections shall be conducted at least 3 times a week from time to time.	Category	Number of on-the-job trainees for safety and health certificates	Number of participants in the safety and health education and training	Number of pieces of awareness-raising information on safety and health on the portal	2020	37	1470	44	2021	48	1312	81	2022	48	1032	128	Year	2020	2021	2022	Category	Number of cases	Number of cases	Number of cases	Employees’ disabling injury frequency rate	0	0	1	Contractors’ disabling injury frequency rate	0	0	0	Major occupational accident	0	0	0
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(IV) Has the company established an effective career development training program for employees?	(IV) V		(IV) The Company takes long-term talent cultivation as its primary task, and according to the needs of organizations, departments and employees, in order to help employees improve and refine their knowledge and skills, establishes a career competency development plan, in addition to appropriate internal recruitment and rotation, and plans internal and external training plans, including newcomer training, professional advanced training, supervisor training, etc., in order to help colleagues continue to learn and grow through multiple learning methods, and introduce relevant training courses such as the importance of workplace ethics and ethical management concepts to cultivate their key competencies. In 2022, the total number of vocational training sessions was 2,458, with 4,714 person-hours. We review and provide feedback during regular annual performance reviews to assist our employees in developing the best workplace competency plans and to strengthen the Company's human capital base accordingly.									
(V) Does the company comply with applicable laws and international standards regarding issues, such as customer health and safety, customer privacy, as well as marketing and labelling of products and services? Has it formulated relevant policies and complaint procedures to protect consumers' or customers' rights and interests?	(V) V		(V) Since we adopted the ISO9001 quality management system in 2006, we have constantly made adjustments based on the overall demand for quality and the production and sales trends to reform and innovate our quality management required for the modern era. As the ISO 9001: 2015 quality management system was converted, we have implemented an integrated management system (the quality management system and the environment/safety management system) since 2017, with the aim of providing products and services in a consistent manner to satisfy clients' needs and legal requirements and selling products at home and abroad in compliance with applicable laws and regulations and international guidelines, thereby protecting clients' health and safety and customer privacy and ensuring proper marketing and labelling. The Company publicizes the confidentiality agreement for customers' business information to all businesses and signs the "NDA Confidentiality Agreement" with specific customers to safeguard customers' privacy rights or customer data, so as to strengthen the cooperative relationship. We set up an email service platform on the official website; our sales personnel are responsible for handling clients' complaints to timely understand their needs and expectations and continue to improve products and services, with a view to achieving the goal of sustainable business development, and protecting customer health and safety, customer privacy, and consumer rights and interests.									
(VI) Has the company formulated a supplier management policy, required suppliers to follow applicable regulations on issues, such as environmental protection, occupational safety and health, or labor rights? The implementation thereof?	(VI) V		(VI) The Company has drawn up four major sustainable supply chain management policies, which are to optimize the cost to develop an ability to achieve a sustainable supply chain, innovate the circular economy to establish a green supply chain, build a eco-friendly environment for sustainable development, and prohibit conflict minerals. We comply with the Supplier Management Procedures to manage our suppliers; the responsible units jointly select suppliers and conduct quality assessments, environment, safety, and health assessments, and regular evaluations. When working with new suppliers, we pay more attention to their management of environment, safety, health, labor, and ethics issues in addition to quality issues. Meanwhile, we work with suppliers with the same goals in alignment with the sustainable development business philosophy of protection of all employees, environmental protection of the supply chain, and occupational health and safety. ●The Company makes great efforts for the sustainability of the industry by doing its best in corporate social responsibility. We plan a comprehensive assessment management cycle and provide consultation services to suppliers for improvement to establish supply chain partnerships on the basis of a two-way sustainable collaboration.									
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			<table><tr><td>Extra points</td><td>If a supplier has obtained a certificate related to environmental protection or hazardous substances management (ISO14001, IATF16949, or QCO8000) or the Responsible Business Alliance (RBA) Code of Conduct, it will get additional points, so as to guide and require suppliers to follow and abide by the code and the Company's sustainable development policies and commitment, environment, safety, and health policies. They also need to cooperate with our relevant inspections, regular inspections and audits and are not allowed to, directly or indirectly, offer our employees rebates, commissions, improper gifts, rewards, etc.</td></tr><tr><td>Hierarchical management</td><td>The appraisal grade is divided into four levels according to the score range, and there are four procurement forms, such as priority procurement, normal procurement, counseling manufacturers and unqualified manufacturers, and relevant countermeasures are taken.</td></tr></table> <p>●In 2022, suppliers were regularly assessed according to the top ten assessment items, which were included in the procurement decision-making consideration. The assessment scores of suppliers kept growing steadily in each quarter. About 58% of key suppliers scored 92 points on average, which could give priority to raising the procurement ratio, and 42% of key suppliers scored 88.8 points, continuously maintaining the normal procurement ratio and conducting management according to the current audit mechanism, so as to optimize the benefits of the Company's sustainable supply chain.</p>	Extra points	If a supplier has obtained a certificate related to environmental protection or hazardous substances management (ISO14001, IATF16949, or QCO8000) or the Responsible Business Alliance (RBA) Code of Conduct, it will get additional points, so as to guide and require suppliers to follow and abide by the code and the Company's sustainable development policies and commitment, environment, safety, and health policies. They also need to cooperate with our relevant inspections, regular inspections and audits and are not allowed to, directly or indirectly, offer our employees rebates, commissions, improper gifts, rewards, etc.	Hierarchical management	The appraisal grade is divided into four levels according to the score range, and there are four procurement forms, such as priority procurement, normal procurement, counseling manufacturers and unqualified manufacturers, and relevant countermeasures are taken.									
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V. Has the company referred to the internationally accepted reporting standards or guidelines to prepare reports, such as ESG reports that discloses the company's non-financial information? Has a third-party verification entity provided assurance or assurance opinion for said report?	V		The Company's capital is NT\$735 million. Although we are not required to prepare a CSR report as our capital has not yet reached the standard of NT\$5 billion, we, to achieve sustainable development, still voluntarily prepared a sustainability report for 2021 in 2022 to disclose our practices and performance in corporate governance, operating results and performance, environmental protection, and social participation, as an important channel to disclose our non-financial information, while reviewing our overall ESG performance and making improvements accordingly. We prepared this report based on the GRI Standards, completed it on June 28, 2022, and published it on both the MOPS and the Company's website. However, this report has not been verified or guaranteed by a third party yet.	As the Company has not yet met the criteria for preparing such a report mandatorily, it is not applicable, but we voluntarily prepared an ESG report in alignment with the sustainable development blueprint.												
VI. Where the company has formulated its own sustainable development code in accordance with the Sustainable Development Best Practice Principles, please specified the differences between the implementation and the principles: The Board of Directors passed the Corporate Social Responsibility Best Practice Principles on July 28, 2021, which was renamed the Sustainable Development Best Practice Principles on April 27, 2022 by the Board of Directors in alignment with the Corporate Governance 3.0-Sustainable Development Blueprint. We prepared an ESG report as per the principles and the Core Option under the GRI Standards issued by the GRI.																
VII. Other important information that facilitates the understanding of the promotion of sustainable development: ▲The concrete benefits of investing in energy-saving or green energy-related environmentally sustainable machinery and equipment and investing in domestic green energy's peripheral industries in 2022 are as follows:																
<table><tr><th>Investment equipment</th><th>Investment amount</th><th>Investment benefits</th></tr><tr><td>Improve the efficiency of the air compressor and replace three variable frequency air compressor units</td><td>NT\$ 1,105,000</td><td>Compared with the previous period (2021), the actual measurement of air compressor saved 101,477 kWh of electricity and reduced greenhouse gas emissions by 51,652kg-CO2e in 2022.</td></tr><tr><td>Precious metals (Au/Ag) and high-purity metals (Cu) construct circular economy resource recycling and reuse equipment</td><td>NT\$ 2,956,00</td><td>In 2022, through the construction of recovery equipment for precious metals (Au/Ag) and high-purity metals (Cu), the Company developed a new business model of the circular economy, which not only accelerated its entry into the semiconductor application field, but also brought benefits to the Company's recycling and carbon reduction.</td></tr><tr><td>Strategic Alliance invests in domestic Lianyou Metals Co., Ltd.</td><td>NT\$ 26,080,000</td><td>The Company invested in domestic Lianyou Metals Co., Ltd. (stock code 7610) by Strategic Alliance, and reduced tungsten alloy and cobalt to sodium tungstate (Na2WO4) and cobalt carbonate (CoCO3) by recycling, which is helpful to the "Environmental Sustainability", "Social</td></tr></table>					Investment equipment	Investment amount	Investment benefits	Improve the efficiency of the air compressor and replace three variable frequency air compressor units	NT\$ 1,105,000	Compared with the previous period (2021), the actual measurement of air compressor saved 101,477 kWh of electricity and reduced greenhouse gas emissions by 51,652kg-CO2e in 2022.	Precious metals (Au/Ag) and high-purity metals (Cu) construct circular economy resource recycling and reuse equipment	NT\$ 2,956,00	In 2022, through the construction of recovery equipment for precious metals (Au/Ag) and high-purity metals (Cu), the Company developed a new business model of the circular economy, which not only accelerated its entry into the semiconductor application field, but also brought benefits to the Company's recycling and carbon reduction.	Strategic Alliance invests in domestic Lianyou Metals Co., Ltd.	NT\$ 26,080,000	The Company invested in domestic Lianyou Metals Co., Ltd. (stock code 7610) by Strategic Alliance, and reduced tungsten alloy and cobalt to sodium tungstate (Na2WO4) and cobalt carbonate (CoCO3) by recycling, which is helpful to the "Environmental Sustainability", "Social
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Item	Status of Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
			Participation", "Corporate Governance" and "Enterprise Commitment" of ESG of the Company.	

▲ Implement achievements of ESG sustainable development in 2022

(1) The Company's ESG promotion achievements won the 2022 commendation and award from the Occupational Safety and Health Administration, Ministry of Labor for “Enterprise Sustainability Report Public Occupational Health and Safety Indicator Evaluation - Top-performing Enterprise”.

(2) The objectives and implement achievements of ESG's short-term and medium-term sustainable development plan this year are briefly summarized in the following table:

E environment	Objective	Implementation results Data boundary: Information on the parent company's Taiwan plant area
Energy intensity	Decrease by 6%	Decreased by 5.67%
GHG emissions intensity	Decrease by 6%	Decrease by 10.6%
Achieving carbon reduction through low-carbon manufacturing (reducing electricity consumption)	Decrease by 2%	Decrease by 375,500 kWh/ Decrease by 9.54% in the same period
Recycle the water system and reduce the usage amount of tap water	Decrease by 5%	Decrease by 14%
Waste management	Set the goal of waste density not higher than that of the previous year.	In 2022, the output of wastes was 139.4 tons, and the reduction rate of wastes per unit product decreased by 11.65%
Planned shipment in bulk to reduce vehicle dispatching and fuel for transportation	Train number: 3	3 times per week/29% decrease in gasoline/26% decrease in diesel
Business model of resource recycling in circular economy	1 pcs	5NCu refining technology has been completed and mass production equipment is under construction
Conduct ISO-14064 greenhouse gas inventory	(1) In September, the 2021 greenhouse gas inventory results were logged into the National Greenhouse Gas Login Platform, and the simple carbon neutrality management platform was built on the Company's website. (2) In November, TTMC completed its 2050 carbon neutrality path planning.	
Environmental and ecological protection	In the 2022 Arbor Day activity, under the leadership of the Chairman and the President, hundreds of plants including podocarpus macrophyllus and hibiscus were planted, with a total of about 200 trees and 1500 shrubs planted.	The total green area reaches 1440 square meters, and the greening rate of the plant area is about 4.8%, which can reduce approximately 2160 kilograms of carbon dioxide annually.

S social objectives	Implementation results
Caring for the underprivileged and our neighbors, while making donations to help the nearby village children every year.	In 2022, approximately 30 households received some form of charity, and in the past eight years, a total of 240 marginalized families have received donations, in order to continuously improve society.
Provide more than 2 job opportunities per year for people in neighboring villages	In 2022, priority was given to providing job vacancies to nearby villages, creating 3 employment opportunities for the children of nearby townships.
Industry-university cooperation	In May, 2022, they went to the Department of Resources Engineering, National Cheng Kung University, and held a briefing session on industry-university cooperation, with 50 other fellow students, followed by the summer internship opportunity provided by the Company. A total of three students submitted their resumes, and one was admitted to the Technology Department after an interview.
Social welfare activities	1. The activity of rescuing the surplus pomelos. 2. Purchase gifts produced by sheltered factories. 3. Provide employment and training opportunities for friends with physical and mental disabilities in the area every year, targeting 18 friends. By 2022, we aim to assist 18

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	Yes	No	Brief description	
			<p>friends and provide a self-sufficient work platform for friends with physical and mental disabilities.</p> <p>4. In April 2022, the Company's ESG Friendly Train actively launched the "Hsitzuwan Beach Cleaning Activity", advocating for the responsibility of citizens on Earth.</p> <p>5. Participated in the 2022 Baseball Competition for the Blind and served as a volunteer for two games, including as a base umpire, recorder, and base controller. Assisted blind baseball players in smooth listening and sound localization, as well as ensuring the safety of striking and base running.</p>	
Develop materials for advanced medical equipment			In order to localize and domesticate the materials used for building medical equipment, the Company completed the development of domestic medical equipment materials and completed the shipment of two sets of finished products in 2022.	
Human resource development (this item only reveals the same year as the Market Observation Post System in 2021)			<p>1. The average employee benefit package is NT\$ 948 thousand/person in 2021</p> <p>2. The average employee salary is NT\$ 783 thousand/person in 2021</p> <p>3. The average salary of full-time employees who are not supervisors is NT\$ 732 thousand/person in 2021</p> <p>4. The median salary of full-time employees who are not supervisors is NT\$ 700 thousand/person in 2021</p> <p>5. Female supervisors in management positions account for 26.09%</p> <p>6. Number of occupational disasters: 0 people; Ratio of occupational disaster population: 0%</p>	
G governance objectives		Implementation results		
Rolling-type sound corporate governance and maintaining a second level gap in corporate governance evaluation		In 2022, the 2021 evaluation was announced, ranking among all TPEX Listed Companies in the second level gap (6% -20%) for three consecutive years. The total score is higher than the Company's score in 2020 and the average score of all TPEX Listed Companies in the second level gap.		
Establish a third Functional Committee		In 2022, the Risk Management Committee made scanning and reporting to the Board of Directors the risks of major investment, asset security, supervision of subsidiaries, product sales, supply chain and finance.		
Volunteer to prepare a "Sustainability Report" and receive awards		Continuously prepare the 2021 "Sustainability Report" to disclose ESG related information, and disclose the risks and opportunities of climate change in accordance with TCFD guidelines. Won the 2022 commendation and award from the Occupational Safety and Health Administration, Ministry of Labor for "Enterprise Sustainability Report Public Occupational Health and Safety Indicator Evaluation - Top-performing Enterprise".		
The completion rate of information security awareness education and training is 100%		Information security publicity courses were conducted 12 times, and was completed by 117 people (100%), and there were no major information security incidents.		
Formulate a smart property patent management plan		<p>1. There are 15 copies of "R&D Record Book Management Operation".</p> <p>2. The total number of global patent applications approved has accumulated to 6.</p> <p>3. 5 confidential documents listed in the Company's Technical Research and Development Department.</p> <p>4. 16 trademarks (11 in Taiwan, 3 in China, and 2 in Japan).</p>		
Board of Directors		<p>1. Seat number of directors (including independent directors): 7.</p> <p>2. Seat number of independent directors: 3.</p> <p>3. The seat number of female directors and the ratio of 28.57%.</p> <p>4. The attendance rate of directors attending the Board of Directors is 97.62%.</p> <p>5. The number of further education hours for the directors and supervisors was 100%.</p> <p>6. Investor communication: The Company holds one annual legal conference.</p>		

(VIII) Implementation of ethical management:

Item	Operations			Deviation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the reasons therefor
	Yes	No	Brief description	
I. Formulation of ethical management policies and plans				(I)-(III)It is aligned with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.
(I) Has the company formulated an ethical management policy approved by the board of directors and disclosed the policy and practice of ethical management in its regulations and public documents? Are the board of directors and the senior management committed to actively implementing the policy?	(I) V		(I) 1. The Board of Directors of the Company formulates the “Ethical Corporate Management Best Practice Principles”, the “Code of Ethical Conduct”, the “Insider Trading Prevention Management Procedures”, and the “Procedures for Handling Material Inside Information” to specify the matters to be paid attention to by all employees of the Company in the implementation of business; Adhering to the business philosophy of integrity, transparency, and responsibility, we comply with the Company Act, the Securities and Exchange Act, the Business Entity Accounting Act, the Political Donations Act, the Anti-Corruption Act, the Government Procurement Act, the Act on Recusal of Public Servants Due to Conflicts of Interest, the regulations on listing on Taiwan Stock Exchange and Taipei Exchange, and other laws and regulations on business conduct, to enhance our ethical management. The Company's Rules of the Procedure for Board of Directors Meetings has specified a mechanism for directors to recuse themselves from discussion and voting on proposals in board meetings, in which their person interest is involved, and we also specify the punishments for employees receiving improper gifts in the work rules and the labor contract, as the basis for implementing ethical management. 2. Before new directors and top-level managers take office, we raise their awareness of the Ethical Corporate Management Best Practice Principles, the Code of Ethical Conduct, the Insider Trading Prevention Management Procedures, and the Procedures for Handling Material Inside Information, and laws on insider trading and insider equity at companies listed on Taipei Exchange or the emerging stock market and matters to be noted; require them to sign major ethics statements, including the Declaration of No Violation of Integrity Principles, the Institutional Director/Independent Director Confidentiality Agreement, and the Insider Trading Prevention Confidentiality Agreement. In addition, we request independent directors to issue the Independent Director Nominee Statement, the Independent Director Statement upon Elected, and the Independent Director Statement in Office; the Company issued the Independent Director Checklist upon Elected and in Office as required. 3. The Company arranges courses related to ethical management every year, and the Administrative Management Department raised new and existing directors, managers, and employees’ awareness of applicable laws and regulations at least once every year and send presentation files to all directors, managers, and employees, and disclose the implementation results on the Company's website and in this annual report.	
(II) Has the company established an assessment mechanism for the risk of unethical conduct to regularly analyze and evaluate the business activities with high risk of unethical conduct within the business scope and formulated a prevention plan accordingly, at least covering the prevention measures for the acts under each subparagraph under Article 7, paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?	(II) V		(II) The Company has clearly stipulated in the Ethical Corporate Management Best Practice Principles that directors, managers, employees, or persons with substantive control over the Company shall not directly or indirectly offer, promise to offer, request or accept any improper benefits, nor commit unethical acts including breach of ethics, illegal acts, or breach of fiduciary duty and disclosed it on the Company's intranet for all employees follow accordingly. The Company's auditors have included business activities at a high risk of unethical conduct, including level-by-level delegation and job substitution, credit management, compliance during operations, return and exchange, discount, and client complaint response, in the annual audit plan and implemented it accordingly. The scope of the prevention program under Article 7 of the Company's Ethical Corporate Management Best Practice Principles: The Company shall establish an assessment mechanism for the risk of unethical conduct to regularly analyze and evaluate the business activities at a high risk of unethical conduct within the business scope, as per which it shall formulate a prevention	

Item	Operations			Deviation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the reasons therefor
	Yes	No	Brief description	
(III) Has the company clearly specified operating procedures, guidelines for conduct, and a violation punishment and complaint system in the unethical conduct prevention plan and duly implemented them? Does the company regularly review and revise said plan?	(III) V		<p>program accordingly and regularly review the appropriateness and effectiveness of the prevention program.</p> <p>The Company's prevention program shall at least cover preventive measures for the acts below:</p> <ol style="list-style-type: none"> Offering and acceptance of bribes. Illegal political donations. Improper charitable donations or sponsorship. Offering or acceptance of unreasonable gifts, hospitality, or other improper benefits. Misappropriation of trade secrets or infringement of trademarks, patents, copyrights, or other intellectual property rights. Engaging in unfair competitive practices. Damage directly or indirectly caused to rights or interest, health, or safety of consumers or other stakeholders in the course of research and development, procurement, manufacturing, provision, or sale of products and services. <p>(III) The Company has specified in the unethical conduct prevention program the Ethical Corporate Management Best Practice Principles, the Code of Ethical Conduct, the Insider Trading Prevention Management Procedures, the Procedures for Handling Material Inside Information, and the Whistleblowing System Management Regulations to clearly define illegal acts as well as the reporting channels and processing procedures in the event of any violations. The disciplinary actions are taken in accordance with the work rules and are included in the annual audit plan per year to review the Company's compliance. In addition, we review the above management regulations annually and amend them immediately, if necessary, to conform to practice.</p>	
II. Implementation of ethical management				(I)-(V) It is aligned with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.
(I) Does the company evaluate each counterparty's records for ethics? Has the company specified the terms of ethical conduct in each contract signed with each counterparty?	(I) V		(I) Before engaging in formal business activities with business partners, we conduct evaluations of their ethical conduct and other indicators and require them to include ethical management in the contract terms or clearly define integrity requirements after we proceed to work with them, to show their compliance with our regulations on integrity.	
(II) Has the company established a dedicated (concurrent) unit under the board of directors to conduct ethical corporate management, regularly (at least once a year) report to the board of directors on its ethical management policies and prevention plans for unethical conduct, and supervise the implementation?	(II) V		(II) We offer courses on ethical management every year, and the Administrative Management Department is responsible for offering relevant ethical management courses and holding awareness-raising events each year. The heads of various departments assist in promoting ethical management policies and prevention programs. The audit unit regularly audits the implementation of our ethical management and reports on its implementation to the Board of Directors, with the last such report being on October 26, 2022, from which the implementation results have since been disclosed on the website and in this annual report.	
(III) Has the company formulated policies to prevent conflicts of interest, provided appropriate methods for stating one's conflicts of interest, and implemented them appropriately?	(III) V		(III) The Company has formulated the Rules of the Procedure for Board of Directors Meetings, the Ethical Corporate Management Best Practice Principles, the Code of Ethical Conduct, the Insider Trading Prevention Management Procedures, and the Procedures for Handling Material Inside Information as per law to cope with directors' managers' or employees' interest conflicting with the Company's. We also raise their awareness in this regard from time to time. In the case of a conflict of interest in the Company's business, such personnel should inform their supervisors in advance and avoid such a conflict. The Whistleblowing Mechanism Management Regulations are adopted as a reference for the reporting channels and handling procedures in the event of any violations.	
(IV) Has the company established an effective accounting system and an internal control system for the implementation of ethical management and assigned the internal audit unit to formulate relevant audit plans based on the assessment results of the risk of unethical conduct and audit the compliance with the unethical	(IV) V		(IV) The Company has established an effective accounting system and an internal control system in accordance with the Ethical Corporate Management Best Practice Principles. We implement the systems based on the principle of integrity and review them at any time to ensure that they continue to be effective. The auditors regularly audit the compliance with the systems in the preceding paragraph and prepare an audit report and submit it to the Board of Directors. The Company's internal audit unit has formulated relevant audit plans based on the risk assessment	

Item	Operations			Deviation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the reasons therefor																																				
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conduct prevention plan accordingly or commissioned a CPA to perform such audits? (V) Does the company regularly hold internal and external education and training on ethical management?	(V) V		<p>results and audited and prevented unethical conduct accordingly. No unethical conduct occurred in the Company during 2022.</p> <p>(V) 1. The Company regularly offers courses on the code of conduct, corporate governance, and other ethical management issues and raises directors', managers', new employees' and in-service staff's awareness, and arrange for relevant personnel to receive internal and external training courses depending on the needs.</p> <p>2. The Company has a total of seven directors (including three independent directors) on the 8th board. All of them as well as the Corporate Governance Officer, the Financial Accounting Officer, and auditors (their substitutes) have completed the 2022 required hours of training for new or re-elected directors on corporate governance, ethical management, risk management, and business management in accordance with laws and regulations. This is in compliance with the Corporate Governance Best Practice Principles.</p> <p>3. We reported to the Board of Directors on the operation and implementation of ethical management on October 26, 2022.</p> <p>(1) The Company's education and training system is divided into internal training, external training, and on-the-job training. During 2022, we offered internal and external education and training (including laws and regulations, laws on insider-short-swing trading as well as changes in equity, ethical corporate management, code of ethical conduct, work rules, production management, production operation training, on-the-job training on safety and health, and internal control), with a total of 2,458 people (directors excluded), 4,714 man-hours, and an average of 20.95 hours per person.</p> <p>(2) During 2022, directors, managers, and employees participated in internal and external training courses and awareness-raising events on ethical management and ethical conduct for 337 hours with a total of 268 people. The details are as listed in the table below. It is aligned with the provisions of the Corporate Governance Best Practice Principles. And the above execution results shall be disclosed on the Company's website https://reurl.cc/MRXl8m.</p> <table><tr><th>Internal/External training</th><th>Category of course</th><th>Number of people</th><th>Number of hours</th></tr><tr><td>External training</td><td>Internal audit</td><td>21</td><td>14</td></tr><tr><td>External training</td><td>Corporate governance</td><td>11</td><td>62</td></tr><tr><td>External training</td><td>Risk management</td><td>36</td><td>60</td></tr><tr><td>External training</td><td>Discussion on Taxation and Laws</td><td>26</td><td>96</td></tr><tr><td>External training</td><td>Discussion on the Labor Incident Act</td><td>2</td><td>12</td></tr><tr><td>Internal training</td><td>IATF 16949:2016 Advanced Course</td><td>21</td><td>14</td></tr><tr><td>Internal awareness-raising event</td><td>We raised the new and the existing directors' and managers' awareness of laws on changes in insiders' and their related parties' equity, inside and short-swing trading disgorgement, stock price manipulation, and acquisition of a large number of equity and treasury shares in February, March, April, July and October of 2022. Directors and insiders are not allowed to trade their stocks during the closed period of 30 days prior to the announcement of the annual financial report and 15 days prior to the announcement of each quarterly financial report.</td><td>111</td><td>Adopting a written form and supervisor's meeting publicity</td></tr><tr><td>Internal awareness-raising event</td><td>In February, 2022, the instructors of Ministry of Justice and the internal department raised awareness for the existing managers' and employees' of the Ethical Corporate Management Best Practice Principles, the Code of Ethical Conduct, the Insider Trading Prevention Management Procedures, the Procedures for Handling Material Inside Information, and the Whistleblowing System Management Regulations in February 2022.</td><td>40</td><td>79</td></tr></table>	Internal/External training	Category of course	Number of people	Number of hours	External training	Internal audit	21	14	External training	Corporate governance	11	62	External training	Risk management	36	60	External training	Discussion on Taxation and Laws	26	96	External training	Discussion on the Labor Incident Act	2	12	Internal training	IATF 16949:2016 Advanced Course	21	14	Internal awareness-raising event	We raised the new and the existing directors' and managers' awareness of laws on changes in insiders' and their related parties' equity, inside and short-swing trading disgorgement, stock price manipulation, and acquisition of a large number of equity and treasury shares in February, March, April, July and October of 2022. 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Item	Operations			Deviation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the reasons therefor
	Yes	No	Brief description	
<p>III. Implementation of the Company's whistleblowing system</p> <p>(I) Has the company formulated a specific whistleblowing and reward system, established a convenient whistleblowing method, and assigned appropriate personnel to handle the party accused?</p> <p>(II) Has the company formulated standard operating procedures for investigation of reported cases, the follow-up measures to be taken after the investigation is completed, and a confidentiality mechanism?</p> <p>(III) Does the company take measures to protect whistleblowers from being mistreated due to their whistleblowing behavior?</p>	<p>(I) V</p> <p>(II) V</p> <p>(III) V</p>		<p>(I) The Company has a complaint hotline and a complaint email as complaint channels. Employees can anonymously file complaints about any violations of integrity by phone or email or to auditors, the human resources personnel, or the management. In order to ensure the effective operation of the whistle blowing mechanism, in August 2022, the whistleblowing mailbox whistleblower@e-ttmc.com.tw was appointed as an independent director (the committee member of the Audit Committee) and the audit were received simultaneously.</p> <p>(II) The Company has established relevant operation procedures in the "Whistleblowing System Management Measures".</p> <p>(III) As per the Company's Ethical Corporate Management Best Practice Principles and Code of Ethical Conduct, we accept anonymous reports in accordance with the Whistleblowing System Management Regulations and keep each whistleblower's identity and the content of the report confidential to safeguard their personal safety.</p>	<p>(I)- (III)It is aligned with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.</p>
<p>IV. Enhanced information disclosures</p> <p>Has the company disclosed the content of its Corporate Governance Best Practice Principles and the effectiveness of the implementation of the principles on its website and the MOPS?</p>	V		<p>We have disclosed the Ethical Corporate Management Best Practice Principles and the Code of Ethical Conduct on the MOPS; in the Articles of Incorporation and Important Internal Regulations under the Investor section on the official website, we have disclosed the Ethical Corporate Management Best Practice Principles, the Code of Ethical Conduct, the Insider Trading Prevention Management Procedures, and the Procedures for Handling Material Inside Information. We also disclosed the implementation situation and results in the Ethical Management section. We published the Employee Code of Conduct and cases of punishments for violations on the Company's intranet to raise employees' awareness.</p>	<p>It is aligned with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.</p>
<p>V. If the company has formulated its own Ethical Corporate Management Best Practice Principles as per the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, please specify the difference between its operation and the principles:</p> <p>The Company, in accordance with the relevant internal control measures of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and after deliberation and approval by the Board of Directors, has established the "Ethical Corporate Management Best Practice Principles" and "Code of Ethical Conduct". On October 26, 2022 and December 8, 2022, we revised the "Insider Trading Prevention Processing Procedures" and "Internal Important Information Processing Procedures". On February 18, 2022, we additionally revised Article 10 of the "Corporate Governance Best Practice Principles" The Company shall attach importance to the right of shareholders to know and guard against the relevant provisions of insider trading, and on January 14, 2022, revise the "Management Measures for Whistleblowing", and establish a good corporate governance and risk control mechanism based on the business philosophy of integrity, fairness, transparency, self-discipline and responsibility, so as to seek the sustainable development of the Company. Therefore, there is no difference.</p>				
<p>VI. Other important information that facilitates the understanding of the company's ethical management (e.g., reviewing and amending the company's corporate governance best practice principles):</p> <p>Adhering to the business philosophy of integrity, transparency, and responsibility, we fulfill our responsibilities for compliance with laws and regulations to the public sector, for honest transactions to suppliers and clients, and for ethical management to our shareholders; prevent our directors, managers, or employees from violating the principles of ethical management to prevent any unethical conduct from causing damage to our goodwill or leading to any legal liabilities. The details are specified below:</p> <p>(I) Responsibilities for compliance with laws and regulations to the public sector:</p> <p>We comply with the Company Act, the Securities and Exchange Act, the Business Entity Accounting Act, the Political Donations Act, the Anti-Corruption Act, the Government Procurement Act, the Act on Recusal of Public Servants Due to Conflicts of Interest, and other laws and regulations on taxation, to duly implement ethical management.</p> <p>Responsibilities for honest transactions to suppliers and clients:</p> <p>We have drawn up the Supplier Sustainability Declaration, the Warranty for Non-Use of Hazardous Substances, and the Conflict Mineral Policy Statement, to clearly require our suppliers and contractors to cooperate with the Company in implementing our sustainable development policy and commitment and environment, safety, and health policy. If a supplier/contractor violates any policy, which has caused a significant impact on the environment and society, we may terminate the partnership with the supplier/contractor at any time. They should also cooperate with the Company in conducting relevant inspections, regular inspections, and audits and are not allowed to, directly or indirectly, offer the Company's employees rebates, commissions, improper gifts, rewards, etc, which may undermine our ethical management.</p> <p>(II) Responsibilities for ethical management to our shareholders:</p> <p>We treat our shareholders sincerely and faithfully. In addition to respecting their opinions, complaints, and formal resolutions, we disclose correct information in real time to safeguard their rights and interest.</p> <p>(III) To prevent directors, managers or employees from taking any actions in violation of good faith:</p> <p>We have formulated the "Ethical Corporate Management Best Practice Principles", the "Code of Ethical Conduct, the Insider Trading Prevention Management Procedures", the "Procedures for Handling Material Inside Information", "Corporate Governance Best Practice Principles" and established various internal control and internal audit systems. The internal auditors regularly audit such systems and then</p>				

Item	Operations			Deviation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the reasons therefor
	Yes	No	Brief description	
			prepare audit reports and submit them to the Board of Directors, while regularly evaluating employees' morality and ethics, performing duties faithfully for directors, supervisors, managers, or employees from time to time, and raising their awareness of laws and regulations to prevent them from acting in their own interest or that of a third party in violation of laws or in any way that would harm the Company's assets, or engaging in insider trading with important information they learn from work.	
(IV)			To enable new employees to understand the Company's determination to operate in good faith, ethical management policies, prevention programs, and the consequences of unethical conduct, they must pass the Company's pre-employment training test.	

(IX) If the company has formulated the corporate governance best practice principles or relevant regulations, it shall disclose where to access it:

1. Corporate governance best practice principles or relevant regulations:
In accordance with the relevant regulations formulated by the Financial Supervisory Commission (FSC), we have formulated: (1) Internal Control System Manual, (2) Procedures for Asset Acquisition and Disposal, (3) Operating Procedures for Endorsements and Guarantees, (4) Operating Procedures for Loaning of Funds to Others, (5) Corporate Governance Best Practice Principles, (6) Ethical Corporate Management Best Practice Principles, (7) Code of Ethical Conduct and Rules of the Procedure for Board of Directors Meetings, (8) Rules of Procedure for Shareholders' Meetings, (9) Rules of Election of Directors, (10) Remuneration Committee Charter, (11)) Organizational Regulations of the Audit Committee, (12) Insider Trading Prevention Management Procedures, (13) Procedures for Handling Material Inside Information, (14) Related-Party Transaction Management Regulations, (15) Level-by-Level Delegation Regulations and Level-by-Level Delegation Table, (16) Subsidiary Monitoring and Management Procedures, (17) Rules of the Performance Evaluation of the Board of Directors, (18) Standard Operating Procedures for Handling Directors' Requests, (19) Risk Management Committee Charter, (20) Risk Management Policies and Procedures, and (21) Sustainable Development Best Practice Principles.
2. They are available on:
 - (1) Rules and Regulations on Formulation of Corporate Governance Principles under Corporate Governance on the MOPS (<http://mops.twse.com.tw/mops/web/index>) for the public to download.
 - (2) The Articles of Incorporation and Important Internal Regulations under Corporate Governance under the Investor section on the Company's website (<https://www.e-ttmc.com.tw/chinese/index.html>) for the public to download.

(X) Other important information that may facilitate the understanding of the operation of corporate governance:

See "Implementation of Corporate Governance on Page 32".

See "Implementation of Ethical Management on Page 65" of this annual report and "Corporate Governance and Implementation" and "Ethical Management" under the Investor section on the Company's website (<https://www.e-ttmc.com.tw/chinese/index.html>).

(XI) Matters that shall be disclosed regarding the implementation of the internal control system:

1. The Statement of the Internal Control System is available on Page 70 of this annual report.
2. For those who appointed a CPA to review the internal control system, the CPA's review report shall be disclosed: None.

ThinTech Materials Technology Co., Ltd.
Statement of the Internal Control System

Date: February 21, 2023

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

- I. The Company is clearly aware that the establishment, implementation, and maintenance of an internal control system is the responsibility of the Company's Board of Directors and managers, and the Company has established such a system. It aims to provide reasonable assurance for the achievement of the objectives, namely the effectiveness and efficiency of operations (including profitability, performance, and asset security protection), the reliability, timeliness, and transparency of financial reporting, and compliance with applicable laws and regulations.
- II. Some limitations are inherent in all internal control systems. No matter how perfect the design is, an effective internal control system can only provide a reasonable assurance regarding the achievement of the above three intended objectives; moreover, due to changes in the environment and circumstances, the effectiveness of the internal control system may change accordingly. However, the Company's internal control system is equipped with a self-monitoring mechanism. Once a defect is identified, the Company will take action to rectify it.
- III. The Company judges whether the design and implementation of the internal control system is effective based on the criteria for judging the effectiveness of the internal control system set out in the Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter referred to as the "Regulations"). Said criteria under the Regulations are divided into five constituent elements as per the management and control process: 1. control environment, 2. risk assessment, 3. control activities, 4. information and communication, and 5. monitoring activities. Each constituent element includes several items. For said items, please refer to the Regulations.
- IV. The Company has adopted the aforesaid judgment criteria for the internal control system to determine whether the design and implementation of the internal control system are effective.
- V. Based on the results of the assessment in the preceding paragraph, the Company is of the opinion that, as of December 31, 2022 ^{Note 1}, the internal control system (including the supervision and management of its subsidiaries), including the understanding the effectiveness of operations and the extent to which efficiency targets are achieved, reliable, timely, and transparent reporting, and compliance with applicable rules and applicable laws and regulations, is effective and can reasonably assure the achievement of the foregoing objectives.
- VI. This statement will form the main content of the Company's annual report and prospectus and will be made public. If the disclosed content above is false or there is material information concealed deliberately or otherwise, the Company will be legally liable pursuant to Articles 20, 32, 171, and 174 of the Securities and

Exchange Act.

- VII. This statement has been approved by the Company's Board of Directors on February 21, 2023. Among the seven directors present, none of them expressed objections. All the others agreed with the content of this statement. Therefore, this statement is hereby declared.

ThinTech Materials Technology Co., Ltd.

Chairman:

Huang, Chung-Chia



President:

Pan, Yeong-Tsuen



Note 1: The date of issuing the statement is the end date of the fiscal year.

Note 2: The Company has not entrusted CPAs to review our internal control system; therefore, there is no CPA review report

- (XII) Any legal penalty against the company and its internal personnel, any disciplinary penalty by the company against its internal personnel for violation of the internal control system, the main defects, and the improvement made during the most recent year and up to the publication date of this annual report: None.
- (XIII) Important resolutions by the shareholders' meeting and the Board of Directors in the most recent year and up to the publication date of this annual report:

1. Shareholders' Meeting

2022 General Shareholders' Meeting

June 15, 2022

The electronic voting of the 2022 shareholders' meeting of the Company accounted for 50.26% of the total voting rights of the issued shares, and the attendance rate was 58.58%. All proposals were voted on a case-by-case basis.

No.	Proposal	Voting	Voting results						Subsequent implementation
			Voting method/ Name of director and supervisor	Number of votes for/ votes won	Number of votes against	Number of invalid votes	Number of abstentions/ votes uncast	Number of votes represented by shareholders present	
1	Earnings distribution/ Earnings distribution/Deficit compensation	Passed	Passed by vote	42,964,356 (99.78%)	57,309 (0.13%)	0 (0.00%)	36,202 (0.08%)	43,057,867 (100.00%)	According to regulations, the Regular Shareholders' Meeting announced on June 15, 2022, and approved the distribution of cash dividends of the Company's earnings for the year 2021 (with a cash dividend of NTS 0.9 per share), and authorized the Chairman to set an ex-dividend record date and the payout date, and to decide on other relevant matters. The ex dividend record date for the Company's 2022 dividend was August 28, 2022, and the earnings were fully distributed on September 6, 2022 in accordance with the resolution of the shareholders' meeting.
2	Proposal of amendment to the Articles of Incorporation	Passed	Passed by vote	42,944,356 (99.73%)	76,309 (0.17%)	0 (0.00%)	37,202 (0.08%)	43,057,867 (100.00%)	According to regulations, the Regular Shareholders' Meeting announced the approval of the voting on June 15, 2022, which was uploaded to the Market Observation Post System and the Company's website on June 23, 2022 within 20 days after the meeting, and sent to Taipei Exchange by letter. According to regulations, an application for change of registration was submitted to the Ministry of Economic Affairs on June 23, 2022 within 15 days, and the change was approved on July 19, 2022.
3	A business report and financial statements	Passed	Passed by vote	42,945,356 (99.73%)	76,309 (0.17%)	0 (0.00%)	36,202 (0.08%)	43,057,867 (100.00%)	
4	Proposal of Amendments to the "Procedures for Asset Acquisition and Disposal" of the Company	Passed	Passed by vote	42,944,356 (99.73%)	76,309 (0.17%)	0 (0.00%)	37,202 (0.08%)	43,057,867 (100.00%)	According to regulations, the Regular Shareholders' Meeting announced the approval of the voting on June 15, 2022, which was uploaded to the Market Observation Post System and the Company's website on June 23, 2022 within 20 days after the meeting, and sent to Taipei Exchange by letter.
5	The proposal to amend the Company's Rules of Procedure for Shareholders' Meetings	Passed	Passed by vote	42,937,356 (99.72%)	76,309 (0.17%)	0 (0.00%)	44,202 (0.10%)	43,057,867 (100.00%)	

2. Board of Directors

Board of Directors Date/Session	Content of proposal	Board of Directors Resolution results
2022.02.18 8th term 9th meeting of the 8th term	Proposal 1 in the discussions: The Company's 2021 business report and financial statements.	Passed by all directors present.
	Proposal 2 in the discussions: The Company's 2021 directors' remuneration and employee remuneration distribution proposal.	Passed by all directors present.
	Proposal 3 in the discussions: The Company's 2021 earnings distribution proposal.	Passed by all directors present.
	Proposal 4 in the discussions: The proposal of the Company's 2021 Report on Self-inspection of the Internal Control System (including the Statement of Internal Control System) was submitted.	Passed by all directors present.
	Proposal 5 in the discussions: The proposal to adjust the Chairman's and the President's salaries.	After Chairman Huang, Chung-Chia and President Pan, Yeong-Tsuen were recused from the meeting, the proposal was approved by all the directors present.
	Proposal 6 in the discussions: The proposal to amend the Articles of Incorporation.	Passed by all directors present.
	Proposal 7 in the discussions: The proposal to amend the Procedures for Asset Acquisition and Disposal.	Passed by all directors present.
	Proposal 8 in the discussions: The proposal to amend the Company's Corporate Governance Best Practice Principles.	Passed by all directors present.
	Proposal 9 in the discussions: The proposal to set the date, time, and place of the 2022 Regular Shareholders' Meeting, decide on period and location of proposal acceptance, and set out an agenda.	Passed by all directors present.
2022.04.27 8th term 10th meeting of the 8th term	Proposal 1 in the discussions: The Company's 2022 Q1 Consolidated Financial Statements.	Passed by all directors present.
	Proposal 2 in the discussions: The proposal to amend the Procedures for Asset Acquisition and Disposal.	Passed by all directors present.
	Proposal 3 in the discussions: The proposal to amend the Company's Rules of Procedure for Shareholders' Meetings.	Passed by all directors present.
	Proposal 4 in the discussions: The proposal to amend the Sustainable Development Best Practice Principles.	Passed by all directors present.
	Proposal 5 in the discussions: The proposal to amend the Procurement and Payment Cycle Internal Control System.	Passed by all directors present.
	Proposal 6 in the discussions: The proposal to add new proposals to the 2022 general shareholders' meeting agenda.	Passed by all directors present.
2022.07.01 8th term 11th meeting of the 8th term	Proposal 1 in the discussions: The proposal of the Company's capital expenditure for the procurement of production equipment was submitted.	Passed by all directors present.
	Proposal 2 in the discussions: The proposal of submitting the Company's greenhouse gas inventory and verification schedule planning.	Passed by all directors present.
2022.07.27 8th term 12th meeting of the 8th term	Proposal 1 in the discussions: The proposal of the Company's 2022 Q2 Consolidated Financial Statements.	Passed by all directors present.
	Proposal 2 in the discussions: The proposal to increase the short-term credit limits during 2022.	Passed by all directors present.
	Proposal 3 in the discussions: The report on the proposal to lend funds to investees and determine the amounts.	Passed by all directors present.
	Proposal 4 in the discussions: The proposal to determine the amounts of endorsements/guarantees provided to investees.	Passed by all directors present.

Board of Directors Date/Session	Content of proposal	Board of Directors Resolution results
	Proposal 5 in the discussions: The proposal of revising the “Organizational Regulations of Remuneration Committee” of the Company.	Passed by all directors present.
2022.10.26 8th term 13th meeting of the 8th term	Proposal 1 in the discussions: The Company's 2022 Q3 Consolidated Financial Statements.	Passed by all directors present.
	Proposal 2 in the discussions: The Company's 2023 budget plan.	Passed by all directors present.
	Proposal 3 in the discussions: The Company's 2023 Annual Audit Plan.	Passed by all directors present.
	Proposal 4 in the discussions: The proposal to increase the short-term credit limit from The Shanghai Commercial & Savings Bank during 2022.	Passed by all directors present.
	Proposal 5 in the discussions: The proposal to apply for short-term credit limits during 2023.	Passed by all directors present.
	Proposal 6 in the discussions: The proposal to adjust the workers' (including Vice President) salaries.	Passed by all directors present after Vice Presidents Lin, Ching-Fu and Lin, Ching-Chun recused themselves from the meeting.
	Proposal 7 in the discussions: The proposal to lend funds to investees and determine the amounts.	Passed by all directors present.
	Proposal 8 in the discussions: The proposal to assess the independence of CPAs.	Passed by all directors present.
	Proposal 9 in the discussions: The Company and Deloitte & Touche agreed on an annual audit fee of NT\$3.58 million (excluding cushion fees) for the period from 2023 to 2027.	Passed by all directors present.
	Proposal 10 in the discussions: The proposal to amend the Internal Important Information Processing Procedures.	Passed by all directors present.
	Proposal 11 in the discussions: The proposal to amend the Company's Rules of the Performance Evaluation of the Board of Directors.	Passed by all directors present.
	Proposal 12 in the discussions: The proposal to amend the Production and Cost Cycle Internal Control System.	Passed by all directors present.
2022.12.08 8th term 14th meeting of the 8th term	Proposal 1 in the discussions: The Company proposed to handle the third domestic secured convertible corporate bonds B case.	Passed by all directors present.
	Proposal 2 in the discussions: The Company proposed to apply to Bank SinoPac Company Limited for a bank guarantee for the issuance of the third domestic secured convertible corporate bonds.	Passed by all directors present.
	Proposal 3 in the discussions: The proposal to increase the credit limit from Bank SinoPac during 2022.	Passed by all directors present.
	Proposal 4 in the discussions: The proposal to amend the Insider Trading Prevention Processing Procedures.	Passed by all directors present.
	Proposal 5 in the discussions: The proposal to amend the Company's Rules of Procedure for Board of Directors' Meetings.	Passed by all directors present.

(XIV) During the most recent year and up to the date publication of this annual report, if the directors had different opinions on important resolutions approved by the Board of Directors with records or written statements, the main content of the opinions: None.

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

March 31, 2023

Job title	Name	Date of taking office	Date of dismissal	Reason for resignation or dismissal
N/A	N/A	N/A	N/A	N/A

IV. CPA's information on the Company's public expense

(I) The amounts of audit fees and non-audit public fees paid to the CPAs, their accounting firms, and affiliates thereof, and the content of non-audit services:

Unit: NT\$ thousands

Accounting firm	Name of CPA	Audit period	Audit fees	Non-audit fees	Total	Remarks
Deloitte & Touche	Wang, Chao-Chun	2022.01.01~2022.12.31	2,942	1. NT\$ 40 thousand for the public expense of business registration. 2. NT\$ 50 thousand for the public expense of human resources. 3. NT\$ 320 thousand for the public expense of transfer pricing service. 4. NT\$ 330 thousand for tax compliance audit.	3,682	
	Liu, Yu-Hsiang					

Notes: Non-audit service content: (such as tax compliance audit, assurance, or other financial advisory services)

- (II) If the CPA firm is replaced and the audit fees paid during the year in which the replacement occurs are less than those paid in the prior year, the amount of the decrease in the audit fees and the reason thereof shall be disclosed: N/A.
- (III) When the audit fees paid for the current year are lower than those paid for the prior year by 10% or higher, the amount and percentage of the decrease and thereof shall be disclosed: N/A.

V. Information on replacement of CPAs :

(I) The former CPAs:

Date of replacement	February 21, 2023 (approved by the Board of Directors)		
Reason for replacement	The Company has cooperated with the internal transfer of Deloitte Taiwan, which was originally certified by CPAs Wang, Chao-Chun and Liu, Yu-Hsiang. Starting from the first quarter of 2023, these personnel have been replaced by CPAs Wang, Chao-Chun and Kuo, Li-Yuan.		
Client's termination of or CPA's refusal to the appointment	<div>Parties involved</div> <div>Situation</div>		CPA
	Termination of the appointment		N/A
	Refusal to the (continuous) appointment		
The opinion of the audit report other than the unqualified opinion issued within the latest two years and the reasons	N/A		
Different opinions with the issuer	Yes		Accounting principles or practices
			Disclosures in financial reports
			Audit scope or steps
			Others
	None	v	
	Description: Not applicable		
Other matters to be disclosed (matters that should be disclosed under Article 10, subparagraph 6, items 1-4 to 1- 7)	None		

(II) About the successors

Accounting firm	Deloitte & Touche
Name of CPA	CPAs Wang, Chao-Chun and Kuo, Li-Yuan
Date of appointment	February 21, 2023 (approved by the Board of Directors)
Consultation regarding accounting treatment methods or accounting principles for specific transactions and possible opinions issued for financial statements and results before appointment	N/A
Successors' different written opinions from the predecessors'	N/A

(III) Reply from the former CPAs to the matters under Article 10, subparagraph 6, items 1 and 2-3 of the Regulations: N/A

VI. The Chairman, President, Chief Financial Officer, or Chief Accounting Officer, who has been employed by the CPA firm or its affiliates in the most recent year: None.

VII. The changes in the transfer or pledge of equity shares by directors, managers, or shareholders holding more than 10% of the shares issued by the Company in the most recent year and up to the publication date of this annual report:

(I) Movements in shareholdings of directors, supervisors, managers, and major shareholders:

Job title	Name	Year 2022		As of March 31, 2023	
		Increase (decrease) in number of shares held	Increase (decrease) in the number of shares pledged	Increase (decrease) in number of shares held	Increase (decrease) in the number of shares pledged
Chairman	Gains Investment Corp. Representative: Huang, Chung-Chia	None	None	None	None
Director	Gains Investment Corp. Representative: Huang, Pai-Chien	None	None	None	None
Director	United Renewable Energy Co., Ltd. Representative: Pan, Lei-Lei	None	7,000,000	None	None
Director	Ever Wealthy International Corporation Representative: Fang, Ming-Dar	None	None	None	None
Independent Director	Tsai, Ming-Chi	None	None	None	None
Independent Director	Liang, Su-Mei	None	None	None	None
Independent Director	Fang, Chen-Hua	None	None	None	None
President	Pan, Yeong-Tsuen	None	None	None	None
Vice President	Lin, Ching-Fu	None	None	None	None
Vice President	Lin, Ching-Chun	None	None	None	None
Chief of the Production Plant (Note)	Huang, Jung-Chang	None	None	None	None
	Huang, Chuan-Tung	None	None	None	None
Deputy Chief of the Production Plant	Kuo, Shu-Kai	None	None	None	None
Department Head	Lin, Yu-Chuan	None	None	None	None
Department Head	Juan, Wei	None	None	None	None
Deputy Department Head	Ling, Yung-Fu	None	None	None	None
Department Head	Kuan, Chi-Yun	None	None	None	None
Deputy Department Head	Chang, Chia-Wen	None	None	None	None
Auditor	Liu, Cheng-Yen	None	None	None	None

Note: The Chief of the Production Plant Huang, Jung-Chang was transferred to the President's Office on January 1, 2022, and Deputy Chief Kuo, Shu-Kai was appointed to act as the acting Chief of the Production Plant on the same day; on February 1, 2022 Huang, Jung-Chang returned to serve as the Chief of the Production Plant, and the decision to appoint Deputy Chief Kuo, Shu-Kai to act as the acting Chief of the Production Plant was canceled.

(II) The counterparty to which the equity is transferred by directors, managers, or major shareholders: N/A.

(III) The counterparty to which the equity is pledged by directors, managers, or major shareholders: N/A.

VIII. Information on the top ten shareholders and their relationship with each other:

December 31, 2022; unit: shares

Name	Shareholding of the individual	Shareholding of spouse or minor children	Combined shareholding by nominee arrangement	Information on the relations among the top 10 shareholders if anyone is a related party, a spouse, or a relative within second degree of kinship of another and their names	Remarks
	Number of shares/Shareholding	Number of shares/Shareholding	Number of shares/Shareholding	Name/Relations	
Gains Investment Corp. Representative: Huang, Pai-Chien	23,423,016 31.86%	None	None	Ever Wealthy International Corporation/ Affiliates	None
United Renewable Energy Co., Ltd. representative: Hung, Chuan-Hsien	7,000,000 9.52%	None	None	None	None
Ever Wealthy International Corporation Representative: Fang, Ming-Dar	6,119,748 8.32%	None	None	Gains Investment Corp./ Affiliates	None
Lin, Kao-Huang	4,500,000 6.12%	None	None	None	None
Lin, Ming-Hsin	1,496,000 2.03%	None	None	None	None
Wu, Hsi-Kun	830,000 1.12%	None	None	None	None
Wang, Kuan-Ling	718,000 0.97%	None	None	None	None
Chiang, Chien-Hsien	475,000 0.64%	None	None	None	None
Chang, Yueh-Chin	470,000 0.63%	None	None	None	None
Huayingtung Investment Co., Ltd.	456,000 0.62%	None	None	None	None

IX. The total number of shares held and the consolidated shareholdings in any single investee by the Company, its directors, managers, or any companies controlled either directly or indirectly by the Company:

March 31, 2023; unit: shares

Investee	Investment by the Company		Investment by directors, managers, or any companies controlled either directly or indirectly by the Company		Combined investment	
	Number of shares	Shareholding	Number of shares	Shareholding	Number of shares	Shareholding
Thintech Global Limited	6,800,000	100%	None	None	6,800,000	100%
Taicang ThinTech Material Co., Ltd. (Note)	6,800,000	100%	None	None	6,800,000	100%

Note: It is an indirect reinvestment through Thintech Global Limited.

Four. Capital and Shares

I. Capital and shares

(I) Formation of share capital and types of shares:

1. The formation of share capital:

Unit: In thousands of shares/NT\$ thousands

Year/Month	Issue price (NT\$)	Authorized capital		Paid-in capital		Remarks		
		Number of shares	Amount	Number of shares	Amount	Source of share capital	Capital increased by assets other than cash	Others
2000.03	10	400	4,000	400	4,000	Capital incorporation upon	None	Per Letter Kao-Shih-Chien-She-II No. 08915175702 dated 2000.03.29
2000.05	10	5,000	50,000	5,000	50,000	Cash capital increase by NT\$46,000 thousand	None	Per Letter Kao-Shih-Chien-She-II No. 08915834502 dated 2000.06.19
2001.03	12	20,000	200,000	8,830	88,304	Cash capital increase by NT\$38,304 thousand	None	Per Letter Kao-Shih-Chien-She-II No. 09005639200 dated 2001.03.22
2003.03	15	20,000	200,000	16,330	163,304	Cash capital increase by NT\$75,000 thousand	None	Per Letter Jing-Shou-Shang No. 09201084450 dated 2003.03.24
2003.08	10	20,000	200,000	17,704	177,042	1. Capitalization of employee bonus to increase the capital by NT\$674 thousand 2. Capitalization of the capital surplus to increase the capital by NT\$401 thousand 3. Capitalization of the earnings to increase the capital by NT\$12,663 thousand	None	Per Letter Kao-Shih-Fu-Chien-II-Gong No. 09205878380 dated 2003.09.12
2004.03	15	20,000	200,000	18,204	182,042	Cash capital increase by NT\$5,000 thousand	None	Per Letter Kao-Shih-Fu-Chien-II-Gong No. 09300783290 dated 2004.03.29
2004.06	10	35,000	350,000	25,873	258,732	1. Capitalization of employee bonus to increase the capital by NT\$3,873 thousand 2. Capitalization of the earnings to increase the capital by NT\$72,817 thousand	None	Per Letter Kao-Shih-Fu-Chien-II-Gong No. 09300867860 dated 2004.06.18
2004.10	20	35,000	350,000	30,873	308,732	Cash capital increase by NT\$50,000 thousand	None	Per Letter Kao-Shih-Fu-Chien-II-Gong No. 09301048060 dated 2004.11.17
2005.06	10	35,000	350,000	32,745	327,453	1. Capitalization of employee bonus to increase the capital by NT\$3,284 thousand 2. Capitalization of the earnings	None	Per Letter Kao-Shih-Fu-Chien-II-Gong No. 09400519340 dated 2005.07.14

Year/Month	Issue price (NT\$)	Authorized capital		Paid-in capital		Remarks		
		Number of shares	Amount	Number of shares	Amount	Source of share capital	Capital increased by assets other than cash	Others
						to increase the capital by NT\$15,437 thousand		
2006.07	10	35,000	350,000	34,901	349,016	1. Capitalization of employee bonus to increase the capital by NT\$1,916 thousand 2. Capitalization of the earnings to increase the capital by NT\$19,647 thousand	None	Per Letter Kao-Shih-Fu-Chien-II-Gong No. 09500629150 dated 2006.08.02
2007.06	10	70,000	700,000	40,406	404,060	1. Capitalization of employee bonus to increase the capital by NT\$2,692 thousand 2. Capitalization of the earnings to increase the capital by NT\$52,352 thousand	None	Per Letter Jing-Shou-Chung No. 09632394930 dated 2007.07.12
2008.07	10	70,000	700,000	43,115	431,145	1. Capitalization of employee bonus to increase the capital by NT\$2,842 thousand 2. Capitalization of the earnings to increase the capital by NT\$24,243 thousand	None	Per Letter Jing-Shou-Chung No. 09732696670 dated 2008.07.24
2009.08	10	100,000	1,000,000	45,495	454,950	1. Capitalization of employee bonus to increase the capital by NT\$2,247 thousand 2. Capitalization of the earnings to increase the capital by NT\$21,557 thousand	None	Per Letter Jing-Shou-Chung No. 09832892540 dated 2009.08.19
2010.05	16	100,000	1,000,000	52,495	524,950	Private placement to increase the capital by NT\$70,000 thousand	None	Per Letter Jing-Shou-Shang No. 09901131460 dated 2010.06.24
2010.08	10	100,000	1,000,000	53,970	539,696	1. Capitalization of employee bonus to increase the capital by NT\$1,097 thousand 2. Capitalization of the earnings to increase the capital by NT\$13,649 thousand	None	Per Letter Jing-Shou-Shang No. 09901187200 dated 2010.08.18

Year/Month	Issue price (NT\$)	Authorized capital		Paid-in capital		Remarks		
		Number of shares	Amount	Number of shares	Amount	Source of share capital	Capital increased by assets other than cash	Others
2011.01	15.41	100,000	1,000,000	55,847	558,466	Execution of employee share options to issue shares in the amount of NT\$18,770	None	Per Letter Jing-Shou-Shang No. 10001013490 dated 2011.01.27
2011.09	10	100,000	1,000,000	58,639	586,389	Capitalization of the earnings to increase the capital by NT\$27,923 thousand	None	Per Letter Jing-Shou-Shang No. 10001210410 dated 2011.09.08
2011.10	35.7	100,000	1,000,000	65,639	656,389	Private placement to increase the capital by NT\$70,000 thousand	None	Per Letter Jing-Shou-Shang No. 10001247690 dated 2011.10.27
2012.11	21	100,000	1,000,000	70,724	707,239	Cash capital increase by NT\$50,850 thousand	None	Per Letter Jing-Shou-Shang No. 10101250590 dated 2012.12.06
2014.01	10	100,000	1,000,000	72,038	720,384	Conversion of convertible corporate bonds into common stock in the amount of NT\$13,145 thousand	None	Per Letter Jing-Shou-Shang No. 10301007480 dated 2014.01.15
2014.04	10	100,000	1,000,000	73,446	734,456	Conversion of convertible corporate bonds into common stock in the amount of NT\$14,072 thousand	None	Per Letter Jing-Shou-Shang No. 10301070380 dated 2014.04.18
2014.08	10	100,000	1,000,000	73,498	734,980	Conversion of convertible corporate bonds into common stock in the amount of NT\$524 thousand	None	Per Letter Jing-Shou-Shang No. 10301179310 dated 2014.08.25

2. Types of shares:

December 31, 2023; unit: shares

Type of shares	Authorized capital			Remarks
	Number of shares issued	Number of shares unissued	Total	
Registered common stock	58,956,961	41,043,039	100,000,000	Stocks of the Company listed on Taipei Exchange

Note: As of the publication date of this annual report, the issued shares did not include 14,541,096 shares privately offered.

(II) Shareholder structure

August 28, 2022

Shareholder structure	Government agencies	Financial institutions	Other juridical persons	Natural persons	Foreign institutions and individuals (Note 1)	Total (Note 2)
Number						
Number of people	None	None	18	4,992	14	5,024
Number of shares held (share)	None	None	36,961,356	35,659,701	877,000	73,498,057
Shareholding (%)	None	None	50.28%	48.53%	1.19%	100%

Note 1: No shares were held by investors from China.

Note 2: Including shares among 14,541,096 shares privately offered which have not yet been publicly offered retroactively, which were converted into ordinary shares, while the registration of the capital change has not yet been completed.

(III) Equity dispersion:

The Company does not have any preferred shares. The dispersion of ordinary shares is hereby listed as follows:

December 31, 2022			
Shareholding range	Number of shareholders	Number of shares held (share)	Shareholding (%)
1 to 999	557	88,676	0.12
1,000 to 5,000	3,244	6,388,718	8.69
5,001 to 10,000	412	3,281,275	4.46
10,001 to 15,000	136	1,723,785	2.34
15,001 to 20,000	78	1,447,145	1.96
20,001 to 30,000	74	1,848,846	2.51
30,001 to 40,000	26	908,640	1.23
40,001 to 50,000	12	550,094	0.74
50,001 to 100,000	31	2,261,142	3.07
100,001 to 200,000	19	2,544,073	3.46
200,001 to 400,000	22	6,112,843	8.31
400,001 to 600,000	5	2,256,056	3.06
600,001 to 800,000	1	718,000	0.97
800,001 to 1,000,000	1	830,000	1.12
1,000,001 or more	5	42,538,764	57.87
Total	4,623	73,498,057	100.00

(IV) Major shareholders:

December 31, 2022		
Shares/Name of major shareholder	Number of shares held (share)	Shareholding (%)
Gains Investment Corp.	23,423,016	31.86
United Renewable Energy Co., Ltd.	7,000,000	9.52
Ever Wealthy International Corporation	6,119,748	8.32
Lin, Kao-Huang	4,500,000	6.12
Lin, Ming-Hsin	1,496,000	2.03
Wu, Hsi-Kun	830,000	1.12
Wang, Kuan-Ling	718,000	0.97
Chiang, Chien-Hsien	475,000	0.64
Chang, Yueh-Chin	470,000	0.63
Huayingtung Investment Co., Ltd.	456,000	0.62

(V) Market price per share, net asset value, earnings, dividends, and relevant information in the most recent two years:

Unit: NT\$

Item \ Year		2021	2022	As of March 31, 2023 (Note 5)
Market price per share	Highest	53.20	36.30	36.60
	Lowest	17.55	23.30	27.35
	Average	40.91	32.25	32.75
Net asst value per share	Before distribution	15.94	16.25	N/A
	After distribution (Note 1)	15.04	Note 6	N/A
Earnings per share	Weighted average number of shares (in thousands o shares)	73,498	73,498	73,498
	Earnings Per Share	0.96	1.12	N/A
Dividend per share	Cash dividend	0.90	1.00	N/A
	Stock dividend	Dividend from earnings	0	
		Dividend from capital surplus	0	
	Cumulative unpaid dividends		0	
Return on investment	Price to earnings ratio (Note 2)	42.61	28.79	N/A
	Price to dividend ratio (Note 3)	45.46	Note 6	
	Cash dividend yield (Note 4)	2.20	Note 6	

Note 1: Fill in the distribution details approved by the resolution of the shareholders' meeting in the following year.

Note 2: Price to earnings ratio = Average closing price per share for the year/earnings per share. When the net income after tax per share is 0 or a negative value, it will not be calculated.

Note 3: Price to dividend ratio = Average closing price per share for the year/cash dividend per share.

Note 4: Cash dividend yield = Case dividend per share/average closing price per share for the year.

Note 5: The net asst value per share and earnings per share audited (reviewed) by the CPAs up to the most recent quarter prior to the publication date of this annual report shall be entered; the information for other fields up to the year, in which this annual report is published, shall be entered.

Note 6: Not yet approved through resolution of shareholders' meeting

(VI) Dividend policy and implementation:

1. Dividend policy

As per Article 28 of the Articles of Incorporation, "If the Company makes a profit for a year, it shall allocate no less than 0.1% as employee remuneration and no more than 0.1% as directors' remuneration; the recipients of employee remuneration include employees at subsidiaries who meet certain criteria. However, profits must first be used to offset a cumulative deficit before amounts of employee remuneration and directors' remuneration are set aside at the above percentages." The employee remuneration and directors' remuneration distribution proposal shall be submitted to the Board of Directors for resolution and reported to the shareholders' meeting.

As per Article 28-1 of the Articles of Incorporation, where the Company makes a profit for a fiscal year, the profit shall be first used for paying the tax in accordance with the laws and regulations, offsetting the cumulative deficit, setting aside 10% of the remaining profit as a legal reserve, unless it has reached the total amount of the Company's paid-in capital, setting aside an amount for or reversing a special reserve in accordance with the laws and regulations; and then any remaining profit, together with any undistributed retained earnings from the prior period, shall be adopted by the Company's Board of Directors as the basis for making a distribution proposal, which shall then be submitted to the shareholders' meeting for a resolution.

The industry, in which Company is in, is still growing. We must take into account the current and future operating conditions and focus on the stability of dividends when drawing up a dividend policy. When the Company has cumulative distributable earnings, the amount to be distributed shall not be less than 50%, of which the cash dividends to be distributed shall not be less than 50% of the total amount to be distributed.

2. The dividend distribution proposed at the shareholders' meeting:

(1) The Company's 2022 earnings distribution is in accordance with Article 28-1 of the Company's Articles of Incorporation as shown in the table below.

(2) It is proposed to set aside NT\$73,498,057 from the distributable earnings. With 73,498,057 shares issued so far, we plan to pay out a cash dividend of NT\$1 per ordinary share.

(3) When cash dividends are paid out, the total amount of dividends to be paid out is rounded up to NT\$1. We will make up for any difference from the account of company expense. After it is approved by the 2023 annual general meeting, the Chairman is delegated to set the ex-dividend record date and the payout date and decide on other relevant matters.

(4) Regarding all matters concerning the cash payout proposal, if the number of issued shares on the ex-dividend record date is changed due to laws and regulations, needs, approval by the competent authority, or changes in share capital, resulting in a change of the payout ratio, it is proposed to request the general shareholders' meeting to delegate the Chairman to make adjustments accordingly.

ThinTech Materials Technology Co., Ltd.

Statement of Earnings Distribution 2022

Unit: NT\$

Item	Amount
Undistributed earnings at the beginning of the period	10,861,358
Add: Re-measurement of defined benefit plans included in retained earnings	2,834,558
Less: Realized gains or losses on disposal of financial assets	(75,524)
Less: Cumulative gain and loss - remeasurement of defined benefit plans using the equity method	(1,067)
Add: Net income after tax for the year	82,002,976
10% set aside for a legal reserve	(8,476,094)
Special reserve reversed as per law	3,660,582
Distributable earnings for this period	90,806,789
Distribution:	
Shareholder dividends - cash dividends (NT\$1/share)	(73,498,057)
Undistributed earnings at the end of the period	17,308,732
Note: The Company gave priority to the 2022 earnings for distribution.	

Chairman:



President:



Chief Accounting Officer:



(VII) Employee remuneration and directors' remuneration:

1. The percentages of the balance or scope of employee remuneration and directors' remuneration as stated in the Articles of Incorporation:

Pursuant to Article 21 of the Articles of Incorporation, directors may be paid with remuneration in accordance with the general standard, and the remuneration standard is set by the Board of Directors with reference to the standards adopted by competitors or publicly listed companies. Independent directors' remuneration is paid in a fixed manner on a monthly basis, and they do not participate in the Company's earnings distribution. Their remuneration is determined by the Board of Directors with reference to the standards adopted by competitors or publicly listed companies.

As per Article 28 of the Articles of Incorporation, "If the Company makes a profit for a year, it shall allocate no less than 0.1% as employee remuneration and no more than 0.1% as directors' remuneration; the recipients of employee remuneration include employees at subsidiaries who meet certain criteria. However, profits must first be used to offset a cumulative deficit before amounts of employee remuneration and directors' remuneration are set aside at the above percentages."

The employee remuneration and directors' remuneration distribution proposal shall be submitted to the Board of Directors for resolution and reported to the shareholders' meeting.

2. Basis for estimation of employee remuneration and directors' remuneration in this period and accounting treatment if the amount paid out is different from the estimated amount:

We estimate employee remuneration and directors' remuneration as per the Articles of Incorporation. If the shareholders' meeting resolves to pay out employee remuneration in the form of shares, the number of shares to be distributed shall be determined by dividing the amount approved by the fair value of shares, which is determined based on the net asset value in the most recent financial report reviewed by the CPAs.

After the end of the year, if there is a major change in the amount to be paid out as resolved by the Board of Directors, the annual expense will be adjusted. If there is still a change in the amount on the date of the resolution by the shareholders' meeting, it will be treated as a change in the accounting estimate and accounted for in the year, in which the shareholders' meeting resolution is adopted.

3. Information on the proposed employee remuneration and directors' remuneration approved by the Board of Directors:

- (1) Amount of employee remuneration and directors' remuneration to be paid out:

According to resolution of Board of Directors' meeting on February 21, 2023, the Company's 2022 income before tax (before employee remuneration and director remuneration are deducted) is NT\$110,819,366. It is proposed to provide 0.70% of the balance for director remuneration, totaling NT\$771,875, and 5.92% for employee remuneration, totaling NT\$6,560,934; both of which will be paid out in cash.

Unit: NT\$ thousands

Distribution for 2022	Amount (A)	Amount to be distributed by the resolution of the Board of Directors (B)	Difference between the amount distributed and that accounted for (B)-(A)
Directors' remuneration	824	772	(52)
Employee remuneration	7,003	6,561	(442)
Total	7,827	7,333	(494)

Reasons for differences and processing: The above total amount of remuneration decreased by NT\$494 thousand from the estimated amount in the 2022 account. It is adjusted in accordance with the Articles of Incorporation, and the difference is recognized as an adjustment to expenses for 2023.

- (2) The amount of employee remuneration in stock as a percentage of the sum of net income after tax as in the standalone or individual financial statement for this period and the total employee dividends for this period: As mentioned above, we did not plan to distribute employee remuneration in stock, so it is not applicable.

The imputed earnings per share after the proposed amounts of employee remuneration and directors' remuneration were considered: NT\$1.12.

4. The distribution of employee remuneration and directors' remuneration for the prior year:

The shareholders' meeting adopted a resolution to pay directors' remuneration and employee remuneration for 2021. The details are as follows:

Unit: NT\$ thousands

Distribution for 2021	Amount (A)	Amount to be distributed by the resolution of the Board of Directors (B)	Difference between the amount distributed and that accounted for (B)-(A)
Directors' remuneration	608	632	24
Employee	5,169	5,372	203

Distribution for 2021	Amount (A)	Amount to be distributed by the resolution of the Board of Directors (B)	Difference between the amount distributed and that accounted for (B)-(A)
remuneration			
Total	5,777	6,004	227
Reasons for differences and processing: The above total amount of remuneration increased by NT\$227 thousand from the estimated amount in the 2021 account. It is adjusted in accordance with the Articles of Incorporation, and the difference is recognized as an adjustment to expenses for 2022.			

(VIII) The repurchase of the Company's shares: None.

II. Issuance of corporate bonds:

(I) Issuance of the third domestic secured convertible corporate bonds

Type of corporate bond	The third domestic secured convertible corporate bonds	
Date of issuance	March 21, 2023	
Par value	NT\$100,000 per unit	
Place of issuance and trading	N/A	
Issue price	NT\$109.8	
Total amount	NT\$200,000,000	
Interest rate	Coupon rate of 0%	
Period	3 years; maturity date: March 21, 2026	
Guarantee agency	Bank SinoPac	
Trustee	The Shanghai Commercial & Savings Bank, Ltd.	
Underwriter	Fubon Securities Co., Ltd.	
Attorney	Attorney Wu, Hsiao-Wei, G&J International Law Office	
CPA	Deloitte & Touche CPAs Wang, Chao-Chun and Liu, Yu-Hsiang	
Repayment method	Except for the early conversion by bondholders or the early redemption by the Company, the early reverse resale by bondholders, or the redemption by the Company for cancellation, the bonds will be repaid in cash at the par value in a lump sum within ten business days after the maturity date.	
Outstanding principal	NT\$200,000,000	
Redemption or early settlement clause	Please refer to the Company's bond issuance and conversion rules	
Restrictive covenant	None	
Name of credit rating agency, date of credit rating, and corporate bond rating results	None	
Other rights attached	Amount of ordinary shares converted (exchanged or subscribed for), depository receipts, or other securities as of the publication date of the annual report	NT\$0
	Issuance and conversion (exchange or subscription) method	Please refer to the bond issuance information in the credit section on the MOPS
Issuance, conversion, exchange, or subscription method, potential dilution of equity due to issuance conditions, and impact of issuance conditions on existing shareholders' equity		None
Name of the custodian of the bonds		None

(II) Data of convertible corporate bonds

Type of corporate bond		The third domestic secured convertible corporate bonds
Item	Year	As of March 31, 2023 in the current year
Market price of convertible corporate bonds	Maximum	Note
	Minimum	Note
	Average	Note
Conversion price		Note
Issuance (handling) date and conversion price at the time of issue		Issuance date: March 21, 2023 Conversion price at the time of issue: NT\$30.9
Method to fulfill conversion obligation		Issuance of new shares

Note: Converted from June 22, 2023.

III. Issuance of preference shares: None.

IV. Issuance of depository receipts: None.

V. Issuance of employee stock warrants: None.

VI. Issuance of restricted stock awards: None.

VII. Names of the managers who obtained the employee stock warrants, names of the top ten employees with the highest number of shares that can be subscribed for with employee stock warrants, as well as the acquisition and subscription status: None.

VIII. Names of managers who have obtained restricted stock awards and names of top ten employees who have obtained the restricted stock awards, as well as the acquisition status: None.

IX. Issuance of new shares due to M&A or transfer of shares of another company: None.

X. Fund application plan execution: None.

The previous issuances or those that have been completed within the last three years with the benefits of the plans not yet materialized: None.

Five. Overview of Operations

I. Information on business

(I) Scope of business

1. Permitted scope of business

- (1) Aluminum Rolling, Drawing and Extruding.
- (2) Copper Rolling, Drawing and Extruding.
- (3) Other Non-Ferrous Metals (tin, nickel, tungsten, and various forms of silver metal or silver alloy).
- (4) Surface Treatments.
- (5) Mechanical Equipment Manufacturing.
- (6) Electronics Components Manufacturing.
- (7) International Trade.
- (8) Wholesale of Electronic Materials.
- (9) Wholesale of Building Materials.
- (10) Other Chemical Materials Manufacturing.
- (11) Ceramic and Ceramic Products Manufacturing.
- (12) Other Metal Products Manufacturing.
- (13) All business activities that are not prohibited or restricted by law, except those that are subject to special approval.

2. Main products and services:

The Company engages in the processing and sales of a variety of optoelectronic thin film materials, precious metals, and special material parts for optoelectronic equipment. The existing main products include:

(1) Sputtering targets and special alloy products

- A. Targets for flat panel displays (such as high-purity aluminum targets, molybdenum targets, titanium targets, and copper targets).
- B. Targets for photorecording medium (such as silver and silver alloy targets, zinc sulfide targets, and silver-indium-antimony-tellurium targets).
- C. Thin film targets for crystal oscillator/passive components (such as gold targets, silver targets and nickel alloy targets).
- D. Tooling/decoration/functional coating targets (such as aluminum targets, silver targets, copper targets, titanium targets and nickel alloy targets).
- E. Various types of metal targets for semiconductors (such as high purity alloy targets, evaporation materials, consumables and equipment components, etc.).
- F. Special alloys-nickel-based super alloys, biomedical composites, titanium materials and livelihood products

(2) Precious metals: Processing and sales of pure gold and silver.

3. The proportions of the sales of the Company's products:

Unit: NT\$ thousands

Product	2022	
	Sales	Proportion (%)
Sputtering targets and others	1,003,944	39.72
Precious metals	1,523,423	60.28
Total	2,527,367	100.00

4. New products developed

- (1) Sputtering targets and evaporation materials in the semiconductor packaging, wafer thinning and IC manufacturing field.
- (2) Development of third-generation compound semiconductor sputtering aluminum alloy targets.
- (3) Ternary and quaternary alloy record targets and new dielectric targets for optical discs.
- (4) Integration and development of sheet technology for value-added application of economic recycling - high purity aluminum edge waste.
- (5) Nickel-based special alloy products

(II) Overview of the industry and development

We are a professional material company and have become the largest metal targets plant for displays in Taiwan, with a focus more on the development of various materials. The development trends of the flat-panel display and the quartz crystal industries is further specified below :

1. The situation and development trends of the industry

(1) Flat-panel display industry

Due to the impact of the Russo-Ukrainian War, global inflation, and Samsung's first announcement to suspend panel procurement in 2022, the demand in the panel market is sluggish, and it is estimated that

the situation in the panel industry will continue into the first half of 2023, directly affecting the sales of targets, so we must be cautious and conservative in terms of shipments this year; we are now also moving into new areas for our customers.

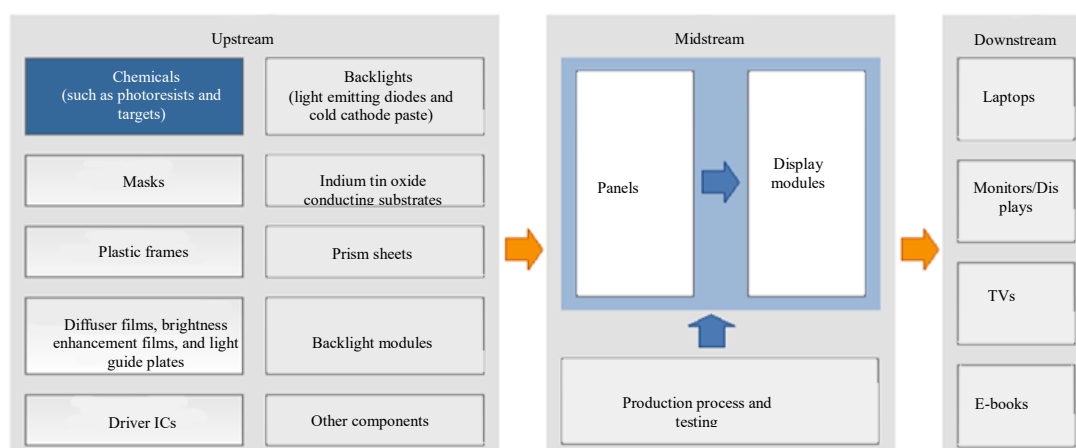
Major panel manufacturers around the world in the LCD panel industry have begun to shift their focus to 8K and micro LED technologies, for example, Innolux Corporation and AUO Corporation have begun to mass-produce 8K panels, while BOE's Hefei 10.5-generation production line and CEC Panda will also be able to mass-produce 8K panels. As for micro LEDs, AUO Corporation has also successfully adopted micro LEDs in the automotive market. Overall, accelerating the upgrade of high-resolution technologies will be the key to the growth of the TV market in the future. International brands continued to enhance their business layout of high-end TV applications, such as 8K displays, micro LEDs, and OLEDs in the future, indicating the constant advancement of the display technologies. As a professional material company, we will advance with the times and catch up with the technology footprint of the display industry to provide materials that satisfy clients' needs to develop and grow together.

(2) Crystal oscillator market:

Crystal oscillators are one of the passive components and are widely adopted, including communications and electronic products; they are extensively and stably applied to automotive electronics. The quantity and output of quartz components in the field of communication and electronic products are growing steadily, and the scales of the markets for laptops, game consoles, and digital TVs, digital cameras are expanding, so the demand for quartz components is also increasing. Thus, the growth potential in the future is enormous.

The automotive electronics market is worth noticing as everything from automotive remote control systems, electronic toll collection systems, tire pressure monitoring systems, airbags, temperature control, to various safety detection devices requires quartz components in varying quantities. With the trend of automotive electronic control, the market is growing rapidly as the largest source of demand for quartz components second only to the communication market.

2. The relations between the up-, mid-, and downstream industries



Crystal components		Main application fields
Crystals		Mobile phones, radio applications, W-LAN, cordless phones, Bluetooth, telecom terminal equipment, intelligent transportation system (ITS), auto parts, LCD projectors, copiers, computers, printers, scanners, audio-visual equipment, cameras, game consoles, and pagers
Crystal oscillators	CXO, SO	Base stations, radio applications, W-LAN, metallic circuits, optical fiber communication, telecom terminal equipment, counters/synthesizers, ITS, computers, storage peripherals and equipment, printers, audio-visual equipment, cameras, and game consoles
	VC-TCXO · TCXO	Mobile phones, base stations, radio applications, satellite communication, W-LAN, Bluetooth, global positioning system (GPS), metallic circuits, and optical fiber communication
	VCXO, VCSO	Base stations, radio applications, satellite communication, W-LAN, metallic circuits, optical fiber communication, telecom terminal equipment, and counters/synthesizers
Crystal filters	OCXO	Base stations, radio applications, satellite communication, GPS, metallic circuits, optical fiber communication, and counters/synthesizers
	Crystal filters	Mobile phones, base stations, radio applications, and pagers
Filters	SAW filters	Mobile phones, radio applications, W-LAN cordless phones, and GPS

(III) Technology and R&D

1. Technology Overview and R&D

As a member of the China Steel Group, TTMC is an important supplier of industrial materials in Taiwan. The Company's main development project is about the development and supply of targets for thin film processes. Since the Company was established in 2000, we have been dedicated to the development and production of photorecording medium, magnetic recording medium, passive components, decorative coatings, flat-panel displays, crystal oscillators, and various targets/evaporation materials for semiconductors (which have successfully replaced imported key targets for thin film sputtering processes), allowing us to play a crucial role in the supply of industrial materials for the domestic thin film processes, thereby helping to enhance the competitiveness of the domestic electronic product and optoelectronic industries.

Over the past decade, 5N aluminum, molybdenum, copper, and titanium targets for the LCD panel industry have been our main products, and we continue to improve and optimize our processes and manage the quality to provide clients with the most cost-effective targets as one of the leading domestic suppliers of metal targets. We have also successfully expanded the market of LCD panel targets in Japan and mainland China. We have striven to expand the markets of both planar targets and metal tube targets. We have successfully replaced the key targets used in the sputtering process imported from abroad as a critical supplier of industrial materials for the domestic thin film processes, helping to enhance the competitiveness of the domestic LCD panel industry. In addition, we started to develop semiconductor target manufacturing technology four years ago and have been developing targets for semiconductor packaging and wafer thinning processes. And we have also actively worked with clients to jointly develop equipment accessories and special nickel-based alloys with competitive advantages, to increase the useful lives of products and effectively reduce clients' maintenance costs. Also, we design and produce products as per clients' usage habits and provide one-stop service, enhancing TTMC's development in the field of materials.

TTMC has become one of the top domestic target material suppliers and a member of the industrial material supply chain. We have strived to localize the supply of industrial materials and are competitive in prices, quality, technology, and service. We continue to differentiate our product performance to lay a solid foundation for our sustainable development; we also aim to create a competitive edge and enhance the competitiveness of our products.

2. R&D expenses spent for each of the most recent five years

In 2022, the total expenditure of research and development funds for TTMC was NTD 25,745 thousand, accounting for 1.12% of the Company's standalone revenue of NTD 2,288,609 thousand, which is a normal allocation compared to the ratio of research and development expenses to revenue from 2018 to 2020. Due to the impact of the epidemic on precious metal prices in 2021, the overall R&D expenditure ratio was relatively low. If manufacturing revenue of NT\$735,390 thousand and NT\$767,124 thousand for 2021 and 2022, respectively, are excluded from the sales of precious metals, the ratio of R&D expenditure is 3.1% and 3.4%, respectively, which is within the normal range. The R&D expenses are mainly for TTMC's internal development or China Steel's collaborative development.

Unit: NT\$ thousands

Item/Year	2018	2019	2020	2021	2022
R&D expenses	25,436	24,898	27,385	22,794	25,745
Net standalone operating revenue	2,232,432	1,994,819	2,166,976	2,744,818	2,288,609
Proportion of R&D expenses to revenue	1.14%	1.25%	1.26%	0.83%	1.12%

3. New product development and achievements:

(1) R&D resources and achievements:

In addition to the development of the existing new products, new applications, new processes, and strategic new products, the Company's 2022 R&D was focused on three key areas: semiconductor substrate process technology, special alloy products, and raw material recycling. In addition to advancing semiconductor substrate technology, we expanded the packaging bumping process and targets for the mid-end wafer thinning processes. We continue to conduct patent management, trade secret management, and copyright management and adopt protection measures, launch R&D record books and patent management measures, increase the scope of intellectual property management, and improve and duly implement intellectual property management. We also launched/established development or business model project management in the Company and signed the non-compete clause and non-disclosure agreements based on the type and importance of each project to strengthen our trade secret management system, of which major projects are described below.

- A. Completed the development of a total of six new products, new applications, and new processes (began to receive orders after clients used them on a trial basis and confirmed the quality); completed the development of a total of four strategic new products, including a total of ten alloy targets for optical discs, photoelectric target new process to enhance quality and characteristics.
- B. Completed the development of high-purity 4N5 copper and 3N titanium integrated targets for bumping, and the targets were verified by the largest packaging manufacturer and have received

positive feedback from customers.

- C. Continued to promote special alloy-related products and provided the localization of supply of cost-effective heating storage grate products and integrated supply chain services.
 - D. Completed the experimental scale copper refining project that enables the recycling and refining of copper to achieve the purity of 5N, while developing high-vacuum and low-oxygen smelting process technology, to create resources based on the concept of a circular economy to continuously restore and recycle peripheral copper products.
 - E. With the integration of CSC's CIP equipment and the downstream hot pressing process, we have not only completed the technical set-up of the localized manufacturing process for medical powder metallurgy materials to deliver on time and in quality, but also improved the material availability and shortened the working time to obtain mass production orders.
- (2) Other new product developments:

The global market value of high-purity semiconductor targets amounts to NT\$20 billion; Taiwan's IC industry accounts for 20% of the world's total, and the demand for targets reaches NT\$4 billion. With an oligopoly in place, nearly 80% of the market is occupied by large companies in the United States and Japan. Although Taiwan's localized target suppliers have all acquired the relevant heat treatment process technology, they are still unable to grasp the high purity raw material source due to the mineral source and purification process technology. Compared to major foreign manufacturers, it has no product advantage and is less competitive. In order to further enhance the competitiveness and advantages of domestic products, the main focus is on the development of raw material recycling, marginal waste and economic recycling process technology, with the aim of mastering the source of materials or expanding the process technology to re-produce products. In 2022, we continued to build up the regeneration of aluminum and copper raw materials, and built up a cold rolling process to complete aluminum foil from high purity aluminum scrap, and applied it to the manufacture of aluminum nitride powder raw materials; we have also completed the establishment of the de-oxygenation process of copper material for etching solution recycling, and will later complete target products with casting and thermomechanical processes to help enhance the competitiveness of Taiwan's semiconductor industry.

4. Intellectual property management:

To safeguard patents and intellectual property rights, we launched the intellectual property management policy in 2021 to strengthen and maintain the layout of various technology patents, ensure the Company's R&D achievements, and enhance product competitiveness and profitability. Our intellectual property management goal is to protect the Company's R&D achievements and technological leadership, thereby providing quality services and expanding the scope of services. The following implementation targets have been set for 2022 to expand the scope of intellectual property management and to improve and implement patent management.

- Launched R&D record books and patent management measures, increased the scope of intellectual property management, and improved and duly implement intellectual property management.
- We launched development or business model project management in the Company and signed the non-compete clause and non-disclosure agreements based on the type and importance of each project to strengthen our trade secret management system.
- Continued to promote patent application and layout, with at least 3 patent proposals in 2022.

◆ Implementation and intellectual property management achievements during 2022

The Company has formulated and implemented the "Trade Secret Management System", "Intellectual Property Right Management Plan", "Intellectual Property Management Regulations" and "Patent Proposal Application Process and Incentive Regulations"; the specific implementation achievements in 2022 are as follows, which were submitted to the Board of Directors on October 26, 2022.

- (1) In 2022, the "R&D Record Book Management Operation" was formulated; and a project plan was adopted to conduct a trial implementation of writing R&D record books, with a total of 15 copies for 15 people.
- (2) In 2022, the "Patent Management Operation" was formulated and the "Patent Proposal Application Process and Incentive Regulations" were merged into the "Patent Management Operation"; the total number of global patent applications granted accumulated to 6, including 5 confidential documents listed in the company's technical research and development, and 16 trademarks (11 in Taiwan, 3 in China and 2 in Japan).
- (3) In 2022, an internal R&D project system was implemented and competitive terms and confidentiality agreements were signed in accordance with the project system.

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

1. Short-term business development plan

(1) Marketing strategy

- A. The Company's marketing strategy is centered on client needs, to provide complete after-sales service and technical support to obtain clients' trust and stable orders in the long term.
- B. Provide cost-effective products, replace imported materials, and strive to increase the domestic market share.
- C. Make good use of the China Steel Group's technology and equipment to enhance the Company's competitiveness.
- D. Seek strategic collaboration with raw material companies abroad with competitive advantages to reduce our production costs and improve the competitiveness of our products.
- E. Work with equipment vendors and distributors in relevant industries abroad, to license distributors and accelerate the sales and increase the market share of our products abroad.

(2) Product development strategies

- A. Plan the production and a supply chain of high-end and low-end products, meet the needs of clients at different levels, and increase the sales of products in various fields on the basis of the existing products.
- B. Respond to the clients' demand for new equipment and materials and develop and integrate the metal tubular target manufacturing supply chains.
- C. Phase out production lines with low availability and poor profitability at the existing plants and strive to increase the domestic and foreign market shares of mass-produced products.
- D. Seek stable and more competitive sources of the supply of raw materials to improve the cost-effectiveness of products.
- E. Enhance technical services for and the added values of well-developed and highly competitive products to maintain the existing market share and achieve the profit goals.

(3) Operations and financial strategies

- A. Hone the ability to plan and manage products, to timely launch various products in alignment with clients' needs.
- B. Standardize operating processes through continuous education and training, enhance our industry acumen, and build the ability to quickly respond to clients' needs.
- C. Improve the horizontal communication and mutual support between departments and accelerate product and business development.
- D. Establish correct financial management concepts and complete financial plans to ensure sound financial operations.

2. Long-term business development plan

(1) Marketing strategy

- A. Expand into markets of new fields, customize products, and provide one-stop service to clients.
- B. Reinforce technology marketing, establish a database of product application properties, provide clients with comprehensive solutions to issues in the field of sputtering, and develop a professional brand image in the field of materials.
- C. Participate in international exhibitions through the Company's website to increase product exposure and visibility in the world.

(2) Product development strategies

- A. Continue to pursue stable quality and reduce manufacturing costs of our existing products, enhance the after-sales technical services, and improve client satisfaction to stay highly competitive.
- B. Integrate upstream and downstream supply chains to create a long-term win-win-win partnership between raw material suppliers, clients, and the Company.
- C. Develop targets in alignment with market demand, such as copper and tubular targets. In addition, make good use of the Company's analysis and processing capabilities to develop equipment consumables and parts to replace imported materials.
- D. Develop nickel-based alloy products in alignment with client needs for application to pickling tanks and heat treatment furnaces, facilitating the upgrade of industrial technology.
- E. Combine the Group's advantages in the manufacturing of upstream titanium materials; design, manufacture, and distribution of daily-life titanium products; provide Taiwanese people with safe, healthy, non-toxic, and eco-friendly eating utensils.
- F. Respond to the booming development of Taiwan's semiconductor industry and develop metal targets and sputtering materials required for each process in the industrial chain to lay the foundation for the Company's next stage of growth.

(3) Operations and financial strategies

- A. Integrate the China Steel Group's resources, including the advantages in manufacturing, technology, and R&D, and develop suitable products.
- B. Reinforce technical services, leverage advantages in local supply, and become a local enterprise that supplies cost-effective materials to the optoelectronic industry.

- C. Strengthen personnel training, improve personnel's quality and their work quality, and enhance operating performance.
- D. Expand and adopt the manufacturing equipment required for mass production of high-value targets and develop complete mass production capabilities.
- E. Adopt a stable and professional financial plan and prepare capital needed for business growth through a variety of fund raising channels in the capital market to meet the needs of the Company's development plan, thereby facilitating the Company's long-term steady growth.

II. Overview of the market and production and sales

(I) Market analysis

1. The Company's main products and sales regions

Unit: NT\$ thousands

Region		2021		2022	
		Amount	%	Amount	%
Domestic sales		2,564,236	85.38	2,176,688	86.12
Export	Asia	370,898	12.35	306,209	12.12
	The Americas	61,257	2.04	34,585	1.37
	Europe	6,801	0.23	9,885	0.39
Subtotal		438,956	14.62	350,679	13.88
Total		3,003,192	100	2,527,367	100

Our main products are sputtering targets and precious metals used in the optoelectronic industry. In 2022, the main sales region was the domestic market, with the sales accounting for about 86.12%, followed by Asia, accounting for about 12.12%, and the United States, and Europe, accounting for about 1.76%.

2. Market share

We mainly produce materials used for optical storage media, optoelectronics, biomedicine, decoration, tool coating, and metals. In recent years, we have gradually stepped into the field of semiconductors, to develop toward the materials used for front-end wafer manufacturing from the back-end packaging in the semiconductor process. Our main products include flat and tubular sputtering targets for thin film processes, acid-resistant special alloys, and daily-life titanium products. Our market shares of optical storage media targets and metal targets in optoelectronics industry are about 40% or more, respectively. In recent years, as we have successfully expanded into Japan's and China's markets, and we have continued to make profits. We actively develop a variety of products in various fields and provide clients with a full range of material supply services. In addition to maintaining our existing panel market, we are actively expanding into the semiconductor and 5G markets and sparing no effort to build a business layout to maintain the Company's growth.

3. The future supply and demand in the market and product development trends

- (1) To seize the business opportunities for new industrial applications with the rapid development of the 5G, Internet of Things (IoT), and Internet of Vehicles (IoV) industries

With the rapid development of the 5G, IoT, and IoV industries, Taiwan's LCD panel manufacturers strive to develop more small and medium panels for emerging applications. We plan to innovate products and services in response to the development of 5G network while creating new applications for small and medium panels. With the development of IoV, many automakers are keen to develop smart driving technologies, such as an advanced driver-assistance system (ADAS).

Also, the emergence of the IoT will lead to new business opportunities to panel manufacturers. Because of IoT-connected devices used in the manufacturing, medical, vehicles, and other applications fields, the needs for human-machine interfaces will spawn new application opportunities for displays. As clients from various industries have their own standards, panel manufacturers can customize products in terms of different functions of panels, such as flexibility, high transparency, and heat or cold resistance, for them.

The above business opportunities will facilitate the substantial growth in the demand for panels; thus, the targets used in the panel production process will also increase accordingly. The limited new players in the targets industry is conducive to the sales our niche products.

- (2) The continuous increase in the demand for crystal oscillators used in the electronics and automotive industries

With more than ten years experience of producing silver targets and silver alloy targets, we have actively expanded the client base for crystal oscillators on both sides of the Taiwan Strait in recent years, so our market share in this regard has surged. The demand of this industry is still increasing.

- (3) Almost all technological devices in daily life need semiconductor chips, which are applied to smart phones, automobiles, the internet, cloud data, industrial automation, smart homes, and various consumer electronic products. The demand for the key semiconductor technologies and components in the industries is increasing day by day, facilitating the steady expansion of the potential markets. We have a total of 20 years of experience in sputtering targets, ranging from optical discs, decorative coatings, and targets for passive components in early days to various generations of display targets; we have occupied a place in the targets market. During 2022, we became part of the semiconductor supply chain of multiple customers and continued to expand our market share and gradually developed toward the materials used for front-end wafer manufacturing from the back-end packaging in the semiconductor process. This field may enable the Company to further increase our sales in the future.
4. Product competition
- (1) Facing the competition pressure from the external environment, we have created our competitive advantages and enhanced our product competitiveness through continuous innovation and China Steel's assistance R&D resources. We have switched our focus to high-value, interdisciplinary product R&D, with a focus on cost control to improve product gross margin, ensuring great potential for long-term business growth. We need to further enhance the values of our core technologies by expanding into different fields, such as medical and semiconductor packaging fields or high-end automotive panel market, in order to diversify the Company's products and markets.
- (2) The "red supply chain" in China drives Taiwan's imports to rise. As China's government adopts financial subsidies and financing policies to motivate businesses to innovate voluntarily and build their own brands, along with the trend of enterprises forming groups, the red supply chain has gradually emerged. The rise of the red supply chain has not only undermined the local supply chains but also intensified the competition between businesses on both sides of the Taiwan Strait and even affected the global competition and collaboration. In addition to improving the flexibility of supply and shortening the development cycle of new products, a localized supply chain will ensure more efficient services and response to clients' issues. Localized supply chain players are developing toward emerging industries with higher gross margins and added values. As it is difficult to cope with the threat from the red supply chain in terms of existing electronic product lines, localized supply chains need to transform themselves quickly and identify their own values quickly, while strengthening their innovation and R&D capabilities in terms of speed, cost, or differentiation, to create sustainable competitiveness.
- (3) Nearly 137 countries around the world have declared to achieve net-zero emissions by 2050 (including the EU region and Taiwan). Facing this trend and the sustainable development issue, we have strengthened our ESG and CSR efforts, set 10-year short-, medium-, and long-term strategies and goals in alignment with the Corporate Governance 3.0 - Sustainable Development Blueprint, and prompted employees, clients, and suppliers to pay attention to such issues. We also adopt carbon reduction strategies and implement the concept of circular economy for various processes. For example, we adopted refining technology to recycle and reuse all available precious metals, integrated upstream recycling and downstream smelting channels, to reuse resources and form a more valuable circular economy model for materials, thereby creating a win-win-win outcome for the production, clients, and the environment. The strategic layout can be adjusted on a rolling basis. This model allows us to explore green business opportunities and enhance our product competitiveness.
5. The favorable and unfavorable factors for future development and countermeasures
- (1) Favorable factors
- A. Taiwan is the hub of the global optoelectronics industry
- Taiwan is the global manufacturing hub for optical discs, flat panel displays, and semiconductors. With the continuous expansion of the global flat-panel display and semiconductor production scale, Taiwan's manufacturers play a crucial role in the supply chain of such products, and Taiwan has witnessed a high growth rate of targets used in high-tech industries, leading to enormous business opportunities for domestic targets manufacturers.
- B. The government rewards the R&D of high-tech materials
- Motivated by government policy, the Industrial Technology Research Institute, the National Chung-Shan Institute of Science & Technology, and the Metal Industries Research & Development Center have continued to invest in the R&D of new targets, new industrial applications, and circular economy applications and assist domestic businesses in upgrading technology or transferring technology to them, enabling domestic businesses to make technological breakthroughs and shorten development cycles.
- C. Coating application fields continue to expand
- Optical recording media, flat-panel displays, as well as optical, semiconductor, and automotive products are the main areas for coating applications. With the advancement of sputtering technology and the lower production costs, the thin film application fields continue to expand, thereby driving the increasing demand for targets.
- D. Green energy industry has become global development vision

In alignment with clients' needs for green energy, we actively put R&D resources to develop key materials required by this industry, to reduce downstream businesses' reliance on imported materials and enhance the domestic green energy industry's international competitiveness.

E. Circular economy development

We actively invest in the recycling and reuse of metal targets in alignment with clients' requirements for carbon reduction to achieve a win-win outcome for both sides, thereby achieving sustainable ESG development.

(2) Unfavorable factors and countermeasures

A. The competition in the targets industry is becoming intensified

In recent years, China has actively localized the supply key materials to replace imports. Therefore, it has continued to expand production in the fields of LCD panels, touch panels, LEDs, and optical films. To receive government subsidies, compete for capital market funds, and seize targets business opportunities, China's businesses launched a price war, thereby intensifying the competition in the industry.

◆ Countermeasures: Continue to reduce the cost of materials, put quality first, improve production efficiency and clients' problem-solving ability, increase local clients' dependence, maintain profits for manufacturers, and differentiate our business from that of China's targets manufacturers

B. The use rate of targets has increased and the tubular targets have become more common

With the advancement of sputtering technology and the continuous improvement to target quality, the use rate of sputtering of planar targets has gradually increased, thus reducing its demand. Also, as the use rate of tubular targets is as high as 60–70%, 2.5 times that of planar targets, tubular targets will become more common, reducing the demand for targets.

◆ Countermeasures: Actively develop tubular targets, adopt China Steel Group's resources, continue to engage in R&D, develop high-value consumables to reduce clients' costs, win over clients, and increase orders, while developing new special alloys to diversify our product mixes and enhance our overall competitiveness.

C. Reliance on imports for key raw materials

Raw materials, such as precious metals and high-purity aluminum ingots, needed to produce targets are all supplied by manufacturers abroad, making it difficult to manage the cost of raw materials. Due to the impact of the pandemic, as the global prices of raw materials have shown an upward trend, it is not easy to keep production costs down. Transportation costs and delivery times are unstable.

◆ Countermeasures: Negotiate long-term trading models with suppliers of key raw materials, have safe stocks, and work with multiple suppliers, while timely negotiating with suppliers to reduce the cost of materials based on raw material price fluctuations to enhance the Company's competitiveness. Moreover, we have a precious metals, silver and indium, recycling and refining production line, to recycle the residual materials and residual sputtering targets in the process, to accurately control the loss and cut the cost of raw materials. Also, we work with raw material companies to recycle and reuse the residual materials based on a circular economy model, to reduce the cost of raw materials.

D. Threats from China's LCD panel industry increased

China's panel production capacity has ranked first in the world. With its advantages in policies and production capacity, it has posed a threat to Taiwan's panel manufacturers, which may affect the availability of the production lines of Taiwan's manufacturers in the future.

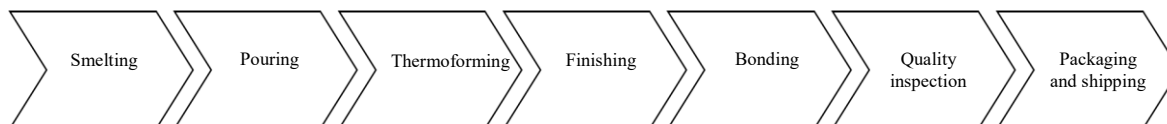
◆ Countermeasures: The Company's investee Taicang ThinTech Material Co., Ltd. established in China engages in the sales of various types of targets. It works with Taiwan's downstream manufacturers first and adopts our targets as per its production timelines to ensure long-term stable orders, enabling the Company to lay a foundation for sustainable development in the markets across the Taiwan Strait. Furthermore, we supply various new application materials due to the transformation of many Taiwanese panel manufacturers to continue to expand the industries to sell our products so as to diversify risks.

(II) Important functions and production processes of main products

1. Functions of main products

The physical vapor deposition process in the electronics industry is divided into two categories, one of which is the targets required for sputtering and the other is the evaporation materials required for evaporation. It is mainly used for thin film technology to facilitate the development of lighter, thinner, shorter, and smaller components. Targets can be divided into two types: metals and ceramics depending on their material properties. They are used for conduction, reflection, protection, dielectric, and decorative coatings in thin film applications. The main end products include flat-panel displays, optical discs, passive components, touch panels, and semiconductors. The raw materials of evaporation materials are mainly metal raw materials. The production process of targets and evaporation materials is as follows.

Pure metal or alloy targets manufacturing process:



Ceramic targets manufacturing process:



Metal evaporation material manufacturing process:



(III) Supply of main raw materials

Main raw materials	Main supplier	Supply
Silver	Company SS	The supply is withdrawn from the market at the end of 2022 and already being supported by other suppliers.
Aluminum	Company H	Stable

(IV) The names of clients with purchases (sales) accounting for at least 10% of the total in any of the last two years, the amount and percentage of the purchases (sales), and reason for increase/decrease:

1. Information on major suppliers in the most recent two years:

Unit: NT\$ thousands

	2021				2022				2023 up to Q1			
Item	Name	Amount	As a percentage of total net purchase (%)	Relations with the Company	Name	Amount	As a percentage of total net purchase (%)	Relations with the Company	Name	Amount	As a percentage of total net purchase during the current year up to the prior quarter of the current year	Relations with the Company
1	B	1,774,021	69	None	A	1,132,143	53	None	A	The data at the end of the quarter before this annual report is the data for 2022 and published in 2023, so the information is the same as on the left.		
2.	Others	789,132	31	None	Others	992,391	47	None	Others			
3.	Net purchase	2,563,153	100		Net purchase	2,124,534	100		Net purchase			
Reason for changes in increase or decrease: Company A is the main supplier of silver and the others include suppliers of silver and targets.												

2. Information on major clients in the most recent two years

Unit: NT\$ thousands

		2021			2022				2023 up to Q1			
Item	Name of client	Amount	As a percentage of total net sales (%)	Relations with the Company	Customer Name	Amount	As a percentage of total net sales (%)	Relations with the Company	Customer Name	Amount	As a percentage of total net sales during the current year up to the prior quarter of the current year	Relations with the Company
1	A	830,890	27.67	None	A	599,923	23.74	None	A	The data at the end of the quarter before this annual report is the data for 2022 and published in 2023, so the information is the same as on the left.		
2.	B	306,774	10.21	None	B	243,511	9.63	None	B			
3.	C	259,984	8.66	None	C	259,026	10.25	None	C			
4.	Others	1,605,544	53.46	None	Others	1,424,907	56.38	None	Others			
	Net sales	3,003,192	100		Net sales	2,527,367	100		Net sales			
Reason for changes in increase or decrease: Decrease in the proportion of sales to Customer A, mainly due to the decrease in demand from end-users, resulting in a decrease in related sales.												

(V) Production volume and value in the most recent two years

Unit: NT\$ thousands/pcs/kg

Year Volume/Value Main products		2021			2022		
		Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Sputtering targets and others (pcs)		(Note)	60,678	1,658,533	(Note)	90,960	1,898,256
Precious metals (kg)			72,364	2,023,237		61,791	1,520,939
Total				3,681,770			3,419,195

Note: The Company's main products are sputtering targets, which produced in variety of types in small quantities rather than standardized products, and most of the production equipment is shared, so the production capacity cannot be calculated; other products are mainly counted in pieces, units, sets, kg, or tons, so the quantities cannot be aggregated.

(VI) Sales volume and value in the most recent two years

Unit: NT\$ thousands/pcs/kg

Sales volume and value		Year		2021		2022	
				Volume (Note)	Value	Volume (Note)	Value
Main products							
Sputtering targets and others (pcs)	Domestic sales			33,825	629,473	31,369	711,614
	Export			30,263	355,076	34,042	292,330
Precious metals (kg)	Domestic sales			84,137	1,934,763	69,261	1,465,074
	Export			3,788	83,880	2,864	58,349
Total	Domestic sales				2,564,236		2,176,688
	Export				438,956		350,679

Note: As our products are mainly counted in pieces, units, sets, kg, or tons, so the quantities cannot be aggregated.

III. Employees:

The number of persons in the Company and the investees during the most recent year and as of the publication date of this annual report is as follows:

Year		End of 2021		March 31, 2023
				As of March 31, 2023
Number of employees	Direct labor	118		115
	Indirect labor	142		139
	Total	260		254
Average age		41.82		42.53
Average years of service		11.00		11.69
Ratio of education attainment %	Doctoral degree	1.15		1.18
	Master's degree	15.00		16.93
	College/University	52.69		50.79
	Senior high school	25.38		24.41
	Below senior high school	5.77		6.69

IV. Information on environmental management measures and environmental protection expenditure

(I) Environmental management measures

1. Environmental management system: The Company passed the ISO 14001: 2004 environmental management system first inspection certification in February 2008 and passed the ISO14001: 2015 version successfully in July 2016. We continue to improve the ISO14001 environmental management system, gradually enhance the performance of various environmental management measures, and perform internal and external audits each year to maintain the normal operation of the system to ensure that all operations are in compliance with the ISO14001 regulations. With systematic management, we continue to implement environmental protection measures. The latest certificate is valid from July 30, 2022 through July 29, 2025.
2. Environmental management organization: We set up an environmental protection unit with appropriate personnel to implement various environmental protection tasks.
3. Environmental and ecological protection: We continue to plant trees at all plants in alignment with the concept of landscaping, assign personnel to plan and manage the green space and ecological ponds at the plants, and appoint professional landscaping companies to maintain the trees at the plants every month.
4. Air pollution management: We have installed air pollution control equipment, such as scrubbers and dust collectors, regularly monitor the pipes and ambient air quality as per law, ensure the normal operation of control equipment, and apply for, change, use, and extend permits as per law. We continue to enhance in-plant inspections and review the fugitive emission pollution prevention and control work, and set out reduction and improvement measures.
5. Waste management: We meet requirements of government regulations, adhere to the principle of recycling, and have the business waste from the processes collected and disposed of by a management company endorsed by the Environmental Protection Administration, to ensure that the waste is disposed of properly and legally.
6. Wastewater (sewage) management: The Company's wastewater (sewage) is equipped with wastewater pre-treatment facilities, and wastewater is flown into the outlet approved by the Southern Taiwan Science Park Bureau after treatment for discharge, and the bureau randomly samples and tests the effluent in the plant from time to time per week to ensure qualified discharge.

7. Circular economy model: We adopted refining technology to recycle and reuse all available precious metals, integrated upstream recycling and downstream smelting channels, to reuse resources and form a more valuable circular economy model for materials, thereby creating a win-win-win outcome for the production, clients, and the environment.

Losses incurred due to pollution during the most recent year and up to the publication date of this annual report (March 31, 2023)

Item	2022	January to March 2023
Pollution (type and degree)	None	None
Compensation recipient and party punished	None	None
Amount of compensation or punishment	None	None
Other losses	None	None
Date of punishment	None	None
Punishment document No.	None	None
Law violated	None	None
Content of law violated	None	None
Content of punishment	None	None

- (II) Details of the improvement to the environment, safety, and health and expenses in the most recent two years and up to the publication date of this annual report:

1. Environmental expenses:

Unit: NT\$

Expenses	2021	2022
	Amount	Amount
1. Air pollution control expense	0	0
2. Sewage use expense	65,554	100,256
3. Soil and groundwater pollution remediation expense	14,629	14,457
4. Business waste disposal expense	1,375,911	1,188,110
5. Environment inspection and testing expense	160,900	103,300
6. Environmental facilities installation, repair, or maintenance expense	345,520	100,500
7. Government environmental protection fees (review/certificate fees)	9,300	6,800
Total	1,971,814	1,513,423

2. Health and safety expenditure:

Between 2021 and 2022, the measures taken to improve the health and safety in the production process are as follows:

- (1) The total cost of improvement during 2021 was about NT\$600,000, mainly to refit the residual targets measuring machine to reduce the load on personnel's hands, waist, back, and eyes during the measurement, and the relevant equipment improvement cost was NT\$600,000.
- (2) The total expenditure for improvements in 2022 was approximately NT\$420,000, with the following breakdown:
 1. Replacement of the oven duct PP with non-combustible material, with a cost of approximately NT\$102,000.
 2. To improve the noise problem of the air compressor at the sewage plant, the pipeline was redesigned and shared with the production line, with a cost of approximately NT\$42,000.
 3. When there was an accidental fire caused by an extension cable, it was reported that in accordance with the instructions of the top-level managers, that all extension cables without surge protection and the product inspection mark would be replaced, with a cost of approximately NT\$50,000.
 4. The special trolley for aluminum boxes was made of waste material and equipped with hook and loop, instead of moving aluminum boxes by hand, to avoid the risk of being pinched or crushed by moving the trolley, and to improve and reduce the risk of human-caused musculoskeletal hazards caused by repeated squatting and working on both knees, with a cost of approximately NT\$thousands.

5. In the new process area, organic solvents were used due to process changes. To avoid the discomfort of the staff caused by the volatilization of organic solvents, the ultrasonic cleaning machine was equipped with a local exhaust device, with a cost of approximately NT\$38,000.
6. Due to the high density of equipment in the hot plate area, the aisle space cannot accommodate an aerial self-propelled vehicle. If you want to carry out lamp and smoke detector replacement operations, you need to use an A-ladder to go up to the steel beam of the overhead crane in order to operate it, which is not safe enough. In order to enhance the safety of working at height, a new ladder was purchased and the upper side of the ladder was fully welded with L-shaped mounts, which can be placed on the steel beam of the overhead crane to prevent shaking and loosening, with a cost of approximately NT\$8,000.
7. The purpose of installing emergency buttons in the toilets was for staff to call for help in case of emergency or if they feel unwell, with a cost of approximately NT\$30,000.
8. A new emergency cooling water pipeline for the continuous casting machine was added to avoid power failure during the vacuum melting of the machine, resulting in damage to the equipment without cooling water protection and other possible hazards, with a cost of approximately NT\$8000.
9. Additional lighting equipment was added in the basement driveway, with a cost of approximately NT\$14,000.
10. Fire safety improvement works, with a cost of approximately NT\$128,000.

V. Protective measures for the work environment and employees' personal safety

(I) Occupational safety and health management policies, risk control measures, and specific measures

1. Occupational safety and health management policy is centered on the principles of hazard elimination, all-employee participation, continuous improvement, and health promotion.
 - (1) We manage to eliminate hazards, mitigate occupational safety and health risks, create a safe and healthy work environment, prevent work-related injuries, ill health, diseases, and accidents, and continuously provide workers with consultation as well as regularly participating in health and safety management affairs.
 - (2) We manage to protect the safety and health of all employees as well as suppliers, contractors, visitors, and other workers in the Company.
2. Assessment of and improvement to hazards in products, activities, or services:
 - (1) We assess the physical, chemical, biological, ergonomic, and other hazards and risks (maternity protection, overwork, bullying, stress, etc.), potentially arising from our various operating activities, including supplies, machines, equipment, operating environments, and personnel, at least once per year and divide the assessment results into five levels: low, medium-low, medium, medium-high, and high-risks. For those at medium-high risk or above, we should take further measures to reduce the risks; we regularly hold emergency response exercises and personnel training to reduce the chance of accidents and ensure that the Company's various operations can proceed in a safe and compliant manner.
 - (2) With our 6S audits, the President's work safety inspection, the safety committee's awareness-raising events, the labor safety unit's irregular audit of each unit (including construction), health education courses offered, awareness raised by the head of each unit, and daily inspection.
 - (3) Education and training of new employees: On new employees' first day of work, the labor safety personnel will offer education and training on AEO, the environment, the health and safety system, and work rules. A total of four people received such training during 2022.
3. Health care and management:
 - (1) In 2022, we conducted 14 education and training courses on the safe use of chemicals (ethanol, acetone), workplace safety, awareness of dust hazards, important matters for labor inspections, implementation of the three protections for occupational safety, safety awareness, traffic safety awareness...etc.
 - (2) We promote the concept of good health and develop healthy lifestyles:
 - A. Organizing leisure time physical activities for employees: badminton, etc.
 - B. Relief and relaxation activities - Office healing and relief planting course, self EQ and workplace stress adaptation management, spiritual counseling and life exploration course, aluminum line aesthetics and relief course, pastoral parent-child tomato picking in the field, air pineapple planting activity, pastoral parent-child strawberry picking in the field, orchid planting.
 - (3) All kinds of health plans: Ergonomic hazard prevention, overwork-related disorder prevention, prevention of unlawful violence in the performance of duties, female workers' maternal health protection, respiratory protection, plan on return to work from occupational injury and illness, and return to work assessment to safeguard employees' health.
 - (4) Strategies and effectiveness of health promotion: employee health examination:
 In accordance with the Labor Health Protection Rules, we formulated the health management procedures with the details better than the requirements in laws and regulations and organize free health examination for all employees on a regular basis per year. The results of special health

examinations are managed by level, and unusual indicators are analyzed, and on-site physicians and occupational nurses provide individual health guidance, health education, and follow-up.

(5) Implementation of health promotion projects as per Article 6 of the Occupational Safety and Health Act:

A. Overwork-Related Disorder Prevention Program:

The questionnaires completed by employees who participated in the health examination and the overwork scale are as follows:

Indicators	2021 (number of people)		2022 (number of people)
Ten-year cerebrovascular risk: high risk	10	<	23
Ten-year cerebrovascular risk: medium risk	45	<	68
Overwork-related disorders: high risk	1	<	7
Overwork-related disorders: medium risk	24	<	49
<p>In 2022, according to the analysis of the Company's "Overwork-Related Disorder Prevention Program", four people with overloads "requiring an interview" have been interviewed. It is recommended that the interviewer is arranged according to the risk level determined from the results of the physical examination.</p> <p>The number of people at medium to high risk increases statistically because of the increasing age each year and the higher blood pressure at the time of physical examinations. Take your blood pressure measurements with your colleagues and control it to reduce the potential risk.</p>			

B. Ergonomic hazard preventive work: Employees who participated in the health examination filled out the skeletal muscle questionnaire, and no high-risk cases were identified. We continue to make improvements to our occupational disease prevention measures. Between 2021 and 2022, we spent a total of about NT\$1,550,000 for the prevention of and improvement to ergonomic hazards in the production process. The details are as follows:

- I. The semi-electric forklift was refitted and equipped with a drive unit to reduce the load on the hands and waist when operated by people, and the relevant equipment improvement cost was about NT\$110,000.
- II. The large targets platform was refitted and equipped with a drive unit to reduce the load on the hands and waist when operated by people, and the relevant equipment improvement cost was about NT\$80,000.
- III. An automatic forklift was purchased to reduce the load on people's muscles, and the relevant equipment improvement cost was NT\$760,000.
- IV. The special trolley for aluminum boxes was made of waste material and equipped with hook and loop, instead of moving aluminum boxes by hand, to avoid the risk of being pinched or crushed by moving the trolley, and to improve and reduce the risk of human-caused musculoskeletal hazards caused by repeated squatting and working on both knees, with a cost of approximately NT\$0.
- V. We refitted the residual targets measuring machine to reduce the load on personnel's hands, waist, back, and eyes during the measurement, and the relevant equipment improvement cost was NT\$600,000.

C. Program on Unlawful Violence Prevention in the Performance of Duties: We established a workplace unlawful violence information platform or put up posters for employees to access. So far, there has been no cases identified from anonymous questionnaires and the complaint mailbox.

D. Maternal Health Protection Program: We had two cases during 2022, who completed the Labor Health in Pregnancy and Within One Year after Childbirth Self-assessment Form and the Maternal Health Protection Work Environment and Occupational Hazard Assessment Form; belonged to level-1 management.

- (6) Sphygmomanometers: We have automatic sphygmomanometers in place in the security office for employees to measure their blood pressure and develop a habit of managing their health; we provide them with relevant health information and refer high-risk employees to the occupational health specialists or health service doctors for further care.
- (7) Diverse health education: We offered health education to a total of 81 individuals during 2022 as per their health risks. We release relevant health information on the Company's portal website as per domestic latest news, different seasons, and common epidemic diseases, to inform our employees.
- (8) No smoking in the entire workplace: The garden and the balcony of Building A and the area under the tree on the south side of Building B are designated as smoking areas. Smoking is strictly prohibited in all indoor offices. We raise employees awareness by putting up signs and posters stickers, those who violate the rule will be punished according to the work rules.
- (9) AEDs were installed.
- (10) Anti-mosquito repellents are sprayed from time to time in summer.

4. Emergency response exercises:

Emergency response aims to improve people's emergency response and rescue skills, to avoid or reduce personal injuries, property loss, or environmental impact. During 2022, we held a total of two sessions of firefighting exercises and one session of toxic chemical accident exercises.

5. Work environment monitoring:

We appointed a qualified work environment monitoring institution to conduct measurements of chemical and physical factors in the environment every three months or every six months in accordance with the Labor Work Environment Monitoring Implementation Regulations. The chemical factors include carbon dioxide, dust, organic solvents, and specific chemical substances, while the physical factors include noise, temperature, etc. The institution determined whether the measurement results were in compliance with laws and regulations and provided the results to the head of each unit for announcement; the results were also reported to the Occupational Safety and Health Committee. We timely improved and rectified issues to ensure employees' health. We completed monitoring at a total of 127 monitoring points (including areas and individuals) during 2022 in the work environment.

6. Safety and health management system verification:

We passed the BSI OHSAS18001: 2007 safety and health management system on June 21, 2008 and have passed the verification and inspection every year since then. We adopt a systematic management approach to hazard analysis, management planning, safety and health training, correction and prevention, outsourcing management, and health management. In addition, the verification of the advanced ISO45001 standard, which was used to replace OHSAS18001 in 2019. The ISO45001 occupational safety and health management system aims to enable each organization to prevent injuries and diseases and improve occupational health and safety performance. With the PDCA management cycle, we make continuous improvements. The latest certificate is valid from July 30, 2022 through July 29, 2025.

(II) Safety control and audit of construction operations

1. As per the contractors environment, safety, and health management procedures and construction operation management procedures, we manage and control hazardous operations of overhead work, hot work, or confined space work for workers to follow and ensure their safety and proper operation of the equipment.
2. We encourage employees to actively submit proposals for improvement to occupational safety and provide appropriate bonuses to the proposers. We also formulated the False Alarms and Accidents Investigation and Prevention Operating Procedures regarding accidents or false alarms for employees to follow. In addition, we regularly organize emergency response training, including leakage and fire, to train people's ability to respond based on a plan set out before hand, thereby minimizing losses once disasters occur.
3. As per the Regulations Governing the Occupational Safety and Health Management, "The machinery, equipment and operations, and other relevant safety facilities shall be maintained in an appropriate and safe state in compliance with laws and regulations", we formulated the Automatic Inspection Management Procedures for employees to follow, to prevent disasters from occurring, ensure personnel's safety and health, and protect our equipment and property.
4. Safe operation monitoring and audit: It is an important part of our safety culture. We detect, prevent, and correct on-site personnel's unsafe actions as soon as possible and improve the unsafe work environment and the unsafe conditions of machinery and equipment, while reviewing the defects in audits at the Occupational Safety and Health Committee. In 2021, the safety and health authorities visited the factory for inspection, guidance, and an audit. There were no fines for non-compliance. In 2022, the safety and health authorities visited the factory for inspection once, and for violations of Paragraph 1, Article 6 of the Occupational Safety and Health Act, a fine of NT\$ 60,000 was imposed. This situation has now been remedied and is fully compliant with laws and regulations.
5. Due to the escalation of the pandemic, triage control was implemented in 2022. To protect employees and our business operations from the impact of the pandemic, we suspended the joint inspections by top-level managers, first-line managers, and labor safety personnel from April through November, to avoid cross-infection of the pandemic and prevent delivery delays or the spread of the pandemic, thereby hindering the Company's operations. However, the on-site supervisors strengthened their daily inspections instead; joint inspections by top-level managers and first-line managers were resumed in December; irregular on-site inspections by labor safety personnel were resumed in the second half of the year; the Chairman and the General Manager were accompanied by labor safety personnel for a total of 6 inspections in the second half of the year and immediately started a parallel review of the deficiencies and follow-up on the implementation of improvements.

The Company has an Occupational Safety and Health Committee, of which the General Manager is the chief convener, which oversees the results of various occupational safety audits and subsequent improvements. Specific measures: Conducted a comprehensive review of ISO 45001 Level 3 SJP Safety Practice Standards to look for potential risks or problems in the operation of equipment and made over 60 revisions to the standard operating procedures of the machinery. The objective of the SJP should be to stop the risk of operation by personnel so that it cannot happen again, and for each revised SJP, the relevant personnel will be instructed and the operator will be required to sign for the machinery and equipment after understanding and confirming it. No one is allowed to operate machinery without a

signature. A two-hand brake switch was also added to the roll-in point of high-risk equipment on the production line.

Occupational safety inspection	
6S inspection	Each committee member from each unit assigns a person as a team leader to conduct inspection with the labor safety unit once per month.
Occupational safety inspection	The President leads the production plant and the head of each unit under the Chemical Analysis Department to conduct an inspection once every two months.
On-site managers' management by wandering around	Irregular audits per day.
Labor safety unit	Inspections shall be conducted at least 3 times a week from time to time.

7. Implement the results

(1) Various occupational safety inspections during 2022

Occupational safety inspection	
6S inspection	9 times.
Occupational safety inspection	5 times.
On-site managers' management by wandering around	Daily inspections from time to time.
Labor safety unit	120 times or more.

(2) Equipment safety management

We classify the equipment, put the dangerous machinery and equipment under management as per law, and conduct detailed inspections to ensure the safe operation of the equipment. Our dangerous machinery included 20 stationary cranes, 8 forklifts, and 1 punching and shearing combined machine; dangerous equipment includes one high-pressure gas equipment, totaling 30 machines/equipment in 2022. We inspected all of them in accordance with the Regulations for Safety Inspection of Hazardous Machines and Equipment to ensure the safety during the use of such machines/equipment.

▼ The occupational safety education and training and awareness raising over the past three years

Category	Number of on-the-job trainees for safety and health certificates	Number of participants in the safety and health education and training	Number of pieces of awareness-raising information on safety and health on the portal
2020	37	1470	44
2021	48	1312	81
2022	48	1032	128

▼ Occupational safety performance over the past three years - employee disabling injuries

Year	2020	2021	2022
Category	Number of cases	Number of cases	Number of cases
Employees' disabling injury frequency rate	0	0	1
Contractors' disabling injury frequency rate	0	0	0
Major occupational accident	0	0	0

VI. Labor-management relations

(I) The Company's various employee benefit measures, continuing education, training, and retirement system and implementation thereto, as well as labor-management agreements and various employee rights protection measures:

1. Human rights protection policy

(1) Human rights policy

To fulfill our corporate social responsibility, we protect the basic human rights of employees and all stakeholders to achieve sustainable development, support and voluntarily abide by the international human rights conventions, including the Universal Declaration of Human Rights, and have formulated the employee appointment management regulations as the Company's human rights policy in accordance with the aforementioned guiding principles and the domestic Labor Standards Act, the Act of Gender Equality in Employment, the Occupational Safety and Health Act, and other applicable labor laws and regulations. We do not discriminate against employees in recruitment or at work or in

terms of salary, promotions, bonuses, training opportunities, or retirement due to race, social class, language, ideology, religion, party affiliation, place of origin, place of birth, gender, sexual orientation, age, marital status, appearance, facial features, disabilities, zodiac signs, blood types, or past union membership status. The Company's human rights policy is centered on the elimination of any violations and infringement of human rights, allowing all our employees to be treated in a reasonable and dignified manner.

(2) Human rights assessment

As a reliable outstanding optoelectronics and biomedical materials enterprise, we insist on high-quality products and pursue sustainable development, while increasing our attention to concern people and the environment. We assume our social responsibility for employees, consumers, communities, and the environment. To realize this commitment, we regularly identify employees' occupational safety and health risks and material environmental issues, regularly appoint third-party verification institutions to perform audits, and provide audit results to corporate clients as they are.

(3) Human rights risk mitigation measures:

Human rights concerns and specific measures are as follows:

A. Workplace health and safety

- I. The Company has passed the audit and verification by the ISO14001 environmental management system, the ISO 45001 occupational safety and health management system, and the Taiwan Occupational Safety and Health Management Systems (TOSHMS), thereby providing a safe work environment to our employees.
- II. We have breastfeeding rooms in place to take care of our employee's maternal needs and have employed full-time nurses to provide on-site labor health services in accordance with the Labor Health Protection Rules, while signing a contract with occupational physicians to provide labor health services.
- III. We also provide all in-service employees with general health examination, prohibit unlawful discrimination, and ensures equal job opportunities.
- IV. In accordance with the Employee Recruitment Management Regulations, our recruitment process and decisions will not be affected by various factors, such as race, religion, belief, gender, marital status or childbirth, age, political affiliation, nationality, disability, sexual orientation, zodiac signs, and blood types.

B. Prohibition of unlawful discrimination and provision of equal job opportunities

In accordance with the Employee Recruitment Management Regulations, our recruitment process and decisions will not be affected by various factors, such as race, religion, belief, gender, marital status or childbirth, age, political affiliation, nationality, disability, sexual orientation, zodiac signs, and blood types.

C. Prohibition of child labor

In accordance with the Employee Recruitment Management Regulations, we only recruit adults over the age of 18 in accordance with the Employee Recruitment Management Regulations, to ensure that we fulfill corporate social responsibility and comply with ethical standards.

D. Prohibition of forced labor

We shall not adopt any form of slavery nor coerce employees into involuntary labor.

E. Physical and psychological health and work-life balance

- I. We have established a variety of clubs (such as gardening, badminton, cycling, health promotion, and photography) and provide appropriate subsidies to facilitate their operations. We encourage employees to participate in club activities so that they can bond through such activities.
- II. In addition to the Mid-Autumn Festival barbecue activity, year-end party, family day to relax employees' body and mind, we have recreational facilities in place, including a library and a rhythm dance classroom; we also work with nearby fitness centers to provide more professional fitness coaches, courses, and equipment to employees.
- III. In response to the pandemic prevention and control, we take measures to ensure employees' health and a safe workplace:
 - Take body temperature every day and input the data file to ensure their health.
 - Conduct weekly surveys to follow up on their health and contact history to ensure proper risk management.
 - We require those who have suspected symptoms to work from home for quarantine and continue to follow up until their symptoms are relieved and they return to work.

(4) Human rights protection training

We offer occupational safety education and training to new employees and emergency response courses and occupational safety and health education and training per year; and send operators and supervisors in relevant hazardous operations and dangerous equipment operators to receive training for required times and hours as per applicable laws and regulations. Also, we hold health promotion and awareness-raising events in cooperation with local health authorities. Human rights protection measures include:

A. New employee training

It includes prohibition of forced labor, prohibition of child labor, anti-discrimination, anti-harassment, working hours management, humane treatment, and a healthy and safe work environment.

B. Workplace violence prevention

We hold awareness-raising events and make announcements to enable employees to be aware of their responsibility to help prevent illegal violence in the workplace in the process of performing their duties and disclose our complaint hotline to create a friendly work environment.

C. Occupational safety training

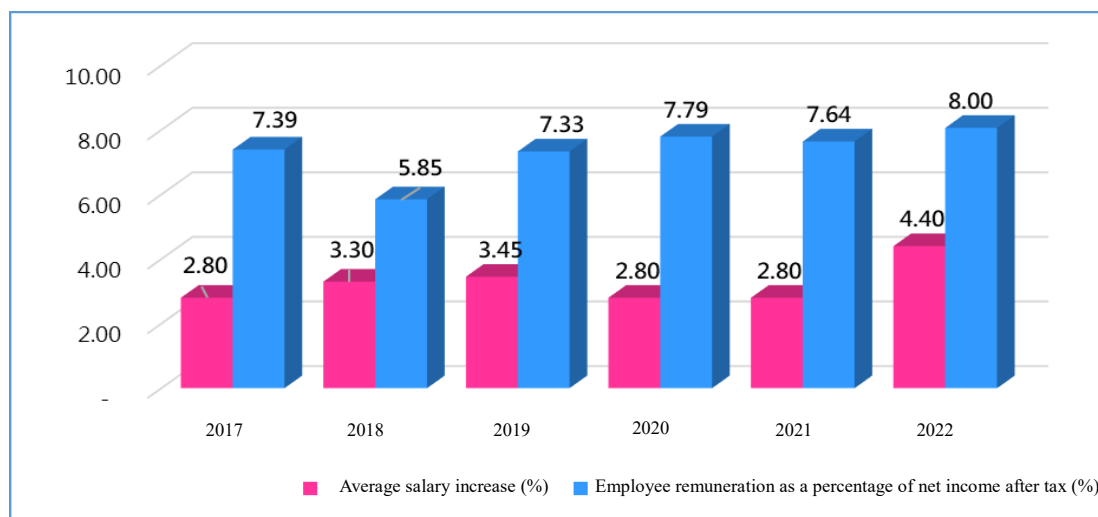
It includes health promotion awareness raising, labor safety and health and fire safety training, and first-aid personnel training.

2. Employee remuneration

- (1) Employee remuneration mainly include base salary (including base salary and meal allowance), year-end bonus, and production and sales bonus. Salary is determined based on job responsibilities with reference to the salary standard in the market, the Company's financial position, organizational structure, and the employee salary standard and does not differ due to gender. The ratio of female's base salary to male's in the same position and at the same job level is one to one. The production and sales bonus is 20% of the quarterly profit to share the quarterly results with employees and motivate them at work. Salaries are related to years of service. The differences in ratios between females and males in different positions are attributable to different lengths of service. For employees in the same position with the same length of service, their salary does not differ by gender.

Average employee remuneration	2021	2022
Average employee salary	NT\$948 thousand	NT\$983 thousand
Average employee benefits	NT\$783 thousand	NT\$819 thousand
The average number of full-time employees who are not supervisors	NT\$732 thousand	NT\$793 thousand
The median of full-time employees who are not supervisors	NT\$700 thousand	NT\$751 thousand

- (2) As per Article 28 of the Articles of Incorporation, if TTMC makes a profit for a year, the Board of Directors shall resolve a decision to distribute employee remuneration. In recent years, the percentage of the profit for employee remuneration and the average salary increase range are shown in the table below.



3. Employee benefit measures and implementation

- (1) In addition to labor and health insurance, childbirth, disease, medical, and other benefits in accordance with labor and health insurance regulations, all employees of TTMC have an Employee Welfare Committee in place to regularly give out various gifts, education scholarships, and wedding and funeral allowances per year; hold birthday celebrations, employee travel, and other activities to relax employees' body and mind and improve the quality of life; facilitate the development of clubs for employees to bond; signed a contract with a nearby preschool to provide convenient childcare services. We also have breastfeeding rooms, a collection of books, and large indoor and outdoor parking spaces in place.

- (2) The Company has long been concerned about fostering a friendly workplace environment for its employees. In accordance with the "Labor Standards Act" and the "Act of Gender Equality in Employment", it has stipulated menstruation leave, maternity leave, abortion leave, paternity leave, prenatal check-up leave and maternity protection regulations related to women's physiological characteristics, and has a system of unpaid parental leave, a lactation period and family care leave. In 2022, there were 2 employees who applied for unpaid parental leave, and their reinstatement rate reached 100%. Prenatal check-up leave and paternity leave are adjusted to seven days according to law, and the Company will provide salary payment for the extra two days; Colleagues ask for family care leave according to their needs; Employees raising children under the age of three can apply for childcare leave with one hour less working hours every day, while balancing work and life.
- (3) We regularly organize free health examinations for all employees per year and also arrange for employees in special operations to carry out special health examinations to safeguard their health. In addition to labor insurance and national health insurance, we purchase group insurance for each employee to provide them with additional protection.
- (4) The Company has been awarded the "Promoting Gender Equality in Employment" by the Southern Taiwan Science Park Bureau, Ministry of Science and Technology in 2020, and continues to promote. The ratio of our male to female employees is five to one, the ratio of first-line male to female managers or above is 9:2, and the ratio of middle male to female managers or above is 15:8, and the proportion of female managers is 26.09%, fully indicating our gender equality in the workplace.

Ratio of female supervisors in the past two years	% in 2021	% in 2022
Female proportion in total employees (%)	16.43%	16.43%
Female proportion in all supervisors (%)	26.09%	26.09%
Female proportion in top-level managers (%)	18.18%	18.18%

- (5) The Company takes long-term talent cultivation as its primary task, and according to the needs of organizations, departments and employees, in order to help employees improve and refine their knowledge and skills, establishes a career competency development plan, in addition to appropriate internal recruitment and rotation, and plans internal and external training plans, including newcomer training, professional advanced training, supervisor training, etc., in order to help colleagues continue to learn and grow through multiple learning methods, and introduce relevant training courses such as the importance of workplace ethics and ethical management concepts to cultivate their key competencies. In 2022, the total number of vocational training sessions was 2,458, with 4,714 person-hours, and the cost of vocational training was NT\$153 thousand. We review and provide feedback during regular annual performance reviews to assist our employees in developing the best workplace competency plans and to strengthen the Company's human capital base accordingly.

4. Retirement system and implementation

- (1) To stabilize employees' life after their retirement, we have formulated labor retirement regulations in accordance with the law, established a Supervisory Committee of Labor Retirement Reserve, and regularly contribute to the retirement reserve equal to 2% of the total salary and wages per month; the reserve is deposited in an account with the Central Trust of China to protect workers' rights. We have also made a monthly contribution equal to 6% of the monthly salaries to the individual pension accounts since July 1, 2005 in accordance with the new scheme. Those who make additional contribution to their pension accounts voluntarily, we withhold amounts at a rate they select from their monthly salaries and contribute them to said accounts with the Bureau of Labor Insurance.

- (2) The applicable regulations of the Labor Pension Act are as follows:

A. Voluntarily retirement:

An employee who is under any of the circumstances below may apply for retirement: (Those who elected to adopt the Labor Pension Act shall be subject to the same regulations)

- Those who have worked for 15 years or more and have reached the age of 55.
- Those who have worked for 25 years or more.
- Those who have worked for 10 years or more and have reached the age of 60.

B. Mandatory retirement:

The Company shall not compel an employee to retire unless they fall under any of the circumstances below:

- Those who have reached the age of 65.
- Those who are psychologically or physically disabled and unable to work.

The age specified in subparagraph 1 of the preceding paragraph may be adjusted with the approval of the central competent authority if a worker is in a dangerous or manual job. However, the age cannot be lower than 55.

(3) Pension payment standards:

- A. In the cases of the years of service before and after the Labor Standards Act was enforced, the choice to continue to adopt the scheme under the Labor Standards Act in accordance with the Labor Pension Act, or the years of service before the enforcement of the Labor Pension Act retained, the pension payment standards shall be subject to Articles 84-2 and 55 of the Labor Standards Act.
- B. For employees with the length of service as in the preceding paragraph who are forced to retire in accordance with Article 35, paragraph 1, subparagraph 2, if their psychological or physical disability is caused by work, their pension shall increase by 20% as per Article 55, paragraph 1, subparagraph 2 of the Labor Standards Act.
- C. For those to which the Labor Pension Act applies, we will make a monthly contribution equal to 6% of their monthly salaries to their individual pension accounts.

(4) Pension payment:

The Company shall pay the pension to each employees within 30 days from the date of their retirement.

- (II) Losses suffered due to labor disputes in the most recent years and up to the publication date of this annual report, the estimated potential amount at present and in the future, and countermeasures: N/A.

Item	2022	January to March 2023
Date of punishment	None	None
Punishment document No.	None	None
Law violated	None	None
Content of law violated	None	None
Content of punishment	None	None

VII. Cyber security management

- (I) Cyber security risk management framework, policy, specific management plans, and resources put in cyber security management

1. Cyber security risk and management

● The scope and purpose of cyber security

Parties/Entities concerned: Employees, clients, suppliers and shareholders, as well as operation-related information software and hardware equipment.

Scope: To ensure the Company's information security, we formulated rules and regulations, adopted technology and data security standards, and incorporated them into the management and operations system to protect employees', suppliers', and clients' privacy and information security during business dealings.

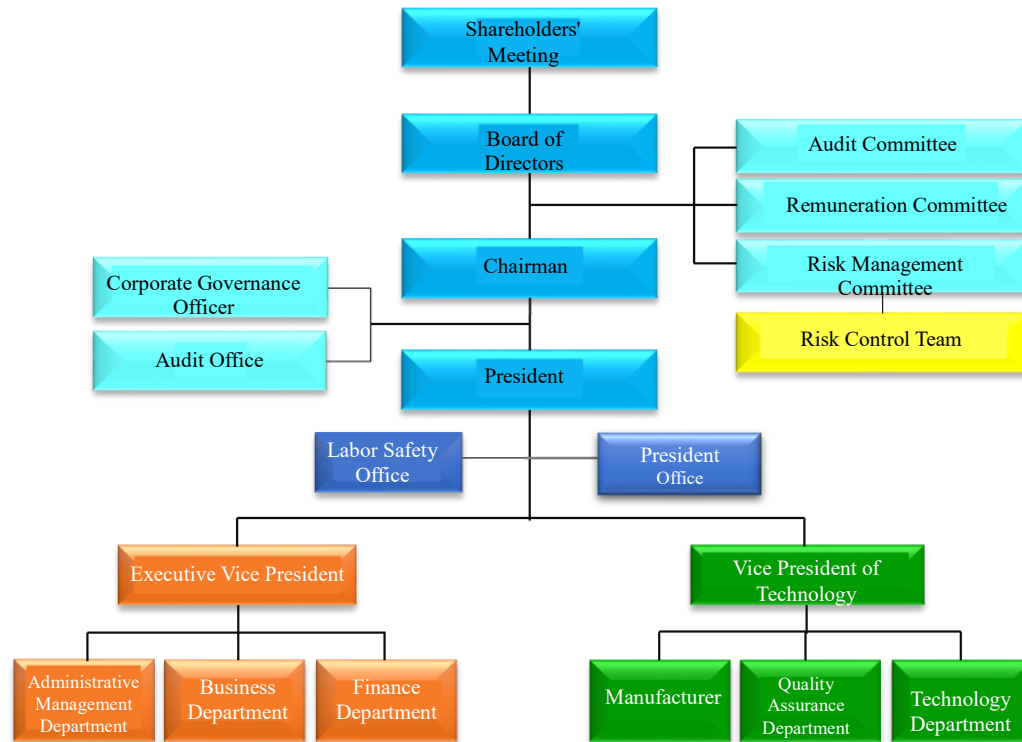
■ Cyber security risk management framework

To enhance the Company's stable operation and sustainable development, establish a complete risk management mechanism, and reasonably ensure that we achieve the Company's strategic goals, we have established a Risk Management Committee and formulated risk management policies and procedures in accordance with Article 27 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

The Risk Management Committee assists the board in fulfilling its risk management responsibilities and is responsible for reviewing various risk management issues. A Risk Management Task Force is set up under the Risk Management Committee to assist the committee in fulfilling its risk management responsibilities. The Risk Management Committee meets at least twice per year and reports to the board at least once a year.

The executive secretary of the task force is served by a first-line manager at the Administrative Management Department, and the members of the task force are the middle managers or above at each plant's departments. The task force is responsible for the overall risk management, including operational, financial, information security, environmental, compliance, and other risks.

Among them, information security risk management is conducted by the Information Section, Administrative Management Department. The section comprehensively manages the Company's information strategy planning, implementation, and management, optimizes the information system structure, enhances information management efficiency, and implements and regularly reviews and modifies information security systems and management measures.



2. Cyber security policy objectives

- Control information security risks, strengthen prevention, reinforce the information security structure and internal control, and ensure proper protection of information assets.
- Establish a complete management system to ensure the confidentiality and integrity of information assets.
- Establish an up-to-standard information security mechanism and regularly review and amend relevant operating regulations to comply with cyber security standards.
- Be commitment to integrating and managing all potential risks that may affect information security in proactive and cost-effective methods.

3. Specific cyber security management plans

- Regularly assess the impact of man-made and natural disasters on the Company's information assets and formulate a recovery plan to ensure business continuity.
- All employees of the Company as well as clients and suppliers who use or link with the Company's domain or computer systems should abide by the Company's information security regulations as required.
- Regularly offer internal information security and information system training courses and require information personnel to actively participate in information security seminars to enhance their professional skills.
- Regularly raise personnel's awareness of information security policies and offer information security education and training to increase employees' awareness of information security.
- Announce any external major information security incidents by email and on the homepage of the Company's website, to remind employees of various types of information security threats and new threats to enhance their awareness of information security.
- Enhance information security, prevent the leaks of trade secrets, and manage permissions for user accounts, changes of VPN firewall connection rules, USB/storage devices, and visitors' use of domains.
- Regularly carry out relevant backup protection measures for the information system structure, such as off-site host backup, cloud, and on-premises data backup, and power backup; test the restoration of backup data and the backup power system per month; inspect and update the operating systems in real time to ensure the normal operations of the information systems and the reliability of data retained.
- In accordance with the above policies, we regularly monitor subsidiaries' potential information security risks timely and take active measures to reduce potential harms.

4. Implementation of information security risk management

We held two Risk Management Committee meetings and two meetings of the Risk Management Task Force during 2022 to review each unit's implementation of the information security policies; they reported to the Board of Directors in 2022. No incident that undermined information security occurred during the year. According to the "Guidelines Governing the Establishment of Internal Control Systems in TWSE/TPEx Listed Companies", in November 2022, a dedicated information security supervisor and qualified personnel were put in place, thus being implemented one year earlier than required.

▼ Resources invested in cyber security management

Management countermeasures	Execution instructions
Replacement of one mainframe server	<ul style="list-style-type: none"> ■ Avoid the possibility of system crashes due to outdated equipment. ■ The replaced server is converted to a terminal for use, maximizing the residual value of the server and increasing the smoothness of on-site operations.
Replacement of two on-site network switches in Building B	<ul style="list-style-type: none"> ■ The device has been in use for 15 years and has no network management function for active/passive defense management in case of anomalies, which is extremely risky. ■ The above-mentioned defensive functions were enhanced after the replacement to reduce information security risks.
Growth rate of external network mergers	<ul style="list-style-type: none"> ■ The increased demand for video conferencing as a result of the epidemic has led to a lack of network bandwidth, which has affected the quality of meetings; and an increase in the frequency of network traffic attacks has increased the threat to the company's network. ■ The original company used three external 100/40 mb/s enterprise networks, abolishing one and increasing the speed of two from the original 100/40 mb/s to 300/100 mb/s; the total input cost increased by 10.5%, but the total bandwidth download growth rate was 300%, and the upload growth rate was 160%, resulting in a significant increase in efficiency. ■ Telecom offers free traffic attack cleaning service. Compared with August, the number of abnormal traffic attacks in July dropped from 14,427 in the previous month to 1,365, representing a 90.54% reduction, effectively reducing the load on the Company's network firewall equipment, as well as the chance of external network failure and firewall failure after an attack.
Strengthen colleagues' awareness of information security	<ul style="list-style-type: none"> ■ Monthly information case awareness-raising events are conducted to raise prevention awareness among colleagues. ■ Conducting internal penetration test: In addition to the reflection paper, colleagues who have been successfully penetrated are required to prepare a specific information security topic for the Company's staff to enhance their awareness of the need to prevent being hacked.

5. Information security training and awareness-raising events:

In 2022, a cumulative total of 12 information security awareness-raising events per month was conducted; in July, a total of 10 people (including the subsidiary) were successfully penetrated during two information security awareness-raising events, and in September, a total of 117 participants attended nine training sessions over three days to raise awareness on information security among colleagues; the subsidiary held a training session on 13 October in the same manner as the parent company, with a total of 20 participants.

▼ Internal and external education training and awareness-raising events are listed below:

Internal/External training	Category of course	Number of people	Number of hours/people
External training	D Webinar 2022 Digital Transformation Forum - New Work Models	3	6
External training	Information security and Seminar - Aruba Networking Future Innovation Technology Online Seminar	4	2
External training	Why is cloud data backup so important to small businesses?	3	2
External training	Online seminar bringing together experts from Dell Technologies, Intel and VMware	3	2
External training	Seminar on New Key Factors for Enterprise Victory	3	2
External training	Intelligent manufacturing transformation and comprehensive anti hacker measures, no longer blurring the boundaries of IT/OT	4	8
External training	Cloud Intelligence for SMEs - Easy Network Management	2	2
External training	SecurityTRENDS 2022	1	4
External training	AWS ESG Digital Transformation Summit for the Manufacturing Industry	1	4
External training	A new cloud landscape for post-epidemic sustainability	4	2
External training	Cyber Security Maturity Compliance (CMMC) Seminar	1	4
Internal training	2022 Information Security Education and Training -1	24	2
Internal training	2022 Information Security Education and Training -2	2016	2
Internal training	2022 Information Security Education and Training -3	115	2
Internal training	2022 Information Security Education and Training - Subsidiary	20	1
Internal training	Firewall and hack prevention training for information courses	4	8
Awareness-raising events	13 internal awareness-raising event on information security		

(II) Specify the 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. If the amount cannot be reasonably estimated, please specify the fact that it cannot be reasonably estimated: N/A.

VIII. Important contracts:

The Company still has supply and marketing , technical cooperation, construction, long-term borrowing, and other important contracts, which are still valid or expired in the most recent year. They are listed as follows:

Nature of contract	Parties involved	Start and end dates	Main content	Restrictive covenants
Precious metals & forex trading	Company SS	2022.1.14~2022.10.31 (Note 1)	Precious metal supply contract	None
Precious metals & forex trading	Company M	2021.11.30 (Note 2)	Precious metal supply contract	None
Land lease contract	Bureau in Southern Taiwan Science Park	2016.01.12~2027.05.31 (Note 3)	Lease of land in the park	None
Technical cooperation	China Steel Corporation	2022/01/01~2022/12/31	Development of high purity copper targets and conductive dielectric targets for thin film sputtering	None
Technical cooperation	China Steel Corporation	2022/07/01~2023/08/31	Core technology development for mass production of metal targets for semiconductors (Phase I project)	None

Note 1: The transactions between the Company and SS company is made on a case-by-case basis and may be extended upon expiration.

Note 2: The transactions between the Company and M company is mainly based on the supply contract signed on 2021.11.30, without a clear expiration date.

Note 3: Both parties may sign a new contract to extend the lease upon the end of the lease term as per the lease contract.

Six. Overview of Financial Information

I. Condensed balance sheet and statement of comprehensive income as well as names and audit opinions of the CPAs in the most recent five years

(I) Information on condensed and consolidated balance sheet and statement of comprehensive income

1. Condensed and consolidated balance sheet

Unit: NT\$ thousands

Unit: R10 thousands

Item \ Year		Financial data for the most recent five years (Note 1)				
		End of 2018	End of 2019	End of 2020	End of 2021	End of 2022
Current assets		1,106,007	1,174,277	1,272,860	1,193,209	1,344,265
Property, plant and equipment		392,959	280,173	256,912	230,894	240,810
Intangible assets		791	171	43	354	212
Other assets		91,668	238,476	230,701	259,012	246,476
Total assets		1,591,425	1,693,097	1,760,516	1,683,469	1,831,763
Current liabilities	Before distribution	479,747	388,147	475,711	395,973	523,191
	After distribution	509,146	461,645	534,509	462,121	Note 2
Non-current liabilities		8,706	118,734	123,530	116,159	114,376
Total liabilities	Before distribution	488,453	506,881	599,241	512,132	637,567
	After distribution	517,852	580,379	658,039	578,280	Note 2
Equity attributable to owners of parent company		1,102,972	1,186,216	1,161,275	1,171,337	1,194,196
Share capital		734,980	734,980	734,980	734,980	734,980
Capital surplus		324,681	324,681	324,681	324,681	324,681
Retained (accumulated) Earnings (losses)	Before distribution	40,962	130,873	105,064	115,336	133,949
	After distribution	11,563	57,375	46,266	49,188	Note 2
Other equity		2,349	(4,318)	(3,450)	(3,660)	586
Treasury shares		-	-	-	-	-
Non-controlling interests		-	-	-	-	-
Total equity	Before distribution	1,102,972	1,186,216	1,161,275	1,171,337	1,194,196
	After distribution	1,073,573	1,112,718	1,102,477	1,105,189	Note 2

Note 1: The data above has all been audited by CPAs.

Note 2: Not yet approved through resolution of shareholders' meeting.

Note 3: The Company's annual report was printed on March 31, 2023. Therefore, the latest financial information audited or reviewed by CPAs is the information at the end of 2022.

2. Condensed and consolidated statements of comprehensive income

Unit: NT\$ thousand except for earnings per share, which is in NT\$

Item \ Year	Financial data for the most recent five years (Note 1)				
	2018	2019	2020	2021	2022
Operating revenue, net	2,373,894	2,141,708	2,398,411	3,003,192	2,527,367
Gross profit	197,116	176,124	208,633	231,782	227,824
Operating income (loss)	40,785	21,591	70,121	92,693	84,886
Non-operating income and expenses	8,206	59,109	(9,666)	(5,438)	18,601
Net Income Before Tax	48,991	80,700	60,455	87,255	103,487
Net income of continuing operations in this period	41,786	118,924	47,325	70,311	82,003
Loss on discontinued operations	-	-	-	-	-
Net income for this period	41,786	118,924	47,325	70,311	82,003
Other comprehensive income for this period (net of tax)	(418)	(6,281)	1,232	(1,451)	7,004
Total comprehensive income for this period	41,368	112,643	48,557	68,860	89,007
Net income attributable to owners of parent company	43,481	118,924	47,325	70,311	82,003
Net income attributable to non-controlling interests	(1,695)	-	-	-	-
Total comprehensive income attributable to owners of parent company	43,097	112,643	48,557	68,860	89,007
Total comprehensive income attributable to non-controlling interests	(1,729)	-	-	-	-
Earnings per share (Note 2)	0.59	1.62	0.64	0.96	1.12

Note 1: The data above has all been audited by CPAs.

Note 2: It was calculated with the weighted average number of issued shares after retrospective adjustment for the year.

Note 3: The Company's annual report was printed on March 31, 2023. Therefore, the latest financial information audited or reviewed by CPAs is the information at the end of 2022.

(II) Information on condensed and parent company only balance sheet and statement of comprehensive income

1. Condensed and parent company only balance sheet

Unit: NT\$ thousands

Item \ Year	Financial data for the most recent five years (Note 1)				
	End of 2018	End of 2019	End of 2020	End of 2021	End of 2022
Current assets	1,110,968	1,143,021	1,179,964	1,108,084	1,176,226
Property, plant and equipment	227,817	198,187	183,541	167,369	185,075
Intangible assets	791	171	43	354	212
Other assets	87,849	245,969	257,159	295,305	294,032
Total assets	1,427,425	1,587,348	1,620,707	1,571,112	1,655,545
Current liabilities	Before distribution	323,326	285,336	338,820	286,443
	After distribution	352,725	358,834	397,618	352,591
Non-current liabilities	1,127	115,796	120,612	113,332	111,579
Total liabilities	Before distribution	324,453	401,132	459,432	399,775
	After distribution	353,852	474,630	518,230	465,923
Equity attributable to owners of the Company	1,102,972	1,186,216	1,161,275	1,171,337	1,194,196
Share capital	734,980	734,980	734,980	734,980	734,980
Capital surplus	324,681	324,681	324,681	324,681	324,681
Retained (accumulated) Earnings (losses)	Before distribution	40,962	130,873	105,064	115,336
	After distribution	11,563	57,375	46,266	49,188
Other equity	2,349	(4,318)	(3,450)	(3,660)	586
Treasury shares	-	-	-	-	-
Total equity	Before distribution	1,102,972	1,186,216	1,161,275	1,171,337
	After distribution	1,073,573	1,112,718	1,102,477	1,105,189

Note 1: The data above has all been audited by CPAs.

Note 2: Not yet approved through resolution of shareholders' meeting.

Note 3: The Company's annual report was printed on March 31, 2023. Therefore, the latest financial information audited or reviewed by CPAs is the information at the end of 2022.

2. Condensed and parent company only statement of comprehensive income

Unit: NT\$ thousand except for earnings per share, which is in NT\$

Item \ Year	Financial data for the most recent five years (Note 1)				
	2018	2019	2020	2021	2022
Operating revenue, net	2,232,432	1,994,819	2,166,976	2,744,818	2,288,609
Gross profit	179,024	163,819	152,269	183,670	186,454
Operating income (loss)	56,426	44,187	46,825	78,224	73,256
Non-operating income and expenses	(5,740)	36,513	13,630	9,031	30,231
Net Income Before Tax	50,686	80,700	60,455	87,255	103,487
Net income of continuing operations in this period	43,481	118,924	47,325	70,311	82,003
Loss on discontinued operations	-	-	-	-	-
Net income for this period	43,481	118,924	47,325	70,311	82,003
Other comprehensive income for this period (net of tax)	(384)	(6,281)	1,232	(1,451)	7,004
Total comprehensive income for this period	43,097	112,643	48,557	68,860	89,007
Earnings per share (Note 2)	0.59	1.62	0.64	0.96	1.12

Note 1: The data above has all been audited by CPAs.

Note 2: It was calculated with the weighted average number of issued shares after retrospective adjustment for the year.

Note 3: The Company's annual report was printed on March 31, 2023. Therefore, the latest financial information audited or reviewed by CPAs is the information at the end of 2022.

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

Year	Accounting firm	Name of CPA	Audit opinion
2018	Deloitte & Touche	Liu, Yu-Hsiang and Hsu, Jui-Hsuan	Unqualified opinion plus "Emphasis" paragraph
2019	Deloitte & Touche	Liu, Yu-Hsiang and Hsu, Jui-Hsuan	Unqualified opinion plus "Emphasis" paragraph
2020	Deloitte & Touche	Wang, Chao-Chun and Liu, Yu-Hsiang	Unqualified opinion
2021	Deloitte & Touche	Wang, Chao-Chun and Liu, Yu-Hsiang	Unqualified opinion
2022	Deloitte & Touche	Wang, Chao-Chun and Liu, Yu-Hsiang	Unqualified opinion

II. Analysis of financial data for the most recent five years:

(I) Consolidated financial analysis

Item		Analysis of financial data for the most recent five years (Note 1)				
		2018	2019	2020	2021	2022
Financial structure	Debt ratio (%)	30.69	29.94	34.03	30.42	34.80
	Ratio of long-term capital to property, plant and equipment (%)	282.89	465.77	500.09	557.61	543.40
Solvency	Current ratio (%)	230.53	302.53	267.57	301.33	256.93
	Quick ratio (%)	92.58	146.89	137.29	128.51	85.22
	Interest earned ratio	7.43	8.15	7.02	11.22	11.83
Operating performance	Accounts receivable turnover (times)	7.62	7.00	7.96	8.49	8.48
	Average collection period (days)	48	52	46	43	43
	Inventory turnover (times)	4.89	3.39	4.01	4.89	3.20
	Accounts payable turnover (times)	230.90	183.43	112.85	88.57	84.29
	Average days in sales	75	2019	91	75	114
	Property, plant and equipment turnover (times)	5.73	6.36	8.93	12.31	10.72
	Total assets turnover (times)	1.66	1.30	1.38	1.74	1.43
Profitability	Return on total assets (%)	3.35	7.79	3.20	4.47	5.10
	Return on equity (%)	3.77	10.39	4.03	6.02	6.93
	Pre-tax income to paid-in capital (%)	6.66	10.98	8.22	11.87	14.08
	Profit margin (%)	1.76	5.55	1.97	2.34	3.24
	Earnings per share (NTD) (Note 2)	0.59	1.62	0.64	0.96	1.12
Cash flow	Cash flow ratio (%)	-	90.48	26.17	-	20.67
	Cash flow adequacy ratio (%)	129.58	263.76	201.13	155.84	75.41
	Cash reinvestment ratio (%)	-	16.19	2.59	-	2.05
Leverage	Operating leverage	8.24	13.49	4.63	3.89	4.26
	Financial leverage	1.23	2.10	1.17	1.10	1.13

Description of financial ratios, which increased or decreased by 20% or more, in the most recent two years:

1. Decrease in quick ratio, inventory turnover and increase in average days in sales:

This is mainly due to the fact that the recession of the panel market led to the decrease in the demand for the targets needed by the panels, and the brands and panel companies were actively reducing their inventories; as such, the shipment of targets decreased and the removal of inventory slowed down considerably.

2. Increase in profit margin:

This is mainly due to the fact that the income from technical services and subsidies was added in 2022; the USD rose as a result of the rise in interest rates in the United States, which increased the benefits of non-operating exchange and evaluation compared with last year.

3. Increase in cash flow ratio and cash reinvestment ratio:

This is mainly due to the fact that the increase in net income for this period and the decrease in prepayments compared with last year caused by the decrease in end-user demand, resulted in a net cash inflow from business activities.

4. Decrease in cash flow adequacy ratio:

This is mainly because of the fact that the Company invested in purchasing additional equipment, resulting in an increase in capital expenditure compared with last year.

Note 1: The data above has all been audited by CPAs.

Note 2: It was calculated with the weighted average number of issued shares after retrospective adjustment for the year.

Note 3: The Company's annual report was printed on March 31, 2023. Therefore, the latest financial information audited or reviewed by CPAs is the information at the end of 2022.

The calculation formulas for financial analysis are as follows:

- (1) Financial structure
 1. Debt ratio = Total liabilities/Total assets.
 2. Ratio of long-term capital to property, plant and equipment = (Total equity + Non-current liabilities)/Net property, plant, and equipment.
- (2) Solvency
 1. Current ratio = Current assets/Current liabilities.
 2. Quick ratio = (Current assets - Inventory - Prepaid expenses)/Current liabilities.
 3. Interest earned ratio = Net income before tax and interest /Interest expenses in this period.
- (3) Operating performance
 1. Accounts receivable turnover (including accounts receivable and notes receivable from operating activities) = Net sales/Balance of average accounts receivable in each period (including accounts receivable and notes receivable from operating activities).
 2. Average collection period (days) = 365/Accounts receivable turnover.
 3. Inventory turnover = Cost of sales/Average inventory.
 4. Payables turnover (including accounts payable and notes payable from operating activities) = Cost of sales/Balance of average accounts payable in each period (including accounts payable and notes payable from operating activities).
 5. Average days in sales = 365/Inventory turnover.
 6. Property, plant and equipment turnover = Net sales/Average net property, plant, and equipment.
 7. Total asset turnover = Net sales/Average total assets.
- (4) Profitability
 1. Return on assets = [Profit or loss after tax + Interest expenses \times (1 - Tax rate)]/Average total assets.
 2. Return on equity = Profit or loss after tax/Average total equity.
 3. Profit margin = Profit or loss after tax/Net sales.
 4. Earnings per share = (Income or loss attributable to owners of parent company - Preference shares dividends)/Weighted average number of shares issued.
- (5) Cash flow
 1. Cash flow ratio = Net cash flows from operating activities/Current liabilities.
 2. Cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years/(Capital expenditures + Inventory increment + Cash dividends) for the most recent five years.
 3. Cash reinvestment ratio = (Net cash flow from operating activities - Cash dividends)/ (Gross property, plant and equipment + Long-term investment + Other non-current assets + Working capital).
- (6) Leverage:
 1. Operating leverage = (Net operating revenue - Variable operating costs and expenses)/Operating income.
 2. Financial leverage = Operating income/(Operating income - Interest expenses).

(II) Parent company only financial analysis

Item (Note 3)		Analysis of financial data for the most recent five years (Note 1)				
		2018	2019	2020	2021	2022
Financial structure	Debt ratio (%)	22.72	25.27	28.34	25.44	27.86
	Ratio of long-term capital to property, plant and equipment (%)	484.64	656.96	698.41	767.56	705.53
Solvency	Current ratio (%)	343.60	400.59	348.25	386.84	336.28
	Quick ratio (%)	177.53	226.39	188.77	182.53	112.26
	Interest earned ratio	18.11	15.68	13.97	19.97	18.97
Operating performance	Accounts receivable turnover (times)	7.41	6.70	8.33	9.36	8.83
	Average collection period (days)	49	54	44	39	41
	Inventory turnover (times)	5.56	3.76	4.35	5.31	3.41
	Accounts payable turnover (times)	276.42	263.49	469.94	411.85	244.32
	Average days in sales	66	97	84	69	2018
	Property, plant and equipment turnover (times)	9.32	9.37	11.35	15.64	12.99
	Total assets turnover (times)	1.71	1.32	1.35	1.71	1.41
Profitability	Return on total assets (%)	3.52	8.18	3.18	4.63	5.36
	Return on equity (%)	3.92	10.39	4.03	6.02	6.93
	Pre-tax income to paid-in capital (%)	6.89	10.98	8.22	11.87	14.08
	Profit margin (%)	1.95	5.96	2.18	2.56	3.58
	Earnings (losses) per share (NT\$) (Note 2)	0.59	1.62	0.64	0.96	1.12
Cash flow	Cash flow ratio (%)	-	77.21	26.93	-	26.95
	Cash flow adequacy ratio (%)	270.86	352.69	187.21	124.16	57.80
	Cash reinvestment ratio (%)	-	9.82	0.92	-	1.40
Leverage	Operating leverage	5.43	6.42	5.82	4.04	4.33
	Financial leverage	1.06	1.14	1.11	1.06	1.09

Description of financial ratios, which increased or decreased by 20% or more, in the most recent two years:

1. Decrease in quick ratio, inventory turnover, accounts payable turnover and increase in average days in sales:

This is mainly due to the fact that the recession of the panel market led to the decrease in the demand for the targets needed by the panels, and the brands and panel companies were actively reducing their inventories; as such, the shipment of targets decreased and the removal of inventory slowed down considerably.

2. Increase in profit margin:

This is mainly due to the fact that the income from technical services and subsidies was added in 2022; the USD rose as a result of the rise in interest rates in the United States, which increased the benefits of non-operating exchange and evaluation compared with last year.

3. Increase in cash flow ratio and cash reinvestment ratio:

This is mainly due to the fact that the increase in net income for this period and the decrease in prepayments compared with last year caused by the decrease in end-user demand, resulted in a net cash inflow from business activities.

4. Decrease in cash flow adequacy ratio:

This is mainly because of the fact that the Company invested in purchasing additional equipment, resulting in an increase in capital expenditure compared with last year.

Note 1: The data above has all been audited by CPAs.

Note 2: It was calculated with the weighted average number of issued shares after retrospective adjustment for the year.

Note 3: Please refer to II. (I) Analysis of consolidated financial data for the financial analysis calculation formulas.

Note 4: The Company's annual report was printed on March 31, 2023. Therefore, the latest financial information audited or reviewed by CPAs is the information at the end of 2022.

III. Audit Committee's Review Report of the most recent annual financial report: Please refer to page 118 of this annual report for details.

IV. The CPA's statement of independence for the most recent year: Please refer to page 119 of this annual report for details.

V. The CPA's audit report as well as financial statements and notes or tables for the most recent year: Please refer to Appendix I.

VI. The consolidated financial statements of the parent and subsidiaries that have been audited and certified by a CPA for the most recent year: Please refer to Appendix II.

VII. Influence of any difficulty with financial solvency of the Company and its affiliate on the Company's financial position in the most recent year and up to the publication date of this annual report: None.

VIII. Private placement of securities in the most recent year up to the publication date of this annual report: None.

IX. Subsidiaries holding or disposing of the Company's shares in the most recent year and up to the publication date of this annual report: None.

Attachment

ThinTech Materials Technology Co., Ltd. Audit Committee's Review Report

The Board of Directors prepared the 2022 parent company only and consolidated financial statements, a statement of earnings distribution, and a business report, among which the parent company only and consolidated financial statements have been audited by Wang, Chao-Chun and Liu, Yu-Hsiang, CPAs at Deloitte & Touche, by whom an audit report, along with an unqualified opinion, has been issued. We have reviewed said documents and did not find any misstatement and hereby issued a review report as presented above in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

To:
2022 Annual General Shareholders' Meeting,

ThinTech Materials Technology Co., Ltd.

Convener of the Audit Committee:



Liang, Su-Mei

February 21, 2023

October 3, 2022 Chin-Kao No. 11100972

Receipt: ThinTech Materials Technology Co., Ltd.

Subject: The firm was entrusted to audit your company's financial statements for 2022. In accordance with the provisions of “CPA professional and ethical guideline bulletin No.10 Integrity, Justice, Objectivity and Independence” of National Federation of CPA Associations of the R.O.C., members of the audit team declare that they have complied with the following guidelines and have not violated their independence.

Description:

- I. The audit team members and their spouses and dependents do not fall under any of the circumstances below:
 - (I) Have direct or indirect material financial interest in your company.
 - (II) Engage in business dealings with your company or your directors, supervisors, or managers that undermine their independence.
- II. Hold a position as a director, supervisor, or manager at your company or a position with direct or significant influence on your company’s audit work during the audit period.
- III. Are spouses, lineal relatives by blood, lineal relatives by marriage, or lineal relatives by blood within the second degree of kinship of any directors, supervisors, or managers at your company.
- IV. Accept gifts or gifts of great value from your company or your directors, supervisors, managers, or major shareholders (the value of such gifts exceeds the standard of social etiquette).
- V. All audit team members have implemented the necessary independence/conflict of interest procedures, and we did not discover any violations of independence or unresolved conflicts of interest.

Deloitte & Touche
CPA Wang, Chao-Chun
CPA Liu, Yu-Hsiang

Seven. Financial Position and Financial Performance Review Analysis and Risk Management

I. Financial position

(I) Comparison and analysis table of financial position

Unit: NT\$ thousands				
Item \ Year	End of 2022	End of 2021	Increase/Decrease amount	Increase/Decrease (%)
Current assets	1,344,265	1,193,209	151,056	12.66
Property, plant and equipment	240,810	230,894	9,916	4.29
Intangible assets	212	354	(142)	(40.11)
Other assets	246,476	259,012	(12,536)	(4.84)
Total assets	1,831,763	1,683,469	148,294	8.81
Current liabilities	523,191	395,973	127,218	32.13
Non-current liabilities	114,376	116,159	(1,783)	(1.53)
Total liabilities	637,567	512,132	125,435	24.49
Share capital	734,980	734,980	-	-
Capital surplus	324,681	324,681	-	-
Retained earnings	133,949	115,336	18,613	16.14
Other equity	586	(3,660)	4,246	116
Non-controlling interests	-	-	-	-
Total shareholders' equity	1,194,196	1,171,337	22,859	1.95
1. Description of the items with a significant change (increase or decrease by 20% or more compared with the prior period with the change amounting to NT\$10 million): Increase in current liabilities: This is mainly because of the fact that short-term loans of subsidiaries increased; the price of silver rose compared with the same period of last year; precious metal liabilities for hedging were appropriated in this period, resulting in the simultaneous increase in inventories and liabilities.				
2. Impact of significant changes on the Company: The above changes in assets, liabilities, and shareholders' equity did not cause any significant impact on the Company.				

II. Financial performance

(I) Comparison and analysis table of financial performance

Unit: NT\$ thousands

Year/Item	2022		2021		Increase/Decrease amount	Increase/Decrease (%)
	Subtotal	Total	Subtotal	Total		
Net operating revenue		\$2,527,367		\$3,003,192	(475,825)	(15.84)
Operating cost		<u>2,299,543</u>		<u>2,771,410</u>	(471,867)	(17.03)
Gross profit		227,824		231,782	(3,958)	(1.71)
Operating expense		<u>142,938</u>		<u>139,089</u>	3,849	2.77
Operating income		84,886		92,693	(7,807)	(8.42)
Non-operating income and expenses		18,601		(5,438)	24,039	442.06
Interest income	\$1,272		\$1,449		(177)	(12.22)
Other income	12,992		2,825		10,167	359.89
Other gains and losses	12,937		(1,693)		14,630	864.15
Financial costs	(9,546)		(8,536)		(1,010)	(11.83)
Share of profit on affiliates recognized using the equity method	946		517		429	82.98
Net income before tax		103,487		87,255	16,232	18.60
Income tax expense		<u>21,484</u>		<u>16,944</u>	4,540	26.79
Net income for this period		<u>\$82,003</u>		<u>\$70,311</u>	11,692	16.63

1. Description of the items with a significant change (increase or decrease by 20% compared with the prior period with the change amounting to NT\$10 million).

Increase in non-operating income and expenses

This is mainly due to the fact that the income from technical services and subsidies was added in 2022; the USD rose as a result of the rise in interest rates in the United States, which increased the benefits of non-operating exchange and evaluation compared with last year.

2. Estimated sales volume in the following year and the basis:

Since 2022, the global economy has been affected by the Russia-Ukraine war, COVID-19 epidemic, geopolitical risks and inflation, and so the industrial environment is not ideal. It is expected that the economy in the first half of 2023 will be still affected by the inventory destocking of the panel industry, and the demand for panel targets will be flat. It is hoped that the demand will grow in the second half of the year. In the post-epidemic era, the trading volume of precious metals of the Company returned to the level before the epidemic. Recently, due to the monetary tightening policies of global central banks and risk-aversion tendency in the market, the price of gold and silver fluctuated sharply, resulting in a big difference in monthly revenue, but the difference in gross profits of precious metals was not large.

At this stage, faced with the dual pressures of declining production capacity in the market and low-price competition in the same industry, the Company's management team not only strives to maintain the quality, continuously develop customers and peripheral components, and strengthen the connection with the customers and the services provided to them, but also continuously optimizes the product portfolio to gradually introduce targets into semiconductor field. With the improvement of the features of new equipment, the Company further implements the operation development strategy of advancing the manufacturing process from the past into the future. By optimizing the product portfolio in the next one or two years, in the aspect of operation and growth, the Company will focus on increasing the ratio of three "new" (new products, new applications and new customers).

III. Cash flow analysis

(I) Analysis of changes in cash flows

Unit: NT\$ thousands

Year Item	2022 (A)	2021 (B)	Increase (decrease) i.e. changes in amount (A)-(B)
Operating activities	108,164	(29,663)	137,827
Investing activities	(19,835)	100,181	(120,016)
Financing activities	(1,401)	(99,051)	97,650
Total	86,928	(28,533)	115,461
Analysis of changes in cash flows: 1. Operating activities: This is mainly due to the fact that the increase in net income for this period and the decrease in prepayments compared with last year caused by the decrease in end-user demand, resulted in a net cash inflow from business activities. 2. Investing activities: This is mainly due to the fact that the Company invested in purchasing additional equipment, resulting in an increase in capital expenditure compared with last year. 3. Financing activities: This is mainly due to the fact that subsidiary, Thintech Material Co., Ltd.'s short-term borrowings were reduced.			

(II) Liquidity analysis

Unit: %

Year Item	2022	2021	Increase (decrease) %
Cash flow ratio	20.67	-	Note (1)
Cash flow adequacy ratio	75.41	155.84	(51.61)
Cash reinvestment ratio	2.05	-	Note (1)
Analysis of the increase or decrease (%) (increase or decrease by 20% compared with the prior period): 1. Increase in cash flow ratio and cash reinvestment ratio: This is mainly due to the fact that the increase in net income for this period and the decrease in prepayments compared with last year caused by the decrease in end-user demand, resulted in a net cash inflow from business activities. 2. Decrease in cash flow adequacy ratio: This is mainly due to the fact that the Company invested in purchasing additional equipment, resulting in an increase in capital expenditure compared with last year.			

Note (1): Cash flew out from operating activities during 2021.

(III) Analysis of cash flow in the coming year

Unit: NT\$ thousands

Opening balance of cash	Estimated full-year net cash flow from operating activities	Estimated full-year net cash flow from investing and financing activities	Estimated cash flow surplus (deficit) amount	Remedial measures for estimated cash flow deficit	
				Investment plan	Financial management plan
200,915	(87,840)	148,114	261,189	-	-
1. Changes in cash flow in 2023: It is expected that a net cash outflow will be generated from operating activities in 2023, mainly because the Company is focusing on new product development, taking more than half a year to expand the production line, prepare materials and verify customers in early period. 2. Remedial measures and liquidity analysis of insufficient cash: Issue secured convertible corporate bonds to increase working capital: N/A.					

IV. Impact of major capital expenditures on financial business in the most recent year: None.

V. Investment policy for the most recent year, the main reasons for profit or loss, improvement plan, and investment plan for the following year:

(I) Investee policy:

We have formulated a plan on investment in investees based on factors, such as operational needs or future growth; evaluated investees' organization type, investment purpose, location, market conditions, business development, and financial position and submitted investment suggestions to the management to make investment decisions. Moreover, we have established the Procedures for Asset Acquisition and Disposal to keep abreast of the investees' financial position and business condition. We have also formulated the Subsidiary Monitoring and Management Regulations in the internal control system, to urge the subsidiaries to formulate relevant operating procedures for significant financial and business matters and monitor their implementation as per law, thereby establishing a subsidiary operational risk management mechanism to maximize our business performance.

(II) The main reasons for profit or loss, improvement plan and investment plans:

December 31, 2022; Unit: NT\$ thousands

Investee	Combined shareholding	Investment income recognized for 2022	Main reason for profit or loss	Improvement plans
Taicang Thintech Material Co., Ltd.	100%	6,494	<p>The reason that Thintech continued to make a profit in 2022 is as follows:</p> <ol style="list-style-type: none"> 1. Maintain the targets orders that contributed to the uptime of processes in the panel industry and promote cost reduction activities. 2. Sell reserved residual targets and waste materials in the factory by following the trends of the raw materials market to increase profits. 3. Continue to improve the quality of manpower and cultivate employees with multiple abilities, to cut costs and increase efficiency, and strictly control operating expenses. 	<p>As the panel targets industry continues to be faced with a price war from major domestic manufacturers (those funded by investors in China), and the costs of global raw materials and transportation have risen due to unfavorable factors such as wars, the pandemic, and inflation, the priorities of Thintech's operations in 2023 are as follows:</p> <ol style="list-style-type: none"> 1. Localize the supply of raw materials: Purchase high-purity aluminum and copper raw materials locally in mainland China to reduce material costs and focus on quality. 2. Extension of semiconductor targets market: Maintain the sales volume of copper targets and stainless steel targets for semiconductor packaging, and continue to expand other application products of semiconductor targets by coordinating with the R&D process of parent company ThinTech. 3. Expansion of OEM and trade sales: Expand OEM projects of nickel-based or other materials, and integrate the Group's comprehensive effects, to increase the gross profit. 4. Strictly control production costs and administration and sales expenses and cut costs; actively follow up on accounts receivable to reduce the risk of bad debts. 5. Adopt the tube targets processing process, reduce import costs, and strengthen technology R&D capabilities. 6. Strive to strengthen the business of targeting high margin materials in the peak season for orders every year.

(III) Investment plan for the following year:

In the future, we will still take ESG as the starting point to evaluate issues of climate change, energy conservation and carbon reduction, and sustainable development and adopt long-term strategic investment as the principle. The management team will formulate an investment plan after careful evaluation of the overall industry development and the Company's needs and submit them to the Board of Directors for approval.

VI. Risk management

(I) The impact of interest rates, exchange rate changes, and inflation on the Company's profit or loss and future countermeasures

Item	The impact profit or loss	2022	2021	The impact on the Company and future countermeasures
Interest rate movement	Consolidated net interest income (expense)/Consolidated net income (loss) before tax	8%	8.12%	The Company continues to maintain a low debt ratio to avoid the potential adverse effects of interest rate movement. Therefore, interest rate movement will not cause a significant impact on our future profits and losses. In the future, we will also pay attention to the movement of interest rates in the market at any time, evaluate and adjust the loans and counterparties where appropriate, and continue to negotiate with banks to obtain more favorable loan interest rates and reduce interest expenses.
Exchange rate movement	Consolidated net exchange gain (loss)/Consolidated net income (loss) before tax	18.34%	-6.44%	The Company collects exchange rate movement information in real time, keeps abreast of exchange rate trends, judges the exchange rate movement, and adopts risk hedging strategies for forward exchange in a timely manner; the investee in China adopts functional currency financing to avoid exchange rate fluctuation risks and reduce the impact of exchange rate movements on the Company's profit or loss, thereby effectively controlling the risk of exchange rate fluctuations.
Inflation	The Company's main raw materials are precious metals imported from abroad, so the production cost is closely associated to the international metal price. We observe the price fluctuations in the international metal market in real time and maintain positive interaction with suppliers to stabilize the sources of materials, while signing long-term supply contracts and actively improving the recycling process to increase the turnover of raw materials. Also, the sales personnel will adjust the prices depending on the costs in a timely manner as per the market supply and demand.			

(II) The policy on engagement in high-risk and highly leveraged investment, loans to others, endorsements/guarantees provided, and derivatives trading, the main reason for profit or loss, and countermeasures

1. The policy on engagement in high-risk and highly leveraged investment, the main reason for profit or loss, and countermeasures

We have formulated and followed the Procedures for Asset Acquisition and Disposal. With the philosophy of stable operations, we focus on our core business and stay pragmatic, so we did not engage in high-risk and highly leveraged investments in the most recent year and up to the publication date of this annual report.

2. The policy on loans to others and endorsements/guarantees provided, the main reason for profit or loss, and countermeasures

We have formulated the Operating Procedures for Endorsements and Guarantees and the Operating Procedures for Loaning of Funds to others, which clearly specify relevant policies and measures to reduce risks and protect shareholders' rights and interest. Such procedures have been passed by the resolution of the shareholders' meeting, and we implemented them as required. We approved the loan and endorsement/guarantee amount to the investee in the most recent year and up to the publication date of this annual report, and the amount was drawn in 2022. In the future, we will continue to control the drawdown and affiliates' working capital.

3. Engaging in derivatives trading

We engaged in the derivatives trading in the most recent year and up to the publication date of this annual report in accordance with the Company's Procedures for Asset Acquisition and Disposal, all for the purpose of hedging.

(III) Future R&D plans and estimated R&D expenses:

Unit: NT\$ thousands

Item	Current progress	Estimated additional investment in R&D	Estimated completion time	Purposes
Development of high-purity titanium/aluminum alloy/copper targets (evaporation materials) for semiconductors	The semiconductor targets are an important five-year strategic new product of TTMC, and we have completed the development and manufacturing process technology establishment of some targets/evaporation materials for semiconductor packaging and wafer thinning industries.	15,000	2024 Q4	Improve the targets thermomechanical treatment/enhance manufacturing process technology, enter the semiconductor target market field, and expand product categories.
Planning of equipment for mass production of composite materials	We have completed mass production and shipment of the first batch of products and optimized the existing manufacturing process and equipment.	7,500	2023 Q4	Optimize incoming materials and reduce the production costs.
Advancement of manufacturing process for nickel-based special alloy thin plates	We completed the development of nickel-based special alloy thin plates by combining the special comprehensive expertise of the Group and will deliver it to well-known manufacturers at home and abroad.	15,000	2023 Q4	Enhance product cost-effectiveness and competitiveness.
Raw material purification and economic recycling	We formulated a plan for raw material purification technology and launched a plan to research and improve the refining, purification and vacuum smelting processes.	7,500	2023 Q4	Ensure the sources of high-purity raw materials, avoid the shortage of raw materials, and create a circular economy model and applications at the same time.

(IV) The impact of important policies and legal changes at home or abroad on the Company's financial business and countermeasures

1. IECQ officially announced the new version of IECQ QC080000:2017 system on May 12, 2017. The high-level management structure is adopted as the standard structure, the same structure adopted in the ISO 9001: 2015 system. We have formulated clear management regulations on the relevant processes for raw material management, supplier management, production process control, and hazardous substance control on the basis of the existing quality management system in July 2018, which have passed international verification; no significant impact was caused on the Company's financial business.
2. Regarding the implementation of the EU RoHS II and REACH, the Council of the European Union disclosed the 28th batch of 233 substances of very high concern on January 17, 2023. In response, we produced products as per orders and in compliance with the RoHS II standards and provided relevant test reports and non-use guarantees. To comply with the RoHS II standards, we paid only a small testing fee. Therefore, the implementation of RoHS II did not have a major adverse effect on the Company's financial business.

(V) The influence of changes in technology (including cyber security risks) and the industry on the Company's financial business and countermeasures:

1. The influence of changes in technology and the industry on the Company's financial business and countermeasures:

As the world has entered the era of IoT, 5G, green energy, and electric vehicles in recent years, we ushered in the new era of the second- and third-generation semiconductors, and subtle changes occurred to relevant materials. Gallium arsenide and indium phosphide feature high frequency, low noise, high efficiency, low power consumption, and ultra-high electron mobility and have become the main materials in the second-generation semiconductor era, laying a solid foundation for the development of semiconductors for microwave radio frequency communication. To meet the needs for high-frequency applications of 5G and high voltage, high current, and high energy conversion efficiency for green energy applications and electric vehicles, wide band gap (WBG) semiconductors, such as gallium nitride (GaN) and silicon carbide (SiC) began to be popular with the markets, ushering in a new era of third-generation semiconductors.

With the material expansion competition, Taiwan's semiconductor industry will witness a new layout and development of the second- and third-generations semiconductors and traditional silicon-based semiconductors. Therefore, we are accelerating process development and improving technology and services as well as actively conducting technology marketing to keep abreast of the market trends, while developing new clients and new applications, expanding markets at home and

abroad, enhancing product quality, implementing sustainable operation of the enterprise by means of differentiated technology, manufacturing and services, and improving the Company's operating performance. After reviewing the operating performance of the Company over the years, we have confirmed that the changes in semiconductor technologies and industries have not yet caused a significant impact on the Company's financial business.

2. The impact of cyber security risks on the Company's financial business and countermeasures

The Company's cyber security risk management structure, cyber security policies, specific management plans, and resources invested in cyber security management have been disclosed in Chapter 5. During 2022, we held two Risk Management Committee meetings and two Risk Management Task Force meetings to review each unit's implementation of information security policies and reported to the Board of Directors in the fourth quarter of 2022. The Company did not suffer from losses due to serious cyber security incidents this year. During the most recent year and up to the publication date of this annual report, no incident that undermined information security occurred to the Company.

3. The impact of the COVI-19 pandemic on the Company (revenue, finance, and human resources)

The epidemic has lasted for more than three years since 2020. On the whole, the Company and its subsidiaries have not been affected by the epidemic in 2022. In respect of human resources management, by the end of December, 2022, a total of 101 colleagues had been diagnosed with COVID-19, with an overall diagnosis rate of 47.42%, which was slightly higher than the diagnosis rate of 38.00% in Taiwan. The main reason was that the infection of relatives and friends led to a total of 345 colleagues performing independent health management. Due to proper epidemic prevention and control measures, there was no concentrated outbreak incident of the epidemic due to gathering in the workplace. Meanwhile, due to the recurrence of the pandemic outbreak in mainland China in 2022, various places have implemented lockdown and control measures. Subsidiary Thintech has conducted pandemic risk scanning, adopted countermeasures, and managed the situation in accordance with local policies. Up to the publication date of this annual report, the governments of Taiwan and China have relaxed epidemic control measures and people have gradually resumed their daily lives.

4. The impact of the Russia-Ukraine war, geopolitics and inflation on the Company (revenue, finance, and human resources)

The Company does not sell products to and buy products from Russia and Ukraine, but the risk assessment of global inflation on the Company's operation has been included in the risk assessment of the key raw material supply chain of the Risk Management Committee (refer to Chapter III Corporate Governance-Operations of the Risk Management Committee). The revenue, finance and human resources have not been affected up to the publication date of the annual report.

(VI) The influence of a change in corporate image on corporate crisis management and countermeasures

The Company has been law-abiding, honest, and fulfilling our environmental responsibilities and established a corporate image of being pragmatic, contributing to society, and fulfilling social responsibilities. In the most recent year and up to the publication date of this annual report, there has been no change in our corporate image, causing a significant impact on the Company.

(VII) Estimated benefits and potential risks of M&A and countermeasures

We did not have such a plan up to the publication date of this annual report.

(VIII) Estimated benefits and potential risks of plant expansion:

We did not have such a plan in the most recent year and up to the publication date of this annual report.

(IX) Risks of supplier or client concentration:

1. Purchases

The Company mainly engages in the production and sales of various thin-film sputtering targets, precious metals, and other products. The main raw materials are silver, copper, aluminum, molybdenum, and titanium, and we mainly supply our products to clients in Taiwan, China, Germany, and Japan. In addition, we work with several suppliers for the main raw materials at the same time to ensure the stability and flexible of the supply. Overall, we have maintained long-term and positive collaborative partnerships with our suppliers for many years, so there has been no shortage of raw materials or interruption of supply. In short, our supply sources are stable without any major adverse events in business development caused by shortage of raw materials.

2. Sales

The main application fields of the Company's products include photorecording medium, functional coatings, flat-panel displays, lead-free solders, front-end semiconductor processes, and special alloys.

As per the data in the standalone financial reports for the most recent two years, the sales of the processed precious metals accounted for 66% and 73% of our total sales for 2022 and 2021, respectively. However, as precious metals are products with high unit prices and a low gross profit, such products contributed only about 10.51% to the Company's total gross profit. It indicates that although the sales amount in this field accounts for a very high percentage of the Company's total revenue, it is not our main source of profit; thus, it has not caused a risk of client concentration.

To avoid the client concentration risk, the countermeasures adopted in the industry and the client

aspects are as follows:

- (1) In terms of industry: We sell a variety of products for different industries to diversify the sources of profit and investment risks and reduce the influence of the business cycle of a single industry.
- (2) In terms of clients: We actively research and develop customized products and expand the domestic and overseas client base to diversify revenue sources, which also helps to reduce the risk of the influence of the business cycle of a single client.

(X) The influence of massive transfer or replacement of shares by the directors or shareholders each holding more than 10 % of the shares issued by the Company, the risk thereof, and countermeasures:

We did not have massive transfer or replacement of shares by the directors or shareholders each holding more than 10% of the shares issued by the Company in the most recent year and up to the publication date of this annual report; thus, it is not applicable.

(XI) The influence of change in the Company's management right and the risk thereof

We did not have any change in the Company's management right, affecting our operations, in the most recent year and up to the publication date of this annual report; thus, it is not applicable.

(XII) In the case of a court case or a non-contentious case, specify the names of the directors, the President, the de facto responsible person, shareholders each holding more than 10% of company shares, or subsidiaries with final ruling made or still in major legal proceedings, non-contentious matters, or administrative disputes, and where the result thereof may significantly affect shareholders' equity or stock price:

1. The Company: None.

2. In terms of directors, the President, the de facto responsible person, shareholders each holding more than 10% of company shares, or subsidiaries:

The institutional director, United Renewable Energy Co., Ltd., in the process of a major legal proceeding, a non-contentious matter, or an administrative dispute case which has been decided or is still in progress and whose subject matter is worth more than NT\$ 0.1 billion, is as follows:

United Renewable Energy Co., Ltd. leased the plant to DU Company. On October 27, 2017, a fire broke out, which caused losses to DU Company. Therefore, DU Company requested damages from United Renewable Energy Co., Ltd. Both parties reached a settlement in May 2019, and United Renewable Energy Co., Ltd. compensated DU Company with the funds that DU Company owed to United Renewable Energy Co., Ltd. However, EZ Bank, the mortgagee of DU Company's equipment, objected to the settlement, and requested the United Renewable Energy Co., Ltd. to pay damages to DU Company. EZ Bank considers the United Renewable Energy Co., Ltd. shall not offset the debts with creditor's rights. However, the United Renewable Energy Co., Ltd. assessed that it was legal to offset the damages requested by DU Company with its own creditor's right to DU Company, so EZ Bank's request was unfounded. For this case, on July 1, 2021, the court decided that the United Renewable Energy Co., Ltd. shall pay EZ Bank NT\$ 159,335 thousand. The United Renewable Energy Co., Ltd. has appointed a lawyer to appeal as they believe the judgment to be incorrect.

The above-mentioned case is the case of the institutional director, United Renewable Energy Co., Ltd., which has nothing to do with the Company, so the result has no significant impact on the operation of the Company or shareholders' equity.

(XIII) Other important risks and countermeasures: None.

VII. Other important matters: None.

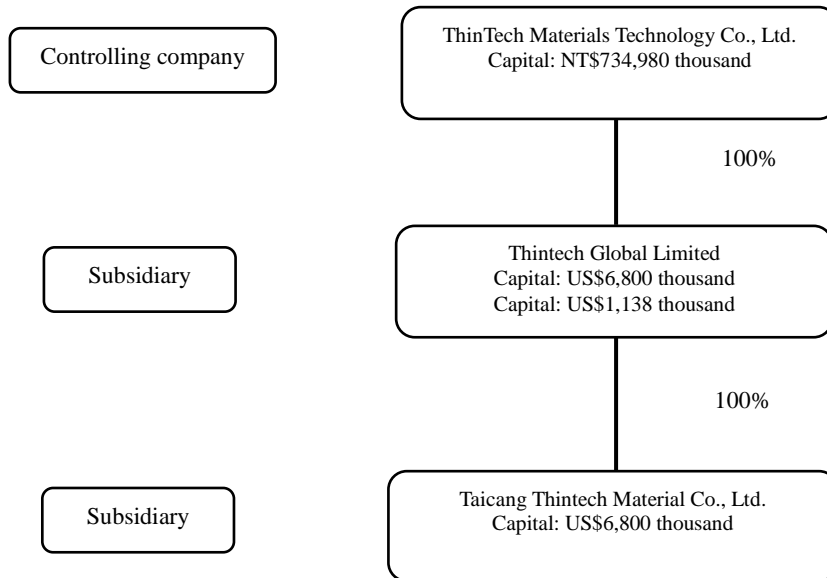
Eight. Special Matters

I. Relevant information on affiliates:

(I) Consolidated business reports

1. Organizational chart of affiliates:

Date: March 31, 2023



2. Basic information on each affiliate:

March 31, 2023; unit: In thousands of dollars

Company	Date of incorporation	Address	Paid-in capital	Main business or item produced
Thintech Global Limited	2011.02.23	Portcullis TrustNet Chambers, P.O. Box 1225, Apia, SAMOA.	US\$ 6,800	An investment holding company
Taicang Thintech Material Co., Ltd.	2011.07.28	No. 98, Beitaowan Road, Shaxi Town, Taicang City, Jiangsu Province	US\$ 6,800	Manufacturing and sales of metal targets

3. Information on the shareholders shared by those presumed to be controlling and controlled companies as per Article 369-3 of the Company Act: None.

4. Industries to which the affiliates belong:

- (1) The main business of the Company and the affiliates is the processing and sales of various thin-film sputtering targets and precious metals, international trade, and the import and export of non-ferrous metals.
- (2) If the businesses operated by each affiliate is related to each other, specify the division of labor between them: None.

5. Information on directors, supervisors, and presidents of affiliates:

March 31, 2023

Company	Job title	Name or representative	Shareholding	
			Number of shares	Shareholding
Thintech Global Limited	Chairman-cum-President	ThinTech Materials Technology Co., Ltd. representative: Pan, Yung-Tsun	6,800,000	100%
Taicang Thintech Material Co., Ltd. (Note 1)	Chairman	Thintech Global Limited representative: Pan, Yung-Tsun	6,800,000	100%
	Director	Thintech Global Limited representative: Chang, Chia-Wen (Note 2)	6,800,000	100%
	Director	Thintech Global Limited representative: Lin, Yu-Chuan	6,800,000	100%
	President	Thintech Global Limited Pan, Liang-Wen	6,800,000	100%
	Supervisor	Thintech Global Limited representative: Lin, Chang-Ming	6,800,000	100%

Note 1: It is an indirect reinvestment through Thintech Global Limited.

Note 2: The institutional director representative was Huang, Jung-Chang, who returned to TTMC at the end of his term on February 1, 2022, so Chang, Chia-Wen was assigned to be the new institutional director representative; Thintech completed the change registration on March 2, 2022.

6. Overview of the operations of affiliates:

December 31, 2022; Unit: NT\$ thousands

Company	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating income	Net income for this period (after tax)	Net income after tax per share (NT\$)
Thintech Global Limited	205,435	62,388	-	62,388	-	-	6,494	0.96
Taicang Thintech Material Co., Ltd. (Note)	208,828 (US\$6,800 thousand)	259,214	196,825	62,389	257,966	11,263	6,494	NA

Note: The USD is converted at the Bank of Taiwan's spot exchange rate of 1 USD to 30.71 NTD on December 31, 2022.

- (II) Consolidated financial statements of affiliates and statement of consolidated financial statements: Please refer to Appendix II for details.

(III) Affiliation Report

1. Overview of the relations between the subsidiaries and the controlling company:

December 31, 2022; unit: shares; %

Name of controlling company	Reason for control	The controlling company's shareholding and shares pledged			Directors, supervisors, or managers served by personnel sent by the controlling company
		Number of shares held	Shareholding	Number of shares pledged	Job title/Name
Gains Investment Corporation	Has the ultimate control	23,423,016	31.86%	0	Chairman /Huang, Chung-Chia President /Pan, Yung-Tsun

2. Transactions:

(1) Purchases and sales:

A.Sales: The Company sold goods to the related party Taicang Thintech Material Co., Ltd. during 2022 in the total amount of NT\$15,566 thousand (accounting for less than 1% of the net sales revenue). The selling prices and payment terms of the transactions are the almost the same as those with non-related parties.

B.Purchases: We purchased goods from the related party Taicang Thintech Material Co., Ltd. during 2022 in the total amount of NT\$3,642 thousand (accounting for less than 1% of the net purchase). The purchase prices and payment terms of the transactions are the almost the same as those with non-related parties.

(2) Property transactions: None.

(3)Financing: In July 2022 and October 2022, respectively, the Board of Directors of the Company passed a resolution to provide a capital loan to the investee, TaicangThintech Material Co., Ltd. with line totaling US\$3.5 million (or RMB 24.06 million), and there was no amount actually drawn up to the publication date of this annual report.

(4) Assets leased: None

3.Endorsements/Guarantees provided:

In July 2022, the Board of Directors of the Company passed a resolution to endorse and guarantee an amount of US\$8,500 thousand to the investee, Taicang Thintech Material Co., Ltd.; the amount actually endorsed and guaranteed was RMB 33,000 thousand up to the publication date of this annual report.

II.Private placement of securities in the most recent year up to the publication date of this annual report: None.

III.Subsidiaries holding or disposing of the Company's shares in the most recent year and up to the publication date of this annual report: None.

IV. Other necessary supplementary information: None.

V.Any event as specified in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act with a material impact on shareholders' rights and interest or securities prices occurred to the Company during the most recent year and up to the publication date of this annual report: None.

VI. Additional information on the commitment made for listing on Taipei Exchange:

In accordance with document No. issued by Taipei Exchange on September 4, 2012:

Letter Zheng-Gui-Shen No. 10101010261, the Company fills in the letter to report to Taipei Exchange at the end of each quarter.

Commitment Follow-up List

March 2023

Commitment for listing on Taipei Exchange	Commitment
The Company is committed to adding the provision to the Procedures for Asset Acquisition and Disposal, "The Company shall not give up on the capital increase by Thintech Global Limited (hereinafter referred to as "TTGL") in each of year in the future) The capital increase in each of the future years; if the Company has to give up on its capital increase or dispose of said company's equity due to strategic alliance factors or with the approval from Taipei Exchange in the future, it shall approved by TTMC's Audit Committee and then approved by TTMC's Board of Directors by supermajority resolution." If the procedures is amended in the future, it shall be disclosed on the MOPS and reported to Taipei Exchange for future reference.	(1-1) The 11th meeting of the 5th Board of Directors passed a resolution to this provision on September 18, 2012, which was reported to the 2013 general shareholders' meeting and approved by all shareholders present without any objection as proposed. (1-2) Due to subsequent changes in the business strategy, we filed an application to Taipei Exchange for the dissolution and liquidation of the investee, and the Board of Directors approved the amendments to the Procedures for Asset Acquisition and Disposal in 2014, 2018, 2019, and 2020 (the details of the investee was deleted) and submitted it to the general shareholders' meeting for discussion, while disclosing and reporting it to Taipei Exchange for reference as required and amending the Commitment for listing on Taipei Exchange.

Appendix 1

2022 Parent Company Only Financial Statements and Independent Auditor's Report

ThinTech Materials Technology
Co., Ltd.

Parent Company Only
Financial Statements and
Independent Auditor's Report
For the Years Ended December 31, 2022
and 2021

Address of the Headquarters: 8F-4 Floor, No. 140, Zhongshan
North Road, Gangshan District,
Kaohsiung City

Address of the Branch: No. 1, Luke 8th Road, Luzhu
District, Kaohsiung City (mailing
address)

Tel.: (07)695-5125

Independent Auditor's Report

To ThinTech Materials Technology Co., Ltd.,

Audit opinion

We have audited the accompanying parent company only balance sheets of ThinTech Materials Technology Co., Ltd. (the "Company") for the years ended December 31, 2022 and 2021 and the relevant parent company only statements of comprehensive income, changes in equity, and cash flows for the years then ended, and relevant notes, including a summary of significant accounting policies (collectively referred to as the "parent company only financial statements").

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

Basis of audit opinion

We conducted our audits in accordance with the Regulations Governing the Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the parent company only financial statements" paragraph of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that we have acquired enough and appropriate audit evidence to serve as the basis of audit opinion.

Key audit matters

Key audit matters refer to the most vital matters in our audit of the Company's parent company only financial statements for the year ended December 31, 2022 based on our professional judgment. These matters were addressed in our audit of the parent company only financial statements as a whole, and in forming our audit opinion. We do not express a separate opinion on these matters.

Key audit matters of the Company's parent company only financial statements for the year ended December 31, 2022, are stated as follows:

Authenticity of revenue from sales of silver materials stored in suppliers' warehouses

The Company's sales revenue of the silver materials stored in suppliers' warehouses were affected by price fluctuations in the market, and the sales revenue of the silver materials stored in suppliers' warehouses was recognized as the Company fulfilled its performance obligations when clients confirmed the spot prices. The Company's main risk arising from the sales revenue is whether the sales revenue recognized at the spot prices of the silver material stored in the suppliers' warehouses actually occurred, so we listed it as a key audit item.

We performed for the following audit procedures:

- I. Learned about and tested the effectiveness of the internal control related to the recognition of sales revenue of the silver materials stored in the suppliers' warehouses;
- II. Selected appropriate samples from the sales revenue from the silver materials stored in the suppliers' warehouses, and checked the spot price supporting documents and proof of receipt of payments;
- III. Obtained the details of the sales returns and discounts during the year and after the balance sheet date and checked whether there were any major unusual returns and discounts.

Responsibilities of the management and the governing bodies for the financial statements

The management's responsibilities are to prepare the parent company only financial statements with fair presentation in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and to maintain necessary internal control associated with the preparation in order to ensure that the parent company only financial statements are free from material misstatement arising from fraud or error.

In preparing the parent company only financial statements, the management is responsible for assessing the ability of the Company in continuing as a going concern, disclosing relevant matters, and adopting the going concern basis of accounting unless the management intends to liquidate the Company or cease the operations without other viable alternatives.

The Company's governing bodies (including the Audit Committee) are responsible for supervising the financial reporting process.

Auditor's responsibilities for the audit of the parent company only financial statements

Our objectives are to obtain reasonable assurance on whether the parent company only financial statements as a whole are free from material misstatement arising from fraud or error and to issue an independent auditors' report. Reasonable assurance is a high-level assurance but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatement may arise from frauds or errors. If the amounts of misstatements, either separately or in aggregate, could reasonably be expected to influence the economic decisions of the users of the parent company only financial statements, they are considered material.

We have exercised our professional judgment and maintained professional doubt when performing the audit work in accordance with the auditing standards generally accepted in the Republic of China. We also performed the following tasks:

- I. Identified and assessed the risks of material misstatement arising from fraud or error within the parent company only financial statements; designed and executed countermeasures in response to said risks, and obtained sufficient and appropriate audit evidence to provide a basis for our opinion. Fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Therefore, the risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error.
- II. Understood the internal control related to the audit in order to design appropriate audit procedures under the circumstances, while not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- III. Evaluated the appropriateness of accounting policies adopted and the reasonableness of accounting estimates and relevant disclosures made by the management.

- IV. Concluded on the appropriateness of the management's adoption of the going concern basis of accounting based on the audit evidence obtained and whether a material uncertainty exists for events or conditions that may cast significant doubt over the Company's ability to continue as a going concern. If we are of the opinion that a material uncertainty exists, we shall remind users of the parent company only financial statements to pay attention to relevant disclosures in said statements within our audit report. If such disclosures are inadequate, we need to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- V. Evaluated the overall presentation, structure, and content of the parent company only financial statements (including relevant notes), and whether the parent company only financial statements adequately present the relevant transactions and events.
- VI. Obtained sufficient and appropriate audit evidence concerning the financial information of entities within the Company, to express an opinion on the parent company only financial statements. We were responsible for guiding, supervising, and performing the audit and forming an audit opinion on the Company.

The matters communicated between us and the governing bodies included the planned scope and times of the audit and material audit findings (including any material defects in internal control identified during the audit).

We also provided the governing bodies with a declaration that we have complied with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China regarding independence and communicated with them all relations and other matters that may possibly be regarded as detrimental to our independence (including relevant protective measures).

From the matters communicated with the governing bodies, we determined the key audit matters for the audit of the Company's parent company only financial statements for the year ended December 31, 2022. We have clearly indicated such matters in the auditors' report. Unless legal regulations prohibit the public disclosure of specific matters, or in extremely rare cases, where we decided not to communicate over specific items in the auditors' report for it could be reasonably anticipated that the negative effects of such disclosure would be greater than the public interest it brings forth.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 21, 2023

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying standalone financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and standalone financial statements shall prevail.

ThinTech Materials Technology Co., Ltd.
Parent Company Only Balance Sheet
December 31, 2022 and 2021

Unit: NT\$ thousand

Code	Assets	December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Notes 4 and 6)	\$ 176,858	11	\$ 79,664	5
1110	Financial assets at fair value through profit or loss - current (Notes 4 and 7)	2,257	-	241	-
1150	Notes payable (Notes 4 and 9)	3,144	-	23,482	1
1170	Accounts receivable, net (Notes 4, 9, and 25)	200,589	12	290,822	19
1200	Other receivables (Note 9)	8,645	1	18,632	1
1210	Other receivables - related party (Note 25)	196	-	97,569	6
1220	Current income tax assets (Note 21)	983	-	344	-
130X	Inventory (Notes 4, 5, and 10)	731,962	44	498,567	32
1410	Prepayments (Note 11)	29,366	2	58,433	4
1476	Other financial assets - current (Notes 12 and 26)	20,896	1	40,312	3
1479	Other current assets	1,330	-	18	-
11XX	Total current assets	<u>1,176,226</u>	<u>71</u>	<u>1,108,084</u>	<u>71</u>
	Non-current assets				
1517	Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	31,727	2	26,080	2
1550	Investments using the equity method (Notes 4 and 13)	90,977	5	85,173	5
1600	Property, plant and equipment (Notes 4, 14, and 26)	185,075	11	167,369	11
1755	Right-of-use assets (Notes 4 and 15)	111,428	7	111,442	7
1801	Computer software (Note 4)	212	-	354	-
1840	Deferred tax assets (Notes 4 and 21)	44,890	3	62,697	4
1920	Guarantee deposits paid (Note 25)	3,542	-	3,682	-
1975	Net defined benefit assets (Notes 4 and 17)	10,886	1	5,606	-
1990	Other non-current assets (Note 9)	582	-	625	-
15XX	Total non-current assets	<u>479,319</u>	<u>29</u>	<u>463,028</u>	<u>29</u>
1XXX	Total assets	<u>\$ 1,655,545</u>	<u>100</u>	<u>\$ 1,571,112</u>	<u>100</u>
	Liabilities and equity				
	Current liabilities				
2126	Financial liabilities for hedging - current (Notes 4 and 24)	\$ 239,060	15	\$ 162,512	10
2130	Contract liabilities - current (Notes 4 and 19)	41,911	3	50,616	3
2170	Accounts payable (Note 25)	7,366	-	9,842	1
2200	Other payables (Notes 16 and 25)	54,298	3	57,032	4
2280	Lease liabilities - current (Notes 4 and 15)	5,686	-	5,456	-
2399	Other current liabilities	1,449	-	985	-
21XX	Total current liabilities	<u>349,770</u>	<u>21</u>	<u>286,443</u>	<u>18</u>
	Non-current liabilities				
2570	Deferred tax liabilities (Notes 4 and 21)	2,589	-	4,830	-
2580	Lease liabilities - non-current (Notes 4 and 15)	108,990	7	108,502	7
25XX	Total non-current liabilities	<u>111,579</u>	<u>7</u>	<u>113,332</u>	<u>7</u>
2XXX	Total liabilities	<u>461,349</u>	<u>28</u>	<u>399,775</u>	<u>25</u>
	Equity (Note 18)				
3110	Ordinary share capital	734,980	44	734,980	47
3200	Capital surplus	324,681	20	324,681	21
	Retained earnings				
3310	Legal reserve	34,666	2	27,759	2
3320	Special reserve	3,660	-	3,450	-
3350	Undistributed earnings	95,623	6	84,127	5
3300	Total retained earnings	133,949	8	115,336	7
	Other equity				
3410	Exchange differences arising from the translation of the financial statements of foreign operations	(2,959)	-	(3,826)	-
3420	Unrealized gain or loss on financial assets at fair value through other comprehensive income	3,545	-	166	-
3400	Total other equity	586	-	(3,660)	-
3XXX	Total equity	<u>1,194,196</u>	<u>72</u>	<u>1,171,337</u>	<u>75</u>
	Total liabilities and equity	<u>\$ 1,655,545</u>	<u>100</u>	<u>\$ 1,571,112</u>	<u>100</u>

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

Chairman: Huang, Chung-Chia

Manager: Pan, Yung-Tsun

Chief Accounting Officer: Chang, Chia-Wen

ThinTech Materials Technology Co., Ltd.
Parent Company Only Statement of Comprehensive Income
For the Years Ended December 31, 2022 and 2021

Unit: In NT\$ thousand, except for earnings per share in NT\$

Code		2022		2021	
		Amount	%	Amount	%
4000	Operating revenue, net (Notes 4, 19, and 25)	\$ 2,288,609	100	\$ 2,744,818	100
5000	Operating costs (Notes 10, 20, and 25)	<u>2,102,155</u>	<u>92</u>	<u>2,561,148</u>	<u>93</u>
5900	Gross profit	186,454	8	183,670	7
5910	Unrealized gains with subsidiaries (Note 30)	(413)	-	(1,866)	-
5920	Realized gains with subsidiaries	<u>1,866</u>	<u>-</u>	<u>1,040</u>	<u>-</u>
5950	Realized operating gross margins	<u>187,907</u>	<u>8</u>	<u>182,844</u>	<u>7</u>
	Operating expenses (Notes 9, 17, 20, and 25)				
6100	Selling expenses	30,522	1	27,035	1
6200	Administrative expenses	58,370	3	57,316	2
6300	R&D expenses	25,745	1	22,794	1
6450	Expected credit impairment losses (gain on reversal)	<u>14</u>	<u>-</u>	(<u>2,525</u>)	<u>-</u>
6000	Total operating expenses	<u>114,651</u>	<u>5</u>	<u>104,620</u>	<u>4</u>
6900	Net operating income	<u>73,256</u>	<u>3</u>	<u>78,224</u>	<u>3</u>
	Non-operating income and expenses (Notes 13, 20, and 25)				
7100	Interest income	3,030	-	3,337	-
7010	Other income	12,919	1	2,815	-
7020	Other gains and losses	12,600	1	(825)	-
7050	Financial costs	(5,758)	-	(4,599)	-
7070	Share of profit or loss on subsidiaries and affiliates using the equity method	<u>7,440</u>	<u>-</u>	<u>8,303</u>	<u>-</u>
7000	Total non-operating income and expenses	<u>30,231</u>	<u>2</u>	<u>9,031</u>	<u>-</u>

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Code		2022		2021	
		Amount	%	Amount	%
7900	Net income before tax	\$ 103,487	5	\$ 87,255	3
7950	Income tax expense (Notes 4 and 21)	<u>21,484</u>	<u>1</u>	<u>16,944</u>	<u>-</u>
8200	Net income for this year	<u>82,003</u>	<u>4</u>	<u>70,311</u>	<u>3</u>
	Other comprehensive income (Notes 13, 17, 18, and 21)				
8310	Items not reclassified to profit or loss				
8311	Remeasurement of defined benefit plans	3,544	-	(3,144)	-
8316	Unrealized gains or losses on investment in equity instruments at fair value through other comprehensive income	5,647	-	-	-
8321	Remeasurements of defined benefit plans of affiliates	(1)	-	-	-
8326	Unrealized gains or losses on affiliates' investment in equity instruments at fair value through other comprehensive income	(2,344)	-	1,440	-
8349	Income tax related to items not reclassified	(709)	-	629	-
8360	Items that may subsequently be reclassified to profit or loss				
8361	Exchange differences arising from the translation of the financial statements of foreign operations	<u>867</u>	<u>-</u>	(<u>376</u>)	<u>-</u>
8300	Other comprehensive income for this year (net of tax)	<u>7,004</u>	<u>-</u>	(<u>1,451</u>)	<u>-</u>
8500	Total comprehensive income for this year	<u>\$ 89,007</u>	<u>4</u>	<u>\$ 68,860</u>	<u>3</u>
	Earnings per share (Note 22)				
9750	Basic	\$ 1.12		\$ 0.96	
9850	Diluted	1.11		0.95	

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

ThinTech Materials Technology Co., Ltd.
Parent Company Only Statement of Changes in Equity
For the Years Ended December 31, 2022 and 2021

Unit: NT\$ thousand

Code		Ordinary share capital	Capital surplus	Retained earnings			Other equity items		Total equity
				Legal reserve	Special reserve	Undistributed earnings	Exchange differences arising from the translation of the financial statements of foreign operations	Unrealized gain or loss on financial assets at fair value through other comprehensive income	
A1	Balance as of January 1, 2021	\$ 734,980	\$ 324,681	\$ 22,990	\$ 4,318	\$ 77,756	(\$ 3,450)	\$ -	\$ 1,161,275
	Earnings appropriation and distribution for 2020 (Note 18)								
B1	Legal reserve	-	-	4,769	-	(4,769)	-	-	-
B3	Reversal of special reserve	-	-	-	(868)	868	-	-	-
B5	Cash dividend	-	-	-	-	(58,798)	-	-	(58,798)
		-	-	4,769	(868)	(62,699)	-	-	(58,798)
D1	Net income for 2021	-	-	-	-	70,311	-	-	70,311
D3	Other comprehensive income after tax for 2021	-	-	-	-	(2,515)	(376)	1,440	(1,451)
D5	Total comprehensive income for 2021	-	-	-	-	67,796	(376)	1,440	68,860
Q1	Disposal of affiliates' investment in equity instruments at fair value through other comprehensive income (Note 18)	-	-	-	-	1,274	-	(1,274)	-
Z1	Balance as of December 31, 2021	734,980	324,681	27,759	3,450	84,127	(3,826)	166	1,171,337
	Earnings appropriation and distribution for 2021 (Note 18)								
B1	Legal reserve	-	-	6,907	-	(6,907)	-	-	-
B3	Special reserve provided	-	-	-	210	(210)	-	-	-
B5	Cash dividend	-	-	-	-	(66,148)	-	-	(66,148)
		-	-	6,907	210	(73,265)	-	-	(66,148)
D1	Net income for 2022	-	-	-	-	82,003	-	-	82,003
D3	Other comprehensive income after tax for 2022	-	-	-	-	2,834	867	3,303	7,004
D5	Total comprehensive income for 2022	-	-	-	-	84,837	867	3,303	89,007
Q1	Disposal of affiliates' investment in equity instruments at fair value through other comprehensive income (Note 18)	-	-	-	-	(76)	-	76	-
Z1	Balance as of December 31, 2022	\$ 734,980	\$ 324,681	\$ 34,666	\$ 3,660	\$ 95,623	(\$ 2,959)	\$ 3,545	\$ 1,194,196

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

ThinTech Materials Technology Co., Ltd.
Parent Company Only Statement of Cash Flows
For the Years Ended December 31, 2022 and 2021

Unit: NT\$ thousand

Code		2022	2021
	Cash flows from operating activities		
A10000	Net income before tax for this year	\$ 103,487	\$ 87,255
A20010	Income and expense items		
A20100	Depreciation expenses	28,257	28,400
A20200	Amortization expenses	758	1,353
A20300	Expected credit impairment losses (gain on reversal)	14	(2,525)
A20400	Net loss (gain) on financial assets and liabilities at fair value through profit or loss	5,953	(1,945)
A20900	Financial costs	5,758	4,599
A21200	Interest income	(3,030)	(3,337)
A22400	Share of profit or loss on subsidiaries and affiliates using the equity method	(7,440)	(8,303)
A22500	Loss (gain) on disposal of property, plant and equipment	42	(2,553)
A23800	Losses on inventory valuation loss (gains on inventory value recovery)	1,057	(5,708)
A29900	Others	(1,453)	826
A30000	Net movements in operating assets and liabilities		
A31115	Financial assets mandatorily at fair value through profit or loss	(7,969)	968
A31130	Notes receivable	20,338	(2,095)
A31150	Accounts receivable	90,219	(37,812)
A31180	Other receivables	9,942	(11,505)
A31200	Inventory	(234,452)	(27,153)
A31230	Prepayments	29,067	(31,951)
A31240	Other current assets	(1,312)	402
A31990	Net defined benefit assets	(1,736)	(1,744)
A32120	Financial liabilities for hedging	76,548	(54,678)
A32125	Contract liabilities	(8,705)	(2,282)
A32150	Accounts payable	(2,476)	7,246
A32180	Other payables	(1,799)	(1,921)
A32230	Other current liabilities	<u>464</u>	<u>(124)</u>
A33000	Cash inflow (outflow) from operations	101,532	(64,587)
A33500	Income tax returned (paid)	(<u>7,266</u>)	<u>5,304</u>
AAAA	Net cash inflow (outflow) from operating activities	<u>94,266</u>	<u>(59,283)</u>

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Code		2022	2021
	Cash flows from investing activities		
B00010	Acquisition of financial assets at fair value through other comprehensive income	\$ -	(\$ 26,080)
B01800	Acquisition of investments using the equity method	-	(30,000)
B02700	Acquisition of property, plant and equipment	(40,569)	(5,286)
B02800	Proceeds from disposal of property, plant and equipment	2015	53
B03700	Increase in guarantee deposits paid	-	(191)
B03800	Decrease in guarantee deposits paid	140	761
B04300	Increase in other receivables - related party	-	(9,769)
B04400	Decrease in other receivables - related party	96,871	-
B04500	Acquisition of computer software	-	(425)
B06600	Decrease in other financial assets	19,416	162,805
B06700	Increase in other non-current assets	(573)	(732)
B07500	Interest received	3,577	3,280
B07600	Dividends received from affiliates	<u>1,611</u>	<u>-</u>
BBBB	Net cash inflows from investing activities	<u>80,577</u>	<u>94,416</u>
	Cash flows from financing activities		
C00100	Increase in short-term borrowings	169,000	-
C00200	Decrease in short-term borrowings	(169,000)	-
C00500	Increase in short-term notes and bills payable	30,000	155,000
C00600	Decrease in short-term notes and bills payable	(30,000)	(155,000)
C04020	Repayment of lease principal	(5,743)	(5,235)
C04500	Cash dividend paid out	(66,148)	(58,798)
C05600	Interest paid	(<u>5,758</u>)	(<u>4,599</u>)
CCCC	Net cash outflows from financing activities	(<u>77,649</u>)	(<u>68,632</u>)
EEEE	Net increase (decrease) in cash and cash equivalents	97,194	(33,499)
E00100	Opening balance of cash and cash equivalents	<u>79,664</u>	<u>113,163</u>
E00200	Ending balance of cash and cash equivalents	<u>\$ 176,858</u>	<u>\$ 79,664</u>

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

ThinTech Materials Technology Co., Ltd.
Notes to Parent Company Only Financial Statements
For the Years Ended December 31, 2022 and 2021
(In NT\$ thousand, unless otherwise specified)

I. Company history

ThinTech Materials Technology Co., Ltd. (hereinafter referred to as "the Company") was incorporated in March 2000 and mainly engages in the processing and sales of a variety of thin film sputtering targets and precious metals, as well as trading of general metals.

The Company's stock has been listed on the Taipei Exchange for trading since November 20, 2012.

The parent company only financial statements are presented in the Company's functional currency, i.e., New Taiwan dollar (NTD).

II. Date and Procedures for Approval of Financial Statements

The parent company only financial statements were published after being approved by the Board of Directors on February 21, 2023.

III. Application of New and Revised Standards and Interpretation

- (I) Initial application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The application of the IFRSs endorsed and issued into effect by the FSC will not cause a material change in the Company's accounting policies.

- (II) Application of IFRSs endorsed by FSC in 2023

<u>New/amended/revised standards or interpretation</u>	<u>Effective date announced by IASB</u>
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 1)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 2)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 3)

Note 1: The amendments will apply to the annual reporting periods beginning after January 1, 2023.

Note 2: The amendments apply to changes in accounting estimates and changes in accounting policies that occur in the annual reporting periods beginning after January 1, 2023.

Note 3: Except for the recognition of deferred income taxes on temporary differences related to leases and decommissioning obligations as of January 1, 2022, these amendments to transaction that occur after January 1, 2022.

By the time the parent company only financial statements were approved to be released, the Company confirmed that the amendments to other standards and interpretations would not cause a material impact on its financial position and financial performance.

- (III) The IFRSs released by the IASB but not yet endorsed and issued into effect by the FSC

<u>New/amended/revised standards or interpretation</u>	<u>Effective date announced by IASB (Note 1)</u>
Amendment to IFRS 10 and IAS 28, "Sale or Contribution of Assets between an Investor and its Affiliate or Joint Venture."	To be determined
Amendments to IFRS 16, "Lease Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
IFRS 17 Insurance Contracts	January 1, 2023

Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 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

Note 1: Unless otherwise noted, the above new/revised/amended standards and interpretations take effective in their respective annual reporting periods beginning on or after their respective dates.

Note 2: The seller and lessee shall apply the amendments to IFRS 16 retrospectively to the sale and leaseback carried out after the date of initial application of IFRS 16.

As of the date the parent company only financial statements were approved for release, the Company has continued to evaluate the effect of the amendments to other standards and interpretations on its financial position and financial performance, and the relevant effects will be disclosed when the evaluation is completed.

IV. Summary of Significant Accounting Policies

(I) Statement of compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(II) Basis of preparation

The parent company only financial statements were prepared on the historical cost basis, except for financial instruments measured at fair value and net defined benefit liabilities recognized at the present value of defined benefit obligation less the fair value of plan assets.

The fair value measurement is classified into three levels based on the observability and significance of relevant inputs:

1. Level 1 inputs: Quoted (unadjusted) prices in active markets for identical assets or liabilities on the measurement date.
2. Level 2 inputs: Inputs, other than quoted market prices within level 1 that are observable, either directly (i.e. prices) or indirectly (derived from prices) for assets or liabilities.
3. Level 3 inputs: Unobservable inputs for assets or liabilities.

When the Company prepared the parent company only financial statements, it adopted the equity method to account for the investments in its subsidiaries and associates. To enable the amounts of the profit and loss for this year, other comprehensive income, and equity, for this year in the parent company only financial statements to be the same as the profit and loss for this year, other comprehensive income, and equity attributable to the owner of the Company in its consolidated financial statements, regarding the differences arising from accounting treatments between the parent company only basis and the consolidated basis, adjustments were made to the investments accounted for using the equity method, the share of profit or loss on subsidiaries and affiliates using the equity method, the share of other comprehensive income of subsidiaries and affiliates using the equity method, as well as relevant equity items, as appropriate, in the parent company only financial statements.

(III) Criteria for classification of current and non-current assets and liabilities

Current assets include:

1. Assets held primarily for the purpose of trading;
2. Assets expected to be realized within 12 months after the balance sheet date; and
3. Cash or cash equivalents (excluding assets restricted from being exchanged or used to settle a liability for at least 12 months after the balance sheet date).

Current liabilities include:

1. Liabilities held primarily for the purpose of trading;
2. Liabilities due to be settled within 12 months after the balance sheet date; and
3. Liabilities with a repayment deadline that cannot be unconditionally deferred for at least 12 months after the balance sheet date.

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

(IV) Foreign currencies

When the Company prepares the parent company only financial statements, transactions in currencies other than the Company's functional currency (foreign currencies) are converted into the functional currency at the exchange rate prevailing on the transaction date.

On each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the year in which they arise.

Foreign currency non-monetary items at fair value are translated at the exchange rate on the date when the fair value is determined, and the resulting exchange differences are recognized in current profit or loss; however, regarding changes in fair values recognized in other comprehensive income, the resulting exchange differences are recognized in other comprehensive income.

Non-monetary items measured at historical cost that are denominated in foreign currencies are translated at the rates of exchange prevailing on the transaction dates and are not retranslated.

When the parent company only financial statements are prepared, the assets and liabilities of foreign operations (including subsidiaries operating in a country or using a currency different from that of the Company) were translated into New Taiwan dollars (NTD) at the exchange rate prevailing on each balance sheet date. Income and expense items are translated at the year's average exchange rate, and the resulting exchange differences are recognized in other comprehensive income.

(V) Inventory

Inventory includes raw materials, work in process, semi-finished goods, finished goods, and merchandise; the value of inventory is measured at the lower of cost or net realizable value. The comparison of the cost and net realizable value is based on individual items. The net realizable 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. The cost of inventory is calculated using the weighted average method.

(VI) Investment in subsidiaries

The Company adopts the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Company.

Under the equity method, investments are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss, other comprehensive income, and profit margins of the subsidiaries. Moreover, the Company recognizes the movements in its share of other equity of subsidiaries based on the shareholding ratio.

When the Company assesses the impairment, it considers the cash-generating unit as a whole in the financial statements and compares its recoverable amount with the carrying amount. If the recoverable amount of an asset increases subsequently, the reversal of the impairment loss shall be recognized in gains, but the carrying amount of the asset after the reversal of the impairment loss shall not exceed the carrying amount of the asset less amortization without impairment loss recognized. The impairment loss attributable to goodwill shall not be reversed in subsequent periods.

The unrealized profit or loss on downstream transactions between the Company and its subsidiaries are eliminated in the parent company only financial statements. Profit or loss on downstream and lateral transactions between the Company and its subsidiaries is recognized in the parent company only financial statements only to the extent that it does not affect the Company's interests in the subsidiaries.

(VII) Investments in affiliates

An affiliate is an entity on which the Company has significant influence and is not a subsidiary or a joint venture.

The Company adopts the equity method to account for its investments in affiliates.

Under the equity method, investments in an affiliate are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss, other comprehensive income, and profit margins of the affiliate. Moreover, the Company recognizes the changes in its share of the equity of affiliates based on its shareholding.

When an affiliate issues new shares, if the Company does not subscribe in proportion to its shareholding, resulting in a change in the shareholding and, thus, an increase or decrease in the net value of the equity invested, with the increase or decrease, "capital surplus" and "investments using the equity method" will be adjusted. However, if the Company fails to subscribe for or acquire the shares in proportion to its shareholding, which results in a decrease in its ownership interests of the affiliate, the amount recognized in other comprehensive income related to the affiliate is reclassified in proportion to the decrease, and the basis of the accounting treatment is the same as the basis that the affiliate must adopt if it directly disposes of relevant assets or liabilities. If the adjustment in the preceding paragraph shall be debited to the capital surplus. If the investment using the equity method results in insufficient capital surplus, the difference shall be debited to the retained earnings.

When the Company's share of losses on an affiliate equals or exceeds its interest in the affiliate (including any carrying amount of the investment using the equity method and other long-term interests that, in substance, form part of the Company's net investment in the affiliate), the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of said affiliate.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of impairment losses is recognized to the extent of a subsequent increase in the recoverable amount of the investment.

Profits and losses arising from counter-current, downstream, and side-stream transactions between the Company and its affiliates are recognized in the parent company only financial statements only to the extent not related to the Company's interests in the affiliates.

(VIII) Property, plant and equipment

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

Property, plant and equipment under construction are recognized at cost. The cost includes professional service expenses and the borrowing costs eligible for capitalization. The samples produced to test if such assets can function normally before they reach the status of intended use are measured at the lower of cost or net realizable value, and the sales price and cost are recognized in profit or loss. Such assets shall be classified into appropriate property, plant and equipment categories upon completion and reaching the status of intended use, and the depreciation shall begin.

Property, plant and equipment are depreciated on a straight-line basis over their useful lives. Each significant part is depreciated separately. The Company shall

conduct at least an annual review at the end of each year to assess the estimated useful life, residual value, and depreciation methods, and apply the effects of changes in accounting estimates prospectively.

When property, plant and equipment are derecognized, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

(IX) Computer software

The finite useful life of computer software acquired separately is measured at initial cost and subsequently at cost, less accumulated amortization. Computer software is amortized on a straight-line basis over its useful life, and the estimated useful life and amortization method are reviewed at least at the end of each year, and the effects of changes in accounting estimates are applied prospectively.

(X) Impairment of property, plant and equipment, right-of-use assets, and computer software

The Company assesses if there are any signs of possible impairment of property, plant, and equipment as well as right-of-use assets, and computer software at each balance sheet date. If there is any sign of impairment, an estimate is made of its recoverable amount. If it is not possible to determine the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit, to which the asset belongs. When shared assets can be apportioned to cash-generating units on a reasonable and consistent basis, they are apportioned to each cash-generating unit; otherwise, they are apportioned to the smallest group of cash-generating units.

The recoverable amount is the fair value less cost of sales or its value in use, whichever is higher. If the recoverable amount of an individual asset or a cash-generating unit is lower than its carrying amount, the carrying amount is reduced to the recoverable amount, and the impairment loss is recognized in profit or loss.

When the impairment loss is subsequently reversed, the carrying amount of the asset or the cash-generating unit is increased to the revised recoverable amount, provided that the increased carrying amount shall not exceed the carrying amount (less amortization or depreciation) of the asset or the cash-generating unit, which was not recognized in impairment loss in prior years. The reversal of the impairment loss is recognized in profit or loss.

(XI) Financial instruments

Financial assets and financial liabilities are recognized in the parent company only balance sheet when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities not at fair value through profit or loss are measured at fair value plus transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities. The transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities at fair value through profit or loss is immediately recognized in profit or loss.

1. Financial assets

Regular trading of financial assets shall be recognized and derecognized in accordance with trade date accounting.

(1) Measurement types

Financial assets held by the Company are those measured at fair value through profit or loss and at amortized cost, as well as investments in equity instruments measured at fair value through other comprehensive income.

A. Financial assets at fair value through profit or loss

Financial assets measured at fair value through profit or loss include those mandatorily measured at fair value through profit or loss. Financial assets mandatorily measured at fair value through

profit or loss include investments in equity instrument that the Group has not designated to measure at fair value through other comprehensive income and financial assets not eligible to be classified as those at amortized cost.

Financial assets measured at fair value through profit or loss are measured at fair value; the gains or losses arising from re-measurement are recognized in profit or loss. Please refer to Note 24 for the method of determining the fair value.

B. Financial assets at amortized cost

If the Company invests in financial assets in alignment with both of the following two criteria, such assets are classified as financial assets measured at amortized cost:

- a. Held under a certain business model, of which the objective is to collect contractual cash flows by holding the financial assets; and
- b. The cash flows on specific dates specified in the contractual terms are solely payments of the principal and interest on the principal amount outstanding.

After initial recognition, such assets (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, other financial assets - current, and guarantee deposits paid) are measured at the amortized cost of the total carrying amount determined with the effective interest method, less any impairment loss; and any foreign currency exchange gains or losses are recognized in profit or loss.

Except for the following two cases, interest income is calculated by multiplying the effective interest rate by the total carrying amount of financial assets:

- a. For purchased or originated credit-impaired financial asset, interest revenue is calculated by multiplying the credit-adjusted effective interest rate by the amortized cost of the financial asset.
- b. For financial asset that is not purchased or originated credit-impaired but subsequently becomes credit impaired, interest income is calculated by multiplying the effective interest rate from the next reporting period after the credit impairment by the amortized cost of the financial asset.

Credit-impaired financial assets means that the issuer or debtor has experienced material financial difficulties or default, and the debtor is likely to file for bankruptcy or other financial restructuring, or the active market for such financial assets has disappeared due to the financial difficulties.

Cash equivalents, including time deposits and bonds with a repurchase agreement, are highly liquid and readily convertible into a fixed amount of cash at any time while featuring little risk of value changes, and can be used to meet short-term cash commitments within three months from the acquisition date.

C. Investment in equity instruments at fair value through other comprehensive income

The Company may, upon initial recognition, make an irrevocable election to designate as at fair value through other comprehensive income the investment in equity instruments that are not held for trading and the ones that are not recognized by an acquirer in a business combination or with the contingent consideration.

Investment in equity instruments measured at fair value through other comprehensive income is measured at fair value, and any subsequent fair value changes are recognized in other comprehensive income and accumulated in other equity. Upon disposal of

investments, the cumulative gain or loss is directly transferred to retained earnings and is not reclassified to profit or loss.

Dividends on investments in equity instruments measured at fair value through other comprehensive income are recognized in profit or loss when the Company's right to receive dividends is established unless such dividends clearly represent the recovery of a part of the investment cost.

(2) Impairment of financial assets

The Company assesses the impairment loss of financial assets at amortized cost (including accounts receivable) based on the expected credit loss at each balance sheet date.

An allowance for losses on accounts receivable is recognized on the basis of expected credit loss over the duration of the receivables. Other financial assets are first assessed based on whether the credit risk has increased significantly since the initial recognition. If there is no significant increase in the risk, the impairment is recognized in allowance for losses in an amount equal to 12-month expected credit loss. If the risks have increased significantly, the impairment is recognized in allowance for losses at an amount equal to lifetime expected credit loss.

The expected credit loss refers to the weighted average credit loss with the risk of default as the weight. The 12-month expected credit loss represents the expected credit loss from possible defaults of a financial instrument within 12 months after the reporting date. The lifetime expected credit loss represents the expected credit loss from all possible defaults in a financial instrument over the expected life of a financial instrument.

For the purpose of internal credit risk management, the Company, without considering the collateral held, determines that the following situations represent defaults in the financial assets:

- A. Internal or external information indicates that it is impossible for the debtor to settle the debt.
- B. It is overdue for more than 365 days, unless there is reasonable and corroborative information showing that a default date postponed is more appropriate.

All impairment losses on financial assets are reduced to their carrying amounts through an allowance account for losses.

(3) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash inflow from the financial asset expire or when it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another party.

Upon derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the consideration received is recognized in profit or loss. When an investment in equity instrument at fair value through other comprehensive income is derecognized in its entirety, the cumulative profit or loss is transferred directly to retained earnings and is not reclassified to profit or loss.

2. Equity instruments

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

3. Financial liabilities

(1) Subsequent measurement

All the Company's financial liabilities are measured at amortized cost in the effective interest method.

(2) Derecognition of financial liabilities

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

4. Derivatives

Derivative contracts signed by the Company, including forward exchange agreements, are adopted to manage the Company's exchange rate fluctuation risk.

When a derivative contract is signed, the fair values of the derivative is recognized initially and is subsequently re-measured on the balance sheet date. The gains or losses arising from the subsequent measurement are directly recognized in profit or loss but are designated as and are effective hedging instruments. The time point at which they are recognized in profit or loss depends on the nature of the hedging. When the fair value of a derivative is a positive figure, it is classified as a financial asset, while a negative figure, it is classified as a financial liability.

If a derivative is embedded in a master asset agreement within the scope of IFRS 9 "Financial Instruments", the classification of the financial asset is determined based on the overall agreement. If a derivative is embedded in a master asset agreement for an asset that is not within the scope of IFRS 9 (e.g., embedded in a master financial liability agreement), the embedded derivative meets the definition of derivatives, and the risks and characteristics of the embedded derivative are not closely related to the risks and characteristics of the master agreement, while the hybrid agreement is not measured at fair value through profit or loss, the derivative is regarded as a separate derivative.

(XII) Hedge accounting

The Company designates some hedging instruments for fair value hedging.

The profits and losses on hedging instruments designated and in alignment with fair value hedging, and the movements in the fair values of the hedged items attributable to the hedged risks are recognized immediately in profit or loss, and are recognized under the items related to the hedged items in the parent company only statement of comprehensive income.

The Company postpones or ceases hedge accounting only to the extent that the hedge relationship no longer meets the criteria of hedge accounting, which includes the situations that a hedging instrument has expired or has been sold or the contract thereof has been terminated or exercised.

(XIII) Revenue recognition

After the Company identifies its performance obligations in contracts with clients, it allocates the transaction costs to each obligation in the contracts and recognizes revenue upon completion of performance obligations.

The merchandise sales revenue is from the sales of precious metals and thin film sputtering targets. Except precious metal transactions, which are recognized at spot prices, the merchandise sales revenue is recognized after it is delivered as a client has the right to set the price and use the product, assumes the main responsibility for reselling the merchandise, and bears the risk of obsolescence and debited to accounts receivable or unearned revenue (contract liabilities).

When supplying materials for outsourced processing, as the control of the ownership of the processed products has not been transferred, revenue is not recognized when the materials are supplied.

(XIV) Leasing

The Company assesses whether a contract belongs to (or contains) a lease on the date of establishment of the contract. Regarding contracts that include lease and

non-lease components, the Company allocates the consideration in the contracts on the basis of relative standalone prices and handles them separately.

The Company as a lessor

The Company recognizes right-of-use assets and lease liabilities for all leases at the lease commencement date, except for low-value asset leases and short-term leases accounted for with recognition exemption applied where lease payments are recognized in expenses on a straight-line basis over the lease terms.

The right-of-use assets are initially measured at cost (including the initially measured amount of a lease liability, the lease payment paid before the lease commencement date, less lease incentives received, and the initial direct cost) and subsequently measured at cost, less accumulated depreciation, and the remeasurement of the lease liability is adjusted. Right-of-use assets are presented on a separate line in the parent company only balance sheets.

Right-of-use assets are depreciated on a straight-line basis from the lease commencement date to the end of the useful life or the end of the lease term, whichever is earlier.

The lease liability is initially measured at the present value of the lease payment (including fixed payments and variable lease payments subject to an index or rate). If the interest rate implicit in a lease can be easily determined, the lease payment is discounted at such an interest rate. If the interest rate cannot be easily determined, the lessee's incremental borrowing rate applies.

Subsequently, lease liabilities are measured at the amortized cost using the effective interest rate method, and interest expense is amortized over the lease term. If changes during the lease term or the index or rate used to determine lease payments lead to changes in future lease payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use assets has been reduced to zero, the remaining remeasurement amount is recognized in profit or loss. the remeasurement of the lease liabilities due to other modifications is to adjust the right-of-use assets. Lease liabilities are presented on a separate line in the parent company only balance sheets.

(XV)

Employee benefits

1. Short-term employee benefits

Relevant liabilities for short-term employee benefits are measured by the non-discounted amount expected to be paid in exchange for employee services.

2. Post-employment benefits

For pension under the defined contribution plan, the amount of pension contributed is recognized in expenses during employees' service period.

The defined benefit cost under the defined benefit pension plan (including service cost, net interest, and remeasurement) is calculated based on the projected unit credit method. The service costs and net interest on net defined benefit assets are recognized in employee benefit expenses when incurred. The remeasurement (including actuarial gains and losses and plan asset remuneration net of interest) is recognized in other comprehensive income and listed in retained earnings when it occurs, and will not be reclassified to profit or loss after the balance sheet date.

The net defined benefit assets are the surplus of the defined benefit pension plan. The net defined benefit assets may not exceed the present value of any refunds from the plan or reductions in future contributions to the plan.

(XVI)

Income tax

Income tax expense is the sum of the current income tax and deferred income tax.

1. Current income tax expenses

The Company determines the current income (loss) in accordance with the laws and regulations formulated by the authority in the jurisdiction to which an income tax turn should be filed and calculates the payable (recoverable) income tax accordingly.

A surtax is imposed on the undistributed earnings pursuant to the Income Tax Act of R.O.C. is recognized via the resolution at the annual shareholders' meeting.

Adjustment to income tax payable from prior years are recognized in the current income tax.

2. Deferred tax

Deferred tax is calculated based on the temporary differences between the carrying amount of assets and liabilities and the corresponding tax bases used in the computation of taxable income. All taxable temporary differences are generally in deferred tax liabilities, and deferred tax assets are recognized when it is probable that future taxable income will be available against the income tax credits arising from the deductible temporary differences and carryforward of the unused losses.

Taxable temporary differences associated with investments in subsidiaries are recognized in deferred liabilities, except where the Company is able to control the reversal of the temporary difference and it is probable that said temporary difference will not be reversed in the foreseeable future. Deferred tax assets arising from the deductible temporary differences related to said investments are recognized in deferred tax assets only if it is probable that there will be sufficient taxable income against which to utilize the benefits of the temporary differences, and they are expected to be reversed in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at each balance sheet date, and its carrying amount will be increased as it has become probable that future taxable income will allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates in the period in which the liabilities are expected to be settled or assets realized, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would ensue in a manner expected by the Company at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

3. Current and deferred taxes

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income; in which case, the current and deferred taxes are recognized in other comprehensive income.

V. Significant Accounting Judgments and Estimations, and Main Sources of Assumption Uncertainties

When the Company adopts accounting policies, the management is required to make judgments, estimates and assumptions that are based on historical experience and other factors that are not readily apparent from other sources. Actual results may differ from the estimates.

The management will continue to review the estimates and basic assumptions. If a revision of an estimate affects only the current year, it is recognized in the period in which it is revised. If a revision of an accounting estimate affects both the current year and future periods, it is recognized in the year in which it is revised and in the future periods.

Inventory valuation

As the inventory is valued at the lower of cost or net realizable value, the Company must exercise judgment and make estimation to determine the net realizable value of the inventory at the end of the financial reporting period. As the net realizable value of the inventory is estimated mainly based on the product selling price, significant changes may occur.

VI. Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand and working capital	\$ 586	\$ 509
Demand deposits in banks	<u>176,272</u>	<u>79,155</u>
	<u>\$ 176,858</u>	<u>\$ 79,664</u>

VII. Financial instruments at fair value through profit or loss

	December 31, 2022	December 31, 2021
Financial assets - current		
Mandatorily at fair value through profit or loss		
Derivatives (not designated for hedging)		
Precious metals futures contracts	\$ 2,257	\$ -
Forward exchange agreements	<u>-</u>	<u>241</u>
	<u>\$ 2,257</u>	<u>\$ 241</u>

The Company's trading of precious metals futures contracts mainly aims to cope with the risks arising from changes in international precious metal prices. The Company's financial hedging strategy is to cope with most of the changes in fair values. Due to the failure to adopt hedge accounting, a loss of NT\$233 thousand was incurred during 2022, recognized in the financial assets at fair value through profit or loss and liabilities. As of December 31, 2022, all precious metals futures contracts have been due and settled.

The trading of the Company's forward exchange agreements mainly aims to hedge the risks of foreign-currency assets and liabilities due to exchange rate fluctuations. Due to the failure to adopt hedge accounting, losses of NT\$5,720 thousand and NT\$1,945 thousand were incurred during 2022 and 2021, respectively, recognized in the financial assets at fair value through profit or loss and liabilities. As of December 31, 2022, all forward exchange agreements have been due and settled.

At the parent company only balance sheet date, the outstanding forward exchange agreements are as follows:

December 31, 2021	Currency	Due period	Contract amount (in thousands of dollars)
Forward exchange agreements	From USD to NTD	2022.1-2022.2	US\$1,100 to NT\$30,668

VIII. Financial assets at fair value through other comprehensive income

	December 31, 2022	December 31, 2021
Non-current		
Domestic investment		
Unlisted stocks	<u>\$ 31,727</u>	<u>\$ 26,080</u>

The Company invests in the domestic stocks in alignment with the medium- and long-term strategic purposes and anticipates to make profits through long-term investment. The Company's management believes that if the short-term fair value fluctuations of such investments are recognized in profit or loss, it is inconsistent with the afore-mentioned long-term investment strategy, so it has chosen to designate such investments as at fair value through other comprehensive income.

IX. Notes and accounts receivable and other receivables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes receivable (from operations)		
At amortized cost	\$ <u>3,144</u>	\$ <u>23,482</u>
Accounts receivable		
At amortized cost		
Total carrying amount	\$ 200,603	\$ 290,822
Less: Allowance for losses	<u>14</u>	<u>-</u>
	<u>\$ 200,589</u>	<u>\$ 290,822</u>
Other receivables		
Business tax refund	\$ 8,519	\$ 15,837
Others	<u>126</u>	<u>2,795</u>
	<u>\$ 8,645</u>	<u>\$ 18,632</u>
Overdue receivables collected (recognized in other non-current assets)		
At amortized cost		
Total carrying amount	\$ 71	\$ 71
Less: Allowance for losses	<u>71</u>	<u>71</u>
	<u>\$ -</u>	<u>\$ -</u>

(I) Notes and accounts receivable

The Company's average credit periods for the sales and the production of silver materials are net 7-10 days and 30-120 days after the end of each month, respectively.

The Company prudently assesses its clients, which are companies or institutions with good credit ratings and without significant credit risk expected. However, the Company has an issue of significant client concentration, so the credit concentration risk is high.

To mitigate credit risk, the Company's management assigns a team dedicated to determining and approving clients' credit lines and carrying out other monitoring procedures to ensure that appropriate actions have been taken to recover overdue receivables. In addition, the Company will review the recoverable amount of receivables on each balance sheet date to ensure that appropriate impairment loss has been appropriated for the uncollectible receivables. As such, the Company's management believes that its credit risk has been significantly reduced.

The Company recognizes an allowance for losses on accounts receivable on the basis of lifetime expected credit losses. Lifetime expected credit losses are calculated using a provision matrix based on each client's past default record, current financial position, and industry outlook. Based on the Company's history of credit losses, as there was no significant difference in the loss patterns among different groups of clients, the groups of clients were not further differentiated in the provision matrix, and only expected credit loss ratio was set based on the number of days for which accounts receivable was past due.

When there was evidence indicating that the counterparty was in severe financial difficulty and the Company could not reasonably expect the amount to be recovered, the Company would write off relevant accounts receivable and continued to collect the overdue receivables. The receivable recovered was recognized in profit or loss.

The table below shows the allowance for losses on notes and accounts receivable based on the Company's provision matrix:

December 31, 2022

	Not past due	Overdue 1-30 days	Overdue 31-60 days	Overdue 61-180 days	Identified individually	Total
Total carrying amount	\$ 202,591	\$ 946	\$ -	\$ 210	\$ -	\$ 203,747
Allowance for losses (lifetime expected credit losses)	-	-	-	(14)	-	(14)
Amortized cost	<u>\$ 202,591</u>	<u>\$ 946</u>	<u>\$ -</u>	<u>\$ 196</u>	<u>\$ -</u>	<u>\$ 203,733</u>

December 31, 2021

	Not past due	Overdue 1-30 days	Overdue 31-60 days	Overdue 61-180 days	Identified individually	Total
Total carrying amount	\$ 303,922	\$ 10,382	\$ -	\$ -	\$ -	\$ 314,304
Allowance for losses (lifetime expected credit losses)	-	-	-	-	-	-
Amortized cost	<u>\$ 303,922</u>	<u>\$ 10,382</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 314,304</u>

Movements in the allowance for losses on accounts receivable and overdue receivables are as follows

	<u>2022</u>		<u>2021</u>	
	Accounts receivable	Overdue receivables	Accounts receivable	Overdue receivables
Opening balance	\$ -	\$ 71	\$ -	\$ 2,596
Provision (reversal) during this year	14	-	-	(2,525)
Ending balance	<u>\$ 14</u>	<u>\$ 71</u>	<u>\$ -</u>	<u>\$ 71</u>

(II) Other receivables

The Company's allowance for losses is provided by estimating the amount that cannot be recovered based on the historical experience, clients' past default records, and their current financial position. As of December 31, 2022 and 2021, there was no balance of an allowance for losses provided.

X. Inventory

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Raw materials	\$ 521,804	\$ 336,829
Work in progress	21,259	39,146
Semi-finished goods	155,987	99,984
Finished goods	23,330	10,359
Merchandise	6,156	5,960
Inventory in transit	<u>3,426</u>	<u>6,289</u>
	<u>\$ 731,962</u>	<u>\$ 498,567</u>

The costs of sales related to inventories for 2022 and 2021 were NT\$2,102,155 thousand and NT\$2,561,148 thousand, respectively.

The costs of sales for 2022 and 2021, respectively, included an inventory valuation loss of NT\$1,057 thousand and a gain on inventory value recoveries of NT\$5,708 thousand. The increase in the net realizable value of inventory was due to an increase in the selling prices of inventories in specific markets and the successive shipments of inventories, for which an allowance for inventory valuation losses was already provided and the relevant inventory valuation losses were reversed.

XI. Prepayments

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Prepayments to suppliers	\$ 23,063	\$ 52,322
Prepaid expenses	<u>6,303</u>	<u>6,111</u>
	<u>\$ 29,366</u>	<u>\$ 58,433</u>

XII. Other Financial Assets - Current

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Time deposits with the initial duration of more than 3 months	\$ -	\$ 12,100
Pledged time deposits (Note 26)	<u>20,896</u>	<u>28,212</u>
	<u>\$ 20,896</u>	<u>\$ 40,312</u>

XIII. Investments Using the Equity Method

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Investment in subsidiaries	\$ 61,975	\$ 53,237
Investments in affiliates	<u>29,002</u>	<u>31,936</u>
	<u>\$ 90,977</u>	<u>\$ 85,173</u>

(I) Investment in subsidiaries

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Investment in a subsidiary - non-listed Thintech Global Limited (TTGL)	<u>\$ 61,975</u>	<u>\$ 53,237</u>

The Company's ownership interests and voting rights (%) in the subsidiary on the balance sheet date are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
TTGL	100%	100%

The profit and loss of the subsidiary recognized using the equity method for 2022 and 2021 and the share of other comprehensive income of the subsidiary were recognized based on the financial statements for the same periods audited by CPAs.

(II) Investments in affiliates

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Individually immaterial affiliates	<u>\$ 29,002</u>	<u>\$ 31,936</u>

The relevant information on the above affiliates that are individually immaterial affiliates is as follows:

	<u>2022</u>	<u>2021</u>
The Company's share		
Net income for this year	\$ 946	\$ 517
Other comprehensive income	(<u>2,345</u>)	<u>1,440</u>
Total comprehensive income	(<u>\$ 1,399</u>)	<u>\$ 1,957</u>

The Company's total shareholdings in the investees valued using the equity method and the parent company, China Steel Corporation, and its sister companies reach 20% or more, so they are valued using the equity method.

XIV. Property, plant and equipment
2022

		Buildings	Machinery equipment	Transportation equipment	Office equipment	Other equipment	Unfinished construction and equipment to be accepted	Total
Cost								
Balance as of January 1, 2022	\$	300,756	\$ 403,334	\$ 16,327	\$ 19,050	\$ 46,615	\$ -	\$ 786,082
Additions		580	5,791	1,180	4,691	1,211	26,181	39,634
Disposal		-	(26,155)	-	(477)	(168)	-	(26,800)
Balance as of December 31, 2022		<u>301,336</u>	<u>382,970</u>	<u>17,507</u>	<u>23,264</u>	<u>47,658</u>	<u>26,181</u>	<u>798,916</u>
Accumulated depreciation and impairment								
Balance as of January 1, 2022		156,870	386,888	13,933	17,230	43,792	-	618,713
Depreciation		8,651	9,235	1,362	1,146	1,388	-	21,782
Disposal		-	(26,009)	-	(477)	(168)	-	(26,654)
Balance as of December 31, 2022		<u>165,521</u>	<u>370,114</u>	<u>15,295</u>	<u>17,899</u>	<u>45,012</u>	<u>-</u>	<u>613,841</u>
Net amount as of December 31, 2022	\$	<u>135,815</u>	<u>12,856</u>	<u>2,212</u>	<u>5,365</u>	<u>2,646</u>	<u>26,181</u>	<u>185,075</u>

2021

		Buildings	Machinery equipment	Transportation equipment	Office equipment	Other equipment	Unfinished construction and equipment to be accepted	Total
Cost								
Balance as of January 1, 2021	\$	299,561	\$ 410,942	\$ 16,327	\$ 18,909	\$ 45,981	\$ 1,592	\$ 793,312
Additions		1,195	3,972	-	1,264	1,382	(1,592)	6,221
Disposal		-	(11,580)	-	(1,123)	(748)	-	(13,451)
Balance as of December 31, 2021		<u>300,756</u>	<u>403,334</u>	<u>16,327</u>	<u>19,050</u>	<u>46,615</u>	<u>-</u>	<u>786,082</u>
Accumulated depreciation and impairment								
Balance as of January 1, 2021		147,909	389,330	12,232	17,234	43,066	-	609,771
Depreciation		8,961	9,138	1,701	1,119	1,474	-	22,393
Disposal		-	(11,580)	-	(1,123)	(748)	-	(13,451)
Balance as of December 31, 2021		<u>156,870</u>	<u>386,888</u>	<u>13,933</u>	<u>17,230</u>	<u>43,792</u>	<u>-</u>	<u>618,713</u>
Net amount as of December 31, 2021	\$	<u>143,886</u>	<u>16,446</u>	<u>2,394</u>	<u>1,820</u>	<u>2,823</u>	<u>-</u>	<u>167,369</u>

Based on the business strategy plan, as the recoverable amount of the Company's equipment for producing silver powder and conductive adhesive was lower than its book value, it was recognized in impairment losses. As of December 31, 2022, the cumulative impairment of the equipment was NT\$2,188 thousand.

The Company's property, plant and equipment are depreciated on a straight-line basis over the useful lives below:

Buildings	2 to 35 years
Machinery equipment	1 to 15 years
Transportation equipment	5 years
Office equipment	2 to 5 years
Other equipment	1 to 11 years

Please refer to Note 15 for the information on the locations of the Company's plants leased from the government.

Please refer to Note 26 for the amount of property, plant and equipment provided by the Company as collateral for borrowings.

XV. Lease agreements

(I) Right-of-use assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Carrying amount of right-of-use assets		
Land	\$ 110,979	\$ 110,571
Transportation equipment	327	667
Office equipment	<u>122</u>	<u>204</u>
	<u>\$ 111,428</u>	<u>\$ 111,442</u>
	<u>2022</u>	<u>2021</u>
Additions to right-of-use assets	<u>\$ 6,461</u>	<u>\$ 485</u>
Right-of-use asset depreciation expenses		
Land	\$ 6,053	\$ 5,720
Transportation equipment	340	205
Office equipment	<u>82</u>	<u>82</u>
	<u>\$ 6,475</u>	<u>\$ 6,007</u>

In addition to the additions and those recognized in depreciation expenses above, the Company's right-of-use assets were not significantly subleased or impaired during 2022 and 2021.

(II) Lease liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Carrying amount of lease liabilities		
Current	<u>\$ 5,686</u>	<u>\$ 5,456</u>
Non-current	<u>\$ 108,990</u>	<u>\$ 108,502</u>
The range of discount rates for lease liabilities is as follows:		
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Land	1.6007	1.6007
Transportation equipment	0.6487~0.7616	0.6487~0.7616
Office equipment	5.774~6.071	5.774~6.071

(III) Major lease activities and terms

The Company has leased land from the government in the Kaohsiung Industrial Park in the Southern Taiwan Science Park. The lease term will expire in May 2027. According to the lease agreement, the Company may sign a new agreement with the government when the lease term ends, but the government may adjust the rent when the assessed present value increases and may terminate the lease under certain conditions.

(IV) Other lease information

	<u>2022</u>	<u>2021</u>
Short-term lease and low-value asset lease expenses	<u>\$ 186</u>	<u>\$ 133</u>
Total cash outflows from leases	<u>\$ 7,818</u>	<u>\$ 7,239</u>

The Company has elected to apply the recognition exemptions to the leases of buildings, transportation equipment and other equipment that qualify as short-term and low-value asset leases and does not recognize such leases in relevant right-of-use assets and lease liabilities.

XVI. Other payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Salary and wages and bonuses payable	\$ 20,913	\$ 23,233
Employee remuneration and directors' remuneration payable	7,827	5,777
Processing fees payable	5,634	7,068
Consumable costs payable	4,599	4,823
Pension payable	3,115	2,621
Others	<u>12,210</u>	<u>13,510</u>
	<u>\$ 54,298</u>	<u>\$ 57,032</u>

XVII. Post-employment benefit plans

(I) Defined contribution pension plan

The Company adopted a pension scheme under the Labor Pension Act, which is a government-managed defined contribution plan. Under the act, the Company makes monthly contributions, equal to 6% of their monthly salary and wages, to employees' individual pension accounts under the Bureau of Labor Insurance.

(II) Defined benefit plan

The pension scheme adopted by the Company in accordance with the Labor Standards Act of R.O.C. is a government-managed defined benefit pension plan. The payment for employee pensions is calculated based on the length of service and the average salary in the six months prior to the approved retirement date. The Company makes a contribution, equal to a certain percentage of the total monthly employee salaries, which is deposited by the Supervisory Committee of Labor Retirement Reserve in the pension account with the Bank of Taiwan in the name of the committee. Before the end of each year, if the balance in the pension account is inadequate to pay for the retirement benefits to employees who meet the retirement requirements in the following year, the Group will make a contribution to make up for the difference in a lump sum by the end of March of the following year. The pension account is managed by the Bureau of Labor Funds, Ministry of Labor; the Company has no right to influence its investment management strategy.

The amounts included in the parent company only balance sheets in respect of such defined benefit plans are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligations	\$ 18,903	\$ 20,339
Fair value of plan assets	(<u>29,789</u>)	(<u>25,945</u>)
Net defined benefit assets	(<u>\$ 10,886</u>)	(<u>\$ 5,606</u>)

The movements in the net defined benefit assets are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit assets
Balance as of January 1, 2021	<u>\$ 16,816</u>	<u>(\$ 23,822)</u>	<u>(\$ 7,006)</u>
Service costs			
Interest expense (income)	<u>84</u>	<u>(124)</u>	<u>(40)</u>
Recognized in profit or loss	<u>84</u>	<u>(124)</u>	<u>(40)</u>
Remeasurement			
Return on plan assets (except for the amount included in the net interest)	-	<u>(295)</u>	<u>(295)</u>
Actuarial loss - changes in demographic assumptions	646	-	646
Actuarial loss - experience adjustments	<u>\$ 2,793</u>	<u>\$ -</u>	<u>\$ 2,793</u>
Recognized in other comprehensive income	<u>3,439</u>	<u>(295)</u>	<u>3,144</u>
Employer's contributions	<u>-</u>	<u>(1,704)</u>	<u>(1,704)</u>
Balance as of December 31, 2021	<u>20,339</u>	<u>(25,945)</u>	<u>(5,606)</u>
Service costs			
Interest expense (income)	<u>102</u>	<u>(134)</u>	<u>(32)</u>
Recognized in profit or loss	<u>102</u>	<u>(134)</u>	<u>(32)</u>
Remeasurement			
Return on plan assets (except for the amount included in the net interest)	-	<u>(2,006)</u>	<u>(2,006)</u>
Actuarial gain - changes in financial assumptions	<u>(1,758)</u>	-	<u>(1,758)</u>
Actuarial loss - experience adjustments	<u>220</u>	<u>-</u>	<u>220</u>
Recognized in other comprehensive income	<u>(1,538)</u>	<u>(2,006)</u>	<u>(3,544)</u>
Employer's contributions	<u>-</u>	<u>(1,704)</u>	<u>(1,704)</u>
Balance as of December 31, 2022	<u>\$ 18,903</u>	<u>(\$ 29,789)</u>	<u>(\$10,886)</u>

The amount of the defined benefit plan recognized in profit or loss aggregated by function is as follows:

	2022	2021
Administrative expenses	(<u>\$ 32</u>)	(<u>\$ 40</u>)

The Company is exposed to the risks below due to the pension system under the Labor Standards Act:

1. Investment risk

The Bureau of Labor Funds, Ministry of Labor, invests labor pension funds in domestic (foreign) equity securities, debt securities, and bank deposits on its own use and through agencies entrusted. However, the income from the Company's amount allocated to plan assets is calculated based on the interest rate not lower than the local bank's interest rate for two-year time deposits.

2. Exchange rate risk

Interest risk: A decrease in the interest rate in the government bonds/corporate bonds will increase the present value of the defined benefit obligation; however, the return on the debt investment through the plan assets will also increase, and the increases will partially offset the effect of the net defined benefit liability.

3. Salary risk

The present value of the defined benefit obligation is calculated with reference to the future salaries of the participants in the plan. As such, an increase in the salary of the participants in the plan will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the Company's defined benefit obligation were carried out by qualified actuaries. The critical assumptions made on the measurement date are as follows:

	December 31, 2022	December 31, 2021
Discount rate (%)	1.500	0.500
Expected salary increase (%)	3.50	3.25
Turnover rate (%)	3.0~11.0	3.0~11.0

If each of the critical actuarial assumptions is subject to reasonably possible changes, when all other assumptions remain unchanged, the amounts by which the present value of the defined benefit obligation would increase (decrease) are as follows:

	December 31, 2022	December 31, 2021
Discount rate		
Increase by 0.25%	(<u>\$ 534</u>)	(<u>\$ 625</u>)
Decrease by 0.25%	<u>\$ 555</u>	<u>\$ 651</u>
Expected salary increase (%)		
Increase by 0.25%	<u>\$ 535</u>	<u>\$ 624</u>
Decrease by 0.25%	(<u>\$ 518</u>)	(<u>\$ 602</u>)

As actuarial assumptions may be correlated, it is unlikely that only a single assumption would occur in isolation of one another, so the sensitivity analysis above may not reflect the actual changes in the present value of the defined benefit obligation.

		<u>December 31, 2022</u>	<u>December 31, 2021</u>
	The amount expected to be contributed to the plan in a year	<u>\$ 1,764</u>	<u>\$ 1,759</u>
	The weighted average duration of the defined benefit obligations	11.5 years	12.4 years
XVIII.	<u>Equity</u>		
	(I) Ordinary share capital		
		<u>December 31, 2022</u>	<u>December 31, 2021</u>
	Authorized number of shares (in thousands)	<u>100,000</u>	<u>100,000</u>
	Authorized share capital	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>
	Number of shares issued and fully paid (in thousands)	<u>73,498</u>	<u>73,498</u>
	Share capital publicly offered	<u>\$ 589,569</u>	<u>\$ 589,569</u>
	Share capital through private placement		
	Initial share capital publicly offered	140,000	140,000
	Share capital received due to capitalization of earnings	<u>5,411</u>	<u>5,411</u>
		<u>145,411</u>	<u>145,411</u>
	Share capital already publicly offered	<u>\$ 734,980</u>	<u>\$ 734,980</u>

To increase the working capital, repay debts, and attract strategic investors, the Company conducted a private placement of 7,000,000 ordinary shares in 2010 and 2011, respectively, at the issue prices of NT\$16 and NT\$35.7, respectively. The difference between the par value and the issue price was recognized in “capital surplus - additional paid-in capital”.

In principle, the rights and obligations of the ordinary shares in the private placements are the same as those of the ordinary shares issued by the Company.

(II) Capital surplus

	December 31, 2022	December 31, 2021
For loss make-up, payment in cash or capitalization as equity (Note)		
Additional paid-in capital - issuance of shares	\$ 283,336	\$ 283,336
Additional paid-in capital - conversion of corporate bonds	39,807	39,807
Stock options invalidated	1,469	1,469
Treasury shares traded	69	69
	<u>\$ 324,681</u>	<u>\$ 324,681</u>

Note: Such capital surplus may be used to make up for losses or, when the Company has no losses, to distribute cash or to capitalize equity, provided that the capitalization is limited to a certain percentage of the paid-in capital each year.

(III) Retained earnings and dividend policy

As per the earnings distribution policy, where the Company makes a profit for a fiscal year, the profit shall be first used for paying the tax in accordance with the laws and regulations, offsetting the cumulative deficit, setting aside 10% of the remaining profit as a legal reserve, unless it has reached the total amount of the Company's paid-in capital, setting aside an amount for or reversing a special reserve in accordance with the laws and regulations; and then any remaining profit, together with any undistributed retained earnings from the prior period, shall be adopted by the Company's Board of Directors as the basis for making a distribution proposal, which shall then be submitted to the shareholders' meeting for a resolution.

The industry, in which Company is in, is still growing. We must take into account the current and future operating conditions and focus on the stability of dividends when drawing up a dividend policy. When the Company has cumulative distributable earnings, the amount to be distributed shall not be lower than 50%, of which the cash dividends to be distributed shall not be lower than 50% of the total amount to be distributed.

The legal reserve may be used to offset losses. If there is no loss, the amount of legal reserve in excess of the paid-in capital by 25% could be allocated as capital stock and paid out in cash.

The 2021 and 2020 earnings distribution proposals approved by the resolution of the Company's general shareholders' meetings in June 2022 and August 2021 are as follows:

	Earnings distribution proposals		Dividend per share (NTD)	
	2021	2020	2021	2020
Legal reserve	\$ 6,907	\$ 4,769		
Provision (reversal) of special reserve	210	(868)		
Cash dividend	<u>66,148</u>	<u>58,798</u>	\$ 0.9	\$ 0.8
	<u>\$ 73,265</u>	<u>\$ 62,699</u>		

The 2022 earnings distribution proposal made by the Board of Directors in February 2023 is as follows:

	Earnings distribution proposals	Dividend per share (NTD)
Legal reserve	\$ 8,476	
Reversal of special reserve	(3,660)	
Cash dividend	<u>73,498</u>	\$ 1.0
	<u>\$ 78,314</u>	

The 2022 earnings distribution proposal is pending a resolution by the general shareholders' meeting scheduled to be held in June 2023.

(IV) Other equity items

1. Exchange differences arising from the translation of the financial statements of foreign operations

	2022	2021
Opening balance	(\$ 3,826)	(\$ 3,450)
Exchange differences arising from the translation of the financial statements of foreign operations	<u>867</u>	(<u>376</u>)
Ending balance	(<u>\$ 2,959</u>)	(<u>\$ 3,826</u>)

2. Unrealized gain or loss on financial assets at fair value through other comprehensive income

	2022	2021
Opening balance	\$ 166	\$ -
Incurred during the year		
Equity instruments - unrealized gains and losses	5,647	-
Shares of affiliates using the equity method	(2,344)	1,440
Cumulative gains and losses from the disposal of equity instruments by affiliates transferred to retained earnings	<u>76</u>	(<u>1,274</u>)
Ending balance	<u>\$ 3,545</u>	<u>\$ 166</u>

XIX. Revenue

	2022	2021
Revenue from customer contracts		
Merchandise sales revenue	<u>\$ 2,288,609</u>	<u>\$ 2,744,818</u>
(I) Balance of contracts		
	December 31, 2022	December 31, 2021
Notes receivable	<u>\$ 3,144</u>	<u>\$ 23,482</u>
Accounts receivable	<u>\$ 200,589</u>	<u>\$ 250,485</u>
Contract liabilities - current		
Merchandise sales	\$ 7,573	\$ 9,985
Collection of clients' scrapped targets in advance	<u>34,338</u>	<u>40,631</u>
	<u>\$ 41,911</u>	<u>\$ 52,898</u>

The movements in contract liabilities mainly arise from the difference between the point at which performance obligations are satisfied and the point at which clients pay.

The amounts of contract liabilities from the beginning of the period recognized in revenue for this period are as follows:

	2022	2021
Merchandise sales revenue	<u>\$ 9,811</u>	<u>\$ 16,186</u>
(II) Details of revenue from customer contracts		
	2022	2021
Major regional markets		
Taiwan	\$ 2,161,512	\$ 2,547,221
Asia	92,512	136,340
The Americas	<u>34,585</u>	<u>61,257</u>
	<u>\$ 2,288,609</u>	<u>\$ 2,744,818</u>
Major products		
Precious metals	\$ 1,521,485	\$ 2,009,428
Sputtering targets	473,498	598,020
Others	<u>293,626</u>	<u>137,370</u>
	<u>\$ 2,288,609</u>	<u>\$ 2,744,818</u>

XX. Net income before tax

Net income before tax includes the following components:

(I) Other income	2022	2021
Technical service income	\$ 10,000	\$ -
Grant income	1,188	1,349
Others	<u>1,731</u>	<u>1,466</u>
	<u>\$ 12,919</u>	<u>\$ 2,815</u>
(II) Other gains and losses	2022	2021
Net foreign exchange gain or loss	\$ 18,895	(\$ 5,323)
Gain (loss) on disposal of property, plant and equipment	(42)	2,553
Net gain or loss on financial assets and liabilities at fair value through profit or loss	(5,953)	1,945
Others	(<u>300</u>)	<u>-</u>
	<u>\$ 12,600</u>	<u>(\$ 825)</u>

The above net foreign exchange gains and losses are as follows:

	2022	2021
Total foreign exchange gains	\$ 24,352	\$ 7,687
Total foreign exchange losses	(<u>5,457</u>)	(<u>13,010</u>)
Net gains or losses	<u>\$ 18,895</u>	<u>(\$ 5,323)</u>

(III) Financial costs

	2022	2021
Interest on bank borrowings	\$ 41	\$ 50
Interest on the lease liabilities	1,889	1,871
Interest on silver materials borrowed	3,820	2,678
Other interest expenses	<u>8</u>	<u>-</u>
	<u>\$ 5,758</u>	<u>\$ 4,599</u>

(IV) Depreciation and amortization

	2022	2021
Depreciation		
Property, plant and equipment	\$ 21,782	\$ 22,393
Right-of-use assets	<u>6,475</u>	<u>6,007</u>
	<u>\$ 28,257</u>	<u>\$ 28,400</u>
Amortization		
Computer software	\$ 142	\$ 114
Others	<u>616</u>	<u>1,239</u>
	<u>\$ 758</u>	<u>\$ 1,353</u>
Depreciation aggregated by function		
Operating cost	\$ 25,045	\$ 25,532
Operating expense	<u>3,212</u>	<u>2,868</u>
	<u>\$ 28,257</u>	<u>\$ 28,400</u>
Amortization aggregated by function		
Operating cost	\$ 103	\$ 1,239
Operating expense	<u>655</u>	<u>114</u>
	<u>\$ 758</u>	<u>\$ 1,353</u>

(V) Employee benefit expenses

	2022	2021
Short-term employee benefits		
Salary and wages	\$ 178,462	\$ 169,722
Labor and health insurance	16,153	15,429
Others	<u>11,093</u>	<u>12,072</u>
	<u>205,708</u>	<u>197,223</u>
Post-employment benefits (Note 17)		
Defined contribution pension plan	7,995	7,776
Defined benefit plan	(<u>32</u>)	(<u>40</u>)
	<u>7,963</u>	<u>7,736</u>
	<u>\$ 213,671</u>	<u>\$ 204,959</u>
Aggregated by function		
Operating cost	\$ 145,466	\$ 138,979
Operating expense	<u>68,205</u>	<u>65,980</u>
	<u>\$ 213,671</u>	<u>\$ 204,959</u>

The Company offsets the cumulative deficit with the income before tax, less employee remuneration and directors' remuneration, for the year and then distributes no lower than 0.1% of the balance as employee remuneration and no higher than 1% of the balance as directors' remuneration. The estimated 2022 and 2021 employee remuneration and directors' remuneration are as follows:

	2022	2021
Employee remuneration	\$ 7,003	\$ 5,169
Directors' remuneration	824	608

The Company's 2022 and 2021 employee remuneration and directors' remuneration resolved by the Board of Directors in February 2023 and February 2022, respectively (all paid out in cash) are as follows:

	2022	2021
Employee remuneration	\$ 6,561	\$ 5,372
Directors' remuneration	772	632

If there is a change in the amount after the release date of the annual parent company only financial statements are approved, the change will be accounted for as a change in accounting estimate and the adjustment accounted for in the following year.

The amounts of the employee remuneration and directors' remuneration resolved by the Board of Directors in February 2021 and February 2022 were different from those recognized in the 2022 and 2021 parent company only financial statements. The differences were adjusted for the 2022 and 2021 profit and loss, respectively.

	2021		2020	
	Employee remuneration	Directors' remuneration	Employee remuneration	Directors' remuneration
Amount to be distributed by the resolution of the Board of Directors	<u>\$ 5,372</u>	<u>\$ 632</u>	<u>\$ 3,691</u>	<u>\$ 434</u>
Amounts recognized in the annual parent company only financial statements	<u>\$ 5,169</u>	<u>\$ 608</u>	<u>\$ 3,648</u>	<u>\$ 429</u>

For information on the remuneration to employees and directors resolved by the Board of Directors, please visit the Market Observation Post System (MOPS) of Taiwan Stock Exchange.

XXI. Income tax

(I) Income tax recognized in profit or loss

The major components of income tax expense are as follows.

	2022	2021
Current income tax expenses		
Adjustment to the prior years	<u>\$ 6,627</u>	<u>(\$ 427)</u>
Deferred tax		
Incurred during this year	20,568	17,371
Adjustment to the prior years	<u>(5,711)</u>	<u>-</u>
	<u>14,857</u>	<u>17,371</u>
	<u>\$ 21,484</u>	<u>\$ 16,944</u>

The reconciliation of accounting profit and income tax expense is as follows:

	2022	2021
Net income before tax	<u>\$ 103,487</u>	<u>\$ 87,255</u>
Income tax expense calculated based on statutory tax rate for pre-tax income	\$ 20,697	\$ 17,451
Profit or loss recognized for tax	(129)	(80)
Income tax adjustments in prior years	<u>916</u>	<u>(427)</u>
	<u>\$ 21,484</u>	<u>\$ 16,944</u>

(II) Income tax income (expense) recognized in other comprehensive income

	2022	2021
Deferred tax		
Remeasurement of defined benefit plans	<u>(\$ 709)</u>	<u>\$ 629</u>

(III)	Current tax assets		
		<u>December 31, 2022</u>	<u>December 31, 2021</u>
	Current tax assets		
	Tax refund receivable	<u>\$ 983</u>	<u>\$ 344</u>

(IV) Deferred tax assets and liabilities
Movements in deferred tax assets and liabilities are as follows:
2022

	<u>Opening balance</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehens ive income</u>	<u>Ending balance</u>
<u>Deferred tax assets</u>				
Temporary differences				
Loss carryforwards	\$ 22,370	(\$ 16,464)	\$ -	\$ 5,906
Overseas investment losses recognized using the equity method	29,960	(1,299)	-	28,661
Allowance for inventory valuation losses	8,986	211	-	9,197
Impairment losses on non-financial assets	451	(13)	-	438
Unrealized exchange loss	257	4	-	261
Others	<u>673</u>	<u>(246)</u>	<u>-</u>	<u>427</u>
	<u>\$ 62,697</u>	<u>(\$ 17,807)</u>	<u>\$ -</u>	<u>\$ 44,890</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Defined benefit pension plan	\$ 1,121	\$ 347	\$ 709	\$ 2,177
Others	<u>3,709</u>	<u>(3,297)</u>	<u>-</u>	<u>412</u>
	<u>\$ 4,830</u>	<u>(\$ 2,950)</u>	<u>\$ 709</u>	<u>\$ 2,589</u>

2021

	<u>Opening balance</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehens ive income</u>	<u>Ending balance</u>
<u>Deferred tax assets</u>				
Temporary differences				
Loss carryforwards	\$ 38,473	(\$ 16,103)	\$ -	\$ 22,370
Overseas investment losses recognized using the equity method	31,517	(1,557)	-	29,960
Allowance for inventory valuation losses	10,128	(1,142)	-	8,986
Impairment losses on non-financial assets	912	(461)	-	451

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	Opening balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Unrealized exchange loss	\$ -	\$ 257	\$ -	\$ 257
Others	<u>692</u>	<u>(19)</u>	<u>-</u>	<u>673</u>
	<u>\$ 81,722</u>	<u>(\$ 19,025)</u>	<u>\$ -</u>	<u>\$ 62,697</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Defined benefit pension plan	\$ 1,401	\$ 349	(\$ 629)	\$ 1,121
Others	<u>5,712</u>	<u>(2,003)</u>	<u>-</u>	<u>3,709</u>
	<u>\$ 7,113</u>	<u>(\$ 1,654)</u>	<u>(\$ 629)</u>	<u>\$ 4,830</u>

(V) Information on unused loss carryforwards

As of December 31, 2022, the information on unused loss carryforwards is as follows:

Balance of unused loss carryforwards	Last valid year
<u>\$ 29,529</u>	118

(VI) Income tax return approval

The Company's profit-seeking enterprise income tax returns filed up to 2020 have been approved by the tax authority.

XXII. Earnings Per Share

The net income and weighted average number of ordinary shares used to calculate earnings per share are as follows:

	2022	2021
Net income for this year	<u>\$ 82,003</u>	<u>\$ 70,311</u>
<u>Number of shares</u>		
	2022	2021
Weighted average number of ordinary shares used to calculate the basic earnings per share	73,498	73,498
Influence of potential common stock with dilutive effect:		
Employee remuneration	<u>270</u>	<u>176</u>
Weighted average number of ordinary shares used to calculate the diluted earnings per share	<u>73,768</u>	<u>73,674</u>

Unit: In thousands of shares

If the Company may elect to pay employee remuneration in stock or cash, when diluted earnings per share are calculated, it is assumed that employee remuneration will be paid out in stock, and when the ordinary shares are potentially dilutive, they will be included in the weighted average number of outstanding shares to calculate diluted earnings per share. The dilution effect of these potential ordinary shares will also continue to be considered when the diluted earnings per share is calculated before the following year's shareholders' meeting resolves a decision on the number of shares distributed for employee remuneration.

XXIII. Capital risk management

The Company engages in capital management to ensure that it can maximize shareholder returns by optimizing debt and equity balances while continuing to operate. The Company's capital structure consists of net liability and equity and is not subject to other external requirements for capital.

XXIV. Financial instruments

- (I) Fair value information - financial instruments measured at fair value on a recurring basis

1. Fair value hierarchy

	Level 1	Level 2	Level 3	Total
<u>December 31, 2022</u>				
Financial assets at fair value through profit or loss				
Precious metals futures contracts	\$ -	\$ 2,257	\$ -	\$ 2,257
Financial assets at fair value through other comprehensive income				
Domestic unlisted stocks	\$ -	\$ -	\$ 31,727	\$ 31,727
<u>December 31, 2021</u>				
Financial assets at fair value through profit or loss				
Forward exchange agreements	\$ -	\$ 241	\$ -	\$ 241
Financial assets at fair value through other comprehensive income				
Domestic unlisted stocks	\$ -	\$ -	\$ 26,080	\$ 26,080

There were no transfers between Level 1 and Level 2 fair values during the years ended December 31, 2022 and 2021.

2. Reconciliation of financial instruments measured at fair value in Level 3

	Financial assets at fair value through other comprehensive income	
	Equity instruments	
Financial assets	2022	2021
Opening balance	\$ 26,080	\$ -
Purchases	-	26,080
Recognized in other comprehensive income	5,647	-
Ending balance	\$ 31,727	\$ 26,080

3. Valuation techniques and inputs for Level 2 fair value measurement

Types of financial
instruments

Valuation techniques and inputs

Derivatives - precious
metals futures
contracts

There is no market price available as a reference for the precious metals futures contracts traded by the Company, and such contracts were estimated through valuation. The estimates and assumptions adopted in the valuation are consistent with the information adopted by market participants for estimation and assumption when they priced financial instruments.

Derivatives - forward
exchange
agreements

The Company estimated the future cash flow based on the observable forward exchange rates and the exchange rates specified in the agreements at the end of the period and discounted each of them at a discount rate that could reflect each counterparty's credit risk. The estimates and assumptions adopted in the valuation are consistent with the information adopted by market participants for estimation and assumption when they priced financial instruments.

4. Valuation techniques and inputs for Level 3 fair value measurement

The fair values of unlisted stocks were estimated with reference to the trading prices.

(II) Types of financial instruments

	December 31, 2022	December 31, 2021
Financial assets		
At fair value through profit or loss - mandatorily at fair value through profit or loss	\$ 2,257	\$ 241
Financial assets at amortized cost (Note 1)	413,870	554,163
Financial assets at fair value through other comprehensive income - investment in equity instruments	31,727	26,080
Financial liabilities		
Financial liabilities for hedging	\$ 239,060	\$ 162,512
At amortized cost (Note 2)	61,664	66,874

Note 1: The balance includes cash and cash equivalents, notes receivable, accounts receivable, net, other receivables (including related parties), other financial assets - current, and guarantee deposits paid.

Note 2: The balance represents financial liabilities at amortized cost, including accounts payable and other payables.

(III) Purpose and policy of financial risk management

The Company's main financial instruments include notes receivable, accounts receivable, net, accounts payable, and lease liabilities. The Company's Management Department provides services to each business unit, coordinates the operations of investments in the domestic and international financial markets, and supervises and manages the financial risks related to the Company's operations by analyzing the internal risk reports on the exposure as per the breadth and depth of risks. Such risks include market risk (including exchange rate risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Company adopts derivatives to avoid risk of exposure, thereby reducing the impact of these risks. The trading of derivatives is regulated by the policies approved by the Company's Board of Directors; such policies are the written principles to regulate exchange rate risk, interest rate risk, credit risk, trading of derivatives and non-derivatives, and investment with surplus liquidity. Internal auditors continue to review the compliance with the policies and the amounts exposed to such risks. The Company does not trade financial instruments (including derivatives) for speculative purposes.

Market risk

1. Exchange rate risk

The Company's silver material transactions are all denominated in non-functional currency (USD). In addition, part of the income from processing services is traded in a non-functional currency, which has resulted in exchange rate fluctuation risk. The Company has adopted derivatives, such as forward foreign exchange agreements to reduce the exchange rate risk.

Please refer to Note 29 for the carrying amounts of the Company's monetary assets and monetary liabilities denominated in non-functional currencies on the balance sheet date.

The Company is mainly affected by the exchange rate fluctuations of the USD, CNY, and JPY. The table below details the Company's sensitivity analysis when the exchange rate of the Company's functional currency against the USD, CNY, and JPY increased and decreased by 1%. One percent is the sensitivity rate used in reporting the exchange rate risk to the Company's key management team and represents the management's assessment of the reasonable range of potential changes in foreign-currency exchange rates. The sensitivity analysis only included monetary items in foreign currencies in circulation. The table below shows the influence on profit and loss before tax when the Company's functional currency depreciated by 1% against the USD, CNY, and JPY:

	2022	2021
USD	\$ 771	\$ 1,272
CNY	\$ 334	\$ 1,529
JPY	\$ 249	\$ 248

Note: It is mainly due to the USD, CNY, and JPY (including cash and cash equivalents, accounts receivable, other receivables (including related parties), guarantee deposits paid, accounts payable, and other payables (including related parties) still in circulation on the balance sheet date, the cash flows of which have not been hedged.

The management believes that sensitivity analysis cannot represent the inherent exchange rate risk as foreign currency exposures on the balance sheet date cannot reflect the interim exposures. Sales denominated in USD will vary with clients' orders and spot prices.

2. Exchange rate risk

Interest rate exposures arise when the Company borrows funds at both fixed and floating interest rates. The Company diversifies the risk of interest rate changes by maintaining an appropriate combination of fixed and floating interest rates.

The carrying amounts of the Company's financial assets and financial liabilities exposed to the interest rate risk on the balance sheet date are as follows:

	December 31, 2022	December 31, 2021
Fair value interest rate risk		
Financial liabilities	\$ 114,676	\$ 113,958
Cash flow interest rate risk		
Financial assets	\$ 176,272	\$ 79,155

The following sensitivity analyses are based on the interest rate risk exposure of the non-derivative instruments on the balance sheet date. For liabilities at floating rates, the analysis is based on the assumption that the amounts of the liabilities outstanding at the balance sheet date were all outstanding throughout the reporting period. An increase or decrease in interest rates by 1% is the sensitivity rate adopted in reporting the interest rate risk to the Company's key management team and represents the management's assessment of the reasonable range of potential changes in interest rates.

If the interest rate increased/decreased by 1%, with all other variables remaining unchanged, it caused no impact on the Company's net income before tax for 2022 and 2021.

(IV) Other price risks

The Company signed precious metal borrowing contracts with suppliers with the prices being the quotes in the international precious metal market, plus a certain percentage of profit margin. To manage the inventory exposed to the risk of precious metals prices, the Company adopts the international precious metal borrowing contracts in the same category and quantity as the fair value risk hedging instrument for the precious metal price risk component contained in the inventory. As per the historical experience, the movements in the fair values of the designated precious metal price risk components cover the movements in prices of the overall contracts on average, so the market price risk is not significant.

Hedge accounting

The Company adopts precious metal borrowing transaction contracts for fair value hedging to reduce the risk of the movements in international precious metal prices exposed to the fair values of financial liabilities. The fair values of precious metal borrowing transactions on the balance sheet date are estimated based on the market prices of precious metals.

The above precious metal borrowing transactions are based on the same conditions as those for relevant financial liabilities. As per the Company's qualitative assessment, precious metal borrowing transactions and the values of hedged financial liabilities will change in reverse in a systematic manner due to the movements in the hedged international precious metal prices. The hedge ineffectiveness mainly comes from the influence of the credit risk between the Company and the counterparties on the fair values of the precious metal borrowing transactions. The credit risk will not affect the hedged items due to the movements in the fair values of the international precious metal prices. No other sources of hedge ineffectiveness appeared during the hedge period.

The information on the hedging of the risk from the movements in the international precious metal prices exposed to the Company is aggregated as follows:
December 31, 2022

Hedging instruments	Contract amount	Due period	Balance sheet line items	Carrying amount Liability	Movements in the fair values of hedging instruments used to evaluate the hedge ineffectiveness for the year
Fair value hedge					
Precious metal borrowing contracts	<u>\$ 239,060</u>	-	Financial liabilities for hedging	<u>\$ 239,060</u>	<u>\$ -</u>
		Carrying amount	Cumulative fair value adjustments		Movements in the fair values of hedged items used to evaluate the hedge ineffectiveness for the year
Hedged items		Assets	Assets		
Fair value hedge Inventory		\$ 239,060	\$ -	\$ -	

December 31, 2021

Hedging instruments	Contract amount	Due period	Balance sheet line item	Carrying amount Liability	Movements in the fair values of hedging instruments used to evaluate the hedge ineffectiveness for the year
Fair value hedge					
Precious metal borrowing contracts	<u>\$ 179,172</u>	-	Financial liabilities for hedging	<u>\$ 162,512</u>	<u>\$ 16,660</u>
		Carrying amount	Cumulative fair value adjustments		Movements in the fair values of hedged items used to evaluate the hedge ineffectiveness for the year
Hedged items		Assets	Assets		
Fair value hedge Inventory		\$ 162,512	(\$ 16,660)	(\$ 16,660)	

(V) Credit risk

Credit risk refers to the risk that a counterparty defaults on its contractual obligations, resulting in a financial loss to the Company. As of the balance sheet date, the Company's maximum exposure to credit risk of financial loss due to non-performance by counterparties and the Company's provision of financial guarantees is mainly from the carrying amounts of financial assets recognized in parent company only balance sheets and the maximum amount that may be payable for the financial guarantees provided.

Except for a small number of clients whose accounts receivable and overdue receivable were estimated to be irrecoverable with significant credit risks and an allowance for such losses already provide, the Company's clients are all companies with good credit ratings. The business unit grants each of such clients a credit line based on the credit investigation results and regularly tracks their payment status; thus, no significant credit risk is expected.

The Company's receivables are significantly concentrated in certain clients, most of whom engage in similar business activities with similar economic characteristics, and their ability to perform contracts is also similarly influenced by their financial positions or other conditions, so significant credit risk concentration exists. The balance of accounts receivable from clients, on which the credit risk is significantly

concentrated, (accounting for 10% or more of the balance of notes receivable, accounts receivable, and other receivables, excluding other receivables - related parties) is as follows:

<u>Name of client</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Company A	\$ 61,941	\$ 111,139
Company B	16,892	52,199
Company C	27,105	37,425
Company D	21,406	30,555
Company E	<u>21,405</u>	<u>21,223</u>
	<u>\$ 148,749</u>	<u>\$ 252,541</u>

(VI) Liquidity risk

The Company manages and maintains sufficient cash and cash equivalents to support the operations and signs loan contracts with financial institutions to maintain an appropriate amount required for business operations. As the Company's equity in the capital structure is much greater than its liabilities, and remaining amount of bank loans is sufficient. As of December 31, 2022 and 2021, the Company's unused bank financing facilities were NT\$1,613,733 thousand and NT\$1,632,160 thousand, respectively. Thus, no liquidity risk was posed to the Company.

The table below lists the analysis of the Company's financial liabilities during the agreed repayment period based on the maturity dates and the undiscounted principal amounts:

	<u>Less than 1 year</u>	<u>1 to 5 years</u>	<u>5 years or above</u>	<u>Total</u>
<u>December 31, 2022</u>				
Financial liabilities for				
hedging - current	\$ 239,060	\$ -	\$ -	\$ 239,060
Accounts payable	7,366	-	-	7,366
Lease liabilities	7,482	28,953	95,904	132,339
Other payables	54,298	-	-	54,298
Financial guarantee liabilities	<u>261,035</u>	<u>-</u>	<u>-</u>	<u>261,035</u>
	<u>\$ 569,241</u>	<u>\$ 28,953</u>	<u>\$ 95,904</u>	<u>\$ 694,098</u>
<u>December 31, 2021</u>				
Financial liabilities for				
hedging - current	\$ 162,512	\$ -	\$ -	\$ 162,512
Accounts payable	9,842	-	-	9,842
Lease liabilities	7,243	27,687	97,524	132,454
Other payables	57,032	-	-	57,032
Financial guarantee liabilities	<u>235,280</u>	<u>-</u>	<u>-</u>	<u>235,280</u>
	<u>\$ 471,909</u>	<u>\$ 27,687</u>	<u>\$ 97,524</u>	<u>\$ 597,120</u>

Further information on maturity analysis of lease liabilities is as follows:

	<u>Less than 1 year</u>	<u>1-5 years</u>	<u>5-10 years</u>	<u>10-15 years</u>	<u>15-20 years</u>	<u>20 years or above</u>
<u>December 31, 2022</u>						
Lease liabilities	<u>\$ 7,482</u>	<u>\$ 28,953</u>	<u>\$ 28,771</u>	<u>\$ 28,771</u>	<u>\$ 28,771</u>	<u>\$ 9,591</u>
<u>December 31, 2021</u>						
Lease liabilities	<u>\$ 7,243</u>	<u>\$ 27,687</u>	<u>\$ 27,216</u>	<u>\$ 27,216</u>	<u>\$ 27,216</u>	<u>\$ 15,876</u>

XXV. Related Party Transactions

The Company's parent company is Gains Investment Corporation (with substantive control power), which held 31.86% of the Company's ordinary shares on both December 31, 2022 and 2021. The Company's ultimate parent company is China Steel Corporation.

Except for those disclosed in other notes, transactions between the Company and related parties are as follows.

(I) Name of related party and relations therewith

Name of related party	Relations with the Company
China Steel Corporation (CSC)	Ultimate parent company
Gains Investment Corporation	Parent company
Changzhou China Steel Precision Materials Co., Ltd. (CSPM)	Sister company
C.S. Aluminium Corporation (CSAC)	Sister company
Ever Wealthy International	Sister company
China Steel Chemical Corporation	Sister company
CSC Solar Corporation	Sister company
CSGT Japan Co., Ltd. (CSGT Japan)	Sister company
China Steel Security Corporation	Sister company
Dragon Steel Corporation	Sister company
CHC Resources Corporation	Sister company
China Steel Power Corporation	Sister company
Taichang Xinchang Photoelectricity Material Co., Ltd. (Taichang Xinchang)	Subsidiary
United Renewable Energy Co., Ltd.	A director of the Company

(II) Operating revenue

Account	Category of related party	2022	2021
Sales revenue	Ultimate parent company	\$ 155,019	\$ 13,452
	Sister company	45,906	48,248
	Subsidiary	15,566	57,580
		<u>\$ 216,491</u>	<u>\$ 119,280</u>

There is no similar transaction available to be used to compare with the sales revenue from part of the sales to the ultimate parent company, and there is no significant difference in the selling prices and payment terms between the transactions with the ultimate parent company and non-related parties.

(III) Purchases

Category of related party	2022	2021
Sister company	\$ 61,975	\$ 34,079
Ultimate parent company	4,525	-
Subsidiary	3,642	10,273
	<u>\$ 70,142</u>	<u>\$ 44,352</u>

Regarding purchases from related parties, except for the prices of the purchases from subsidiaries, without significant difference from non-related party transactions, the transaction prices cannot be compared because the same products were not purchased from a non-related party, and the payment terms are not significantly different from those for general suppliers.

(IV)	Endorsements/Guarantees		
	<u>Category of related party</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	Subsidiary		
	Amount guaranteed		
	Taichang Xinchang	\$ <u>261,035</u>	\$ <u>235,280</u>
(V)	Amount drawn		
	Taichang Xinchang	\$ <u>145,427</u>	\$ <u>69,054</u>
	Loans to others		
	<u>Category of related party</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	Other receivables - related party		
	Subsidiary		
	Taichang Xinchang	\$ <u>-</u>	\$ <u>96,871</u>
	<u>Category of related party</u>	<u>2022</u>	<u>2021</u>
	Interest income		
	Subsidiary		
	Taichang Xinchang	\$ <u>2,241</u>	\$ <u>2,322</u>
	Annual rate of interest (%)	2.53~2.8	2.8
	The loans to subsidiaries during 2022 and 2021 were all unsecured.		
	Other related party transactions		
(VI)		<u>2022</u>	<u>2021</u>
	<u>Processing fees</u>		
	Sister company		
	CSAC	\$ 36,461	\$ 46,947
	Ultimate parent company	<u>174</u>	<u>169</u>
		\$ <u>36,635</u>	\$ <u>47,116</u>
	The Company pays processing fees to the above related parties. As no non-related party was not entrusted to provide similar product processing services, the transaction prices could not be compared. The payment terms are 30 to 60 days at the end of each month for the above related parties and 60 to 90 days at the end of each month for the non-related parties.		
		<u>2022</u>	<u>2021</u>
	<u>Research and professional services fees</u>		
	Ultimate parent company	\$ <u>1,660</u>	\$ <u>1,640</u>
	<u>Security fees</u>		
	Sister company	\$ <u>2,073</u>	\$ <u>1,992</u>
	<u>Technical service income</u>		
	Ultimate parent company		
	CSC	\$ <u>10,000</u>	\$ <u>-</u>

(VII)	Ending balance		
		<u>December 31, 2022</u>	<u>December 31, 2021</u>
	Accounts receivable		
	Sister company	\$ 36,076	\$ 24,138
	Subsidiary		
	Taicang Xinchang	16,892	52,199
	Ultimate parent company	<u>-</u>	<u>13,728</u>
		<u>\$ 52,968</u>	<u>\$ 90,065</u>
	Other receivables - related party		
	Subsidiary		
	Taicang Xinchang	<u>\$ 196</u>	<u>\$ 97,569</u>
	Guarantee deposits paid		
	Sister company		
	CSGT Japan	<u>\$ 3,417</u>	<u>\$ 3,536</u>
	Accounts payable		
	Sister company		
	CSPM	\$ -	\$ 6,289
	Subsidiary		
	Taicang Xinchang	<u>3,519</u>	<u>27</u>
		<u>\$ 3,519</u>	<u>\$ 6,316</u>
	Other payables		
	Sister company	\$ 1,497	\$ 4,504
	Ultimate parent company	907	891
	Parent company	412	304
	A director of the Company	<u>206</u>	<u>152</u>
		<u>\$ 3,022</u>	<u>\$ 5,851</u>
(VIII)	Remuneration to key management personnel		
		<u>2022</u>	<u>2021</u>
	Short-term employee benefits	\$ 12,400	\$ 11,383
	Post-employment benefits	<u>282</u>	<u>282</u>
		<u>\$ 12,682</u>	<u>\$ 11,665</u>

XXVI. Pledged Assets

The Company has provided the assets below as collateral for the parent company's bank borrowing facilities, borrowings drawn by subsidiaries, dormitory leased from the Southern Taiwan Science Park Bureau, customs import, and precious metal borrowing:

	December 31, 2022	December 31, 2021
Buildings	\$ 124,367	\$ 130,817
Pledged time deposits (recognized in other financial assets - current)	20,896	28,212
	<u>\$ 145,263</u>	<u>\$ 159,029</u>

XXVII. Material Contingencies and Unrecognized Contractual Commitments

- (I) As of December 31, 2022, to purchase raw materials, the Company guaranteed the amount of NT\$350,467 thousand from financial institutions.
- (II) As of December 31, 2022, the total price of the contracts signed by the Company to purchase property, plant and equipment was about NT\$66,160 thousand, and the outstanding amount was NT\$39,979 thousand.

XXVIII. Material Events After the Balance Sheet Date

To increase the working capital, the issuance of the third domestic secured convertible corporate bonds, resolved by the Company's Board of Directors on December 8, 2022, was in the amount of NT\$200,000 thousand. The issuance period is three years and it took effect as approved by the FSC on January 13, 2023.

XXIX. Information on Foreign Currency Assets and Liabilities with Significant Effect

The information below is aggregated and presented in foreign currencies other than the Company's functional currency. The exchange rates disclosed refer to the rates at which these foreign currencies are converted to the functional currency. The information on foreign currency assets and liabilities with significant effect is as follows:

Unit: In thousands in each foreign currency / exchange rate

	December 31, 2022	Foreign currency	Exchange rate	Carrying amount
Foreign currency assets under monetary items				
USD	\$ 2,560	30.71	(USD: NTD)	\$ 78,607
CNY	7,671	4.408	(CNY: NTD)	33,812
JPY	107,106	0.2324	(JPY: NTD)	24,891
Foreign currency assets under non-monetary items				
Investments Using the Equity Method				
USD	2,018	30.71	(USD: NTD)	61,975
Foreign currency liabilities under monetary items				
USD	50	30.71	(USD: NTD)	1,549
CNY	85	4.408	(CNY: NTD)	375

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December 31, 2021	Foreign currency	Exchange rate	Carrying amount
Foreign currency assets under monetary items			
USD	\$ 4,639	27.68 (USD: NTD)	\$ 128,415
CNY	35,207	4.344 (CNY: NTD)	152,941
JPY	102,946	0.2405 (JPY: NTD)	24,758
Foreign currency assets under non-monetary items			
Investments Using the Equity Method			
USD	1,923	27.68 (USD: NTD)	53,237
Foreign currency liabilities under monetary items			
USD	43	27.68 (USD: NTD)	1,179
CNY	6	4.344 (CNY: NTD)	27

The Company's net foreign exchange gain or loss for 2022 and 2021 was a gain of NT\$18,895 thousand and a loss of NT\$5,323 thousand, respectively. Due to the wide variety of foreign currencies used in transactions, it is impossible to disclose the exchange gains and losses by foreign currencies with significant influence.

XXX. Additional Disclosures

(I) Information on material transactions and (II) information on investees of 2022:

1. Loans to others. (Table 1)
2. Endorsements/Guarantees to others. (Table 2)
3. Securities held at the end of the year (investments in subsidiaries and affiliates are not included). (Table 3)
4. Securities acquired or sold at costs or prices at least NT\$300 million or 20% of the paid-in capital. (None)
5. Acquisition of individual property at costs of at least NT\$300 million or 20% of the paid-in capital. (None)
6. Disposal of individual property at costs of at least NT\$300 million or 20% of the paid-in capital. (None)
7. Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 4)
8. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (None)
9. Derivatives trading. (Note 7)
10. Information on investees. (Table 5)

(III) Information on investment in Mainland China

1. Information on investees in mainland China, including the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, percentage of ownership, profit or loss and investment income or loss recognized for this year, book value of the investment at the end of the period, repatriation of investment income, and limit on the amount of investment in the mainland China area. (Table 6)
2. Any of the following significant transactions with investees in mainland China, either directly or indirectly through a third region, and the price, payment term, and unrealized gains or losses:
 - (1) The amount and percentage of purchases and the balance and percentage of the relevant payables at the end of the period: The Company's

purchases from the subsidiary Taicang Xinchang during 2022 were NT\$3,642 thousand (less than 1%). As of December 31, 2022, the balance of unpaid accounts payable was NT\$3,519 thousand (48%). There was no significant difference in the above purchase prices and payment terms between related parties and the non-related parties.

- (2) The amount and percentage of sales and the balance and percentage of the relevant receivables at the end of the year: The Company's sales to the subsidiary Taicang Xinchang during 2022 were NT\$15,566 thousand (less than 1%). As of December 31, 2022, the balance of accounts receivables not yet recovered was NT\$16,892 thousand (8%). The above selling prices and payment terms are not significantly different between related parties and the non-related parties. The unrealized sales profit of NT\$413 thousand arising from the above sales have been eliminated using the equity method.
- (3) The amount of property transactions and the amount of the resulting gains or losses. (None)
- (4) The balance of negotiable instrument endorsements or guarantees or collateral pledged at the end of the period and the purposes. (Table 2)
- (5) The highest balance, the closing balance, the interest rate range, and total current-period interest with respect to financing of funds. (Table 1)
- (6) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of labor services. (None)

- (IV) Information on major shareholders: The name of shareholders, each holding 5% or more of total shares, and the number and percentage of shares held. (Table 7)

XXXI. Segment Information

The Company has disclosed the segment information in the consolidated financial statements, and it may not be disclosed in the parent company only financial statements.

Table 1

No.	Lender	Borrower	Account title	Related party status	Highest balance of this year	Ending balance (Note 1)	Amount drawn	Interest rate range (%)	Nature of loan	Business transaction amount	Reasons for short-term financing	Allowance for bad debts	Collateral		Limit on loan to each borrower	Total limit on loans to others	Remarks
													Name	Value			
0	The Company	Taicang Xinchang Photoelectricity Material Co., Ltd.	Other receivables	Yes	\$ 108,415	\$ 106,056	\$ -	2.53~2.8	Note 2	\$ -	To meet the need for working capital	\$ -	-	\$ -	\$ 358,258	\$ 477,678	Note 3

Note 3: The limit of loans to an individual entity is 30% of the Company's net worth, and the total limit of loans to others is 40% of the net worth.

ThinTech Materials Technology Co., Ltd. and Its Subsidiaries
Endorsements/Guarantees to Others
For the Years Ended December 31, 2022 and 2021

Table 2

Unit: NT\$ thousand
(unless specified otherwise)

No.	Name of endorser/guarantor	Party endorsed/guaranteed		Limit of endorsements/guarantees to a single enterprise	Highest balance of endorsement/guarantee of this year	Ending balance of endorsements/guarantees (Note 2)	Amount drawn	Amount of endorsement/guarantee with property as collateral	Cumulative endorsements/guarantees provided as a % of the net worth as per the latest financial statements	Maximum limit of endorsements/guarantees	Endorsement/guarantee by the parent company to a subsidiary	Endorsement/guarantee by a subsidiary to the parent company	Endorsement/guarantee to an entity in China	Remarks
		Name of company	Relations											
0	The Company	Taicang Xinchang Photoelectricity Material Co., Ltd.	An investee whose with 50% or more of its voting shares held by the parent company and subsidiaries	\$ 477,678	\$ 273,828	\$ 261,035	\$ 145,427	\$ -	21.86	\$ 477,678	Y	N	Y	Note 1

Note 1: The limit of the Company's guarantee for a single enterprise is 40% of the net worth, and the maximum limit of endorsements/guarantees is 40% of the net worth.
Note 2: USD is converted at the spot exchange rate of 1 USD = 30.71 NTD.

ThinTech Materials Technology Co., Ltd. and Its Subsidiaries
Securities Held at the End of the Year
December 31, 2022

Table 3

Unit: NT\$ thousand
(unless specified otherwise)

Company	Type and name of securities held	Relations with securities issuer	Account title	End of the year				Remarks
				Number of shares/units	Carrying amount	Shareholdin g (%)	Fair value	
The Company	Common stock Lianyou Metals Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	462,920	<u>\$ 31,727</u>	2	<u>\$ 31,727</u>	Note

Note: The fair value is based on the trading price and the liquidity discount.

ThinTech Materials Technology Co., Ltd. and Its Subsidiaries
Total Purchases from or Sales to Related Parties Amounting to at Least NT\$100 Million or 20% of the Paid-in Capital
For the Years Ended December 31, 2022 and 2021

Table 4

Unit: NT\$ thousand
(unless specified otherwise)

Buyer/Seller	Counterparty	Relations	Transaction situation				Situation and reason for transaction conditions different from general ones		Notes and accounts receivable (payable)		Remarks
			Purchase (sale)	Amount	As a % of total (sales) purchases	Credit period				As a % of total notes and accounts receivable (payable)	
							Unit price	Credit period			
The Company	CSC	Ultimate parent company	Purchases	(\$ 155,019)	(6)	Payment collected 7 days after acceptance	Note	Note	\$ -	-	

Note: See Note 25.

ThinTech Materials Technology Co., Ltd. and Its Subsidiaries
 Information on Investees
 For the Years Ended December 31, 2022 and 2021

Table 5

Unit: NT\$ thousand
(unless specified otherwise)

Name of investor	Name of investee	Location	Principal business activities	Initial investment amount		Holding at the end of the year			Profit on investees for this year	Investment income recognized for this year	Remarks
				End of this year	End of last year	Number of shares	%	Carrying amount			
							(%)				
The Company	Thintech Global Limited	Samoa	An investment holding company	\$ 205,435	\$ 205,435	6,800,000	100	\$ 61,975	\$ 6,494	\$ 6,494	Note
The Company	Pro-Ascentek Investment Corporation	Taiwan	General investment	30,000	30,000	3,000,000	2.5	29,002	37,820	946	

Note: The Company invests in Taicang Xinchang Photoelectricity Material Co., Ltd. through TTGL.

ThinTech Materials Technology Co., Ltd. and Its Subsidiaries
Information on investment in Mainland China
For the Years Ended December 31, 2022 and 2021

Table 6

Unit: NT\$ thousand
(unless specified otherwise)

Name of investee	Principal business activities	Paid-in capital	Investment method (Note 3)	Cumulative investment amount remitted from Taiwan at the beginning of this year	Amount of investment remitted or recovered during this year		Cumulative investment amount remitted from Taiwan at the end of this year	Profit or loss on investees for this year	The Company's shareholding in direct or indirect investment (%)	Investment income or loss recognized for this year	Book value of investments at the end of this year	Investment income remitted back as of the end of this year	Remarks
					Outward remittance	Inward remittance							
Taicang Xinchang Photoelectricity Material Co., Ltd.	Manufacturing and sales of metal targets	\$208,828	2	\$ 208,828	\$ -	\$ -	\$ 208,828	\$ 6,494	100.00	\$ 6,494	\$ 61,975	\$ -	Notes 4 and 5

Name of investor	Cumulative amount of investment from Taiwan to China at the end of this year	Amount of investment approved by the Investment Commission, MOEA (Note 1)	Limit of investment by the Company in China (Note 2)
ThinTech Materials Technology Co., Ltd.	\$ 208,828	\$ 208,828	\$ 716,518

Note 1: It includes the Company's investment in Taicang Xinchang Photoelectricity Material Co., Ltd. in the amount of US\$6,800 thousand approved by the Investment Commission, Ministry of Economic Affairs (MOEA).

Note 2: The limit of Company's investment in China is $\$1,194,196 \times 60\% = \$716,518$.

Note 3: Investment methods are divided into the three types below.

1. Direct investment in China.
2. Indirect investment in China through a third-region company (see Table 5 for third-region investment companies).
3. Other methods.

Note 4: It is recognized and disclosed based on the financial statements for the same periods audited by the Company's CPAs.

Note 5: The foreign currency amounts in the above table are converted into NTD at the exchange rate prevailing on the balance sheet date.

Table 7

Note 1: The information on major shareholders in this table is compiled by Taiwan Depository & Clearing Corporation based on the last business day of the quarter, in which each of the shareholders held 5% or more of the Company's ordinary shares and preferred shares with the dematerialized registration and delivery have been completed.

Note 2: If a shareholder delivers its shareholding information to the trust, the aforesaid information shall be disclosed by the individual trustee who opened the trust account. For information on shareholders, who declare to be insiders holding more than 10% of shares in accordance with the Securities and Exchange Act, and their shareholdings including their shareholdings plus their shares in a trust and shares with the right to make decisions on trust property, please refer to MOPS.

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ThinTech Materials Technology Co., Ltd.
Statement of Cash and Cash Equivalents
December 31, 2022

Statement 1

Unit: NT\$ thousand
(unless specified otherwise)

Item	Amount
Cash in bank	
NTD deposits	
Demand deposits	\$ 149,625
Foreign currency deposits	
Demand deposits	
331 thousand USD and 3,740 thousand CNY	<u>26,647</u>
(Note)	<u>176,272</u>
Cash on hand and working capital	<u>586</u>
	<u>\$ 176,858</u>

Note: Foreign currency exchange rates: 1 USD = 30.71 NTD; 1 CNY= 4.408 NTD.

ThinTech Materials Technology Co., Ltd.
Statement of Notes Receivable
December 31, 2022

Statement 2

Unit: NT\$ thousand

Name of client	Amount	Remarks
Non-related party		
CMC Magnetics	\$ 1,501	Payment from sales
Licon Technologies Inc.	1,071	Payment from sales
Ulcoat Taiwan Inc.	358	Payment from sales
Others (Note)	<u>214</u>	Payment from sales
	<u>\$ 3,144</u>	

Note: None of each balance exceeded 5% of the balance of this account.

ThinTech Materials Technology Co., Ltd.
Statement of Net Accounts Receivable
December 31, 2022

Statement 3

Unit: NT\$ thousand

Name of client	Amount	Remarks
Related party		
CSGT Japan Co., Ltd.	\$ 21,405	Payment from sales
Taicang Xinchang Photoelectricity Material Co., Ltd.	16,892	Payment from sales
Company A	<u>14,671</u>	Payment from sales
	<u>52,968</u>	
Non-related party		
Company B	61,941	Payment from sales
Company C	25,604	Payment from sales
Company D	21,406	Payment from sales
Others (Note)	<u>38,684</u>	Payment from sales
	<u>147,635</u>	
Less: Allowance for losses	<u>14</u>	
	<u>\$ 200,589</u>	

Note: None of each balance exceeded 5% of the balance of this account.

ThinTech Materials Technology Co., Ltd.
Statement of Other Receivables
December 31, 2022

Statement 4

Unit: NT\$ thousand

Item	Amount
Related party	
Taicang Xinchang Photoelectricity Material Co., Ltd.	\$ <u>196</u>
Non-related party	
Business tax refund	\$ 8,519
Others	<u>126</u>
	<u>\$ 8,645</u>

Note: None of each balance exceeded 5% of the balance of this account.

ThinTech Materials Technology Co., Ltd.
Statement of Inventories
December 31, 2022

Statement 5

Unit: NT\$ thousand

Item	Amount	
	Cost	Market price (Note 1)
Raw materials	\$ 521,804	\$ 531,131
Work in progress	21,259	24,532
Semi-finished goods	155,987	173,607
Finished goods	23,330	35,957
Merchandise	6,156	6,826
Inventory in transit	<u>3,426</u>	<u>3,426</u>
	<u>\$ 731,962</u>	(Note 2) <u>\$ 775,479</u>

Note 1: Please refer to Note 4 for market prices.

Note 2: It is the amount, less the allowance for inventory valuation losses of NT\$45,987 thousand.

ThinTech Materials Technology Co., Ltd.
Statement of Other Financial Assets - Current
December 31, 2022

Statement 6

Unit: NT\$ thousand
(unless specified otherwise)

Bank	Annual rate of interest (%)	Period	Amount	Remarks
Pledged time deposits				
Bank of Taiwan	1.44	2022.02.26~2023.12.20	<u>\$ 20,896</u>	Note

Note: It is provided as collateral for the rent of the dormitory of the Southern Taiwan Science Park Bureau and the customs import.

ThinTech Materials Technology Co., Ltd.
Statement of Movements in Financial Assets at Fair Value Through Other Comprehensive Income - Non-current
For the Year Ended December 31, 2022

Statement 7

Unit: NT\$ thousand
(unless specified otherwise)

Name	Beginning of the year		Increase during this year (Note 2)		Decrease during this year		End of the year		Collateral or pledge	Remarks
	Number of shares or lots	Fair value	Number of shares or lots	Amount	Number of shares or lots	Amount	Number of shares or lots	Fair value (Note 1)		
Domestic unlisted stocks										
Lianyou Metals Co., Ltd.	326,000	<u>\$ 26,080</u>	136,920	<u>\$ 5,647</u>	-	<u>\$ -</u>	462,920	<u>\$ 31,727</u>	None	

Note 1: The fair value is estimated by the valuation method under Note 24.

Note 2: It includes the movements in the number of stock dividends received and the fair values.

ThinTech Materials Technology Co., Ltd.
Statement of Movements in Investments Using the Equity Method
For the Year Ended December 31, 2022

Statement 8

Unit: NT\$ thousand
(unless specified otherwise)

	Opening balance		Increase during this year		Decrease during this year		The share of profit on subsidiaries and affiliates recognized for this year	Exchange differences arising from the translation of the financial statements of foreign operations	Remeasureme nt of defined benefit plans	Unrealized gain or loss on financial assets at fair value through other comprehensive income	Ending balance			Net worth of equity		
	Number of shares (share)	Amount	Number of shares (share)	Amount	Number of shares (share)	Amount					Number of shares (share)	Sharehol ding (%)	Amount	Unit price (NTD)	Total amount	Collateral or pledge
Thintech Global Limited	6,800,000	\$ 53,237	-	\$ 1,453 (Note 1)	-	\$ -	\$ 6,494	\$ 791	\$ -	\$ -	6,800,000	100	\$ 61,975	\$ 9.11	\$ 61,975	None
Pro-Ascentek Investment Corporation	3,000,000	31,936	-	-	-	(1,611) (Note 2)	946	76	(1)	(2,344)	3,000,000	2.5	29,002	9.67	29,002	None
		<u>\$ 85,173</u>		<u>\$ 1,453</u>		<u>(\$ 1,611)</u>	<u>\$ 7,440</u>	<u>\$ 867</u>	<u>(\$ 1)</u>	<u>(\$ 2,344)</u>			<u>\$ 90,977</u>		<u>\$ 90,977</u>	

Note 1: It is the amount, less unrealized sales profit of NT\$413 thousand and plus realized sales profit of NT\$1,866 thousand.

Note 2: It is the cash dividends received.

ThinTech Materials Technology Co., Ltd.
Statement of Movements in Right-of-use Assets
For the Year Ended December 31, 2022

Statement 9

Unit: NT\$ thousand

Item	Opening balance	Increase	Decrease	Ending balance
Cost				
Land	\$ 127,491	\$ 6,461	\$ -	\$ 133,952
Transportation equipment	1,021	-	-	1,021
Office equipment	<u>411</u>	<u>-</u>	<u>-</u>	<u>411</u>
	<u>128,923</u>	<u>\$ 6,461</u>	<u>\$ -</u>	<u>135,384</u>
Accumulated depreciation				
Land	16,920	\$ 6,053	\$ -	22,973
Transportation equipment	354	340	-	694
Office equipment	<u>207</u>	<u>82</u>	<u>-</u>	<u>289</u>
	<u>17,481</u>	<u>\$ 6,475</u>	<u>\$ -</u>	<u>23,956</u>
	<u>\$ 111,442</u>			<u>\$ 111,428</u>

Note: It is the adjusted amount on January 1, 2019 when IFRS 16 was applied for the first time.

ThinTech Materials Technology Co., Ltd.
Statement of Accounts Payable
December 31, 2022

Statement 10

Unit: NT\$ thousand

Name of supplier	Amount
Taicang Xinchang Photoelectricity Material Co., Ltd.	\$ 3,519
China Tungsten And Hightech Materials Co., Ltd.	1,227
Sanko ULVAC Co., Ltd.	945
Shin Rung Metal Industrial Co., Ltd.	560
Others (Note)	<u>1,115</u>
	<u>\$ 7,366</u>

Note: None of each balance exceeded 5% of the balance of this account.

ThinTech Materials Technology Co., Ltd.
Statement of Lease Liabilities
December 31, 2022

Statement 11

Unit: NT\$ thousand
(unless specified otherwise)

Item	Lease period	Discount rate	Ending balance	Remarks
Land	2007.06~2041.04	1.6007	\$ 114,214	
Transportation equipment	2020.03~2024.10	0.6487~0.7616	328	
Office equipment	2019.01~2024.12	5.774~6.071	<u>134</u>	
			114,676	
Less: Those recognized in current			<u>5,686</u>	
Lease liabilities - non-current			<u>\$ 108,990</u>	

ThinTech Materials Technology Co., Ltd.
Statement of Net Operating Revenue
For the Year Ended December 31, 2022

Statement 12

Unit: NT\$ thousand
(unless specified otherwise)

Item	Quantity	Amount
Total operating revenue		
Sales revenue		
Sputtering targets	34,597 PCS	\$ 481,504
Precious metals	72,014 kg	1,521,817
Others (Note)		<u>293,626</u>
		2,296,947
Sales returns and discounts		(<u>8,338</u>)
		<u>\$ 2,288,609</u>

Note: None of each amount exceeded 10% of the amount of this account.

ThinTech Materials Technology Co., Ltd.
Statement of Operating Costs
For the Year Ended December 31, 2022

Statement 13

Unit: NT\$ thousand

Item	Amount
Trading	
Merchandise at the beginning of the year	\$ 5,960
Purchases during this year	29,146
Merchandise at the end of the year	(6,156)
Others	<u>485</u>
	<u>29,435</u>
Manufacturing	
Direct consumption of raw materials	
Raw materials at the beginning of the year	343,118
Purchases during this year	1,964,497
Raw materials at the end of the year	(525,230)
Raw materials sold	(1,498,696)
Others	<u>2,621</u>
Consumption during this year	286,310
Direct labor	77,290
Overhead	<u>255,749</u>
Manufacturing cost	619,349
Work in progress at the beginning of the year	39,146
Work in progress at the end of the year	(<u>21,259</u>)
Costs of semi-finished goods	637,236
Semi-finished goods at the beginning of the year	99,984
Purchases during this year	16,300
Semi-finished goods at the end of the year	(155,987)
Semi-finished goods sold	(36,466)
Others	(<u>5,321</u>)
Costs of finished goods	555,746
Finished goods at the beginning of the year	10,359
Purchases during this year	120
Finished goods at the end of the year	(23,330)
Others	(<u>10,088</u>)
Total cost of production and sales	532,807
Costs of raw materials sold	1,498,696
Costs of semi-finished goods sold	36,466
Processing cost	<u>4,751</u>
	<u>2,072,720</u>
Operating cost	<u>\$ 2,102,155</u>

Note: The amounts of inventories at the beginning and end of the year are presented as the amount, less the allowance for inventory valuation losses.

ThinTech Materials Technology Co., Ltd.
Statement of Operating Expenses
For the Year Ended December 31, 2022

Statement 14

Unit: NT\$ thousand

	Selling expenses	Administrati ve expenses	R&D expenses	Expected credit impairment losses	Total
Salary and wages	\$ 13,503	\$ 30,094	\$ 12,071	\$ -	\$ 55,668
Freight	7,047	2	22	-	7,071
Service cost	183	4,909	2,453	-	7,545
Research cost	-	-	6,458	-	6,458
Insurance	1,995	2,502	1,060	-	5,557
Sample cost	2,499	-	-	-	2,499
Internet fee	79	3,323	-	-	3,402
Others	<u>5,216</u>	<u>17,540</u>	<u>3,681</u>	<u>14</u>	<u>26,451</u>
	<u>\$ 30,522</u>	<u>\$ 58,370</u>	<u>\$ 25,745</u>	<u>\$ 14</u>	<u>\$ 114,651</u>

ThinTech Materials Technology Co., Ltd.
Statement of Aggregated Employee Benefits, Depreciation, and Amortization Expenses by Function
For the Years Ended December 31, 2022 and 2021

Statement 15

Unit: NT\$ thousand

	2022			2021		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employee benefit expenses						
Salary and wages	\$ 120,377	\$ 55,668	\$ 176,045	\$ 113,797	\$ 53,796	\$ 167,593
Labor and health insurance	11,618	4,535	16,153	11,098	4,331	15,429
Pension	5,292	2,671	7,963	5,140	2,596	7,736
Remuneration to directors	-	2,417	2,417	-	2,129	2,129
Others	<u>8,179</u>	<u>2,914</u>	<u>11,093</u>	<u>8,944</u>	<u>3,128</u>	<u>12,072</u>
	<u>\$ 145,466</u>	<u>\$ 68,205</u>	<u>\$ 213,671</u>	<u>\$ 138,979</u>	<u>\$ 65,980</u>	<u>\$ 204,959</u>
Depreciation	\$ 25,045	\$ 3,212	\$ 28,257	\$ 25,532	\$ 2,868	\$ 28,400
Amortization	103	655	758	1,239	114	1,353

Note 1: The Company's number of employees was 221 and 220 during the years ended December 31, 2022 and 2021, respectively, of whom the number of directors who did not concurrently serve as employees was six during both years.

Note 2: 1. The average employee benefit expenses for 2022 and 2021 were NT\$983 thousand and NT\$948 thousand, respectively.

2. The average salary and wages for 2022 and 2021 were NT\$819 thousand and NT\$783 thousand, respectively.

3. The average employee salary increased by 4.6%.

4. There was no supervisor in place during 2022 and 2021.

5. Salary and remuneration policy

The Company adheres to the principle of internal fairness and external competitiveness to determine the remuneration to directors, managers, and employees with reference to the general standards in the industry and based on the time spent by the individuals, the responsibilities assumed, the achievement personal targets, and the performance for the positions held, and the salary and remuneration given to those in the same positions in recent years, while considering the achievement of the Company's short-term and long-term business targets, the Company's financial position, and the reasonability of the linkage between individual performance and the Company's business performance and future risks as the Company's salary and remuneration policy.

Appendix 2

2022 Consolidated Financial Statements and Independent Auditor's Report

ThinTech Materials Technology
Co., Ltd. and Its Subsidiaries

Consolidated Financial
Statements and Independent
Auditor's Report
For the Years Ended December 31, 2022
and 2021

Address of the Headquarters: 8F-4 Floor, No. 140, Zhongshan
North Road, Gangshan District,
Kaohsiung City

Address of the Branch: No. 1, Luke 8th Road, Luzhu
District, Kaohsiung City (mailing
address)

Tel.: (07)695-5125

Representation Letter

Considering that the companies to be included into the consolidated financial statements of affiliates under the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises were the same as those to be included into the consolidated financial statements of the parent and subsidiaries under IFRS 10 for 2022 (from January 1, 2022 to December 31, 2022), and the relevant information to be disclosed in the consolidated financial statements of the affiliates has already disclosed in said consolidated financial statements of the parent and subsidiaries, no consolidated financial statements of affiliates were prepared separately. It is hereby certified that the information disclosed herein is true and correct.

Name of Company: ThinTech Materials Technology Co., Ltd.

Person in Charge: Huang, Chung-Chia

February 21, 2023

Independent Auditor's Report

To ThinTech Materials Technology Co., Ltd.,

Audit opinion

We have audited the accompanying consolidated balance sheets of ThinTech Materials Technology Co., Ltd. (the "Company") and its subsidiaries (collectively, the "Group") for the years ended December 31, 2022 and 2021 and the relevant consolidated statements of comprehensive income, changes in equity, and cash flows for the years then ended, and relevant notes, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

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

Basis of audit opinion

We conducted our audits in accordance with the Regulations Governing the Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in 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" paragraph of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that we have acquired enough and appropriate audit evidence to serve as the basis of audit opinion.

Key audit matters

Key audit matters refer to the most vital matters in our audit of the Group's consolidated financial statements for the year ended December 31, 2022 based on our professional judgment. These matters were addressed in our audit of the consolidated financial statements as a whole, and in forming our audit opinion. We do not express a separate opinion on these matters.

Key audit matters of the Group's consolidated financial statements for the year ended December 31, 2022, are stated as follows:

Authenticity of revenue from sales of silver materials stored in suppliers' warehouses

The Group's sales revenue of the silver materials stored in suppliers' warehouses were affected by price fluctuations in the market, and the sales revenue of the silver materials stored in suppliers' warehouses was recognized as the Group fulfilled its performance obligations when clients confirmed the spot prices. The Group's main risk arising from the sales revenue is whether the sales revenue recognized at the spot prices of the silver material stored in the suppliers' warehouses actually occurred, so we listed it as a key audit item.

We performed for the following audit procedures:

- I. Learned about and tested the effectiveness of the internal control related to the recognition of sales revenue of the silver materials stored in the suppliers' warehouses;
- II. Selected appropriate samples from the sales revenue from the silver materials stored in the suppliers' warehouses, and checked the spot price supporting documents and proof of receipt of payments;
- III. Obtained the details of the sales returns and discounts during the year and after the balance sheet date and checked whether there were any major unusual returns and discounts.

Other Matters

The Company has also prepared the parent company-only financial statements for the years ended December 31, 2022 and 2021, for which we have issued an audit report, along with an unqualified

opinion, for reference.

Responsibilities of the management and the governing bodies for the consolidated financial statements

The management's responsibilities are to prepare the consolidated financial statements with fair presentation in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively referred to as "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China and to maintain necessary internal control associated with the preparation in order to ensure that the consolidated financial statements are free from material misstatement arising from fraud or error.

In preparing the consolidated financial statements, the management is responsible for assessing the ability of the Group in continuing as a going concern, disclosing relevant matters, and adopting the going concern basis of accounting unless the management intends to liquidate the Group or cease the operations without other viable alternatives.

The Group's governing bodies (including the Audit Committee) are responsible for supervising the financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance on whether the consolidated financial statements as a whole are free from material misstatement arising from fraud or error and to issue an independent auditors' report. Reasonable assurance is a high-level assurance but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatement may arise from frauds or errors. If the amounts of misstatements, either separately or in aggregate, could reasonably be expected to influence the economic decisions of the users of the consolidated financial statements, they are considered material.

We have exercised our professional judgment and maintained professional doubt when performing the audit work in accordance with the auditing standards generally accepted in the Republic of China. We also performed the following tasks:

- I. Identified and assessed the risks of material misstatement arising from fraud or error within the consolidated financial statements; designed and executed countermeasures in response to said risks, and obtained sufficient and appropriate audit evidence to provide a basis for our opinion. Fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Therefore, the risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error.
- II. Understood the internal control related to the audit in order to design appropriate audit procedures under the circumstances, while not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- III. Evaluated the appropriateness of accounting policies adopted and the reasonableness of accounting estimates and relevant disclosures made by the management.
- IV. Concluded on the appropriateness of the management's adoption of the going concern basis of accounting based on the audit evidence obtained and whether a material uncertainty exists for events or conditions that may cast significant doubt over the Group's ability to continue as a going concern. If we are of the opinion that a material uncertainty exists, we shall remind users of the consolidated financial statements to pay attention to relevant disclosures in said statements within our audit report. If such disclosures are inadequate, we need to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- V. Evaluated the overall presentation, structure, and content of the consolidated financial statements (including relevant notes), and whether the consolidated financial statements adequately present the relevant transactions and events.
- VI. Obtained sufficient and appropriate audit evidence concerning the financial information of entities within the Group, to express an opinion on the consolidated financial statements. We were responsible for guiding, supervising, and performing the audit and forming an audit opinion on the Group.

The matters communicated between us and the governing bodies included the planned scope and times of the audit and material audit findings (including any material defects in internal control identified during the audit).

We also provided the governing bodies with a declaration that we have complied with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China regarding independence and communicated with them all relations and other matters that may possibly be regarded as detrimental to our independence (including relevant protective measures).

From the matters communicated with the governing bodies, we determined the key audit matters for the audit of the Group's consolidated financial statements for the year ended December 31, 2022. We have clearly indicated such matters in the auditors' report. Unless legal regulations prohibit the public disclosure of specific matters, or in extremely rare cases, where we decided not to communicate over specific items in the auditors' report for it could be reasonably anticipated that the negative effects of such disclosure would be greater than the public interest it brings forth.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 21, 2023

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail

ThinTech Materials Technology Co., Ltd. and Its Subsidiaries
Consolidated Balance sheets
December 31, 2022 and 2021

Unit: NT\$ thousand

Code	Assets	December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Notes 4 and 6)	\$ 200,915	11	\$ 113,592	7
1110	Financial assets at fair value through profit or loss - current (Notes 4 and 7)	2,257	-	241	-
1150	Notes payable (Notes 4 and 9)	12,702	1	23,561	2
1170	Accounts receivable, net (Notes 4, 9, and 28)	220,039	12	339,559	20
1200	Other receivables (Note 9)	8,654	-	18,861	1
1220	Current income tax assets (Note 23)	1,344	-	986	-
130X	Inventory (Notes 4, 5, and 10)	843,693	46	589,088	35
1410	Prepayments (Note 11)	32,330	2	66,877	4
1476	Other financial assets - current (Notes 12 and 29)	20,896	1	40,312	2
1479	Other current assets	1,435	-	132	-
11XX	Total current assets	<u>1,344,265</u>	<u>73</u>	<u>1,193,209</u>	<u>71</u>
	Non-current assets				
1517	Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	31,727	2	26,080	2
1550	Investments using the equity method (Notes 4 and 14)	29,002	2	31,936	2
1600	Property, plant and equipment (Notes 4, 15, and 29)	240,810	13	230,894	14
1755	Right-of-use assets (Notes 4 and 16)	124,672	7	124,824	7
1801	Computer software (Note 4)	212	-	354	-
1840	Deferred tax assets (Notes 4 and 23)	44,890	2	62,697	4
1920	Guarantee deposits paid (Note 28)	3,542	-	3,682	-
1975	Net defined benefit assets (Notes 4 and 19)	10,886	1	5,606	-
1990	Other non-current assets (Note 9)	1,757	-	4,187	-
15XX	Total non-current assets	<u>487,498</u>	<u>27</u>	<u>490,260</u>	<u>29</u>
1XXX	Total assets	<u>\$ 1,831,763</u>	<u>100</u>	<u>\$ 1,683,469</u>	<u>100</u>
	Liabilities and equity				
	Current liabilities				
2100	Short-term borrowings (Notes 17 and 29)	\$ 149,872	9	\$ 69,070	4
2126	Financial liabilities for hedging - current (Notes 4 and 27)	239,060	13	162,512	10
2130	Contract liabilities - current (Notes 4 and 21)	45,503	2	53,769	3
2170	Accounts payable (Note 28)	19,765	1	34,797	2
2200	Other payables (Notes 18 and 28)	61,856	3	69,384	4
2280	Lease liabilities - current (Notes 4 and 16)	5,686	-	5,456	-
2399	Other current liabilities	1,449	-	985	-
21XX	Total current liabilities	<u>523,191</u>	<u>28</u>	<u>395,973</u>	<u>23</u>
	Non-current liabilities				
2570	Deferred tax liabilities (Notes 4 and 23)	2,589	-	4,830	-
2580	Lease liabilities - non-current (Notes 4 and 16)	108,990	7	108,502	7
2630	Long-term unearned revenue (Notes 4 and 25)	2,797	-	2,827	-
25XX	Total non-current liabilities	<u>114,376</u>	<u>7</u>	<u>116,159</u>	<u>7</u>
2XXX	Total liabilities	<u>637,567</u>	<u>35</u>	<u>512,132</u>	<u>30</u>
	Equity attributable to owners of the Company (Note 20)				
3110	Ordinary share capital	734,980	40	734,980	44
3200	Capital surplus	324,681	18	324,681	19
	Retained earnings				
3310	Legal reserve	34,666	2	27,759	2
3320	Special reserve	3,660	-	3,450	-
3350	Undistributed earnings	95,623	5	84,127	5
3300	Total retained earnings	<u>133,949</u>	<u>7</u>	<u>115,336</u>	<u>7</u>
	Other equity				
3410	Exchange differences arising from the translation of the financial statements of foreign operations	(2,959)	-	(3,826)	-
3420	Unrealized gain or loss on financial assets at fair value through other comprehensive income	3,545	-	166	-
3400	Total other equity	<u>586</u>	<u>-</u>	<u>(3,660)</u>	<u>-</u>
3XXX	Total equity	<u>1,194,196</u>	<u>65</u>	<u>1,171,337</u>	<u>70</u>
	Total liabilities and equity	<u>\$ 1,831,763</u>	<u>100</u>	<u>\$ 1,683,469</u>	<u>100</u>

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

ThinTech Materials Technology Co., Ltd. and Its Subsidiaries
Consolidated Statements of Comprehensive Income
For the Years Ended December 31, 2022 and 2021

Unit: In NT\$ thousand, except for earnings per share in NT\$

Code		2022		2021	
		Amount	%	Amount	%
4000	Operating revenue, net (Notes 4, 21, and 28)	\$ 2,527,367	100	\$ 3,003,192	100
5000	Operating costs (Notes 10, 22, and 28)	<u>2,299,543</u>	<u>91</u>	<u>2,771,410</u>	<u>92</u>
5900	Gross profit	<u>227,824</u>	<u>9</u>	<u>231,782</u>	<u>8</u>
	Operating expenses (Notes 9, 19, 22, and 28)				
6100	Selling expenses	45,601	2	47,693	2
6200	Administrative expenses	71,765	3	71,277	2
6300	R&D expenses	25,745	1	22,794	1
6450	Gain on reversal of expected credit impairment	(<u>173</u>)	<u>-</u>	(<u>2,675</u>)	<u>-</u>
6000	Total operating expenses	<u>142,938</u>	<u>6</u>	<u>139,089</u>	<u>5</u>
6900	Net operating income	<u>84,886</u>	<u>3</u>	<u>92,693</u>	<u>3</u>
	Non-operating income and expenses (Notes 14, 22, 25, and 28)				
7100	Interest income	1,272	-	1,449	-
7010	Other income	12,992	1	2,825	-
7020	Other gains and losses	12,937	1	(1,693)	-
7050	Financial costs	(9,546)	-	(8,536)	-
7060	Share of profit or loss on affiliates using the equity method	<u>946</u>	<u>-</u>	<u>517</u>	<u>-</u>
7000	Total non-operating income and expenses	<u>18,601</u>	<u>2</u>	(<u>5,438</u>)	<u>-</u>
7900	Net income before tax	103,487	5	87,255	3
7950	Income tax expense (Notes 4 and 23)	<u>21,484</u>	<u>1</u>	<u>16,944</u>	<u>1</u>
8200	Net income for this year	<u>82,003</u>	<u>4</u>	<u>70,311</u>	<u>2</u>

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Code		2022		2021	
		Amount	%	Amount	%
	Other comprehensive income (Notes 14, 19, 20, and 23)				
8310	Items not reclassified to profit or loss				
8311	Remeasurement of defined benefit plans	\$ 3,544	-	(\$ 3,144)	-
8316	Unrealized gains or losses on investment in equity instruments at fair value through other comprehensive income	5,647	-	-	-
8321	Remeasurements of defined benefit plans of affiliates	(1)	-	-	-
8326	Unrealized gains or losses on affiliates' investment in equity instruments at fair value through other comprehensive income	(2,344)	-	1,440	-
8349	Income tax related to items not reclassified	(709)	-	629	-
8360	Items that may subsequently be reclassified to profit or loss				
8361	Exchange differences arising from the translation of the financial statements of foreign operations	867	-	(376)	-
8300	Other comprehensive income for this year (net of tax)	7,004	-	(1,451)	-
8500	Total comprehensive income for this year	<u>\$ 89,007</u>	<u>4</u>	<u>\$ 68,860</u>	<u>2</u>
8600	Net income for this year attributable to:				
8610	Owners of the Company	<u>\$ 82,003</u>	<u>4</u>	<u>\$ 70,311</u>	<u>2</u>
8700	Total comprehensive income for this year attributable to:				
8710	Owners of the Company	<u>\$ 89,007</u>	<u>4</u>	<u>\$ 68,860</u>	<u>2</u>
	Earnings per share (Note 24)				
9750	Basic	\$ 1.12		\$ 0.96	
9850	Diluted	1.11		0.95	

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

ThinTech Materials Technology Co., Ltd. and Its Subsidiaries
Consolidated Statements of Changes in Equity
For the Years Ended December 31, 2022 and 2021

Unit: NT\$ thousand

Equity attributable to owners of the Company

Code		Ordinary share capital	Capital surplus	Retained earnings			Other equity items		Total equity
				Legal reserve	Special reserve	Undistributed earnings	Exchange differences arising from the translation of the financial statements of foreign operations	Unrealized gain or loss on financial assets at fair value through other comprehensive income	
A1	Balance as of January 1, 2021	\$ 734,980	\$ 324,681	\$ 22,990	\$ 4,318	\$ 77,756	(\$ 3,450)	\$ -	\$ 1,161,275
	Earnings appropriation and distribution for 2020 (Note 20)								
B1	Legal reserve	-	-	4,769	-	(4,769)	-	-	-
B3	Reversal of special reserve	-	-	-	(868)	868	-	-	-
B5	Cash dividend	-	-	-	-	(58,798)	-	-	(58,798)
		-	-	4,769	(868)	(62,699)	-	-	(58,798)
D1	Net income for 2021	-	-	-	-	70,311	-	-	70,311
D3	Other comprehensive income after tax for 2021	-	-	-	-	(2,515)	(376)	1,440	(1,451)
D5	Total comprehensive income for 2021	-	-	-	-	67,796	(376)	1,440	68,860
Q1	Disposal of affiliates' investment in equity instruments at fair value through other comprehensive income (Note 20)	-	-	-	-	1,274	-	(1,274)	-
Z1	Balance as of December 31, 2021	734,980	324,681	27,759	3,450	84,127	(3,826)	166	1,171,337
	Earnings appropriation and distribution for 2021 (Note 20)								
B1	Legal reserve	-	-	6,907	-	(6,907)	-	-	-
B3	Special reserve provided	-	-	-	210	(210)	-	-	-
B5	Cash dividend	-	-	-	-	(66,148)	-	-	(66,148)
		-	-	6,907	210	(73,265)	-	-	(66,148)
D1	Net income for 2022	-	-	-	-	82,003	-	-	82,003
D3	Other comprehensive income after tax for 2022	-	-	-	-	2,834	867	3,303	7,004
D5	Total comprehensive income for 2022	-	-	-	-	84,837	867	3,303	89,007
Q1	Disposal of affiliates' investment in equity instruments at fair value through other comprehensive income (Note 20)	-	-	-	-	(76)	-	76	-
Z1	Balance as of December 31, 2022	\$ 734,980	\$ 324,681	\$ 34,666	\$ 3,660	\$ 95,623	(\$ 2,959)	\$ 3,545	\$ 1,194,196

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

ThinTech Materials Technology Co., Ltd. and Its Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

Unit: NT\$ thousand

Code		2022	2021
	Cash flows from operating activities		
A10000	Net income before tax for this year	\$ 103,487	\$ 87,255
A20010	Income and expense items		
A20100	Depreciation expenses	38,621	38,613
A20200	Amortization expenses	3,507	5,172
A20300	Gain on reversal of expected credit impairment	(173)	(2,675)
A20400	Net loss (gain) on financial assets and liabilities at fair value through profit or loss	5,953	(1,945)
A20900	Financial costs	9,546	8,536
A21200	Interest income	(1,272)	(1,449)
A22300	Share of profit on affiliates using the equity method	(946)	(517)
A22500	Gain on disposal of property, plant and equipment	(296)	(2,254)
A23800	Losses on inventory valuation loss (gains on inventory value recovery)	1,868	(4,591)
A29900	Others	(71)	(69)
A30000	Net movements in operating assets and liabilities		
A31115	Financial assets mandatorily at fair value through profit or loss	(7,969)	968
A31130	Notes receivable	10,859	(875)
A31150	Accounts receivable	119,693	(15,851)
A31180	Other receivables	10,163	(11,610)
A31200	Inventory	(256,499)	(42,811)
A31230	Prepayments	34,547	(37,142)
A31240	Other current assets	(1,303)	401
A31990	Net defined benefit assets	(1,736)	(1,744)
A32120	Financial liabilities for hedging	76,548	(54,678)
A32125	Contract liabilities	(8,266)	823
A32150	Accounts payable	(15,032)	7,038
A32180	Other payables	(6,553)	(4,704)
A32230	Other current liabilities	<u>464</u>	(<u>216</u>)
A33000	Cash inflow (outflow) from operations	115,140	(34,325)
A33500	Income tax returned (paid)	(<u>6,976</u>)	<u>4,662</u>
AAAA	Net cash inflow (outflow) from operating activities	<u>108,164</u>	(<u>29,663</u>)

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Code		2022	2021
	Cash flows from investing activities		
B00010	Acquisition of financial assets at fair value through other comprehensive income	\$ -	(\$ 26,080)
B01800	Acquisition of investments using the equity method	-	(30,000)
B02700	Acquisition of property, plant and equipment	(42,022)	(6,345)
B02800	Proceeds from disposal of property, plant and equipment	580	57
B03700	Increase in guarantee deposits paid	-	(191)
B03800	Decrease in guarantee deposits paid	140	761
B04500	Acquisition of computer software	-	(425)
B06600	Decrease in other financial assets	19,416	162,805
B06700	Increase in other non-current assets	(876)	(1,804)
B07500	Interest received	1,316	1,403
B07600	Dividends received from affiliates	<u>1,611</u>	<u>-</u>
BBBB	Net cash inflow (outflow) from investing activities	(<u>19,835</u>)	<u>100,181</u>
	Cash flows from financing activities		
C00100	Increase in short-term borrowings	313,596	146,298
C00200	Decrease in short-term borrowings	(233,560)	(172,780)
C00500	Increase in short-term notes and bills payable	30,000	155,000
C00600	Decrease in short-term notes and bills payable	(30,000)	(155,000)
C04020	Repayment of lease principal	(5,743)	(5,235)
C04500	Cash dividend paid out	(66,148)	(58,798)
C05600	Interest paid	(<u>9,546</u>)	(<u>8,536</u>)
CCCC	Net cash outflows from financing activities	(<u>1,401</u>)	(<u>99,051</u>)
DDDD	Effect of movements in exchange rates on cash and cash equivalents	<u>395</u>	(<u>412</u>)
EEEE	Net increase (decrease) in cash and cash equivalents	87,323	(28,945)
E00100	Opening balance of cash and cash equivalents	<u>113,592</u>	<u>142,537</u>
E00200	Ending balance of cash and cash equivalents	<u>\$ 200,915</u>	<u>\$ 113,592</u>

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

ThinTech Materials Technology Co., Ltd. and Its Subsidiaries
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021
(In NT\$ thousand, unless otherwise specified)

I. Company history

ThinTech Materials Technology Co., Ltd. (hereinafter referred to as "the Company") was incorporated in March 2000 and mainly engages in the processing and sales of a variety of thin film sputtering targets and precious metals, as well as trading of general metals.

The Company's stock has been listed on the Taipei Exchange for trading since November 20, 2012.

The consolidated financial statements are presented in the Company's functional currency, i.e., New Taiwan dollar (NTD).

II. Date and Procedures for Approval of Financial Statements

The consolidated financial statements were published after being approved by the Board of Directors on February 21, 2023.

III. Application of New and Revised Standards and Interpretation

- (I) Initial application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The application of the IFRSs endorsed and issued into effect by the FSC will not cause a material change in the Group's accounting policies.

- (II) Application of IFRSs endorsed by FSC in 2023

<u>New/amended/revised standards or interpretation</u>	<u>Effective date announced by IASB</u>
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 1)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 2)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 3)

Note 1: The amendments will apply to the annual reporting periods beginning after January 1, 2023.

Note 2: The amendments apply to changes in accounting estimates and changes in accounting policies that occur in the annual reporting periods beginning after January 1, 2023.

Note 3: Except for the recognition of deferred income taxes on temporary differences related to leases and decommissioning obligations as of January 1, 2022, these amendments to transaction that occur after January 1, 2022.

By the time the consolidated financial statements were approved to be released, the Group confirmed that the amendments to other standards and interpretations would not cause a material impact on its financial position and financial performance.

- (III) The IFRSs released by the IASB but not yet endorsed and issued into effect by the FSC

<u>New/amended/revised standards or interpretation</u>	<u>Effective date announced by IASB (Note 1)</u>
Amendment to IFRS 10 and IAS 28, "Sale or Contribution of Assets between an Investor and its Affiliate or Joint Venture."	To be determined
Amendments to IFRS 16, "Lease Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
IFRS 17 Insurance Contracts	January 1, 2023

Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 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

Note 1: Unless otherwise noted, the above new/revised/amended standards and interpretations take effective in their respective annual reporting periods beginning on or after their respective dates.

Note 2: The seller and lessee shall apply the amendments to IFRS 16 retrospectively to the sale and leaseback carried out after the date of initial application of IFRS 16.

As of the date the consolidated financial statements were approved for release, the Group has continued to evaluate the effect of the amendments to other standards and interpretations on its financial position and financial performance, and the relevant effects will be disclosed when the evaluation is completed.

IV. Summary of Significant Accounting Policies

(I) Statement of compliance

The consolidated financial statements are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC.

(II) Basis of preparation

The consolidated financial statements were prepared on the historical cost basis, except for financial instruments measured at fair value and net defined benefit liabilities recognized at the present value of defined benefit obligation less the fair value of plan assets.

The fair value measurement is classified into three levels based on the observability and significance of relevant inputs:

1. Level 1 inputs: Quoted (unadjusted) prices in active markets for identical assets or liabilities on the measurement date.
2. Level 2 inputs: Inputs, other than quoted market prices within level 1 that are observable, either directly (i.e. prices) or indirectly (derived from prices) for assets or liabilities.
3. Level 3 inputs: Unobservable inputs for assets or liabilities.

(III) Criteria for classification of current and non-current assets and liabilities

Current assets include:

1. Assets held primarily for the purpose of trading;
2. Assets expected to be realized within 12 months after the balance sheet date; and
3. Cash or cash equivalents (excluding assets restricted from being exchanged or used to settle a liability for at least 12 months after the balance sheet date).

Current liabilities include:

1. Liabilities held primarily for the purpose of trading;
2. Liabilities due to be settled within 12 months after the balance sheet date; and
3. Liabilities with a repayment deadline that cannot be unconditionally deferred for at least 12 months after the balance sheet date.

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

(IV) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and entities controlled by the Company (subsidiaries). The subsidiaries' financial statements have been properly adjusted to make the accounting policies consistent with the Group's accounting policies. In preparing the consolidated financial statements, all inter-company transactions, account balances, gains and

losses have been eliminated. Subsidiaries' total comprehensive income is attributable to the owners of the Company and to the non-controlling interests even if this results in a deficit balance for the non-controlling interests.

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

See Note 13 and Tables 6 and 7 for more information on subsidiaries' statements shareholding ratios, and main business).

(V) Foreign currencies

In preparing the financial statements of each individual entity in the Group, transactions in currencies other than the entity's functional currency (i.e. foreign currencies) are recognized at the rates of exchange prevailing on the transaction dates.

On each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the year in which they arise.

Foreign currency non-monetary items at fair value are translated at the exchange rate on the date when the fair value is determined, and the resulting exchange differences are recognized in current profit or loss; however, regarding changes in fair values recognized in other comprehensive income, the resulting exchange differences are recognized in other comprehensive income.

Non-monetary items measured at historical cost that are denominated in foreign currencies are translated at the rates of exchange prevailing on the transaction dates and are not retranslated.

When the consolidated financial statements are prepared, the assets and liabilities of the Group's foreign operations (including subsidiaries or associates operating in a country or using a currency different from that of the Company) were translated into New Taiwan dollars (NTD) at the exchange rate prevailing on each balance sheet date. Income and expense items are translated at the year's average exchange rate, and the resulting exchange differences are recognized in other comprehensive income.

(VI) Inventory

Inventory includes raw materials, supplies, work in process, semi-finished goods, finished goods, and merchandise; the value of inventory is measured at the lower of cost or net realizable value. The comparison of the cost and net realizable value is based on individual items. The net realizable 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. The cost of inventory is calculated using the weighted average method.

(VII) Investments in affiliates

An affiliate is an entity on which the Group has significant influence and is not a subsidiary or a joint venture.

The Group adopts the equity method to account for its investments in affiliates.

Under the equity method, investments in an affiliate are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss, other comprehensive income, and profit margins of the affiliate. Moreover, the Group recognizes the changes in its share of the equity of affiliates based on its shareholding.

When an affiliate issues new shares, if the Group does not subscribe in proportion to its shareholding, resulting in a change in the shareholding and, thus, an increase or decrease in the net value of the equity invested, with the increase or decrease, "capital surplus" and "investments using the equity method" will be adjusted. However, if the Company fails to subscribe for or acquire the shares in proportion to its shareholding, which results in a decrease in its ownership interests of the affiliate, the amount

recognized in other comprehensive income related to the affiliate is reclassified in proportion to the decrease, and the basis of the accounting treatment is the same as the basis that the affiliate must adopt if it directly disposes of relevant assets or liabilities. If the adjustment in the preceding paragraph shall be debited to the capital surplus. If the investment using the equity method results in insufficient capital surplus, the difference shall be debited to the retained earnings.

When the Group's share of losses on an affiliate equals or exceeds its interest in the affiliate (including any carrying amount of the investment using the equity method and other long-term interests that, in substance, form part of the Group's net investment in the affiliate), the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of said affiliate.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of impairment losses is recognized to the extent of a subsequent increase in the recoverable amount of the investment.

Profits and losses arising from counter-current, downstream, and side-stream transactions between the Group and its affiliates are recognized in the consolidated financial statements only to the extent not related to the Group's interests in the affiliates.

(VIII) Property, plant and equipment

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

Property, plant and equipment under construction are recognized at cost. The cost includes professional service expenses and the borrowing costs eligible for capitalization. The samples produced to test if such assets can function normally before they reach the status of intended use are measured at the lower of cost or net realizable value, and the sales price and cost are recognized in profit or loss. Such assets shall be classified into appropriate property, plant and equipment categories upon completion and reaching the status of intended use, and the depreciation shall begin.

Property, plant and equipment are depreciated on a straight-line basis over their useful lives. Each significant part is depreciated separately. The Group shall conduct at least an annual review at the end of each year to assess the estimated useful life, residual value, and depreciation methods, and apply the effects of changes in accounting estimates prospectively.

When property, plant and equipment are derecognized, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

(IX) Computer software

The finite useful life of computer software acquired separately is measured at initial cost and subsequently at cost, less accumulated amortization. Computer software is amortized on a straight-line basis over its useful life, and the estimated useful life and amortization method are reviewed at least at the end of each year, and the effects of changes in accounting estimates are applied prospectively.

(X) Impairment of property, plant and equipment, right-of-use assets, and computer software

The Group assesses if there are any signs of possible impairment of property, plant, and equipment as well as right-of-use assets, and computer software at each balance sheet date. If there is any sign of impairment, an estimate is made of its recoverable amount. If it is not possible to determine the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit, to which the asset belongs. When shared assets can be apportioned to cash-generating units on a reasonable and consistent basis, they are apportioned to

each cash-generating unit; otherwise, they are apportioned to the smallest group of cash-generating units.

The recoverable amount is the fair value less cost of sales or its value in use, whichever is higher. If the recoverable amount of an individual asset or a cash-generating unit is lower than its carrying amount, the carrying amount is reduced to the recoverable amount, and the impairment loss is recognized in profit or loss.

When the impairment loss is subsequently reversed, the carrying amount of the asset or the cash-generating unit is increased to the revised recoverable amount, provided that the increased carrying amount shall not exceed the carrying amount (less amortization or depreciation) of the asset or the cash-generating unit, which was not recognized in impairment loss in prior years. The reversal of the impairment loss is recognized in profit or loss.

(XI)

Financial instruments

Financial assets and financial liabilities are recognized in the consolidated balance sheets when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities not at fair value through profit or loss are measured at fair value plus transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities. The transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities at fair value through profit or loss is immediately recognized in profit or loss.

1. Financial assets

Regular trading of financial assets shall be recognized and derecognized in accordance with trade date accounting.

(1) Measurement types

Financial assets held by the Group are those measured at fair value through profit or loss and at amortized cost, as well as investments in equity instruments measured at fair value through other comprehensive income.

A. Financial assets at fair value through profit or loss

Financial assets measured at fair value through profit or loss include those mandatorily measured at fair value through profit or loss. Financial assets mandatorily measured at fair value through profit or loss include investments in equity instrument that the Group has not designated to measure at fair value through other comprehensive income and financial assets not eligible to be classified as those at amortized cost.

Financial assets measured at fair value through profit or loss are measured at fair value; the gains or losses arising from re-measurement are recognized in profit or loss. Please refer to Note 27 for the method of determining the fair value.

B. Financial assets at amortized cost

If the Group invests in financial assets in alignment with both of the following two criteria, such assets are classified as financial assets measured at amortized cost:

- a. Held under a certain business model, of which the objective is to collect contractual cash flows by holding the financial assets; and
- b. The cash flows on specific dates specified in the contractual terms are solely payments of the principal and interest on the principal amount outstanding.

After initial recognition, such assets (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, other financial assets - current, and guarantee deposits paid) are measured at the amortized cost of the total carrying amount determined with the effective interest method, less any impairment

loss; and any foreign currency exchange gains or losses are recognized in profit or loss.

Except for the following two cases, interest income is calculated by multiplying the effective interest rate by the total carrying amount of financial assets:

- a. For purchased or originated credit-impaired financial asset, interest revenue is calculated by multiplying the credit-adjusted effective interest rate by the amortized cost of the financial asset.
- b. For financial asset that is not purchased or originated credit-impaired but subsequently becomes credit impaired, interest income is calculated by multiplying the effective interest rate from the next reporting period after the credit impairment by the amortized cost of the financial asset.

Credit-impaired financial assets means that the issuer or debtor has experienced material financial difficulties or default, and the debtor is likely to file for bankruptcy or other financial restructuring, or the active market for such financial assets has disappeared due to the financial difficulties.

Cash equivalents, including time deposits and bonds with a repurchase agreement, are highly liquid and readily convertible into a fixed amount of cash at any time while featuring little risk of value changes, and can be used to meet short-term cash commitments within three months from the acquisition date.

C. Investment in equity instruments at fair value through other comprehensive income

The Group may, upon initial recognition, make an irrevocable election to designate as at fair value through other comprehensive income the investment in equity instruments that are not held for trading and the ones that are not recognized by an acquirer in a business combination or with the contingent consideration.

Investment in equity instruments measured at fair value through other comprehensive income is measured at fair value, and any subsequent fair value changes are recognized in other comprehensive income and accumulated in other equity. Upon disposal of investments, the cumulative gain or loss is directly transferred to retained earnings and is not reclassified to profit or loss.

Dividends on investments in equity instruments measured at fair value through other comprehensive income are recognized in profit or loss when the Group's right to receive dividends is established unless such dividends clearly represent the recovery of a part of the investment cost.

(2) Impairment of financial assets

The Group assesses the impairment loss of financial assets at amortized cost (including accounts receivable) based on the expected credit loss at each balance sheet date.

An allowance for losses on accounts receivable is recognized on the basis of expected credit loss over the duration of the receivables. Other financial assets are first assessed based on whether the credit risk has increased significantly since the initial recognition. If there is no significant increase in the risk, the impairment is recognized in allowance for losses in an amount equal to 12-month expected credit loss. If the risks have increased significantly, the impairment is recognized in allowance for losses at an amount equal to lifetime expected credit loss.

The expected credit loss refers to the weighted average credit loss with the risk of default as the weight. The 12-month expected credit loss represents the expected credit loss from possible defaults of a financial

instrument within 12 months after the reporting date. The lifetime expected credit loss represents the expected credit loss from all possible defaults in a financial instrument over the expected life of a financial instrument.

For the purpose of internal credit risk management, the Group, without considering the collateral held, determines that the following situations represent defaults in the financial assets:

- A. Internal or external information indicates that it is impossible for the debtor to settle the debt.
- B. It is overdue for more than 365 days, unless there is reasonable and corroborative information showing that a default date postponed is more appropriate.

All impairment losses on financial assets are reduced to their carrying amounts through an allowance account for losses.

(3) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash inflow from the financial asset expire or when it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another party.

Upon derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the consideration received is recognized in profit or loss. When an investment in equity instrument at fair value through other comprehensive income is derecognized in its entirety, the cumulative profit or loss is transferred directly to retained earnings and is not reclassified to profit or loss.

2. Equity instruments

Equity instruments issued by the Group are recognized at the proceeds received, less the cost of direct issue.

3. Financial liabilities

(1) Subsequent measurement

All the Group's financial liabilities are measured at amortized cost in the effective interest method.

(2) Derecognition of financial liabilities

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

4. Derivatives

Derivative contracts signed by the Group, including forward exchange agreements and precious metal futures contracts, are adopted to manage the Group's exchange rate risk and precious metal price fluctuation risk.

When a derivative contract is signed, the fair values of the derivative is recognized initially and is subsequently re-measured on the balance sheet date. The gains or losses arising from the subsequent measurement are directly recognized in profit or loss but are designated as and are effective hedging instruments. The time point at which they are recognized in profit or loss depends on the nature of the hedging. When the fair value of a derivative is a positive figure, it is classified as a financial asset, while a negative figure, it is classified as a financial liability.

If a derivative is embedded in a master asset agreement within the scope of IFRS 9 "Financial Instruments", the classification of the financial asset is determined based on the overall agreement. If a derivative is embedded in a master asset agreement for an asset that is not within the scope of IFRS 9 (e.g., embedded in a master financial liability agreement), the embedded derivative meets the definition of derivatives, and the risks and characteristics of the embedded derivative are not closely related to the risks and characteristics of

- the master agreement, while the hybrid agreement is not measured at fair value through profit or loss, the derivative is regarded as a separate derivative.
- (XII) Hedge accounting
 The Group designates some hedging instruments for fair value hedging.
 The profits and losses on hedging instruments designated and in alignment with fair value hedging, and the movements in the fair values of the hedged items attributable to the hedged risks are recognized immediately in profit or loss, and are recognized under the items related to the hedged items in the consolidated statements of comprehensive income.
 The Group postpones or ceases hedge accounting only to the extent that the hedge relationship no longer meets the criteria of hedge accounting, which includes the situations that a hedging instrument has expired or has been sold or the contract thereof has been terminated or exercised.
- (XIII) Revenue recognition
 After the Group identifies its performance obligations in contracts with clients, it allocates the transaction costs to each obligation in the contracts and recognizes revenue upon completion of performance obligations.
 The merchandise sales revenue is from the sales of precious metals and thin film sputtering targets. Except precious metal transactions, which are recognized at spot prices, the merchandise sales revenue is recognized after it is delivered as a client has the right to set the price and use the product, assumes the main responsibility for reselling the merchandise, and bears the risk of obsolescence and debited to accounts receivable or unearned revenue (contract liabilities).
 When supplying materials for outsourced processing, as the control of the ownership of the processed products has not been transferred, revenue is not recognized when the materials are supplied.
- (XIV) Leasing
 The Group assesses whether a contract belongs to (or contains) a lease on the date of establishment of the contract. Regarding contracts that include lease and non-lease components, the Group allocates the consideration in the contracts on the basis of relative standalone prices and handles them separately.
The Group as a lessor
 The Company recognizes right-of-use assets and lease liabilities for all leases at the lease commencement date, except for low-value asset leases and short-term leases accounted for with recognition exemption applied where lease payments are recognized in expenses on a straight-line basis over the lease terms.
 The right-of-use assets are initially measured at cost (including the initially measured amount of a lease liability, the lease payment paid before the lease commencement date, less lease incentives received, and the initial direct cost) and subsequently measured at cost, less accumulated depreciation, and the remeasurement of the lease liability is adjusted. Right-of-use assets are presented on a separate line in the consolidated balance sheets.
 Right-of-use assets are depreciated on a straight-line basis from the lease commencement date to the end of the useful life or the end of the lease term, whichever is earlier.
 The lease liability is initially measured at the present value of the lease payment (including fixed payments and variable lease payments subject to an index or rate). If the interest rate implicit in a lease can be easily determined, the lease payment is discounted at such an interest rate. If the interest rate cannot be easily determined, the lessee's incremental borrowing rate applies.

Subsequently, lease liabilities are measured at the amortized cost using the effective interest rate method, and interest expense is amortized over the lease term. If changes during the lease term or the index or rate used to determine lease payments lead to changes in future lease payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use assets has been reduced to zero, the remaining remeasurement amount is recognized in profit or loss. the remeasurement of the lease liabilities due to other modifications is to adjust the right-of-use assets. Lease liabilities are presented on a separate line in the parent company only balance sheets.

(XV) Government grants

Government grants are not recognized until there is reasonable assurance that the subsidiaries will comply with the conditions attached to them and that the grants will be received.

Government grants related to income are recognized in decrease in relevant costs on a systematic basis during the periods, in which the subsidiaries recognize the relevant costs, for which the grants are intended to compensate, as expenses. Government grants on a condition that they are used by subsidiaries to purchase, construct, or acquire non-current assets by other means are recognized in deferred revenue and are reclassified to profit or loss during the useful lives of the relevant assets on a reasonable and systematic basis.

(XVI) Employee benefits

1. Short-term employee benefits

Relevant liabilities for short-term employee benefits are measured by the non-discounted amount expected to be paid in exchange for employee services.

2. Post-employment benefits

For pension under the defined contribution plan, the amount of pension contributed is recognized in expenses during employees' service period.

The defined benefit cost under the defined benefit pension plan (including service cost, net interest, and remeasurement) is calculated based on the projected unit credit method. The service costs and net interest on net defined benefit assets are recognized in employee benefit expenses when incurred. The remeasurement (including actuarial gains and losses and plan asset remuneration net of interest) is recognized in other comprehensive income and listed in retained earnings when it occurs, and will not be reclassified to profit or loss after the balance sheet date.

The net defined benefit assets are the surplus of the defined benefit pension plan. The net defined benefit assets may not exceed the present value of any refunds from the plan or reductions in future contributions to the plan.

(XVII) Income tax

Income tax expense is the sum of the current income tax and deferred income tax.

1. Current income tax expenses

The Group determines the current income (loss) in accordance with the laws and regulations formulated by the authority in the jurisdiction to which an income tax turn should be filed and calculates the payable (recoverable) income tax accordingly.

A surtax is imposed on the undistributed earnings pursuant to the Income Tax Act of R.O.C. is recognized via the resolution at the annual shareholders' meeting.

Adjustment to income tax payable from prior years are recognized in the current income tax.

2. Deferred tax

Deferred tax is calculated based on the temporary differences between the carrying amount of assets and liabilities and the corresponding tax bases used in the computation of taxable income. All taxable temporary differences are generally in deferred tax liabilities, and deferred tax assets are recognized when it is probable that future taxable income will be available against the income tax

credits arising from the deductible temporary differences and carryforward of the unused losses.

Taxable temporary differences associated with investments in subsidiaries or affiliates are recognized in deferred liabilities, except where the Group is able to control the reversal of the temporary difference and it is probable that said temporary difference will not be reversed in the foreseeable future. Deferred tax assets arising from the deductible temporary differences related to said investments are recognized in deferred tax assets only if it is probable that there will be sufficient taxable income against which to utilize the benefits of the temporary differences, and they are expected to be reversed in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at each balance sheet date, and its carrying amount will be increased as it has become probable that future taxable income will allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates in the period in which the liabilities are expected to be settled or assets realized, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would ensue in a manner expected by the Group at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

3. Current and deferred taxes

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income; in which case, the current and deferred taxes are recognized in other comprehensive income.

V. Significant Accounting Judgments and Estimations, and Main Sources of Assumption Uncertainties

When the Group adopts accounting policies, the management is required to make judgments, estimates and assumptions that are based on historical experience and other factors that are not readily apparent from other sources. Actual results may differ from the estimates.

The management will continue to review the estimates and basic assumptions. If a revision of an estimate affects only the current year, it is recognized in the period in which it is revised. If a revision of an accounting estimate affects both the current year and future periods, it is recognized in the year in which it is revised and in the future periods.

Inventory valuation

As the inventory is valued at the lower of cost or net realizable value, the Group must exercise judgment and make estimation to determine the net realizable value of the inventory at the end of the financial reporting period. As the net realizable value of the inventory is estimated mainly based on the product selling price, significant changes may occur.

VI. Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand and working capital	\$ 658	\$ 572
Demand deposits in banks	183,947	85,653
Cash equivalents		
Bank demand deposits with initial duration of more than 3 months	<u>16,310</u>	<u>27,367</u>
	<u>\$ 200,915</u>	<u>\$ 113,592</u>

VII. Financial instruments at fair value through profit or loss

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Financial assets - current		
Mandatorily at fair value through profit or loss		
Derivatives (not designated for hedging)		
Precious metals futures contracts	\$ 2,257	\$ -
Forward exchange agreements	-	241
	<u>\$ 2,257</u>	<u>\$ 241</u>

The Company's trading of precious metals futures contracts mainly aims to cope with the risks arising from changes in international precious metal prices. The Company's financial hedging strategy is to cope with most of the changes in fair values. Due to the failure to adopt hedge accounting, a loss of NT\$233 thousand was incurred during 2022, recognized in the financial assets at fair value through profit or loss and liabilities. As of December 31, 2022, all precious metals futures contracts have been due and settled.

The trading of the Company's forward exchange agreements mainly aims to hedge the risks of foreign-currency assets and liabilities due to exchange rate fluctuations. Due to the failure to adopt hedge accounting, losses of NT\$5,720 thousand and NT\$1,945 thousand were incurred during 2022 and 2021, respectively, recognized in the financial assets at fair value through profit or loss and liabilities. As of December 31, 2022, all forward exchange agreements have been due and settled.

At the consolidated balance sheet date, the outstanding forward exchange agreements are as follows:

<u>December 31, 2021</u>	<u>Currency</u>	<u>Due period</u>	<u>Contract amount (in thousands of dollars)</u>
Forward exchange agreements	From USD to NTD	2022.1-2022.2	US\$1,100 to NT\$30,668

VIII. Financial assets at fair value through other comprehensive income

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Non-current		
Domestic investment		
Unlisted stocks	<u>\$ 31,727</u>	<u>\$ 26,080</u>

The Group invests in the domestic stocks in alignment with the medium- and long-term strategic purposes and anticipates to make profits through long-term investment. The Group's management believes that if the short-term fair value fluctuations of such investments are recognized in profit or loss, it is inconsistent with the afore-mentioned long-term investment strategy, so it has chosen to designate such investments as at fair value through other comprehensive income.

IX. Notes and accounts receivable and other receivables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes receivable (from operations)		
At amortized cost	\$ <u>12,702</u>	\$ <u>23,561</u>
Accounts receivable		
At amortized cost		
Total carrying amount	\$ 220,193	\$ 339,577
Less: Allowance for losses	<u>154</u>	<u>18</u>
	\$ <u>220,039</u>	\$ <u>339,559</u>
Other receivables		
Business tax refund	\$ 8,519	\$ 15,837
Others	<u>135</u>	<u>3,024</u>
	\$ <u>8,654</u>	\$ <u>18,861</u>
Overdue receivables collected (recognized in other non-current assets)		
At amortized cost		
Total carrying amount	\$ 15,308	\$ 15,390
Less: Allowance for losses	<u>15,308</u>	<u>15,390</u>
	\$ <u>-</u>	\$ <u>-</u>

(I) Notes and accounts receivable

The Group's average credit periods for the sales and the production of silver materials are net 7–10 days and 30–120 days after the end of each month, respectively.

The Group prudently assesses its clients, which are companies or institutions with good credit ratings and without significant credit risk expected. However, the Group has an issue of significant client concentration, so the credit concentration risk is high.

To mitigate credit risk, the Group's management assigns a team dedicated to determining and approving clients' credit lines and carrying out other monitoring procedures to ensure that appropriate actions have been taken to recover overdue account receivables. In addition, the Group will review the recoverable amount of receivables on each balance sheet date to ensure that appropriate impairment loss has been appropriated for the uncollectible receivables. As such, the Group's management believes that its credit risk has been significantly reduced.

The Group recognizes an allowance for losses on accounts receivable on the basis of lifetime expected credit losses. Lifetime expected credit losses are calculated using a provision matrix based on each client's past default record, current financial position, and industry outlook. Based on the Group's history of credit losses, as there was no significant difference in the loss patterns among different groups of clients, the groups of clients were not further differentiated in the provision matrix, and only expected credit loss ratio was set based on the number of days for which accounts receivable was past due.

When there was evidence indicating that the counterparty was in severe financial difficulty and the Group could not reasonably expect the amount to be recovered, the Group would write off relevant accounts receivable and continued to collect the overdue receivables. The receivable recovered was recognized in profit or loss.

The table below shows the allowance for losses on notes and accounts receivable based on the Group's provision matrix:

December 31, 2022

	Not past due	Overdue 1-30 days	Overdue 31-60 days	Overdue 61-180 days	Identified individually	Total
Total carrying amount	\$ 218,200	\$ 11,255	\$ 2,547	\$ 893	\$ -	\$ 232,895
Allowance for losses (lifetime expected credit losses)	-	(21)	(51)	(82)	-	(154)
Amortized cost	<u>\$ 218,200</u>	<u>\$ 11,234</u>	<u>\$ 2,496</u>	<u>\$ 811</u>	<u>\$ -</u>	<u>\$ 232,741</u>

December 31, 2021

	Not past due	Overdue 1-30 days	Overdue 31-60 days	Overdue 61-180 days	Identified individually	Total
Total carrying amount	\$ 347,951	\$ 14,556	\$ 604	\$ 27	\$ -	\$ 363,138
Allowance for losses (lifetime expected credit losses)	-	-	(12)	(6)	-	(18)
Amortized cost	<u>\$ 347,951</u>	<u>\$ 14,556</u>	<u>\$ 592</u>	<u>\$ 21</u>	<u>\$ -</u>	<u>\$ 363,120</u>

Movements in the allowance for losses on accounts receivable and overdue receivables are as follows

	<u>2022</u>		<u>2021</u>	
	Accounts receivable	Overdue receivables	Accounts receivable	Overdue receivables
Opening balance	\$ 18	\$ 15,390	\$ 38	\$ 18,163
Provision (reversal) during this year	136	(309)	(20)	(2,655)
Foreign currency translation difference	-	227	-	(118)
Ending balance	<u>\$ 154</u>	<u>\$ 15,308</u>	<u>\$ 18</u>	<u>\$ 15,390</u>
(II) Other receivables				

The Group's allowance for losses is provided by estimating the amount that cannot be recovered based on the historical experience, clients' past default records, and their current financial position. As of December 31, 2022 and 2021, there was no balance of an allowance for losses provided.

X. Inventory

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Raw materials and supplies	\$ 535,525	\$ 344,528
Work in progress	27,102	43,647
Semi-finished goods	223,611	138,651
Finished goods	43,103	41,241
Merchandise	7,911	6,273
Inventory in transit	<u>6,441</u>	<u>14,748</u>
	<u>\$ 843,693</u>	<u>\$ 589,088</u>

The costs of sales related to inventories for 2022 and 2021 were NT\$2,299,543 thousand and NT\$2,771,410 thousand, respectively.

The costs of sales for 2022 and 2021, respectively, included an inventory valuation loss of NT\$1,868 thousand and a gain on inventory value recoveries of NT\$4,591 thousand. The increase in the net realizable value of inventory was due to an increase in the selling prices of inventories in specific markets and the successive shipments of inventories, for which an allowance for inventory valuation losses was already provided and the relevant inventory valuation losses were reversed.

XI. Prepayments

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Prepayments to suppliers	\$ 23,571	\$ 57,218
Prepaid expenses	7,685	8,112
Excess Business Tax paid	<u>1,074</u>	<u>1,547</u>
	<u>\$ 32,330</u>	<u>\$ 66,877</u>

XII. Other Financial Assets - Current

	December 31, 2022	December 31, 2021
Time deposits with the initial duration of more than 3 months	\$ -	\$ 12,100
Pledged time deposits (Note 29)	<u>20,896</u>	<u>28,212</u>
	<u>\$ 20,896</u>	<u>\$ 40,312</u>

XIII. Subsidiary

Entities covered by the consolidated financial statements are as follows:

Name of investor	Name of subsidiary	Nature of business	Shareholding (%)	
			December 31, 2022	December 31, 2021
The Company	Thintech Global Limited (TTGL)	An investment holding company	100	100
TTGL	Taicang Xinchang Photoelectricity Material Co., Ltd. (Taicang Xinchang)	Manufacturing and sales of metal targets	100	100

XIV. Investments Using the Equity Method

	December 31, 2022	December 31, 2021
Investments in affiliates		
Individually immaterial affiliates	<u>\$29,002</u>	<u>\$ 31,936</u>

The relevant information on the above affiliates that are individually immaterial affiliates is as follows:

	2022	2021
The Company's share		
Net income for this year	\$ 946	\$ 517
Other comprehensive income	(<u>2,345</u>)	<u>1,440</u>
Total comprehensive income	(<u>\$ 1,399</u>)	<u>\$ 1,957</u>

The Group's total shareholdings in the investees valued using the equity method and the parent company, China Steel Corporation, and its sister companies reach 20% or more, so they are valued using the equity method.

XV. Property, plant and equipment
2022

	Buildings	Machinery equipment	Transportation equipment	Office equipment	Other equipment	Unfinished construction and equipment to be accepted	Total
Cost							
Balance as of January 1, 2022	\$ 372,004	\$ 458,571	\$ 17,966	\$ 21,376	\$ 65,740	\$ -	\$ 935,657
Additions	635	5,791	2,449	4,726	1,265	26,181	41,047
Disposal	-	(26,164)	(171)	(514)	(508)	-	(27,357)
Net exchange difference	<u>1,050</u>	<u>813</u>	<u>20</u>	<u>34</u>	<u>283</u>	<u>-</u>	<u>2,200</u>
Balance as of December 31, 2022	<u>373,689</u>	<u>439,011</u>	<u>20,264</u>	<u>25,622</u>	<u>66,780</u>	<u>26,181</u>	<u>951,547</u>
Accumulated depreciation and impairment							
Balance as of January 1, 2022	190,149	420,122	14,975	19,316	60,201	-	704,763
Depreciation	12,962	13,963	1,682	1,184	2,019	-	31,810
Disposal	-	(26,011)	(139)	(512)	(411)	-	(27,073)
Net exchange difference	<u>476</u>	<u>476</u>	<u>14</u>	<u>31</u>	<u>240</u>	<u>-</u>	<u>1,237</u>
Balance as of December 31, 2022	<u>203,587</u>	<u>408,550</u>	<u>16,532</u>	<u>20,019</u>	<u>62,049</u>	<u>-</u>	<u>710,737</u>
Net amount as of December 31, 2022	<u>\$ 170,102</u>	<u>\$ 30,461</u>	<u>\$ 3,732</u>	<u>\$ 5,603</u>	<u>\$ 4,731</u>	<u>\$ 26,181</u>	<u>\$ 240,810</u>

2021

	Buildings	Machinery equipment	Transportation equipment	Office equipment	Other equipment	Unfinished construction and equipment to be accepted	Total
Cost							
Balance as of January 1, 2021	\$ 371,154	\$ 466,683	\$ 17,552	\$ 21,266	\$ 65,003	\$ 1,909	\$ 943,567
Additions	1,390	4,264	423	1,264	1,686	(1,906)	7,121
Disposal	-	(11,956)	-	(1,136)	(806)	-	(13,898)
Net exchange difference	(540)	(420)	(9)	(18)	(143)	(3)	(1,133)
Balance as of December 31, 2021	<u>372,004</u>	<u>458,571</u>	<u>17,966</u>	<u>21,376</u>	<u>65,740</u>	<u>-</u>	<u>935,657</u>
Accumulated depreciation and impairment							
Balance as of January 1, 2021	177,111	418,054	13,217	19,289	58,984	-	686,655
Depreciation	13,256	13,957	1,765	1,177	2,123	-	32,278
Disposal	-	(11,674)	-	(1,135)	(786)	-	(13,595)
Net exchange difference	(218)	(215)	(7)	(15)	(120)	-	(575)
Balance as of December 31, 2021	<u>190,149</u>	<u>420,122</u>	<u>14,975</u>	<u>19,316</u>	<u>60,201</u>	<u>-</u>	<u>704,763</u>
Net amount as of December 31, 2021	<u>\$ 181,855</u>	<u>\$ 38,449</u>	<u>\$ 2,991</u>	<u>\$ 2,060</u>	<u>\$ 5,539</u>	<u>\$ -</u>	<u>\$ 230,894</u>

Based on the business strategy plan, as the recoverable amount of the Company's equipment for producing silver powder and conductive adhesive was lower than its book value, it was recognized in impairment losses. As of December 31, 2022, the cumulative impairment of the equipment was NT\$2,188 thousand.

The Group's property, plant and equipment are depreciated on a straight-line basis over the useful lives below:

Buildings	2 to 35 years
Machinery equipment	1 to 15 years
Transportation equipment	4 to 8 years
Office equipment	2 to 5 years
Other equipment	1 to 11 years

Please refer to Note 16 for the information on the locations of the Group's plants leased from the government.

Please refer to Note 29 for the amount of property, plant and equipment provided by the Company as collateral for borrowings.

XVI. Lease agreements

(I) Right-of-use assets

	December 31, 2022	December 31, 2021
Carrying amount of right-of-use assets		
Land	\$ 124,224	\$ 123,953
Transportation equipment	326	667
Office equipment	<u>122</u>	<u>204</u>
	<u>\$ 124,672</u>	<u>\$ 124,824</u>

	2022	2021
Additions to right-of-use assets	<u>\$ 6,461</u>	<u>\$ 485</u>
Right-of-use asset depreciation expenses		
Land	\$ 6,389	\$ 6,048
Transportation equipment	340	205
Office equipment	<u>82</u>	<u>82</u>
	<u>\$ 6,811</u>	<u>\$ 6,335</u>

In addition to the additions and those recognized in depreciation expenses above, the Group's right-of-use assets were not significantly subleased or impaired during 2022 and 2021.

(II) Lease liabilities

	December 31, 2022	December 31, 2021
Carrying amount of lease liabilities		
Current	<u>\$ 5,686</u>	<u>\$ 5,456</u>
Non-current	<u>\$ 108,990</u>	<u>\$ 108,502</u>

The range of discount rates for lease liabilities is as follows:

	December 31, 2022	December 31, 2021
Land	1.6007	1.6007
Transportation equipment	0.6487~0.7616	0.6487~0.7616
Office equipment	5.774~6.071	5.774~6.071

(III) Major lease activities and terms

The Company has leased land from the government in the Kaohsiung Industrial Park in the Southern Taiwan Science Park. The lease term will expire in May 2027. According to the lease agreement, the Company may sign a new agreement with the government when the lease term ends, but the government may adjust the rent when the assessed present value increases and may terminate the lease under certain conditions.

The land use right acquired by the Company's subsidiary, Taicang Xinchang, in September 2012 in mainland China, with a useful life of 50 years will expire in September 2062.

(IV) Other lease information

	2022	2021
Short-term lease and low-value asset lease expenses	<u>\$ 432</u>	<u>\$ 327</u>
Total cash outflows from leases	<u>\$ 8,064</u>	<u>\$ 7,433</u>

The Group has elected to apply the recognition exemptions to the leases of buildings, transportation equipment and other equipment that qualify as short-term and low-value asset leases and does not recognize such leases in relevant right-of-use assets and lease liabilities.

XVII. Short-term Borrowings

	December 31, 2022	December 31, 2021
Secured bank borrowings	\$ 145,464	\$ 69,070
Unsecured bank borrowings	<u>4,408</u>	<u>-</u>
	<u>\$ 149,872</u>	<u>\$ 69,070</u>
Annual rate of interest (%)		
Secured borrowings	3.5~3.52	4.015~4.55
Unsecured borrowings	4.35	-

XVIII. Other payables

	December 31, 2022	December 31, 2021
Salary and wages and bonuses payable	\$ 21,929	\$ 26,078
Employee remuneration and directors' remuneration payable	7,827	5,777
Processing fees payable	5,815	7,710
Consumable costs payable	4,656	5,276
Commission payable	3,510	4,463
Pension payable	3,115	2,621
Others	<u>15,004</u>	<u>17,459</u>
	<u>\$ 61,856</u>	<u>\$ 69,384</u>

XIX. Post-employment benefit plans

(I) Defined contribution pension plan

The Company adopted a pension scheme under the Labor Pension Act, which is a government-managed defined contribution plan. Under the act, the Company makes monthly contributions, equal to 6% of their monthly salary and wages, to employees' individual pension accounts under the Bureau of Labor Insurance.

Subsidiary, Taicang Xinchang, contributes to the pension insurance funds managed by relevant government departments in accordance with the laws and regulations of mainland China.

(II) Defined benefit plan

The pension scheme adopted by the Company in accordance with the Labor Standards Act of R.O.C. is a government-managed defined benefit pension plan. The payment for employee pensions is calculated based on the length of service and the average salary in the six months prior to the approved retirement date. The Company makes a contribution, equal to a certain percentage of the total monthly employee salaries, which is deposited by the Supervisory Committee of Labor Retirement Reserve in the pension account with the Bank of Taiwan in the name of the committee. Before the end of each year, if the balance in the pension account is inadequate to pay for the retirement benefits to employees who meet the retirement requirements in the following year, the Group will make a contribution to make up for the difference in a lump sum by the end of March of the following year. The pension account is managed by the Bureau of Labor Funds, Ministry of Labor; the Company has no right to influence its investment management strategy.

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

	December 31, 2022	December 31, 2021
Present value of defined benefit obligations	\$ 18,903	\$ 20,339
Fair value of plan assets	(<u>29,789</u>)	(<u>25,945</u>)
Net defined benefit assets	(<u>\$ 10,886</u>)	(<u>\$ 5,606</u>)

The movements in the net defined benefit assets are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit assets
Balance as of January 1, 2021	<u>\$ 16,816</u>	<u>(\$ 23,822)</u>	<u>(\$ 7,006)</u>
Service costs			
Interest expense (income)	<u>84</u>	<u>(124)</u>	<u>(40)</u>
Recognized in profit or loss	<u>84</u>	<u>(124)</u>	<u>(40)</u>
Remeasurement			
Return on plan assets (except for the amount included in the net interest)	-	<u>(295)</u>	<u>(295)</u>
Actuarial loss - changes in demographic assumptions	646	-	646
Actuarial loss - experience adjustments	<u>2,793</u>	<u>-</u>	<u>2,793</u>
Recognized in other comprehensive income	<u>3,439</u>	<u>(295)</u>	<u>3,144</u>
Employer's contributions	<u>-</u>	<u>(1,704)</u>	<u>(1,704)</u>
Balance as of December 31, 2021	<u>20,339</u>	<u>(25,945)</u>	<u>(5,606)</u>
Service costs			
Interest expense (income)	<u>102</u>	<u>(134)</u>	<u>(32)</u>
Recognized in profit or loss	<u>102</u>	<u>(134)</u>	<u>(32)</u>
Remeasurement			
Return on plan assets (except for the amount included in the net interest)	-	<u>(2,006)</u>	<u>(2,006)</u>
Actuarial gain - changes in financial assumptions	<u>(1,758)</u>	-	<u>(1,758)</u>
Actuarial loss - experience adjustments	<u>220</u>	<u>-</u>	<u>220</u>
Recognized in other comprehensive income	<u>(1,538)</u>	<u>(2,006)</u>	<u>(3,544)</u>
Employer's contributions	<u>-</u>	<u>(1,704)</u>	<u>(1,704)</u>
Balance as of December 31, 2022	<u>\$ 18,903</u>	<u>(\$ 29,789)</u>	<u>(\$10,886)</u>

The amount of the defined benefit plan recognized in profit or loss aggregated by function is as follows:

	2022	2021
Administrative expenses	<u>(\$ 32)</u>	<u>(\$ 40)</u>

The Company is exposed to the risks below due to the pension system under the Labor Standards Act:

1. Investment risk

The Bureau of Labor Funds, Ministry of Labor, invests labor pension funds in domestic (foreign) equity securities, debt securities, and bank deposits on its own use and through agencies entrusted. However, the income from the Company's amount allocated to plan assets is calculated based on the interest rate not lower than the local bank's interest rate for two-year time deposits.

2. Exchange rate risk

Interest risk: A decrease in the interest rate in the government bonds/corporate bonds will increase the present value of the defined benefit obligation; however, the return on the debt investment through the plan assets will also increase, and the increases will partially offset the effect of the net defined benefit liability.

3. Salary risk

The present value of the defined benefit obligation is calculated with reference to the future salaries of the participants in the plan. As such, an increase in the salary of the participants in the plan will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the Company's defined benefit obligation were carried out by qualified actuaries. The critical assumptions made on the measurement date are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate (%)	1.500	0.500
Expected salary increase (%)	3.50	3.25
Turnover rate (%)	3.0~11.0	3.0~11.0

If each of the critical actuarial assumptions is subject to reasonably possible changes, when all other assumptions remain unchanged, the amounts by which the present value of the defined benefit obligation would increase (decrease) are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate		
Increase by 0.25%	(<u>\$ 534</u>)	(<u>\$ 625</u>)
Decrease by 0.25%	<u>\$ 555</u>	<u>\$ 651</u>
Expected salary increase (%)		
Increase by 0.25%	<u>\$ 535</u>	<u>\$ 624</u>
Decrease by 0.25%	(<u>\$ 518</u>)	(<u>\$ 602</u>)

As actuarial assumptions may be correlated, it is unlikely that only a single assumption would occur in isolation of one another, so the sensitivity analysis above may not reflect the actual changes in the present value of the defined benefit obligation.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
The amount expected to be contributed to the plan in a year	<u>\$ 1,764</u>	<u>\$ 1,759</u>
The weighted average duration of the defined benefit obligations	11.5 years	12.4 years

XX. Equity
(I)

Ordinary share capital

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Authorized number of shares (in thousands)	<u>100,000</u>	<u>100,000</u>
Authorized share capital	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>73,498</u>	<u>73,498</u>
Share capital publicly offered	<u>\$ 589,569</u>	<u>\$ 589,569</u>
Share capital through private placement		
Initial share capital publicly offered	140,000	140,000
Share capital received due to capitalization of earnings	<u>5,411</u>	<u>5,411</u>
	<u>145,411</u>	<u>145,411</u>
Share capital already publicly offered	<u>\$ 734,980</u>	<u>\$ 734,980</u>

To increase the working capital, repay debts, and attract strategic investors, the Company conducted a private placement of 7,000,000 ordinary shares in 2010 and 2011, respectively, at the issue prices of NT\$16 and NT\$35.7, respectively. The difference between the par value and the issue price was recognized in “capital surplus - additional paid-in capital”.

In principle, the rights and obligations of the ordinary shares in the private placements are the same as those of the ordinary shares issued by the Company.

(II) Capital surplus

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
For loss make-up, payment in cash or capitalization as equity (Note)		
Additional paid-in capital - issuance of shares	\$ 283,336	\$ 283,336
Additional paid-in capital - conversion of corporate bonds	39,807	39,807
Stock options invalidated	1,469	1,469
Treasury shares traded	<u>69</u>	<u>69</u>
	<u>\$ 324,681</u>	<u>\$ 324,681</u>

Note: Such capital surplus may be used to make up for losses or, when the Company has no losses, to distribute cash or to capitalize equity, provided that the capitalization is limited to a certain percentage of the paid-in capital each year.

(III) Retained earnings and dividend policy

As per the earnings distribution policy, where the Company makes a profit for a fiscal year, the profit shall be first used for paying the tax in accordance with the laws and regulations, offsetting the cumulative deficit, setting aside 10% of the remaining profit as a legal reserve, unless it has reached the total amount of the Company's paid-in capital, setting aside an amount for or reversing a special reserve in accordance with the laws and regulations; and then any remaining profit, together with any undistributed retained earnings from the prior period, shall be adopted by the Company's Board of Directors as the basis for making a distribution proposal, which shall then be submitted to the shareholders' meeting for a resolution.

The industry, in which Company is in, is still growing. We must take into account the current and future operating conditions and focus on the stability of dividends when drawing up a dividend policy. When the Company has cumulative distributable earnings, the amount to be distributed shall not be lower than 50%, of which the cash dividends to be distributed shall not be lower than 50% of the total amount to be distributed.

The legal reserve may be used to offset losses. If there is no loss, the amount of legal reserve in excess of the paid-in capital by 25% could be allocated as capital stock and paid out in cash.

The 2021 and 2020 earnings distribution proposals approved by the resolution of the Company's general shareholders' meetings in June 2022 and August 2021 are as follows:

	Earnings distribution proposals		Dividend per share (NTD)	
	2021	2020	2021	2020
Legal reserve	\$ 6,907	\$ 4,769		
Provision (reversal) of special reserve	210	(868)		
Cash dividend	<u>66,148</u>	<u>58,798</u>	\$ 0.9	\$ 0.8
	<u>\$ 73,265</u>	<u>\$ 62,699</u>		

The 2022 earnings distribution proposal made by the Board of Directors in February 2023 is as follows:

	Earnings distribution proposals	Dividend per share (NTD)
Legal reserve	\$ 8,476	
Reversal of special reserve	(3,660)	
Cash dividend	<u>73,498</u>	\$ 1.0
	<u>\$ 78,314</u>	

The 2022 earnings distribution proposal is pending a resolution by the general shareholders' meeting scheduled to be held in June 2023.

(IV) Other equity items

- Exchange differences arising from the translation of the financial statements of foreign operations

	2022	2021
Opening balance	(\$ 3,826)	(\$ 3,450)
Exchange differences arising from the translation of the financial statements of foreign operations	<u>867</u>	(<u>376</u>)
Ending balance	(<u>\$ 2,959</u>)	(<u>\$ 3,826</u>)

- Unrealized gain or loss on financial assets at fair value through other comprehensive income

	2022	2021
Opening balance	\$ 166	\$ -
Incurring during the year		
Equity instruments - unrealized gains and losses	5,647	-
Shares of affiliates using the equity method	(2,344)	1,440
Cumulative gains and losses from the disposal of equity instruments by affiliates transferred to retained earnings	<u>76</u>	(<u>1,274</u>)
Ending balance	<u>\$ 3,545</u>	<u>\$ 166</u>

XXI. Revenue

	<u>2022</u>	<u>2021</u>
Revenue from customer contracts		
Merchandise sales revenue	<u>\$ 2,527,367</u>	<u>\$ 3,003,192</u>
(I) Balance of contracts		
	December 31, 2022	December 31, 2021
		January 1, 2021
Notes receivable	<u>\$ 12,702</u>	<u>\$ 23,561</u>
Accounts receivable	<u>\$ 220,039</u>	<u>\$ 321,033</u>
Contract liabilities - current		
Merchandise sales	\$ 11,165	\$ 13,138
Collection of clients' scrapped targets in advance	<u>34,338</u>	<u>40,631</u>
	<u>\$ 45,503</u>	<u>\$ 52,946</u>

The movements in contract liabilities mainly arise from the difference between the point at which performance obligations are satisfied and the point at which clients pay.

The amounts of contract liabilities from the beginning of the year recognized in revenue for this year are as follows:

	<u>2022</u>	<u>2021</u>
Merchandise sales revenue	<u>\$ 13,021</u>	<u>\$ 16,233</u>

(II) Details of revenue from customer contracts
2022

	<u>The Company</u>	<u>Taicang Xinchang</u>	<u>Total</u>
<u>Major regional markets</u>			
Taiwan	\$ 2,161,512	\$ 15,176	\$ 2,176,688
Asia	76,946	229,263	306,209
The Americas	34,585	-	34,585
Europe	<u>-</u>	<u>9,885</u>	<u>9,885</u>
	<u>\$ 2,273,043</u>	<u>\$ 254,324</u>	<u>\$ 2,527,367</u>
<u>Major products</u>			
Precious metals	\$ 1,521,485	\$ 1,938	\$ 1,523,423
Sputtering targets	457,932	207,025	664,957
Others	<u>293,626</u>	<u>45,361</u>	<u>338,987</u>
	<u>\$ 2,273,043</u>	<u>\$ 254,324</u>	<u>\$ 2,527,367</u>

2021

	The Company	Taicang Xinchang	Total
<u>Major regional markets</u>			
Taiwan	\$ 2,547,221	\$ 17,015	\$ 2,564,236
Asia	78,760	292,138	370,898
The Americas	61,257	-	61,257
Europe	-	6,801	6,801
	<u>\$ 2,687,238</u>	<u>\$ 315,954</u>	<u>\$ 3,003,192</u>
<u>Major products</u>			
Precious metals	\$ 2,009,428	\$ 9,215	\$ 2,018,643
Sputtering targets	540,440	267,048	807,488
Others	137,370	39,691	177,061
	<u>\$ 2,687,238</u>	<u>\$ 315,954</u>	<u>\$ 3,003,192</u>

XXII. Net income before tax

Net income before tax includes the following components:

(I) Other income

	2022	2021
Technical service income	\$ 10,000	\$ -
Grant income	1,581	1,541
Others	1,411	1,284
	<u>\$ 12,992</u>	<u>\$ 2,825</u>

(II) Other gains and losses

	2022	2021
Net foreign exchange gain or loss	\$ 18,983	(\$ 5,615)
Gain on disposal of property, plant and equipment	296	2,254
Net gain or loss on financial assets and liabilities at fair value through profit or loss	(5,953)	1,945
Others	(389)	(277)
	<u>\$ 12,937</u>	<u>(\$ 1,693)</u>

The above net foreign exchange gains and losses are as follows:

	2022	2021
Total foreign exchange gains	\$ 26,003	\$ 8,046
Total foreign exchange losses	(7,020)	(13,661)
Net gains or losses	<u>\$ 18,983</u>	<u>(\$ 5,615)</u>

(III)	Financial costs		
		2022	2021
		<hr/>	<hr/>
	Interest on bank borrowings	\$ 3,829	\$ 3,987
	Interest on silver materials borrowed	3,820	2,678
	Interest on the lease liabilities	1,889	1,871
	Other interest expenses	<u>8</u>	<u>-</u>
		<u>\$ 9,546</u>	<u>\$ 8,536</u>
(IV)	Depreciation and amortization		
		2022	2021
		<hr/>	<hr/>
	Depreciation		
	Property, plant and equipment	\$ 31,810	\$ 32,278
	Right-of-use assets	<u>6,811</u>	<u>6,335</u>
		<u>\$ 38,621</u>	<u>\$ 38,613</u>
	Amortization		
	Computer software	\$ 142	\$ 114
	Others	<u>3,365</u>	<u>5,058</u>
		<u>\$ 3,507</u>	<u>\$ 5,172</u>
	Depreciation aggregated by function		
	Operating cost	\$ 34,026	\$ 34,540
	Operating expense	<u>4,595</u>	<u>4,073</u>
		<u>\$ 38,621</u>	<u>\$ 38,613</u>
	Amortization aggregated by function		
	Operating cost	\$ 2,750	\$ 4,959
	Operating expense	<u>757</u>	<u>213</u>
		<u>\$ 3,507</u>	<u>\$ 5,172</u>
(V)	Employee benefit expenses		
		2022	2021
		<hr/>	<hr/>
	Short-term employee benefits		
	Salary and wages	\$ 198,679	\$ 191,216
	Labor and health insurance	16,972	16,210
	Others	<u>13,715</u>	<u>14,840</u>
		<u>229,366</u>	<u>222,266</u>

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	2022	2021
Post-employment benefits (Note 19)		
Defined contribution pension plan	\$ 9,983	\$ 9,534
Defined benefit plan	(32)	(40)
	<u>9,951</u>	<u>9,494</u>
	<u>\$ 239,317</u>	<u>\$ 231,760</u>
Aggregated by function		
Operating cost	\$ 161,113	\$ 156,027
Operating expense	<u>78,204</u>	<u>75,733</u>
	<u>\$ 239,317</u>	<u>\$ 231,760</u>

The Company offsets the cumulative deficit with the income before tax, less employee remuneration and directors' remuneration, for the year and then distributes no lower than 0.1% of the balance as employee remuneration and no higher than 0.1% of the balance as directors' remuneration. The estimated 2022 and 2021 employee remuneration and directors' remuneration are as follows:

	2022	2021
Employee remuneration	\$ 7,003	\$ 5,169
Directors' remuneration	824	608

The Company's 2022 and 2021 employee remuneration and directors' remuneration resolved by the Board of Directors in February 2023 and February 2022, respectively (all paid out in cash) are as follows:

	2022	2021
Employee remuneration	\$ 6,561	\$ 5,372
Directors' remuneration	772	632

If there is a change in the amount after the release date of the annual consolidated financial statements are approved, the change will be accounted for as a change in accounting estimate and the adjustment accounted for in the following year.

The amounts of the employee remuneration and directors' remuneration resolved by the Board of Directors in February 2021 and February 2022 were different from those recognized in the 2022 and 2021 consolidated financial statements. The differences were adjusted for the 2022 and 2021 profit and loss, respectively.

	2021	2021	2020	2020
	Employee remuneration	Directors' remuneration	Employee remuneration	Directors' remuneration
Amount to be distributed by the resolution of the Board of Directors	<u>\$ 5,372</u>	<u>\$ 632</u>	<u>\$ 3,691</u>	<u>\$ 434</u>
Amounts recognized in the annual consolidated financial statements	<u>\$ 5,169</u>	<u>\$ 608</u>	<u>\$ 3,648</u>	<u>\$ 429</u>

For information on the remuneration to employees and directors resolved by the Board of Directors, please visit the Market Observation Post System (MOPS) of Taiwan Stock Exchange.

XXIII. Income tax

(I) Income tax recognized in profit or loss

The major components of income tax expense are as follows.

	<u>2022</u>	<u>2021</u>
Current income tax expenses		
Adjustment to the prior years	\$ <u>6,627</u>	(\$ <u>427</u>)
Deferred tax		
Incurred during this year	20,568	17,371
Adjustment to the prior years	(<u>5,711</u>)	<u>-</u>
	<u>14,857</u>	<u>17,371</u>
	<u>\$ 21,484</u>	<u>\$ 16,944</u>

The reconciliation of accounting profit and income tax expense is as follows:

	<u>2022</u>	<u>2021</u>
Net income before tax	\$ <u>103,487</u>	\$ <u>87,255</u>
Income tax expense calculated based on statutory tax rate for pre-tax income	\$ 20,697	\$ 17,451
Profit or loss recognized for tax	(129)	(80)
Income tax adjustments in prior years	<u>916</u>	(<u>427</u>)
	<u>\$ 21,484</u>	<u>\$ 16,944</u>

(II) Income tax income (expense) recognized in other comprehensive income

	<u>2022</u>	<u>2021</u>
Deferred tax		
Remeasurement of defined benefit plans	(<u>\$ 709</u>)	<u>\$ 629</u>

(III) Current tax assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current tax assets		
Tax refund receivable	<u>\$ 1,344</u>	<u>\$ 986</u>

(IV) Deferred tax assets and liabilities

Movements in deferred tax assets and liabilities are as follows:

2022

	Opening balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
<u>Deferred tax assets</u>				
Temporary differences				
Loss carryforwards	\$ 22,370	(\$ 16,464)	\$ -	\$ 5,906
Overseas investment losses recognized using the equity method	29,960	(1,299)	-	28,661
Allowance for inventory valuation losses	8,986	211	-	9,197
Impairment losses on non-financial assets	451	(13)	-	438
Unrealized exchange loss	257	4	-	261
Others	<u>673</u>	<u>(246)</u>	<u>-</u>	<u>427</u>
	<u>\$ 62,697</u>	<u>(\$ 17,807)</u>	<u>\$ -</u>	<u>\$ 44,890</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Defined benefit pension plan	\$ 1,121	\$ 347	\$ 709	\$ 2,177
Others	<u>3,709</u>	<u>(3,297)</u>	<u>-</u>	<u>412</u>
	<u>\$ 4,830</u>	<u>(\$ 2,950)</u>	<u>\$ 709</u>	<u>\$ 2,589</u>

2021

	Opening balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
<u>Deferred tax assets</u>				
Temporary differences				
Loss carryforwards	\$ 38,473	(\$ 16,103)	\$ -	\$ 22,370
Overseas investment losses recognized using the equity method	31,517	(1,557)	-	29,960
Allowance for inventory valuation losses	10,128	(1,142)	-	8,986
Impairment losses on non-financial assets	912	(461)	-	451
Unrealized exchange loss	-	257	-	257
Others	<u>692</u>	<u>(19)</u>	<u>-</u>	<u>673</u>
	<u>\$ 81,722</u>	<u>(\$ 19,025)</u>	<u>\$ -</u>	<u>\$ 62,697</u>

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	Opening balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Deferred tax liabilities				
Temporary differences				
Defined benefit pension plan	\$ 1,401	\$ 349	(\$ 629)	\$ 1,121
Others	<u>5,712</u>	<u>(2,003)</u>	<u>-</u>	<u>3,709</u>
	<u>\$ 7,113</u>	<u>(\$ 1,654)</u>	<u>(\$ 629)</u>	<u>\$ 4,830</u>

(V) Items not recognized in deferred tax assets in the consolidated balance sheets

	December 31, 2022	December 31, 2021
Amount of subsidiaries' loss carryforwards	<u>\$ 9,903</u>	<u>\$ 25,277</u>

Unrecognized loss carryforwards will expire in 2023.

(VI) Information on unused loss carryforwards

As of December 31, 2022, the information on unused loss carryforwards is as follows:

Balance of unused loss carryforwards	Last valid year
\$ 29,529	2029
<u>9,903</u>	2023
<u>\$ 39,432</u>	

(VII) Income tax return approval

The Company's profit-seeking enterprise income tax returns filed up to 2020 have been approved by the tax authority.

XXIV. Earnings Per Share

The net income (attributable to the owners of the Company) and weighted average number of ordinary shares used to calculate earnings per share are as follows:

	2022	2021
Net income for this year	<u>\$ 82,003</u>	<u>\$ 70,311</u>
Number of shares		
	2022	2021
Weighted average number of ordinary shares used to calculate the basic earnings per share	73,498	73,498
Influence of potential common stock with dilutive effect:		
Employee remuneration	<u>270</u>	<u>176</u>
Weighted average number of ordinary shares used to calculate the diluted earnings per share	<u>73,768</u>	<u>73,674</u>

Unit: In thousands of shares

If the Company may elect to pay employee remuneration in stock or cash, when diluted earnings per share are calculated, it is assumed that employee remuneration will be paid out in stock, and when the ordinary shares are potentially dilutive, they will be included in the weighted average number of outstanding shares to calculate diluted earnings per share. The dilution effect of these potential ordinary shares will also continue to be considered when the diluted earnings per share is calculated before the following year's shareholders' meeting resolves a decision on the number of shares distributed for employee remuneration.

XXV. Government grants

Subsidiaries, Taicang Xinchang and TUMC have, officially went into production. As per the investment agreements, they obtained government grants of NT\$3,802 thousand and NT\$5,420 thousand (787 thousand RMB and 1,122 thousand RMB), respectively, totaling NT\$9,222 thousand, related to the costs of plant construction in July 2013. The amounts were reclassified to profit or loss during the useful lives of the relevant assets. However, the Company sold the entire equity in its subsidiary, TUMC, in March 2019, so the long-term unearned revenue of NT\$4,554 thousand was recognized. As of December 31, 2022 and 2021, the balances that have not been reclassified to profit or loss were NT\$2,797 thousand and NT\$2,827 thousand, which were included in long-term unearned revenue. The revenue generated during 2022 and 2021 was NT\$71 thousand and NT\$69 thousand, respectively, which were recognized in other income.

XXVI. Capital risk management

The Group engages in capital management to ensure that it can maximize shareholder returns by optimizing debt and equity balances while continuing to operate. The Group's capital structure consists of net liability and equity and is not subject to other external requirements for capital.

XXVII. Financial instruments

(I) Fair value information - financial instruments measured at fair value on a recurring basis

1. Fair value hierarchy

	Level 1	Level 2	Level 3	Total
<u>December 31, 2022</u>				
Financial assets at fair value through profit or loss				
Precious metals				
futures contracts	\$ -	\$ 2,257	\$ -	\$ 2,257
Financial assets at fair value through other comprehensive income				
Domestic unlisted stocks	\$ -	\$ -	\$ 31,727	\$ 31,727
<u>December 31, 2021</u>				
Financial assets at fair value through profit or loss				
Forward exchange agreements	\$ -	\$ 241	\$ -	\$ 241
Financial assets at fair value through other comprehensive income				
Domestic unlisted stocks	\$ -	\$ -	\$ 26,080	\$ 26,080

There were no transfers between Level 1 and Level 2 fair values during the years ended December 31, 2022 and 2021.

2. Reconciliation of financial instruments measured at fair value in Level 3

Financial assets at fair value through other comprehensive income

	Equity instruments	
Financial assets	2022	2021
Opening balance	\$ 26,080	\$ -
Purchases	-	26,080
Recognized in other comprehensive income	5,647	-
Ending balance	<u>\$ 31,727</u>	<u>\$ 26,080</u>

3. Valuation techniques and inputs for Level 2 fair value measurement

Types of financial instruments	Valuation techniques and inputs
Derivatives - precious metals futures contracts	There is no market price available as a reference for the precious metals futures contracts traded by the Company, and such contracts were estimated through valuation. The estimates and assumptions adopted in the valuation are consistent with the information adopted by market participants for estimation and assumption when they priced financial instruments.
Derivatives - forward exchange agreements	The Company estimated the future cash flow based on the observable forward exchange rates and the exchange rates specified in the agreements at the end of the period and discounted each of them at a discount rate that could reflect each counterparty's credit risk. The estimates and assumptions adopted in the valuation are consistent with the information adopted by market participants for estimation and assumption when they priced financial instruments.

4. Valuation techniques and inputs for Level 3 fair value measurement

The fair values of unlisted stocks were estimated with reference to the trading prices.

(II) Types of financial instruments

	December 31, 2022	December 31, 2021
Financial assets		
At fair value through profit or loss - mandatorily at fair value through profit or loss	\$ 2,257	\$ 241
Financial assets at amortized cost (Note 1)	466,748	539,567
Financial assets at fair value through other comprehensive income - investment in equity instruments	31,727	26,080
Financial liabilities		
Financial liabilities for hedging	239,060	162,512
At amortized cost (Note 2)	231,493	173,251

Note 1: The balance includes cash and cash equivalents, notes receivable, accounts receivable, net, other receivables, other financial assets - current, and guarantee deposits paid.

Note 2: The balance represents financial liabilities at amortized cost, including short-term borrowings, accounts payable, and other payables.

(III) Purpose and policy of financial risk management

The Group's main financial instruments include notes receivable, accounts receivable, net, short-term borrowings, accounts payable, and lease liabilities. The Group's Management Department provides services to each business unit, coordinates the operations of investments in the domestic and international financial markets, and supervises and manages the financial risks related to the Group's operations by analyzing the internal risk reports on the exposure as per the breadth and depth of risks. Such risks include market risk (including exchange rate risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group adopts derivatives to avoid risk of exposure, thereby reducing the impact of these risks. The trading of derivatives is regulated by the policies approved by the Group's Board of Directors; such policies are the written principles to regulate exchange rate risk, interest rate risk, credit risk, trading of derivatives and non-derivatives, and investment with surplus liquidity. Internal auditors continue to review the compliance with the policies and the amounts exposed to such risks. The Group does not trade financial instruments (including derivatives) for speculative purposes.

Market risk

1. Exchange rate risk

The Group's silver material transactions are all denominated in non-functional currency (USD). In addition, part of the income from processing services is traded in a non-functional currency, which has resulted in exchange rate fluctuation risk. The Group has adopted derivatives, such as forward foreign exchange agreements to reduce the exchange rate risk.

Please refer to Note 32 for the carrying amounts of the Group's monetary assets and monetary liabilities denominated in non-functional currencies on the balance sheet date.

The Group is mainly affected by the exchange rate fluctuations of the USD, RMB, and JPY. The table below details the Company's sensitivity analysis when the exchange rate of the Group's functional currency against the USD, RMB, and JPY increased and decreased by 1%. One percent is the sensitivity rate used in reporting the exchange rate risk to the key management team within the Group and represents the management's assessment of the reasonable range of potential changes in foreign-currency exchange rates. The sensitivity analysis only included monetary items in foreign currencies in circulation. The table below shows the influence on profit and loss before tax when the Group's functional currency depreciated by 1% against the USD, RMB, and JPY:

	2022	2021
USD	\$ 962	\$ 1,425
RMB	\$ 334	\$ 1,529
JPY	\$ 249	\$ 248

Note: It is mainly due to the USD, RMB, and JPY (including cash and cash equivalents, accounts receivable, other receivables (including related parties), guarantee deposits paid, accounts payable, and other payables still in circulation on the balance sheet date, the cash flows of which have not been hedged.

The management believes that sensitivity analysis cannot represent the inherent exchange rate risk as foreign currency exposures on the balance sheet

date cannot reflect the interim exposures. Sales denominated in USD will vary with clients' orders and spot prices.

2. Exchange rate risk

Interest rate exposures arise when the Group borrows funds at both fixed and floating interest rates. The Group diversifies the risk of interest rate changes by maintaining an appropriate combination of fixed and floating interest rates.

The carrying amounts of the Group's financial assets and financial liabilities exposed to the interest rate risk on the balance sheet date are as follows:

	December 31, 2022	December 31, 2021
Fair value interest rate risk		
Financial liabilities	\$ 114,676	\$ 113,958
Cash flow interest rate risk		
Financial assets	183,947	85,653
Financial liabilities	149,872	69,070

The following sensitivity analyses are based on the interest rate risk exposure of the non-derivative instruments on the balance sheet date. For liabilities at floating rates, the analysis is based on the assumption that the amounts of the liabilities outstanding at the balance sheet date were all outstanding throughout the reporting period. An increase or decrease in interest rates by 1% is the sensitivity rate adopted in reporting the interest rate risk to the key management team within the Group and represents the management's assessment of the reasonable range of potential changes in interest rates.

If the interest rate decreased/increased by 1%, with all other variables remaining unchanged, the Group's net income before tax for 2022 and 2021 would have decreased/increased by NT\$1,499 thousands and NT\$691 thousands, respectively.

(IV) Other price risks

The Group engages in precious metals futures trading to hedge the risk to inventories arising from price fluctuations. As the Group already hold the spot positions linked to the derivatives, the market price risk is not significant.

The Group signed precious metal borrowing contracts with suppliers with the prices being the quotes in the international precious metal market, plus a certain percentage of profit margin. To manage the inventory exposed to the risk of precious metals prices, the Group adopts the international precious metal borrowing contracts in the same category and quantity as the fair value risk hedging instrument for the precious metal price risk component contained in the inventory. As per the historical experience, the movements in the fair values of the designated precious metal price risk components cover the movements in prices of the overall contracts on average, so the market price risk is not significant.

Hedge accounting

The Group adopts precious metal borrowing transaction contracts for fair value hedging to reduce the risk of the movements in international precious metal prices exposed to the fair values of financial liabilities. The fair values of precious metal borrowing transactions on the balance sheet date are estimated based on the market prices of precious metals.

The above precious metal borrowing transactions are based on the same conditions as those for relevant financial liabilities. As per the Group's qualitative assessment, precious metal borrowing transactions and the values of hedged financial liabilities will change in reverse in a systematic manner due to the movements in the hedged international precious metal prices. The hedge ineffectiveness mainly comes from the influence of the credit risk between the Group and the counterparties on the fair values of the precious metal borrowing transactions. The credit risk will not affect the hedged items due to the movements in the fair values of the international precious metal prices. No other sources of hedge ineffectiveness appeared during the hedge period.

The information on the hedging of the risk from the movements in the international precious metal prices exposed to the Group is aggregated as follows:

December 31, 2022

Hedging instruments	Contract amount	Due period	Balance sheet line items	Carrying amount Liability	Movements in the fair values of hedging instruments used to evaluate the hedge ineffectiveness for the year
Fair value hedge					
Precious metal borrowing contracts	\$ 239,060	-	Financial liabilities for hedging	\$ 239,060	\$ -
		Carrying amount	Cumulative fair value adjustments		Movements in the fair values of hedged items used to evaluate the hedge ineffectiveness for the year
Hedged items		Assets	Assets		
Fair value hedge					
Inventory		\$ 239,060	\$ -		\$ -

December 31, 2021

Hedging instruments	Contract amount	Due period	Balance sheet Line item	Carrying amount Liability	Movements in the fair values of hedging instruments used to evaluate the hedge ineffectiveness for the year
Fair value hedge					
Precious metal borrowing contracts	\$ 179,172	-	Financial liabilities for hedging	\$ 162,512	\$ 16,660
		Carrying amount	Cumulative fair value adjustments		Movements in the fair values of hedged items used to evaluate the hedge ineffectiveness for the year
Hedged items		Assets	Assets		
Fair value hedge					
Inventory		\$ 162,512	(\$ 16,660)		(\$ 16,660)

(V) Credit risk

Credit risk refers to the risk that a counterparty defaults on its contractual obligations, resulting in a financial loss to the Group. As of the balance sheet date, the Group's maximum exposure to credit risk of financial loss due to non-performance by counterparties is from the carrying amounts of financial assets recognized in consolidated balance sheets.

Except for a small number of clients whose accounts receivable and overdue receivable were estimated to be irrecoverable with significant credit risks and an allowance for such losses already provide, the Group's clients are all companies with good credit ratings. The business unit grants each of such clients a credit line based on the credit investigation results and regularly tracks their payment status; thus, no significant credit risk is expected.

The Group's receivables are significantly concentrated in certain clients, most of whom engage in similar business activities with similar economic characteristics, and their ability to perform contracts is also similarly influenced by their financial positions or other conditions, so significant credit risk concentration exists. The balance of accounts receivable from clients, on which the credit risk is significantly concentrated, (accounting for 10% or more of the balance of notes receivable, accounts receivable, and other receivables) is as follows:

Name of client	December 31, 2022	December 31, 2021
Company A	\$ 61,941	\$ 111,139
Company B	<u>27,105</u>	<u>37,425</u>
	<u>\$ 89,046</u>	<u>\$ 148,564</u>

(VI) Liquidity risk

The Group manages and maintains sufficient cash and cash equivalents to support the operations and signs loan contracts with financial institutions to maintain an appropriate amount required for business operations. As the Group's equity in the capital structure is much greater than its liabilities, and remaining amount of bank loans is sufficient. As of December 31, 2022 and 2021, the Group's unused bank financing facilities were NT\$1,885,002 thousand and NT\$1,922,772 thousand, respectively. Thus, no liquidity risk was posed to the Company.

The table below lists the analysis of the Group's financial liabilities during the agreed repayment period based on the maturity dates and the undiscounted principal amounts:

	Less than 1 year	1 to 5 years	5 years or above	Total
December 31, 2022				
Short-term Borrowings	\$ 153,524	\$ -	\$ -	\$ 153,524
Financial liabilities for hedging - current	239,060	-	-	239,060
Accounts payable	19,765	-	-	19,765
Lease liabilities	7,482	28,953	95,904	132,339
Other payables	<u>61,856</u>	<u>-</u>	<u>-</u>	<u>61,856</u>
	<u>\$ 481,687</u>	<u>\$ 28,953</u>	<u>\$ 95,904</u>	<u>\$ 606,544</u>

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	Less than 1 year	1 to 5 years	5 years or above	Total
December 31, 2021				
Short-term Borrowings	\$ 70,745	\$ -	\$ -	\$ 70,745
Financial liabilities for hedging - current	162,512	-	-	162,512
Accounts payable	34,797	-	-	34,797
Lease liabilities	7,243	27,687	97,524	132,454
Other payables	69,384	-	-	69,384
	<u>\$ 344,681</u>	<u>\$ 27,687</u>	<u>\$ 97,524</u>	<u>\$ 469,892</u>

Further information on maturity analysis of lease liabilities is as follows:

	Less than 1 year	1-5 years	5-10 years	10-15 years	15-20 years	20 years or above
December 31, 2022						
Lease liabilities	<u>\$ 7,482</u>	<u>\$ 28,953</u>	<u>\$ 28,771</u>	<u>\$ 28,771</u>	<u>\$ 28,771</u>	<u>\$ 9,591</u>
December 31, 2021						
Lease liabilities	<u>\$ 7,243</u>	<u>\$ 27,687</u>	<u>\$ 27,216</u>	<u>\$ 27,216</u>	<u>\$ 27,216</u>	<u>\$ 15,876</u>

XXVIII. Related Party Transactions

The Company's parent company is Gains Investment Corporation (with substantive control power), which held 31.86% of the Company's ordinary shares on both December 31, 2022 and 2021. The Company's ultimate parent company is China Steel Corporation.

All intra-group transactions, account balances, income, and expenses are eliminated in full upon consolidation and, thus, not disclosed in this note. Except for those disclosed in other notes, transactions between the Group and related parties are as follows.

(I) Name of related party and relations therewith

Name of related party	Relations with the Group
China Steel Corporation (CSC)	Ultimate parent company
Gains Investment Corporation	Parent company
Changzhou China Steel Precision Materials Co., Ltd. (CSPM)	Sister company
C.S. Aluminium Corporation (CSAC)	Sister company
Ever Wealthy International	Sister company
China Steel Chemical Corporation	Sister company
CSC Solar Corporation	Sister company
CSGT Japan Co., Ltd. (CSGT Japan)	Sister company
China Steel Security Corporation	Sister company
Dragon Steel Corporation	Sister company
CHC Resources Corporation	Sister company
China Steel Power Corporation	Sister company
United Renewable Energy Co., Ltd.	A director of the Company

(II) Operating revenue

Account	Category of related party	2022	2021
Sales revenue	Ultimate parent company	\$ 155,019	\$ 13,452
	Sister company	<u>49,329</u>	<u>51,113</u>
		<u>\$ 204,348</u>	<u>\$ 64,565</u>

There is no similar transaction available to be used to compare with the sales revenue from part of the sales to the ultimate parent company, and there is no significant difference in the selling prices and payment terms between the transactions with the ultimate parent company and non-related parties.

(III) Purchases

<u>Category of related party</u>	<u>2022</u>	<u>2021</u>
Sister company	\$ 80,760	\$ 45,939
Ultimate parent company	<u>4,525</u>	<u>-</u>
	<u>\$ 85,285</u>	<u>\$ 45,939</u>

Regarding purchases from related parties, the transaction prices cannot be compared because the same products were not purchased from a non-related party, and the payment terms are not significantly different from those for general suppliers. Payments are made in 30 to 60 days at the end of each month.

(IV) Other related party transactions

<u>Processing fees</u>	<u>2022</u>	<u>2021</u>
Sister company		
CSAC	\$ 36,461	\$ 46,947
Ultimate parent company	<u>174</u>	<u>169</u>
	<u>\$ 36,635</u>	<u>\$ 47,116</u>

The Company pays processing fees to the above related parties. As no non-related party was not entrusted to provide similar product processing services, the transaction prices could not be compared. The payment terms are 30 to 60 days at the end of each month for the above related parties and 60 to 90 days at the end of each month for the non-related parties.

<u>Research and professional services fees</u>	<u>2022</u>	<u>2021</u>
Ultimate parent company	<u>\$ 1,660</u>	<u>\$ 1,640</u>
<u>Security fees</u>		
Sister company	<u>\$ 2,073</u>	<u>\$ 1,992</u>
<u>Technical service income</u>		
Ultimate parent company		
CSC	<u>\$ 10,000</u>	<u>\$ -</u>

(V)	Ending balance		
		<u>December 31, 2022</u>	<u>December 31, 2021</u>
	Accounts receivable		
	Sister company	\$ 37,674	\$ 25,138
	Ultimate parent company	<u>-</u>	<u>13,728</u>
		<u>\$ 37,674</u>	<u>\$ 38,866</u>
	Guarantee deposits paid		
	Sister company		
	CSGT Japan	<u>\$ 3,417</u>	<u>\$ 3,536</u>
	Accounts payable		
	Sister company		
	CSPM	<u>\$ 7,402</u>	<u>\$ 9,762</u>
	Other payables		
	Sister company	\$ 1,497	\$ 4,504
	Ultimate parent company	907	891
	Parent company	412	304
	A director of the Company	<u>206</u>	<u>152</u>
		<u>\$ 3,022</u>	<u>\$ 5,851</u>
(VI)	Remuneration to key management personnel		
		<u>2022</u>	<u>2021</u>
	Short-term employee benefits	\$ 12,400	\$ 11,383
	Post-employment benefits	<u>282</u>	<u>282</u>
		<u>\$ 12,682</u>	<u>\$ 11,665</u>

XXIX. Pledged Assets

The Group has provided the assets below as collateral for the bank borrowing facilities, borrowings drawn, dormitory leased from the Southern Taiwan Science Park Bureau, customs import, and precious metal borrowing:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Buildings	\$ 124,367	\$ 130,817
Pledged time deposits (recognized in other financial assets - current)	<u>20,896</u>	<u>28,212</u>
	<u>\$ 145,263</u>	<u>\$ 159,029</u>

XXX. Material Contingencies and Unrecognized Contractual Commitments

- (I) As of December 31, 2022, to purchase raw materials, the Company guaranteed the amount of NT\$350,467 thousand from financial institutions.
- (II) As of December 31, 2022, the total price of the contracts signed by the Company to purchase property, plant and equipment was about NT\$66,160 thousand, and the outstanding amount was NT\$39,979 thousand.

XXXI. Material Events After the Balance Sheet Date

To increase the working capital, the issuance of the third domestic secured convertible corporate bonds, resolved by the Company's Board of Directors on December 8, 2022, was in the amount of NT\$200,000 thousand. The issuance period is three years and it took effect as approved by the FSC on January 13, 2023.

XXXII. Information on Foreign Currency Assets and Liabilities with Significant Effect

The information below is aggregated and presented in foreign currencies other than the Group's functional currency. The exchange rates disclosed refer to the rates at which these foreign currencies are converted to the functional currency. The information on foreign currency assets and liabilities with significant effect is as follows:

Unit: In thousands in each foreign currency / exchange

rate

	Foreign currency	Exchange rate	Carrying amount
December 31, 2022			
Foreign currency assets under monetary items			
USD	\$ 2,560	30.71 (USD: NTD)	\$ 78,607
USD	622	6.9686 (USD: RMB)	19,122
RMB	7,671	4.408 (RMB: NTD)	33,812
JPY	107,106	0.2324 (JPY: NTD)	24,891
Foreign currency liabilities under monetary items			
USD	50	30.71 (USD: NTD)	1,549
RMB	85	4.408 (RMB: NTD)	375
December 31, 2021			
Foreign currency assets under monetary items			
USD	\$ 4,639	27.68 (USD: NTD)	\$ 128,415
USD	644	6.3735 (USD: RMB)	17,819
RMB	35,207	4.344 (RMB: NTD)	152,941
JPY	102,946	0.2405 (JPY: NTD)	24,758
Foreign currency liabilities under monetary items			
USD	43	27.68 (USD: NTD)	1,179
USD	93	6.3735 (USD: RMB)	2,577
RMB	6	4.344 (RMB: NTD)	27

The Group's net foreign exchange gain or loss for 2022 and 2021 was a gain of NT\$18,983 thousand and a loss of NT\$5,615 thousand, respectively. Due to the wide variety of foreign currencies used in transactions, it is impossible to disclose the exchange gains and losses by foreign currencies with significant influence.

XXXIII. Additional Disclosures

(I) Information on material transactions and (II) information on investees of 2022:

- Loans to others. (Table 1)
- Endorsements/Guarantees to others. (Table 2)
- Securities held at the end of the year (investments in subsidiaries and affiliates are not included). (Table 3)
- Securities acquired or sold at costs or prices at least NT\$300 million or 20% of the paid-in capital. (None)
- Acquisition of individual property at costs of at least NT\$300 million or 20% of the paid-in capital. (None)

6. Disposal of individual property at costs of at least NT\$300 million or 20% of the paid-in capital. (None)
 7. Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 4)
 8. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (None)
 9. Derivatives trading. (Note 7)
 10. Other: Business relations and important transactions between parent company and subsidiaries and among subsidiaries and amounts (Table 5)
 11. Information on investees. (Table 6)
- (III) Information on investment in Mainland China
1. Information on investees in mainland China, including the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, percentage of ownership, profit or loss and investment income or loss recognized for this year, book value of the investment at the end of the period, repatriation of investment income, and limit on the amount of investment in the mainland China area. (Table 7)
 2. Any of the following significant transactions with investees in mainland China, either directly or indirectly through a third region, and the price, payment term, and unrealized gains or losses:
 - (1) The amount and percentage of purchases and the balance and percentage of the relevant payables at the end of the period: The Company's purchases from the subsidiary Taicang Xinchang during 2022 were NT\$3,642 thousand (less than 1%). As of December 31, 2022, the balance of unpaid accounts payable was NT\$3,519 thousand (18%). The above purchase prices and payment terms are not significantly different from those for non-related parties, and the costs incurred from the above purchases and accounts payable at the end of the period have been written off when the consolidated financial statements were prepared.
 - (2) The amount and percentage of sales and the balance and percentage of the relevant receivables at the end of the year: The Company's sales to the subsidiary Taicang Xinchang during 2022 were NT\$15,566 thousand (less than 1%). As of December 31, 2022, the balance of accounts receivables not yet recovered was NT\$16,892 thousand (8%). The above selling prices and payment terms are not significantly different from those for non-related parties, and the unrealized gross profit from the above sales and accounts receivable at the end of the period have been written off when the consolidated financial statements were prepared.
 - (3) The amount of property transactions and the amount of the resulting gains or losses. (None)
 - (4) The balance of negotiable instrument endorsements or guarantees or collateral pledged at the end of the period and the purposes. (Table 2)
 - (5) The highest balance, the closing balance, the interest rate range, and total current-period interest with respect to financing of funds. (Table 1)
 - (6) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of labor services. (None)
- (IV) Information on major shareholders: The name of shareholders, each holding 5% or more of total shares, and the number and percentage of shares held. (Table 8)

XXXIV. Segment Information

The Group's information reported to the chief operating decision-maker for resource allocation and segment performance assessment focuses on types of goods or services delivered or provided. The Group's reportable operating segments are as follows:

- ThinTech Materials Technology Co., Ltd.

Mainly engaging in the processing and sales of various thin film sputtering targets and precious metals, as well as trading of general metals.

- Taicang Xinchang Photoelectricity Material Co., Ltd.
Mainly engaging in the manufacturing and sales of metal targets.
- Others - The subsidiaries of the consolidated entity are the operating segments. Please refer to Note 13. All the operating segments have not reached the quantitative threshold.

(I) Segment revenue and operating performance

The Group's segment revenue and operating performance are as follows:

	The Company	Taicang Xinchang	Adjustments and write-offs	Consolidation
2022				
Revenue from clients other than the parent company and subsidiaries	\$ 2,273,043	\$ 254,324	\$ -	\$ 2,527,367
Revenue from the parent company and subsidiaries	<u>15,566</u>	<u>3,642</u>	<u>(19,208)</u>	<u>-</u>
Total revenue	<u>\$ 2,288,609</u>	<u>\$ 257,966</u>	<u>(\$ 19,208)</u>	<u>\$ 2,527,367</u>
Profit of segments	\$ 73,256	\$ 11,263	\$ 366	\$ 84,886
Interest income	3,030	483	(2,241)	1,272
Financial costs	(5,758)	(6,029)	2,241	(9,546)
Share of profit on subsidiaries and affiliates using the equity method	7,440	-	(6,494)	946
Other non-operating income and expenses	<u>25,519</u>	<u>777</u>	<u>(366)</u>	<u>25,929</u>
Net income before tax	103,487	6,494	(6,494)	103,487
Income tax expense	<u>21,484</u>	<u>-</u>	<u>-</u>	<u>21,484</u>
Net income for this year	<u>\$ 82,003</u>	<u>\$ 6,494</u>	<u>(\$ 6,494)</u>	<u>\$ 82,003</u>
2021				
Revenue from clients other than the parent company and subsidiaries	\$ 2,687,238	\$ 315,954	\$ -	\$ 3,003,192
Revenue from the parent company and subsidiaries	<u>57,580</u>	<u>10,273</u>	<u>(67,853)</u>	<u>-</u>
Total revenue	<u>\$ 2,744,818</u>	<u>\$ 326,227</u>	<u>(\$ 67,853)</u>	<u>\$ 3,003,192</u>
Profit of segments	\$ 78,224	\$ 14,106	\$ 363	\$ 92,693
Interest income	3,337	434	(2,322)	1,449
Financial costs	(4,599)	(6,259)	2,322	(8,536)
Share of profit on subsidiaries and affiliates using the equity method	8,303	-	(7,786)	517
Other non-operating income and expenses	<u>1,990</u>	<u>(495)</u>	<u>(363)</u>	<u>1,132</u>
Net income before tax	87,255	7,786	(7,786)	87,255
Income tax expense	<u>16,944</u>	<u>-</u>	<u>-</u>	<u>16,944</u>
Net income for this year	<u>\$ 70,311</u>	<u>\$ 7,786</u>	<u>(\$ 7,786)</u>	<u>\$ 70,311</u>

Profit (loss) of segments refers to the profit earned by each segment, excluding the apportioned headquarters management costs and directors' remuneration, interest income, gains or losses on disposal of property, plant and equipment, foreign currency exchange gains or losses, financial instrument valuation gains or losses, financial costs, and income tax expenses. This amount measured is provided to the chief operating decision-maker for allocation of resources to segments and measurement of their performance.

(II) Total segment assets and liabilities

	December 31, 2022	December 31, 2021
Segment assets		
Continuing operations		
The Company	\$ 1,655,545	\$ 1,571,112
Taicang Xinchang	259,214	317,255
Adjustments and write-offs	(82,996)	(204,898)
Total consolidated assets	<u>\$ 1,831,763</u>	<u>\$ 1,683,469</u>
Segment liabilities		
Continuing operations		
The Company	\$ 461,349	\$ 399,775
Taicang Xinchang	196,825	262,152
Adjustments and write-offs	(20,607)	(149,795)
Total consolidated liabilities	<u>\$ 637,567</u>	<u>\$ 512,132</u>

(III) Other segment information

Other information reviewed by the chief operating decision-maker or regularly provided to the chief operating decision-maker:

	The Company	Taicang Xinchang	Total
2022			
Recognized in profit or loss of segments			
Depreciation and amortization	<u>\$ 29,015</u>	<u>\$ 13,113</u>	<u>\$ 42,128</u>
2021			
Recognized in profit or loss of segments			
Depreciation and amortization	<u>\$ 29,753</u>	<u>\$ 14,032</u>	<u>\$ 43,785</u>

(IV) Revenue from main products and services

The Group's revenue from main products and services is as follows:

	2022	2021
Production and sales revenue		
Precious metals	\$ 1,523,423	\$ 2,018,643
Sputtering targets	664,957	807,488
Others	<u>338,987</u>	<u>177,061</u>
	<u>\$ 2,527,367</u>	<u>\$ 3,003,192</u>

(V) Information by region

The Group mainly operates business in Taiwan and Asia.

The Group's operating revenue from external clients is classified based on the countries where they are located, and the information on the non-current assets classified by location is as follows:

	Revenue from external clients		Non-current assets	
	2022	2021	December 31, 2022	December 31, 2021
Taiwan	\$ 2,176,688	\$ 2,564,236	\$ 297,297	\$ 279,790
Asia	306,209	370,898	70,154	80,469
The Americas	34,585	61,257	-	-
Europe	9,885	6,801	-	-
	<u>\$ 2,527,367</u>	<u>\$ 3,003,192</u>	<u>\$ 367,451</u>	<u>\$ 360,259</u>

Non-current assets exclude financial assets, investments using the equity method, net defined benefit assets, guarantee deposits paid, and deferred tax assets.

(VI) Information on main clients

The clients, each of whom contributes to 10% or more of the Group's total revenue are as follows:

	2022	2021
Company A	\$ 599,923	\$ 830,890
Company B	243,511	306,774
Company C	259,026	259,984
	<u>\$ 1,102,460</u>	<u>\$ 1,397,648</u>

Table 1

No.	Lender	Borrower	Account title	Related party status	Highest balance of this year	Ending balance (Note 1)	Amount drawn	Interest rate range (%)	Nature of loan	Business transaction amount	Reasons for short-term financing	Allowance for bad debts	Collateral		Limit on loan to each borrower	Total limit on loans to others	Remarks
													Name	Value			
0	The Company	Taicang Xinchang Photoelectricity Material Co., Ltd.	Other receivables	Yes	\$ 108,415	\$ 106,056	\$ -	2.53~2.8	Note 2	\$ -	To meet the need for working capital	\$ -	-	\$ -	\$ 358,258	\$ 477,678	Note 3

Note 4: It has been written off when the consolidated financial statements were prepared.

ThinTech Materials Technology Co., Ltd. and Its Subsidiaries
Endorsements/Guarantees to Others
For the Years Ended December 31, 2022 and 2021

Table 2

Unit: NT\$ thousand
(unless specified otherwise)

No.	Name of endorser/guarantor	Party endorsed/guaranteed		Limit of endorsements/guarantees to a single enterprise	Highest balance of endorsement/guarantee of this year	Ending balance of endorsements/guarantees (Note 2)	Amount drawn	Amount of endorsement/guarantee with property as collateral	Cumulative endorsements/guarantees provided as a % of the net worth as per the latest financial statements	Maximum limit of endorsements/guarantees	Endorsement/guarantee by the parent company to a subsidiary	Endorsement/guarantee by a subsidiary to the parent company	Endorsement/guarantee to an entity in China	Remarks
		Name of company	Relations											
0	The Company	Taicang Xinchang Photoelectricity Material Co., Ltd.	An investee whose with 50% or more of its voting shares held by the parent company and subsidiaries	\$ 477,678	\$ 273,828	\$ 261,035	\$ 145,427	\$ -	21.86	\$ 477,678	Y	N	Y	Note 1

Note 1: The limit of the Company's guarantee for a single enterprise is 40% of the net worth, and the maximum limit of endorsements/guarantees is 40% of the net worth.
Note 2: USD is converted at the spot exchange rate of 1 USD = 30.71 NTD.

ThinTech Materials Technology Co., Ltd. and Its Subsidiaries
Securities Held at the End of the Year
December 31, 2022

Table 3

Unit: NT\$ thousand
(unless specified otherwise)

Company	Type and name of securities held	Relations with securities issuer	Account title	End of the year				Remarks
				Number of shares/units	Carrying amount	Shareholding (%)	Fair value	
The Company	Common stock Lianyou Metals Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	462,920	<u>\$ 31,727</u>	2	<u>\$ 31,727</u>	Note

Note: The fair value is based on the trading price and the liquidity discount.

ThinTech Materials Technology Co., Ltd. and Its Subsidiaries
Total Purchases from or Sales to Related Parties Amounting to at Least NT\$100 Million or 20% of the Paid-in Capital
For the Years Ended December 31, 2022 and 2021

Table 4

Unit: NT\$ thousand
(unless specified otherwise)

Buyer/Seller	Counterparty	Relations	Transaction situation				Situation and reason for transaction conditions different from general ones		Notes and accounts receivable (payable)		Remarks
			Purchase (sale)	Amount	As a % of total (sales) purchases	Credit period				As a % of total notes and accounts receivable (payable)	
							Unit price	Credit period			
The Company	CSC	Ultimate parent company	Purchases	(\$ 155,019)	(6)	Payment collected 7 days after acceptance	Note	Note	\$ -	-	

Note: See Note 28.

ThinTech Materials Technology Co., Ltd. and Its Subsidiaries
Business Relations and Important Transactions Between Parent Company and Subsidiaries and Among Subsidiaries
For the Years Ended December 31, 2022 and 2021

Table 5

Unit: NT\$ thousand
(unless specified otherwise)

No.	Name of trader	Transaction counterparty	Relations with trader	Transaction			
				Item	Amount	Transaction conditions	As a % of total consolidated revenue or total assets
0	The Company	Taicang Xinchang Photoelectricity Material Co., Ltd.	Parent company to subsidiary	Sales revenue	\$ 15,566	As per the contract	1
0	The Company	Taicang Xinchang Photoelectricity Material Co., Ltd.	Parent company to subsidiary	Interest income	2,241	As per the resolutions adopted by the Board of Directors and the contract	-
0	The Company	Taicang Xinchang Photoelectricity Material Co., Ltd.	Parent company to subsidiary	Accounts receivable	16,892	As per the contract	1
0	The Company	Taicang Xinchang Photoelectricity Material Co., Ltd.	Parent company to subsidiary	Other receivables	196	As per the resolutions adopted by the Board of Directors and the contract	-
0	The Company	Taicang Xinchang Photoelectricity Material Co., Ltd.	Parent company to subsidiary	Other income	366	As per the contract	-
1	Taicang Xinchang Photoelectricity Material Co., Ltd.	The Company	Subsidiary to parent company	Sales revenue	3,642	As per the contract	-
1	Taicang Xinchang Photoelectricity Material Co., Ltd.	The Company	Subsidiary to parent company	Accounts receivable	3,519	As per the contract	-

ThinTech Materials Technology Co., Ltd. and Its Subsidiaries
Information on Investees
For the Years Ended December 31, 2022 and 2021

Table 6

Unit: NT\$ thousand
(unless specified otherwise)

Name of investor	Name of investee	Location	Principal business activities	Initial investment amount		Holding at the end of the year			Profit on investees for this year	Investment income recognized for this year	Remarks
				End of this year	End of last year	Number of shares	%	Carrying amount			
							(%)				
The Company	Thintech Global Limited	Samoa	An investment holding company	\$ 205,435	\$ 205,435	6,800,000	100	\$ 61,975	\$ 6,494	\$ 6,494	Notes 1 and 2
The Company	Pro-Ascentek Investment Corporation	Taiwan	General investment	30,000	30,000	3,000,000	2.5	29,002	37,820	946	

Note 1: The Company invests in Taicang Xinchang Photoelectricity Material Co., Ltd. through TTGL.

Note 2: It has been written off when the consolidated financial statements were prepared.

ThinTech Materials Technology Co., Ltd. and Its Subsidiaries
Information on investment in Mainland China
For the Years Ended December 31, 2022 and 2021

Table 7

Unit: NT\$ thousand
(unless specified otherwise)

Name of investee	Principal business activities	Paid-in capital	Investment method (Note 3)	Cumulative investment amount remitted from Taiwan at the beginning of this year	Amount of investment remitted or recovered during this year		Cumulative investment amount remitted from Taiwan at the end of this year	Profit or loss on investees for this year	The Company's shareholding in direct or indirect investment (%)	Investment income or loss recognized for this year	Book value of investments at the end of this year	Investment income remitted back as of the end of this year	Remarks
					Outward remittance	Inward remittance							
Taicang Xinchang Photoelectricity Material Co., Ltd.	Manufacturing and sales of metal targets	\$ 208,828	2	\$ 208,828	\$ -	\$ -	\$ 208,828	\$ 6,494	100.00	\$ 6,494	\$ 61,975	\$ -	Notes 4 and 5

Name of investor	Cumulative amount of investment from Taiwan to China at the end of this year	Amount of investment approved by the Investment Commission, MOEA (Note 1)	Limit of investment by the Company in China (Note 2)
ThinTech Materials Technology Co., Ltd.	\$ 208,828	\$ 208,828	\$ 716,518

Note 1: It includes the Company's investment in Taicang Xinchang Photoelectricity Material Co., Ltd. in the amount of US\$6,800 thousand approved by the Investment Commission, Ministry of Economic Affairs (MOEA).

Note 2: The limit of Company's investment in China is $\$1,194,196 \times 60\% = \$716,518$.

Note 3: Investment methods are divided into the three types below.

1. Direct investment in China.
2. Indirect investment in China through a third-region company (see Table 6 for third-region investment companies).
3. Other methods.

Note 4: It is recognized and disclosed based on the financial statements for the same periods audited by the Company's CPAs and has been written off when the consolidated financial statements were prepared.

Note 5: The foreign currency amounts in the above table are converted into NTD at the exchange rate prevailing on the balance sheet date.

ThinTech Materials Technology Co., Ltd.
Information on major shareholders
December 31, 2022

Table 8

Name of major shareholder	Shares	
	Number of shares held	Shareholding (%)
Gains Investment Corporation	23,423,016	31.86
United Renewable Energy Co., Ltd.	7,000,000	9.52
Ever Wealthy International Corporation	6,119,748	8.32
Lin, Kao-Huang	4,500,000	6.12

Note 1: The major shareholders in this table are shareholders holding at least 5% of the ordinary and preference shares (including treasury shares) with dematerialized registration and delivery completed on the last business day of the year calculated by the Taiwan Depository & Clearing Corporation.

Note 2: If a shareholder delivers its shareholding information to the trust, the aforesaid information shall be disclosed by the individual trustee who opened the trust account. For information on shareholders, who declare to be insiders holding more than 10% of shares in accordance with the Securities and Exchange Act, and their shareholdings including their shareholdings plus their shares in a trust and shares with the right to make decisions on trust property, please refer to MOPS.



ThinTech Materials Technology Co., Ltd.



Chairman:

Chung Chia Huang

Huang, Chung-Chia



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