

YUAN High-Tech Development Co., Ltd.
Financial Report and Independent Auditors' Review Report
2021 and 2022
(Stock Code: 5474)

Address: 18F., No. 88, Sec. 2, Zhongxiao E. Rd., Zhongzheng Dist.,
Taipei City

Tel: (02) 2392-1233

"For the convenience of readers, the independent auditors' review report and the accompanying individual 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' review report and individual financial statements shall prevail."

YUAN High-Tech Development Co., Ltd.

Financial Report and Independent Auditors' Review Report for the Years Ended December

31, 2022 and 2021

Table of Contents

Item	Page(s)/Number/In dex
I. Front Page	1
II. Table of Contents	2
III. CPA's Audit Report	3~ 7
IV. Balance Sheet	8 ~ 9
V. Consolidated Income Statement	10
VI. Statement of Changes in Equity	11
VII. Cash Flow Statement	12
VIII. Notes to the Financial Report	13 ~ 45
(I) Company History	13
(II) Date and Procedures for Adoption of the Financial Report	13
(III) Application of New and Amended Standards and Interpretations	13 ~ 14
(IV) Summary of Significant Accounting Policies	14 ~ 22
(V) Major sources of uncertainty in major accounting judgments, estimates and assumptions	22
(VI) Description of Material Accounting Items	22 ~ 41
(VII) Related Party Transactions	41
(VIII) Pledged Assets	42
(IX) Material Contingent Liabilities and Unrecognized Contractual Commitments	42
(X) Losses due to Major Disasters	42
(XI) Significant Events after the Balance Sheet Date	42
(XII) Others	43 ~ 48
(XIII) Separately Disclosed Items	48
(XIV) Segment Information	49
IX. Statement of Material Accounting Items	
Statement of Cash and Cash Equivalents	Statement I
Property, Plant and Equipment	Note VI(V)
Investment Properties	Note VI(VIII)
Statement of Inventories	Statement II
Statement of Notes Payable	Statement III
Statement of Accounts Payable	Statement IV
Other Payables	Note VI (IX)
Statement of Sales Income	Statement V
Statement of Cost of Goods Sold	Statement VI
Statement of Selling and Marketing Expenses	Statement VII
Statement of General and Administrative Expenses	Statement VIII
Statement of Research and Development Expenses	Statement IX
Statement of Employee Benefits and Depreciation and Amortization Expenses by Function	Statement X

CPA's Audit Report

(112) Cai-Shen-Bao-Zi No. 22004751

To YUAN High-Tech Development Co., Ltd.,

Opinions

The Balance Sheet as of December 31, 2022 and 2021, the Comprehensive Income Statement, the Statement of Changes in Equity and Cash Flow Statement for the period from January 1 to December 31, 2022 and 2021, as well as the Notes to the Financial Statements (including a summary of material accounting policies) of YUAN High-Tech Development Co., Ltd. (hereinafter referred to as YUAN Company), have been reviewed by us.

According to our review results, we have determined that the foregoing financial statements have been prepared in all material respects in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers as well as International Financial Reporting Standards endorsed by the Financial Supervisory Commission (FSC), International Accounting Standard, IFRIC Interpretations, and SIC Interpretations, with a fair presentation of the financial position as of December 31, 2022 and 2021, the financial performance and the cash flows for the period from January 1 to March 31, 2022 and 2021 of YUAN High-Tech Development Co., Ltd.

Basis for 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 of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. Personnel of our affiliated firm subject to independence standards has maintained their independence from YUAN Company in accordance with the R.O.C. Statement of Ethics, and performed other obligations hereof. We believe that we have obtained sufficient and appropriate evidence as the basis for the audit opinion.

Key Audit Matters

Key audit matters refer to the most important matters to the audit of 2022 financial statements of YUAN Company in the professional judgement according to our professional judgment. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters of 2022 financial statements of YUAN Company are as follows:

Closing of Operating Revenue

Explanations

For the accounting policy of recognition of revenue, please refer to Note IV (XXV), for accounting items of operating revenue and its explanations, please refer to Note VI (XV), and the amount of 2022 operating revenue is NT\$1,372,773.

The sales mode of YUAN Company is that the operating revenue is recognized upon warehouse shipments of processing plant, and the revenue is recognized upon shipment by the processing plant (control of inventory is transferred to client). The Company mainly relies on the statements or other information provided by the warehouse custodian of the processing plant as the basis for the recognition of revenue based on the inventory changes in the warehouse of the processing plant, and the point of sales recognition varies according to the conditions of the customer agreement. These recognized revenue processes typically involve many manual operations and may result in inappropriate revenue recognition or inconsistencies between the inventory custody entity and the number of books on file. Because the daily sales volume of YUAN Company is large and the impact of the transaction amount on the financial statements before and after the end of the financial statements is material, we have listed the closing of sales revenue as one of the most important matters to be audited.

Major Audit Procedures

The following is a summary of the corresponding procedures that have been implemented by the CPA for the specific aspects described in the key audit matters:

1. Understand the business model of YUAN Company and evaluate the rationality of its cycle system of operating revenue.
2. Run a closing test for the transactions of operating revenue for a certain period before and after the closing date, including supporting documents for verification of warehouse shipments at processing plants, and records of inventory movements recorded in the appropriate period.
3. Perform field observation on inventory quantities and check with the inventory quantities recorded in the accounts. In addition, track the reasons for the discrepancies between the inventory observation and the quantities recorded in accounts, and test the reconciling items prepared by YUAN Company to confirm that material differences are recorded in the accounts.

Assessment on Valuation Loss of Allowance Inventories

Explanations

For the accounting policy of inventory valuation, please refer to Note IV (X) of the Financial Report for details; For the accounting estimates and assumption uncertainty of inventory valuation, please refer to Note V (II) of the Financial Report for details; For the description of inventory accounting items, please refer to

Note VI (IV) of the Financial Report for details. The balance of loss on inventory valuation and allowance inventories as of December 31, 2022 is NT \$392,548,000 and NT \$39,255,000, respectively.

YUAN Company mainly manufactures and sells computer multimedia peripheral video converters, interface cards and other related products, which are subject to rapid changes in technology and market price volatility, resulting in a higher risk of inventory price loss or obsolescence. The normal sales of inventory is measured by the cost and net realizable value, whichever is lower; for the inventory that is individually identified as obsolete and damaged, the net realizable value is included in the loss. The above-mentioned valuation loss of allowance inventories mainly comes from the inventory measured by the cost and net realizable value, whichever is lower, and inventory items individually identified as obsolete or damaged. Due to the large amount of inventories and the large number of items, and the net realizable value of individually identified obsolete or damaged inventory items often involves management judgment based on actual conditions, and it is also an area that needs to be judged in the audit, the CPA's assessment of the inventory valuation loss of the Company is listed as one of the most important matters to be audited.

Major Audit Procedures

The following is a summary of the corresponding procedures that have been implemented by the CPA for the specific aspects described in the key audit matters:

1. Obtain the provisioning policy of loss allowance for falling price of inventories of YUAN Company, unanimously adopt this policy during the period of comparison of financial statement, and evaluate the reasonableness of its provisioning policy.
2. Obtain a detailed list of the net realizable value of cost of inventories and the amount of slow-moving losses, review the relevant supporting documents, recalculate their accuracy, and evaluate the basis and reasonableness of the management's estimate of the net realizable value.
3. Check the relevant information obtained during the process of inventory counting, and ask the management and personnel related to inventory about details of inventory slow-moving, surplus, older inventory, obsolete or damaged items that are omitted from the inventory.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

To ensure that the Financial Statements do not contain material misstatements caused by fraud or errors, the management is responsible for preparing prudent Financial Statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, as well as the International Financial Reporting Standard, International Accounting Standard, IFRIC Interpretations, and SIC Interpretations as endorsed and issued by the Financial Supervisory Commission, and for preparing and maintaining necessary internal control procedures pertaining to the Financial Statements.

In preparing the financial statements, the management's responsibilities also include assessing the Company's ability as a going concern, disclosing relevant matters, and adopting the accounting basis for a going concern, unless the management intends to liquidate the Company or cease to operate, or there is no practical alternative other than liquidation or closure.

The governing body (including supervisor) of YUAN Company is responsible for supervising the financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high degree of assurance, but there is no assurance that the

audit performed in accordance with the Auditing Standards of the Republic of China will detect any material misrepresentations in the financial statements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

1. Identify and evaluate the risk of material misstatements due to fraud or error in the Financial Statements; design and carry out appropriate countermeasures for the evaluated risk; and obtain sufficient and appropriate evidence as the basis for their audit opinion. Because fraud may involve collusion, forgery, intentional omission, misrepresentation or transgression of internal control, the risk of failure to detect the material misrepresentation due to fraud is higher than that of due to error.
2. Obtain the necessary understanding of the internal control related to the audit to design the appropriate audit procedures under the circumstances, provided that the purpose is not to express an opinion on the effectiveness of the internal control of YUAN Company.
3. Evaluate the appropriateness of accounting policies adopted by management as well as the reasonableness of accounting estimate and related disclosures.
4. Draw conclusions as to the appropriateness of the adopting basis for a going concern adopted by the management, and whether there is any material uncertainty on events or circumstances that may raise material concerns about the ability for a going concern of YUAN Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. We draw our conclusion on the basis of the audit evidence obtained as of the audit report date. However, future events or circumstances may cause YUAN Company to cease to have the ability for a going concern.
5. Evaluate the overall expression, structure and contents of the Financial Statements (including relevant Notes), and whether the Financial Statements fairly present relevant transactions and items.

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

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

applicable, related safeguards.

We decide on the key audit matters of 2022 financial statements of YUAN Company from the matters communicated with the governance body. We specify these matters in the audit report, unless certain matters that are allowed for public disclosure by law, or in rare cases, we decide not to communicate certain matters in the audit report, because the negative impact of this communication can reasonably be expected to exceed the public interest improved.

PwC Taiwan

Feng, Min-Chuan

CPA

Hsu, Yung-Chien

Securities and Futures Bureau, Financial
Supervisory Commission, R.O.C.

Approval Document No.: Jin-Guan-Zheng-Liu-Zi
No.0960038033

Securities and Exchange Commission of the
Ministry of Finance

Approval Document No.: (84)
Taiwan-Finance-Securities-(VI)-13377

March 8, 2023

YUAN High-Tech Development Co., Ltd.

Balance Sheet

December 31, 2021 and 2022

Unit: NT\$ thousand

Assets	Note	December 31, 2022		December 31, 2021		
		Amount	%	Amount	%	
Current assets						
1100	Cash and cash equivalents	VI(I)	\$ 456,030	21	\$ 278,223	14
1150	Net notes receivable	VI(II)	3,552	-	9,620	-
1170	Net accounts receivable	VI(II)(III)	84	-	31,869	2
130X	Inventories	VI(IV)	353,293	17	375,831	18
1470	Other current assets	VI(III)	122,981	6	178,728	9
11XX	Total current assets		<u>935,940</u>	<u>44</u>	<u>874,271</u>	<u>43</u>
Non-current assets						
1600	Property, plant and equipment	VI(V)	11,252	1	1,092,552	54
1755	Right-of-use assets	VI(VI)	19,352	1	17,086	1
1760	Net amount of investment properties	VI(VIII) & VIII	1,101,006	52	22,309	1
1780	Intangible assets		4,108	-	3,083	-
1840	Deferred income tax assets	VI(XXI)	25,179	1	29,412	1
1900	Other non-current assets	VI(X)	17,810	1	3,963	-
15XX	Total non-current assets		<u>1,178,707</u>	<u>56</u>	<u>1,168,405</u>	<u>57</u>
1XXX	Total assets		<u>\$ 2,114,647</u>	<u>100</u>	<u>\$ 2,042,676</u>	<u>100</u>

YUAN High-Tech Development Co., Ltd.

Balance Sheet

December 31, 2021 and 2022

Unit: NT\$ thousand

Liabilities and equity		Note	December 31, 2022		December 31, 2021	
			Amount	%	Amount	%
Liabilities						
Current liabilities						
2130	Contract liabilities - current	VI(XV)	\$ 28,498	1	\$ 43,153	2
2150	Notes payable		29,665	1	53,596	3
2170	Accounts payable		56,197	3	74,330	4
2200	Other payables	VI(IX)	97,404	5	99,250	5
2230	Current tax liabilities		50,943	2	45,382	2
2250	Liability provision - current	VI(XI)	23,424	1	23,110	1
2280	Lease liabilities - current		14,572	1	9,371	-
2300	Other current liabilities		1,699	-	3,583	-
21XX	Total current liabilities		<u>302,402</u>	<u>14</u>	<u>351,775</u>	<u>17</u>
Non-current liabilities						
2550	Liability provision - non-current	VI(XI)	43,799	2	43,161	2
2570	Deferred income tax liabilities	VI(XXI)	1,186	-	-	-
2580	Lease liabilities - non-current		4,889	1	5,462	1
2600	Other non-current liabilities		2,386	-	1,120	-
25XX	Total non-current liabilities		<u>52,260</u>	<u>3</u>	<u>49,743</u>	<u>3</u>
2XXX	Total liabilities		<u>354,662</u>	<u>17</u>	<u>401,518</u>	<u>20</u>
Equity						
Share capital VI(XII)						
3110	Share capital of common stock		403,559	19	403,559	20
Capital reserve VI(XIII)						
3200	Capital reserve		793	-	793	-
Retained earnings VI(XIV)						
3310	Legal capital reserve		282,637	13	244,090	12
3350	Unappropriated earnings		1,111,292	53	1,031,012	50
Other equity						
3500	Treasury shares	VI(XII)	(38,296)	(2)	(38,296)	(2)
3XXX	Total equity		<u>1,759,985</u>	<u>83</u>	<u>1,641,158</u>	<u>80</u>
Material Contingent Liabilities and IX						
Unrecognized Contractual						
Commitments						
Significant Events after the Balance XI						
Sheet Date						
3X2X	Total liabilities and equity		<u>\$ 2,114,647</u>	<u>100</u>	<u>\$ 2,042,676</u>	<u>100</u>

YUAN High-Tech Development Co., Ltd.
Comprehensive Income Statement
From January 1 to December 31, 2021 and 2022

Unit: NT\$ thousand
(Except for earnings per share in NT\$)

Item	Note	2022		2021	
		Amount	%	Amount	%
4000 Operating income	VI(XV)	\$ 1,372,773	100	\$ 1,792,439	100
5000 Operating costs	VI(IV)	(714,505)	(52)	(994,604)	(56)
5900 Gross profit		<u>658,268</u>	<u>48</u>	<u>797,835</u>	<u>44</u>
Operating expenses	VI(X)(XIX)				
6100 Selling and marketing expenses		(51,297)	(4)	(39,856)	(2)
6200 Administrative expenses		(111,384)	(8)	(112,399)	(6)
6300 R&D expenses		(157,570)	(11)	(158,688)	(9)
6450 Expected credit impairment benefit (loss)	XII(II)	<u>2,513</u>	<u>-</u>	<u>(2,500)</u>	<u>-</u>
6000 Total operating expenses		<u>(317,738)</u>	<u>(23)</u>	<u>(313,443)</u>	<u>(17)</u>
6900 Operating profit		<u>340,530</u>	<u>25</u>	<u>484,392</u>	<u>27</u>
Non-operating income and expenses					
7100 Interest income	VI(XVI)	1,438	-	624	-
7010 Other income	VI(XVII)	18,275	1	9,328	1
7020 Other gains and losses	VI(XVIII)	22,885	2	(9,344)	(1)
7050 Finance costs		<u>(373)</u>	<u>-</u>	<u>(622)</u>	<u>-</u>
7000 Total non-operating income and expenses		<u>42,225</u>	<u>3</u>	<u>(14)</u>	<u>-</u>
7900 Net income before tax		<u>382,755</u>	<u>28</u>	<u>484,378</u>	<u>27</u>
7950 Income tax expenses	VI(XXI)	<u>(68,451)</u>	<u>(5)</u>	<u>(100,294)</u>	<u>(5)</u>
8200 Net profit in the current period		<u>\$ 314,304</u>	<u>23</u>	<u>\$ 384,084</u>	<u>22</u>
8311 Remeasurements of defined benefit plan	VI(X)	\$ 4,135	-	\$ 1,730	-
8349 Income tax related to items not reclassified	VI(XXI)	<u>(827)</u>	<u>-</u>	<u>(346)</u>	<u>-</u>
8300 Other comprehensive income, net		<u>\$ 3,308</u>	<u>-</u>	<u>\$ 1,384</u>	<u>-</u>
8500 Total comprehensive income for the period		<u>\$ 317,612</u>	<u>23</u>	<u>\$ 385,468</u>	<u>22</u>
Earnings per share	VI(XXII)				
9750 Basic earnings per share		<u>\$</u>	<u>7.91</u>	<u>\$</u>	<u>9.66</u>
9850 Diluted earnings per share		<u>\$</u>	<u>7.88</u>	<u>\$</u>	<u>9.63</u>

The notes to the financial statements attached hereto are part of this financial report and shall be referred to accordingly.

Chairman: Chao, Hsi-Cheng

Manager: Lin, Hung-Pei

Accounting Manager: Lo, Chia-Ling

YUAN High-Tech Development Co., Ltd.
Statement of Changes in Equity
From January 1 to December 31, 2021 and 2022

Unit: NT\$ thousand

	Note	Share capital of common stock	Capital reserve	Retained earnings		Treasury shares	Total equity
				Legal capital reserve	Unappropriated earnings		
<u>2021</u>							
Balance as of January 1, 2021		\$ 337,298	\$ 793	\$ 182,484	\$ 1,038,457	(\$ 38,296)	\$ 1,520,736
Net profit in the current period		-	-	-	384,084	-	384,084
Other Comprehensive Income		-	-	-	1,384	-	1,384
Total comprehensive income for the period		-	-	-	385,468	-	385,468
Appropriation and distribution of earnings of 2020:	VI(XIV)						
Provision for legal surplus reserve		-	-	61,606	(61,606)	-	-
Cash dividends		-	-	-	(265,046)	-	(265,046)
Stock dividends		66,261	-	-	(66,261)	-	-
Balance as of December 31, 2021		<u>\$ 403,559</u>	<u>\$ 793</u>	<u>\$ 244,090</u>	<u>\$ 1,031,012</u>	<u>(\$ 38,296)</u>	<u>\$ 1,641,158</u>
<u>2022</u>							
Balance as of January 1, 2022		\$ 403,559	\$ 793	\$ 244,090	\$ 1,031,012	(\$ 38,296)	\$ 1,641,158
Net profit in the current period		-	-	-	314,304	-	314,304
Other Comprehensive Income		-	-	-	3,308	-	3,308
Total comprehensive income for the period		-	-	-	317,612	-	317,612
Appropriation and distribution of earnings of 2021:	VI(XIV)						
Provision for legal surplus reserve		-	-	38,547	(38,547)	-	-
Cash dividends		-	-	-	(198,785)	-	(198,785)
Balance on December 31, 2022		<u>\$ 403,559</u>	<u>\$ 793</u>	<u>\$ 282,637</u>	<u>\$ 1,111,292</u>	<u>(\$ 38,296)</u>	<u>\$ 1,759,985</u>

The notes to the financial statements attached hereto are part of this financial report and shall be referred to accordingly.

Chairman: Chao, Hsi-Cheng

Manager: Lin, Hung-Pei

Accounting Manager: Lo, Chia-Ling

YUAN High-Tech Development Co., Ltd.
Cash Flow Statement
From January 1 to December 31, 2021 and 2022

Unit: NT\$ thousand
From January 1 to
December 31, 2021

	Note	From January 1 to December 31, 2022	From January 1 to December 31, 2021
<u>Cash flows from operating activities</u>			
Current net profit before tax		\$ 382,755	\$ 484,378
Adjustments			
Income and expenses			
Depreciation expenses	VI(V)(VI)(VIII) (XIX)	21,136	26,542
Amortization expenses	VI(XIX)	3,657	4,729
Impairment loss on expected credit (reversal profit)	XII(II)	(2,513)	2,500
Interest income	VI(XVI)	(1,438)	(624)
Interest expense		373	622
Changes in assets/liabilities relating to operating activities			
Net changes in assets related to operating activities			
Decrease (increase) in notes receivable		6,068	(6,746)
Decrease (increase) in accounts receivable		34,298	(25,840)
Decrease (increase) in inventories		22,538	(42,260)
Decrease (increase) in other current assets		55,747	(29,318)
Increase in other non-current assets		(13,547)	-
Net change in liabilities related to operating activities			
(Decrease) increase in contract liabilities - current		(14,655)	13,679
Increase or decrease in notes payable		(23,931)	(145,742)
Decrease in accounts payable		(18,133)	(139,971)
Decrease in other payables		(1,846)	(25,320)
(Decrease) increase in other current liabilities		(1,884)	413
Increase in liability provision		952	6,846
Increase (decrease) in other non-current liabilities		3,360	(2,261)
Cash inflow from operating activities		452,937	121,627
Interest received		1,438	624
Interest paid		(373)	(622)
Income tax paid		(58,297)	(213,162)
Net cash inflow (outflow) from operating activities		395,705	(91,533)
<u>Cash flows from investing activities</u>			
Acquisition of property, plant and equipment	VI(V)	(2,571)	(4,799)
Purchase of intangible assets		(4,682)	(2,360)
(Increase) decrease in Refundable deposits		(302)	1,606
Net cash outflow from investment activities		(7,555)	(5,553)
<u>Cash flows from financing activities</u>			
Short-term loans		-	310,000
Repayment of short-term loans		-	(310,000)
Repayment of leasing principal	VI(XXIII)	(13,600)	(15,632)
Increase in guarantee deposits		2,042	-
Cash dividends	VI(XIV)	(198,785)	(265,046)
Net cash outflow from financing activities		(210,343)	(280,678)
Increase (decrease) in cash and cash equivalents for the current period		177,807	(377,764)
Balance of cash and cash equivalents at the beginning of period		278,223	655,987
Balance of cash and cash equivalents at the end of the period		\$ 456,030	\$ 278,223

The notes to the financial statements attached hereto are part of this financial report and shall be referred to accordingly.

Chairman: Chao, Hsi-Cheng

Manager: Lin, Hung-Pei

Accounting Manager: Lo, Chia-Ling

YUAN High-Tech Development Co., Ltd.
Notes to the Financial Report
2021 and 2022

Unit: NT\$ thousand
(unless otherwise specified)

I. Company History

YUAN High-Tech Development Co., Ltd. (hereinafter referred to as "the Company") was established in October, 1990 in the Republic of China, and is mainly engaged in the manufacturing, processing and trading of computer multimedia peripheral video converters and interface cards, electronic and computer parts, general import and export business of the aforementioned products, and the distribution and bidding business of the aforementioned products on behalf of domestic manufacturers.

II. Date and Procedures for Adoption of the Financial Report

This financial report was approved and promulgated by the Board of Directors on March 8, 2023.

III. Application of New and Amended Standards and Interpretations

(I) Effect of the application of new and amended International Financial Reporting Standards ("IFRSs") as endorsed and promulgated by the Financial Supervisory Commission (hereinafter referred to as "FSC")

The following table lists the newly issued, amended and revised IFRSs and interpretations as endorsed and promulgated by the FSC in 2022:

<u>Newly Issued, Amended, and Revised Standards and Interpretations</u>	<u>The effective date published by International Accounting Standards Board (IASB)</u>
Amendments to IFRS 3 - Reference to the Conceptual Framework	January 1, 2022
Amendments to IAS 16 - Property, Plant and Equipment - Proceeds before Intended Use	January 1, 2022
Amendments to IAS 37 - Onerous Contracts - Cost of Fulfilling a Contract	January 1, 2022
Annual Improvements to IFRS Standards 2018-2020	January 1, 2022

The Company assessed the above standards and interpretations and there is no significant impact to the Company's financial position and financial performance.

(II) The impact of newly issued and amended IFRS endorsed by FSC but yet has not been adopted by the Company

The following table lists the newly issued, amended and revised IFRSs and interpretations as

<u>Newly Issued, Amended, and Revised Standards and Interpretations</u>	<u>The effective date published by International Accounting Standards Board (IASB)</u>
Amendments to IAS 1 - Disclosure Initiative-Accounting Policies	January 1, 2023
Amendments to IAS 8 - Definition of Accounting Estimates	January 1, 2023
Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023

by the FSC in 2023:

The Company assessed the above standards and interpretations and there is no significant impact to the Company's financial position and financial performance.

(III) The impact of IFRS published by the IASB but not yet endorsed by the FSC

The following table lists the newly issued, amended and revised IFRSs and interpretations published by the IASB but not yet endorsed by the FSC:

<u>Newly Issued, Amended, and Revised Standards and Interpretations</u>	<u>International Accounting Standards Board Effective date of issuance</u>
Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be decided by IASB
Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback	January 1, 2024
IFRS 17 - Insurance Contracts	January 1, 2023
Amendments to IFRS 17 - Insurance Contracts	January 1, 2023
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

The Company assessed the above standards and interpretations and there is no significant impact to the Company's financial position and financial performance.

IV. Summary of Significant Accounting Policies

The main accounting policies adopted in the preparation of this financial report are described below. Unless otherwise stated, these policies apply consistently throughout all reporting periods.

(I) Statement of Compliance

This financial report has been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, as well as International Financial Reporting Standard, International Accounting Standard, IFRIC Interpretations, and SIC Interpretations (hereinafter referred to as "IFRSs") as endorsed and issued by the Financial Supervisory Commission.

(II) Basis of Preparation

1. Except for the following important items, this financial report is prepared at historical cost:

A defined benefit liability is recognized as the net value of the pension fund assets minus the present value of the defined benefit obligation.

2. The preparation of financial report in compliance with IFRSs requires the use of certain significant accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Please refer to Note V for items involving in a higher degree of judgment or complexity or items involving in

significant assumptions and estimates to the financial report.

(III) Translation of foreign currency

The items presented in the financial report of the Company are measured at the currency (i.e., functional currency) of the main economic environment in which the Company operating. This financial report is presented in the functional currency of the Company, New Taiwan Dollar.

Transaction in foreign currencies and balances

1. Transaction in foreign currencies are translated into functional currencies at the spot exchange rate on the trading day or the measurement date, and the translation differences generated by such transactions are recognized as profit or loss for the current period.
2. The balance of monetary assets and liabilities in foreign currencies shall be evaluated and adjusted according to the spot exchange rate on the balance sheet date, and the translation differences generated by such adjustment shall be recognized as profit and loss for the current period.
3. If the balance of non-monetary assets and liabilities in foreign currencies is not measured at fair value, it shall be measured at the historical exchange rate of the initial trading day.
4. All other exchange gains and losses shall be presented under "Other gains and losses" in the Income Statement.

(IV) The classification criteria for assets and liabilities whether are current or non-current

1. An asset that meets any of the following conditions shall be classified as current asset:
 - (1) The asset is expected to be realized, or intended to be sold or consumed in the normal operating cycle;
 - (2) The liability is held primarily for trading purposes;
 - (3) The asset is expected to be realized within 12 months after the balance sheet date; and
 - (4) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to pay off a liability at least 12 months after the balance sheet date.

The Company classifies all assets that do not meet the foregoing conditions as non-current.

2. A liability that meets any of the following conditions shall be classified as current liability:
 - (1) The liability is expected to be paid off in the normal operating cycle;
 - (2) The liability is held primarily for trading purposes;
 - (3) The liability is expected to be paid off within 12 months after the balance sheet date; and
 - (4) The liability of which the settlement term cannot be deferred unconditionally to at least 12 months after the balance sheet date. However, the terms of a liability which may result in the settlement of an equity instrument at the option of the counterparty will not affect its classification.

The Company classifies all liabilities that do not meet the foregoing conditions as non-current.

(V) Cash equivalents

Cash equivalents refer to short-term investments with highly liquidity that can be converted

into quota cash at any time with little risk of change in value. Time deposits that meet the foregoing definition and are held for the purpose of meeting short-term cash commitments in operation are classified as cash equivalents.

(VI) Accounts and notes receivable

1. Accounts and notes receivable refer to the accounts and notes which have the right to unconditionally receive the consideration for the transfer of goods or services in accordance with the contract.
2. The Company measures the short-term accounts and notes receivable without interest paid at the original invoice value, due to the little effect from discount.
3. The Company's expected factoring receivables are operated for the purpose of selling, and shall be measured at fair value subsequently, with changes recognized as profit and loss for the current period.

(VII) Impairments of financial assets

At each balance sheet date, the Company, taking into account all reasonable and verifiable information (including forward-looking information) regarding financial assets measured at amortized cost, and accounts receivable with material financial components, measures the loss allowance by the expected credit loss in 12 months for those without credit risk increased significantly since the initial recognition, and measures the loss allowance by the expected credit loss during the duration for those with credit risk increased significantly since the initial recognition. For accounts receivable that do not contain a material financial component, the Company measures the loss allowance by the expected credit loss during the duration.

(VIII) Derecognition of financial assets

The Company will derecognize a financial asset if:

1. The contractual rights to receive cash flows from the financial asset expire.
2. The Company transfers the contractual rights to receive cash flows from the financial asset and virtually has transferred all the risks and rewards of the ownership of the financial asset.
3. The Company transfers the contractual rights to receive cash flows from the financial asset without retaining control over the financial asset.

(IX) Lessor's lease transaction - operating lease

The deduction of any inducement given to the lessee from the lease income of an operating lease shall be recognized as the current profit or loss by the straight-line method during the lease term.

(X) Inventories

Inventory shall be measured at the lower of cost or net realized value, and the cost is determined by weighted average method. The costs of finished goods and work in process include raw materials, direct labor, other direct costs and manufacturing overhead related to production, but does not include borrowing costs. The item-by-item comparison method is adopted for the lower of comparative cost and net realized value. The net realized value refers to the balance of the estimated selling price in the normal course of business minus the estimated cost to be invested until completion and estimated costs required to complete the sale.

(XI) Property, plant and equipment

1. Property, plant and equipment are accounted for on the basis of acquisition cost.
2. Subsequent costs are included in the asset's carrying amount or recognized as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replacement shall be derecognized. All other maintenance costs shall be recognized as current profit or loss when incurred.
3. Property, plant and equipment shall be subsequently measured by the cost model, and shall be depreciated by the straight-line method based on the estimated service life except for land. If each item of property, plant and equipment is material, it shall be depreciated separately.
4. The Company reviews each asset's residual values, service lives and depreciation methods at the end date of each fiscal year. If expected values of residual values and service lives differ from the previous estimates or there has been a material change in the expected consumption pattern of the future economic benefits contained in the asset, it shall be treated in accordance with the provisions of the IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors for changes in accounting estimates since the date of the change. The service life of each asset is as follows:

Machinery equipment	2 to 5 Years
Transportation equipment	5 Years
Office equipment	2 to 5 Years
Lease improvement	2 Years

(XII) Lessee's lease transaction - right-of-use assets/lease liabilities

1. The leased assets shall be recognized as the right-of-use assets and lease liabilities on the date when they are available to the Company. When the lease contract is a short-term lease or a lease of an underlying asset of low value, the lease payment shall be recognized as expense during the lease period by straight-line method.
2. The lease liabilities shall be recognized at the present value of the unpaid lease payments at the commencement date of lease discounted at the Company's interest rate on the increment loan. A lease payment is a fixed payment minus any lease inducement that may be received.
The lease liabilities shall be measured by the interest method and the amortized cost method subsequently, and the provision for interest expense shall be made during the lease term. When the lease term or lease payment changes not due to the contract modification, the lease liability will be reassessed and the remeasurement amount will be adjusted to the right-of-use asset.
3. The right-of-use assets shall be recognized at cost on the commencement date of lease, and the cost shall include:
 - (1) The initial measurement amount of the lease liability;
 - (2) Any lease payment paid on or before the commencement date.The right-of-use assets shall be measured by the cost model subsequently, and the provision for depreciation expense shall be made on the earlier of the expiry date of the asset's service life or the expiry date of the lease term. When the lease liability is reassessed, the

right-of-use assets will be adjusted to any remeasurement of the lease liability.

4. For a lease modification that reduces the scope of the lease, lessee will reduce the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize the difference between the carrying amount and the remeasurement amount of the lease liability in the profit and loss.

(XIII) Investment properties

Investment properties shall be recognized at acquisition cost, and measured by the cost model subsequently. Except for land, investment property shall be depreciated by the straight-line method according to the estimated service life, which is 10-20 years.

(XIV) Intangible assets

Computer software

Computer software shall be recognized at acquisition cost, and amortized over an estimated service life of 1 - 5 years by the straight-line method.

(XV) Impairment of non-financial assets

On the balance sheet date, the Company estimates the recoverable amount of the assets with an indication of impairment, and recognizes the impairment loss when the recoverable amount is lower than the book value. The recoverable amount refers to the fair value of an asset minus the cost of disposal or its use value, whichever is higher. When the impairment of an asset recognized in previous years does not exist or decreases, the impairment loss shall be reversed, provided that the increase in the carrying amount of the asset resulting from the reversal of the impairment loss shall not exceed the carrying amount of the asset after deducting depreciation or amortization if the impairment loss is not recognized.

(XVI) Loans

It refers to a short-term loan from a bank. At the time of initial recognition, the Company shall measure the loans by deducting transaction costs from their fair value, and shall subsequently recognize the interest expense in profit and loss during the current period according to the amortization procedure using the effective interest method for any difference between the price after deducting transaction costs and the redemption value in profit and loss.

(XVII) Accounts and notes payable

1. Accounts and notes payable are debts incurred for the purchase of raw materials, goods or services on credit and notes payable incurred either arising from business or not arising from business.
2. The Company measures the short-term accounts and notes payable without interest paid at the original invoice value, due to the little effect from discount.

(XVIII) Derecognition of financial liabilities

The Company derecognizes financial liabilities when its contractual obligations specified have been performed, canceled or due.

(XIX) Offsetting of financial assets and liabilities

The Company may offset the financial assets and financial liabilities against each other and present them net in the balance sheet only when it has a legally enforceable right to offset the recognized amount of financial assets and liabilities, and intends to close on a net basis or realize assets and pay off liabilities at the same time.

(XX) Liability provision

Provision for liabilities (including warranties and provisions for liabilities arising from litigation) shall be recognized when the Company has a current legal or constructive obligation arising from a past event, and it is likely that the Company will have to discharge resources with economic benefit in the future to fulfill the obligation, the amount of such obligation can be reliably estimated. The provision for liabilities shall be measured by the best estimated present value of the expenditure required to fulfill the obligation at the balance sheet date, with a pre-tax discount rate which reflects the current market assessment of the time value of money and the specific risk of the liability. The amortization of the discount shall be recognized as interest expense. No provision for liabilities shall be recognized for future operating losses.

(XXI) Employee benefits

1. Short-term employee benefits

Short-term employee benefits shall be measured at the undiscounted amount expected to be paid and shall be recognized as expenses when the services are provided.

2. Pension

(1) Defined contribution plans

For a defined contribution plan, the amount of the pension fund to be contributed shall be recognized as the current pension cost on an accrual basis. Contributions paid in advance shall be recognized as assets to the extent refundable cash or reduced future payments.

(2) Defined benefit plans

A. Net obligations under defined benefit plans shall be calculated by discounting the amount of future benefits earned by the employee from the current or past services, and by present value of defined benefit obligations less the fair value of plan assets at the balance sheet date. Net obligations under defined benefit plan shall be calculated on an annually basis by actuaries using the projected unit benefit method. The discount rate adopted shall be the market yield (at the balance sheet date) of government bonds in the same currency and period as the defined benefit plan at the balance sheet date.

B. The remeasurement amount generated by the defined benefit plan shall be recognized in other comprehensive income for the period in which it is incurred and expressed in retained earnings.

3. Employees compensation and remuneration to directors

Employees compensation and remuneration to directors shall be recognized as expenses and liabilities where there are legal or constructive obligations and the amounts can be reasonably estimated. If there is a difference between the actual amount distributed and the accrued amount resolved subsequently, it shall be treated as a change in accounting estimate. In addition, if employees compensation is issued in stock, the number of shares shall be calculated based on the closing price of the day prior to the resolution of the board of directors.

(XXII) Income tax

1. Income tax expense includes current and deferred income taxes. Income tax shall be recognized in profit and loss, except that income tax related to items included in other comprehensive income or directly included in equity shall be separately included in other

comprehensive income or directly included in equity.

2. The Company shall calculate the current income tax on the basis of the tax rates that are legislated or substantially legislated at the balance sheet date by the country in which the Company operates and generates its taxable income. Management shall evaluate on a regularly basis the status of income tax returns in respect of applicable income tax regulations and, where applicable, estimate income tax liabilities based on the taxes expected to be paid to tax authorities. The expense of income tax imposed on undistributed earnings under the Income Tax Act shall not be recognized according to the actual distribution of undistributed earnings until the next year of the year in which the surplus is generated after the earnings distribution plan is approved by the shareholders' meeting.
3. Deferred income tax shall be recognized on the basis of temporary differences between the tax basis of assets and liabilities and their carrying amounts on the balance sheet, using the balance sheet method. Deferred tax is subject to the tax rate (and tax law) that is legislated or substantially legislated at the balance sheet date and is expected to apply at the time of realization of the relevant deferred tax asset or settlement of the deferred tax liability.
4. Deferred income tax assets shall be recognized to the extent that temporary differences are likely to be used to offset future taxable income, and the unrecognized and recognized deferred income tax assets shall be reassessed on each balance sheet date.
5. The Company shall offset the current income tax assets and current income tax liabilities against each other only when it has the legal enforcement power to offset the recognized current income tax assets and liabilities against each other and intends to repay them on a net basis or realize assets and pay off liabilities at the same time. The Company shall offset the deferred income tax assets and liabilities against each other only when it has the legal enforcement power to offset the current income tax assets and the current income tax liabilities against each other, and the deferred income tax assets and liabilities are generated by the same taxpayer, or by different taxpayers, levied by the same tax authority, provided that each taxpayer intends to repay them on a net basis or realize assets and pay off liabilities at the same time.
6. Unused income tax credits transferred in later period arising from research and development expenditure shall be recognized as income tax assets to the extent that future tax income is likely to be available for the use of the unused income tax credit.

(XXIII) Share capital

1. Common stock is classified as equity, and the incremental costs directly attributable to the issuance of new shares or stock options shall be included as price deduction in equity with the net amount after deduction of income tax.
2. When the Company repurchases its outstanding shares, it recognizes the consideration paid, including any directly attributable incremental costs, as a reduction of shareholders' equity on a net after-tax basis. When the repurchased shares are subsequently re-issued, the difference between the book value and the consideration received after deducting any directly attributable incremental costs and income tax effects of the repurchased shares shall be recognized as an adjustment of shareholders' equity.

(XXIV) Dividend distribution

Cash dividends distributed to the Company's shareholders shall be recognized in the financial report when the dividends distribution are approved by resolution of the shareholders' meeting

or by special resolution of the Board of Directors. Cash dividends distribution shall be recognized as liabilities, while stock dividends distributed to the shareholders of the Company shall be recognized as stock dividends to be distributed when the distribution is resolved at the Company's stockholders' meeting, and recognized as ordinary shares on the base date of issue of new shares.

(XXV) Recognition of revenue

1. Merchandise sales

- (1) The Company develops, manufactures and sells computer multimedia peripheral video converters, interface cards and other related products, and recognizes the sales revenue when the control of the products is transferred to the customer, that is, when the products are delivered to the customer, the customer has the discretion over the distribution and price of the products, and the Company has no outstanding 110

(XXVI) Operating segments

Information about the Company's operating segments is reported in a manner consistent with internal management reports provided to principal operating decision maker. The principal operating decision maker is responsible for allocating resources to the operating segments and evaluating their performance. The principal operating decision maker of the Company is identified as the Board of Directors.

V. Major sources of uncertainty in major accounting judgments, estimates and assumptions

At the time of the preparation of this financial report, management has used its judgment in determining the accounting policies to be adopted and has made accounting estimates and assumptions based on reasonable expectations concerning future events according to the current conditions as at the balance sheet date. Significant accounting estimates and assumptions made that may differ from actual results will be continuously evaluated and adjusted taking into account historical experience and other factors. Such estimates and assumptions are subject to the risk of a material adjustment of the carrying amounts of assets and liabilities in the following fiscal year. The Company has taken into account the economic impact of the COVID-19 outbreak in its significant accounting judgments and will continue to evaluate the impact on its financial position and financial performance. Please refer to the following descriptions of the uncertainties in significant accounting judgments, estimates and assumptions:

(I) Significant judgments adopted for accounting policies

None.

(II) Significant accounting estimates and assumptions

Valuation of inventory

Since inventories are valued at the lower of cost and net realized value, the Company must use judgment and estimation to determine the net realized value of inventories at the balance sheet date. Due to rapid changing technology, the Company evaluates the amount of inventory for normal wear and tear, obsolescence, or without market value at the balance sheet date and offsets the cost of inventory to net realized value. This inventory valuation is based primarily on product demand estimates for specific periods in the future and may be subject to material change.

As of December 31, 2022, the carrying amount of the Company's inventory is NT\$353,293.

VI. Description of Material Accounting Items

(I) Cash and cash equivalents

	<u>December 31, 2022</u>		<u>December 31, 2021</u>
Cash on hand and working capital	\$ 1,005	\$	753
Check deposits and current deposits	318,925		202,570
Time deposits	<u>136,100</u>		<u>74,900</u>
	<u>\$ 456,030</u>	\$	<u>278,223</u>

1. The Company transacts with financial institutions of high credit quality, and transacts with a variety of financial institutions to diversify credit risk; therefore, the probability of counterparty's default is remote.

2. The Company has not pledged any cash and cash equivalents.

(II) Notes and accounts receivable

	<u>December 31, 2022</u>		<u>December 31, 2021</u>
Notes receivable	\$ 3,552	\$	9,620
Less: allowance for loss	<u>-</u>		<u>-</u>
	<u>\$ 3,552</u>	\$	<u>9,620</u>
Accounts receivable	\$ 93	\$	35,069
Less: allowance for loss	<u>(9)</u>		<u>(3,200)</u>
	<u>\$ 84</u>	\$	<u>31,869</u>

1. The aging analysis of accounts receivable and notes receivable is as follows:

	<u>December 31, 2022</u>		<u>December 31, 2021</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>
Not overdue	\$ 93	\$ 3,552	\$ 34,382	\$ 9,620
Within 30 days	-	-	2	-
31-90 days	-	-	7	-
91-180.days	-	-	-	-
More than 181 days	<u>-</u>	<u>-</u>	<u>678</u>	<u>-</u>
	<u>\$ 93</u>	<u>\$ 3,552</u>	<u>\$ 35,069</u>	<u>\$ 9,620</u>

The above aging analysis is based on the number of days overdue.

2. Balances of accounts receivable and notes receivable as of December 31, 2022 and 2021 were generated by contracts with customer, and the balance of accounts receivable under contracts with customer as of January 1, 2021 was NT\$12,103.
3. Without regard to collateral held or other credit enhancements, the maximum exposure amount representing most the credit risk of the Company's notes receivable as of December 31, 2022 and 2021 is NT\$3,552 and NT\$9,620, and the maximum exposure amount representing most the credit risk of the Company's accounts receivable as of December 31, 2022 and 2021 is NT\$84 and NT\$31,869, respectively.
4. Please refer to Note XII (II) for information on the credit risks.

(III) Transfer of financial assets

Transferred financial assets derecognized as a whole

The Company entered into an account receivable factoring agreement with Taipei Fubon Commercial Bank Co., Ltd., CTBC Bank Co., Ltd. and Cathay United Bank Co., Ltd. On November 9, 2021, December 17, 2021, July 17, 2020, and November 9, 2021 respectively. The Company is contractually free from the risk of non-collection of such transferred receivables and is only liable for losses arising from commercial disputes, and the Company has no ongoing involvement in such transferred receivables. Therefore, the Company derecognizes such factoring accounts receivable. The relevant information regarding those outstanding accounts receivable is as follows:

	<u>Amount of factoring accounts receivable</u>	<u>Derecognition amount</u>	<u>Unused amount</u>
December 31, 2022	\$ 105,824	\$ 105,824	\$ 390,893
December 31, 2021	152,356	152,356	355,913

The foregoing derecognition amounts are unadvanced and presented as "other current assets". The Company transacts its factoring accounts receivable with financial institutions of high credit quality, and transacts with a variety of financial institutions to diversify credit risk; therefore, the probability of counterparty's default is remote.

(IV) Inventories

	<u>December 31, 2022</u>		
	<u>Costs</u>	<u>Loss allowance for falling price</u>	<u>Carrying amount</u>
Raw material	\$ 335,062	(\$ 18,753)	\$ 316,309
Work in process	54,369	(19,942)	34,427
Finished products	3,117	(560)	2,557
Total	\$ 392,548	(\$ 39,255)	\$ 353,293

<u>December 31, 2021</u>			
<u>Loss allowance for falling</u>			
	<u>Costs</u>	<u>price</u>	<u>Carrying amount</u>
Raw material	\$ 380,625	(\$ 26,577)	\$ 354,048
Work in process	33,884	(15,026)	18,858
Finished products	<u>3,301</u>	<u>(376)</u>	<u>2,925</u>
Total	<u>\$ 417,810</u>	<u>(\$ 41,979)</u>	<u>\$ 375,831</u>

Inventory cost recognized as expense and loss in the current period:

	<u>2022</u>	<u>2021</u>
Cost of inventory sold	\$ 715,758	\$ 991,301
(Recovery gain) Loss from falling price	(2,724)	3,303
Loss from scrap	<u>1,471</u>	<u>-</u>
	<u>\$ 714,505</u>	<u>\$ 994,604</u>

Due to disposed inventories recognized as loss from falling price in 2022, the recovery gain of inventories of the Company is generated.

(V) Property, Plant and Equipment

	<u>Land</u>	<u>Land improvement</u>	<u>Machinery equipment</u>	<u>2022 Transportation equipment</u>	<u>Office equipment</u>	<u>Total</u>
January 1						
Costs	\$ 1,078,743	\$ 114	\$ 6,584	\$ 5,706	\$ 12,161	\$ 1,103,308
Accumulated depreciation		- (3)	(2,588)	(3,224)	(4,941)	(10,756)
	<u>\$ 1,078,743</u>	<u>\$ 111</u>	<u>\$ 3,996</u>	<u>\$ 2,482</u>	<u>\$ 7,220</u>	<u>\$ 1,092,552</u>
January 1	\$ 1,078,743	\$ 111	\$ 3,996	\$ 2,482	\$ 7,220	\$ 1,092,552
Additions	-	-	2,171	-	400	2,571
Reclassification	(1,078,743)	(101)	-	-	-	(1,078,844)
Disposal cost	-	-	(604)	-	(528)	(1,132)
Accumulated depreciation disposed of	-	-	604	-	528	1,132
Depreciation expenses	-	(10)	(1,427)	(1,056)	(2,534)	(5,027)
December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,740</u>	<u>\$ 1,426</u>	<u>\$ 5,086</u>	<u>\$ 11,252</u>
December 31						
Costs	\$ -	\$ -	\$ 8,150	\$ 5,706	\$ 12,033	\$ 25,889
Accumulated depreciation	-	-	(3,410)	(4,280)	(6,947)	(14,637)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,740</u>	<u>\$ 1,426</u>	<u>\$ 5,086</u>	<u>\$ 11,252</u>

	<u>Land</u>	<u>Land improvement</u>	<u>Machinery equipment</u>	<u>2021 Transportation equipment</u>	<u>Office equipment</u>	<u>Lease improvement</u>	<u>Total</u>
January 1							
Costs	\$ 1,078,743	\$ -	\$ 6,471	\$ 3,960	\$ 11,340	\$ 1,765	\$1,102,279
Accumulated depreciation	-	-	(1,954)	(2,489)	(2,688)	(1,765)	(8,896)
	<u>\$ 1,078,743</u>	<u>\$ -</u>	<u>\$ 4,517</u>	<u>\$ 1,471</u>	<u>\$ 8,652</u>	<u>\$ -</u>	<u>\$1,093,383</u>
January 1	\$ 1,078,743	\$ -	\$ 4,517	\$ 1,471	\$ 8,652	\$ -	\$1,093,383
Additions	-	114	1,773	1,746	1,166	-	4,799
Disposal cost	-	-	(1,660)	-	(345)	(1,765)	(3,770)
Accumulated depreciation disposed of	-	-	1,660	-	345	1,765	3,770
Depreciation expenses	-	(3)	(2,294)	(735)	(2,598)	-	(5,630)
December 31	<u>\$ 1,078,743</u>	<u>\$ 111</u>	<u>\$ 3,996</u>	<u>\$ 2,482</u>	<u>\$ 7,220</u>	<u>\$ -</u>	<u>\$1,092,552</u>
December 31							
Costs	\$ 1,078,743	\$ 114	\$ 6,584	\$ 5,706	\$ 12,161	\$ -	\$1,103,308
Accumulated depreciation	-	(3)	(2,588)	(3,224)	(4,941)	-	(10,756)
	<u>\$ 1,078,743</u>	<u>\$ 111</u>	<u>\$ 3,996</u>	<u>\$ 2,482</u>	<u>\$ 7,220</u>	<u>\$ -</u>	<u>\$1,092,552</u>

The real property, plant and equipment of the Company have not been provided as guarantee.

(VI) Leasing transaction - lessee

1. The underlying assets leased by the Company are buildings, with a general lease term between 1 and 2 years. The lease agreements are negotiated individually and contain a variety of terms and conditions. There are no restrictions other than that the leased assets may not be used as guaranteed for loan.
2. The Company shall lease the parking space for a period not exceeding 12 months.
3. Information on the book value and recognized depreciation expenses of the right-of-use assets is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Buildings	<u>\$ 19,352</u>	<u>\$ 17,086</u>
	<u>2022</u>	<u>2021</u>
	<u>Depreciation expenses</u>	<u>Depreciation expenses</u>
Buildings	<u>\$ 15,962</u>	<u>\$ 20,779</u>

4. The increase of the Company's right-of-use assets for the years ended December 31, 2022 and 2021 is NT\$18,228 and NT\$11,827, respectively.
5. Information on the profit and loss relating to the lease contract is as follows:

	<u>2022</u>	<u>2021</u>
<u>Items affecting current profit and loss</u>		
Interest expense on lease liabilities	\$ 370	\$ 417
Expenses attributable to short-term lease contract	918	271

6. The total lease cash outflow of the Company for the years ended December 31, 2022 and 2021 is NT\$14,888 and NT\$16,998, respectively.

(VII) Lease transactions - lessor

1. The underlying assets rented out by the Company include land and buildings, with a general lease term between 1 and 9 years. Lease agreements are negotiated individually and contain a variety of terms and conditions. In order to preserve the use of the leased assets, the lessee is usually required not to use the leased assets as guarantee for loan or to provide salvage value guarantee.
2. For the rental income recognized by the Company under operating lease agreement for the years ended December 31, 2022 and 2021, please refer to Note VI(VIII), on which there is no variable lease payment.
3. The maturity date analysis of the lease payment made by the Company under operating lease is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
2022	\$ -	\$ 753
2023	11,867	-
2024	11,106	-
2025	10,158	-
2026	10,158	-
2027	10,158	-
After 2028	<u>33,013</u>	<u>-</u>
	<u>\$ 86,460</u>	<u>\$ 753</u>

(VIII) Investment Properties

	<u>Land</u>	<u>Buildings and structures</u>	<u>Total</u>
January 1		<u>2022</u>	
Costs	\$ 21,520	\$ 23,538	\$ 45,058
Accumulated depreciation	<u>-</u>	<u>(22,749)</u>	<u>(22,749)</u>
	<u>\$ 21,520</u>	<u>\$ 789</u>	<u>\$ 22,309</u>
January 1	\$ 21,520	\$ 789	\$ 22,309
Reclassification	1,078,743	101	1,078,844
Depreciation expenses	<u>-</u>	<u>(147)</u>	<u>(147)</u>
December 31	<u>\$ 1,100,263</u>	<u>\$ 743</u>	<u>\$ 1,101,006</u>
December 31			
Costs	\$ 1,100,263	\$ 23,653	\$ 1,123,916
Accumulated depreciation	<u>-</u>	<u>(22,910)</u>	<u>(22,910)</u>
	<u>\$ 1,100,263</u>	<u>\$ 743</u>	<u>\$ 1,101,006</u>

	<u>2021</u>		
	<u>Land</u>	<u>Buildings and structures</u>	<u>Total</u>
January 1 Costs	\$ 21,520	\$ 23,538	\$ 45,058
Accumulated depreciation	-	(22,616)	(22,616)
	<u>\$ 21,520</u>	<u>\$ 922</u>	<u>\$ 22,442</u>
January 1 Depreciation expenses	\$ 21,520	\$ 922	\$ 22,442
December 31	-	(133)	(133)
	<u>\$ 21,520</u>	<u>\$ 789</u>	<u>\$ 22,309</u>
December 31 Costs	\$ 21,520	\$ 23,538	\$ 45,058
Accumulated depreciation	-	(22,749)	(22,749)
	<u>\$ 21,520</u>	<u>\$ 789</u>	<u>\$ 22,309</u>

1. Rental income and direct operating expenses of investment properties:

	<u>2022</u>	<u>2021</u>
Rental income from investment properties (Note)	<u>\$ 9,207</u>	<u>\$ 1,489</u>
Direct operating expenses incurred in investment properties with rental income in the current period	<u>\$ 1,678</u>	<u>\$ 336</u>

Note: Accounted for "Other income".

- The fair value of the investment properties held by the Company as of December 31, 2022 and 2021 is NT\$1,332,837 and NT\$50,102, respectively. The fair value is based on the evaluation of the transaction prices of similar properties in the vicinity of the related assets and belongs to the third level fair value.
- Please refer to Note VIII for details of the investment properties provided as guarantee.
- In order to enhance the efficiency and revitalize the assets, the Board of Directors resolved on April 14, 2022 to lease all the land in Neihu to Gramus International Co., Ltd. Due to the change in the purpose of holding the property from self-use to rental and receiving rental income, the lands are reclassified from property, plant and equipment to investment properties in accordance with IAS 40, Accounting for Investment Property.

(IX) Other Payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Wages payable	\$ 76,548	\$ 75,977
Remuneration payable to directors	7,974	10,091
Remuneration payable to employees	7,974	10,091
Commission payable	877	814
Other expense payables	<u>4,031</u>	<u>2,277</u>
	<u>\$ 97,404</u>	<u>\$ 99,250</u>

(X) Pension

1.

- (1) In accordance with the provisions of the Labor Standards Act, the Company has formulated a retirement plan with defined benefits, which applies to the seniority of all regular employees prior to the implementation of the Labor Pension Act on July 1, 2005, and to the subsequent seniority of employees who choose to continue to apply the Labor standards Act after the implementation of the Labor Pension Act. If an employee is eligible for retirement, the pension payment shall be based on his/her seniority and the average salary of the six months prior to his/her retirement. Two bases will be given for each year of service up to 15 years (inclusive), and one base will be given for each year of service exceeding 15 years, subject to a maximum of 45 accumulated bases. The Company allocates 2% of the total salary per month to the retirement fund, which is deposited in a special account at the Bank of Taiwan in the name of the Supervisory Committee of Labor Retirement Reserve. In addition, before the end of each fiscal year, the Company shall estimate the balance of the special account for the retirement reserve fund for the employees referred to in the preceding paragraph. If the balance is insufficient to cover the estimated pension amount of the employees eligible for retirement in the following year, the Company will allocate the balance in a lump sum before the end of March next year.

- (2) The amounts recognized in the balance sheet are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligation	(\$ 39,210)	(\$ 39,750)
Fair value of plan assets	<u>45,138</u>	<u>38,975</u>
Net defined benefit assets (liabilities)	<u>\$ 5,928</u>	<u>(\$ 775)</u>

(3) Changes in net defined benefit liabilities are as follows:

	<u>Present value of defined benefit obligation</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liabilities</u>
2022			
Balance as of January 1	(\$ 39,750)	\$ 38,975	(\$ 775)
Current service cost	(427)	-	(427)
Interest (expenses) income	<u>(239)</u>	<u>234</u>	<u>(5)</u>
	<u>(40,416)</u>	<u>39,209</u>	<u>(1,207)</u>
Remeasurements:			
Changes in financial assumptions	1,206	-	1,206
Impact			
Experience adjustments	<u>-</u>	<u>2,929</u>	<u>2,929</u>
	<u>1,206</u>	<u>2,929</u>	<u>4,135</u>
Pension contribution	-	3,000	3,000
Pension payment	<u>-</u>	<u>-</u>	<u>-</u>
Balance as of December 31	<u><u>(\$ 39,210)</u></u>	<u><u>\$ 45,138</u></u>	<u><u>\$ 5,928</u></u>

	<u>Present value of defined benefit obligation</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liabilities</u>
2021			
Balance as of January 1	(\$ 43,090)	\$ 38,314	(\$ 4,776)
Current service cost	(715)	-	(715)
Interest (expenses) income	<u>(129)</u>	<u>115</u>	<u>(14)</u>
	<u>(43,934)</u>	<u>38,429</u>	<u>(5,505)</u>
Remeasurements:			
Changes in financial assumptions	1,174	-	1,174
Impact			
Experience adjustments	<u>-</u>	<u>556</u>	<u>556</u>
	<u>1,174</u>	<u>556</u>	<u>1,730</u>
Pension contribution	-	3,000	3,000
Pension payment	<u>3,010</u>	<u>(3,010)</u>	<u>-</u>
Balance as of December 31	<u><u>(\$ 39,750)</u></u>	<u><u>\$ 38,975</u></u>	<u><u>(\$ 775)</u></u>

(4) The fund assets of the defined benefit retirement plan of the Company are entrusted and operated by Bank of Taiwan within the proportion and amount of the entrusted operation items determined in the annual investment and utilization plan of this fund year in accordance with items in Article VI of Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement

Fund (Depositing in financial institutions at home and abroad, investing in listed, OTC or private equity securities and investing in securitized merchandises of domestic and foreign real estate, etc.), and relevant application is supervised by Labor Funds Supervisory Committee. The minimum income of the annual account distribution from the use of the funds shall not be less than the income calculated at the interest rate of two-year term deposits of local banks, or, if there is any deficiency, it shall be supplemented by the State Treasury after being approved by the Regulator. Since the Company has no right to participate in the operation and management of the Fund, it is unable to disclose the classification of the fair value of the plan assets in accordance with Paragraph 142 of IAS 19. For the fair value of the Fund's total assets constituted on December 31, 2022 and 2021, please refer to the annual utilization report on labor retirement fund announced by the government.

(5) The actuarial assumptions relating to the pensions are summarized as follows:

	<u>2022</u>	<u>2021</u>
Discount Rate	<u>1.20%</u>	<u>0.60%</u>
Future salary increase rate	<u>2.50%</u>	<u>2.50%</u>

Assumptions for future mortality are estimated on the basis of the 6th Experience Life Table of the Life Insurance Industry.

The present value of defined benefit obligations affected by changes in major actuarial assumptions adopted is analyzed as follows:

	<u>Discount Rate</u>		<u>Future salary increase rate</u>	
	<u>Increase by</u> <u>0.25%</u>	<u>Decrease by</u> <u>0.25%</u>	<u>Increase by</u> <u>0.25%</u>	<u>Decrease by</u> <u>0.25%</u>
December 31, 2022				
Impact on the present value of defined welfare obligations	<u>(\$ 490)</u>	<u>\$ 499</u>	<u>\$ 394</u>	<u>(\$ 391)</u>
December 31, 2021				
Impact on the present value of defined welfare obligations	<u>(\$ 488)</u>	<u>\$ 502</u>	<u>\$ 393</u>	<u>(\$ 385)</u>

The sensitivity analysis described above is to analyze the effects of single assumption change based on under the circumstances that other assumptions remain unchanged. In practice, many changes of assumptions may be linked. Sensitivity analysis is consistent with the methodology used to calculate the net pension liabilities of the balance sheet.

The methodology and assumptions used to prepre the sensitivity analysis in this period are the same as that of previous period.

- (6) The Company's projected contribution to retirement plan for 2023 is NT\$3,000.
- (7) As of December 31, 2022, the weighted average duration of the retirement plan is 5 years. The maturity analysis of pension payments is as follows:

Next 1 year	\$	3,370
Next 2 to 5 years		29,514
Next 6 years or more		<u>2,926</u>
	<u>\$</u>	<u>35,810</u>

2.

- (1) Since July 1, 2005, the Company has established a defined contribution retirement plan for employees of Taiwan nationality in accordance with the Labor Pension Act. The Company contributes 6% of the monthly salary as labor pension funds to individual labor pension accounts at the Bureau of Labor Insurance, Ministry of Labor for employees every month in respect of the employee's choice to apply the labor pension system stipulated in the Labor Pension Act. The employee's pension shall be paid by monthly or in a lump sum based on his/her special pension account and accumulated income.
- (2) The pension costs recognized by the Company under the foregoing pension plan for the years ended December 31, 2022 and 2021 are NT\$6,968 and NT\$6,329, respectively.

(XI) Liability provision

	<u>Repair and warranty</u>	<u>Litigation compensation</u>	<u>Total</u>
Balance as of January 1, 2022	\$ 64,419	\$ 1,852	\$ 66,271
Increase in provision for liabilities during the current period	<u>952</u>	<u>-</u>	<u>952</u>
Balance on December 31, 2022	<u>\$ 65,371</u>	<u>\$ 1,852</u>	<u>\$ 67,223</u>

	<u>Repair and warranty</u>	<u>Litigation compensation</u>	<u>Total</u>
Balance as of January 1, 2021	\$ 57,573	\$ 1,852	\$ 59,425
Increase in provision for liabilities during the current period	<u>6,846</u>	<u>-</u>	<u>6,846</u>
Balance as of December 31, 2021	<u>\$ 64,419</u>	<u>\$ 1,852</u>	<u>\$ 66,271</u>

The analysis of liability provision is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current	<u>\$ 23,424</u>	<u>\$ 23,110</u>
Non-current	<u>\$ 43,799</u>	<u>\$ 43,161</u>

1. Repair and warranty

The provision for liabilities of repair and warranty of the Company's are mainly related to the sales of computer multimedia peripheral video converters and interface cards, etc., and are estimated based on the historical repair and warranty information of such products. The Company expects that such liability provision will occur over the next three years.

2. Litigation compensation

In a patent infringement dispute with Societa Italiana per lo Sviluppo Dell 'Elettronica S.P.A, the German court ruled on January 9, 2013 that the Company had infringed the German Patent No. EP402973 of Sisvel, and the Company shall: (1) bear the court fees of the second instance; (2) bear the reasonable legal fees of Sisvel; (3) indemnify Sisvel for any loss incurred as a result of the infringement. The calculation of actual damages shall be based on royalty, and the actual sales figures of the Company shall be used as the basis for royalty calculation. Since the whole case has been concluded, the Company has made a liability provision of NT\$1,852 according to the judgment.

(XII) Share capital

- The authorized capital of the Company is NT\$800,000, which is divided into 80,000 shares with a face value of NT\$10 per share. As of December 31, 2022, the paid-in capital is NT\$403,559. The payments of all shares issued by the Company have been received.
- A reconciliation of the number of outstanding shares of the Company's common stock at the beginning and end of the period is as follows (Unit: thousand shares)

	<u>2022</u>	<u>2021</u>
January 1	39,757	33,131
Stock dividends	-	<u>6,626</u>
December 31	<u>39,757</u>	<u>39,757</u>

3. Treasury shares

- (1) The reasons for the recovery of shares and the number:

<u>Name of the holding company</u>	<u>Reasons for recovery</u>	<u>December 31, 2022</u>	
		<u>Number of shares</u>	<u>Carrying amount</u>
The Company	Shares transferred to employees	599,000	\$ 38,296

<u>Name of the holding company</u>	<u>Reasons for recovery</u>	<u>December 31, 2021</u>	
		<u>Number of shares</u>	<u>Carrying amount</u>
The Company	Shares transferred to employees	599,000	\$ 38,296

- (2) It is stipulated by the Securities and Exchange Act that the proportion of the number of shares repurchased by a company shall not exceed 10% of the total number of shares

issued by such company, and the total amount of shares repurchased shall not exceed the retained earnings plus the premium of issued shares and the realized capital reserve.

- (3) The treasury shares held by the Company shall not be pledged in accordance with the Securities and Exchange Act, and no shareholders are entitled to their rights until the shares have been transferred.
- (4) In accordance with the provisions of the Securities and Exchange Act, shares repurchased for the purpose of transferring shares to employees shall be transferred within five years from the date of repurchase. If the shares are not transferred within the time limit, the Company shall be deemed to have not issued shares, and shall go through the alteration registration to cancel the shares. For the purpose of maintaining the Company's credit and shareholders' equity, the Company shall go through the alteration registration and cancellation of shares within six months from the date of repurchase.

(XIII) Capital reserve

In accordance with the Company Act, the surplus from the issuance of shares in excess of par value and the capital reserves from the receipt of donations shall be used to cover losses, and shall be distributed as new shares or distributed in cash to shareholders according to their original shareholding ratio when the Company has no accumulated losses. In addition, in accordance with the relevant provisions of the Securities and Exchange Act, when the foregoing capital reserve is appropriated to capital, the total amount shall not exceed 10% of the paid-in capital each year. The Company shall not appropriate capital reserve to capital if the loss is still not covered after appropriating capital surplus to capital deficiency.

(XIV) Retained earnings

1. In accordance with the Articles of Incorporation, if there is earnings in the annual total account, in addition to paying all taxes in accordance with the law, the earnings shall be used to make up the loss of the previous year first, and 10% shall be set aside as the legal surplus reserve. If there is surplus, it shall be retained or distributed according to the resolution of the shareholders' meeting. When the surplus is distributed by cash dividends, the Company shall authorize the Board of Directors to adopt a special resolution and report to the shareholders' meeting in accordance with laws and regulations. The amendment to the Articles of Incorporation was completed on July 20, 2021.
2. The Company's dividend policy is as follows: At the end of each fiscal year, the Company's Board of Directors shall make a proposal for the earnings distribution or loss recovery plan, and dividends shall be distributed in the form of cash dividends in part or in whole, of which stock dividends shall not exceed 90% of the dividends distributed for the current fiscal year.
3. The legal surplus reserve shall be exclusively used to cover accumulated deficit, to issue new shares or distribute cash to shareholders in proportion to their original shareholding ratio, provided that legal surplus reserve used for the issue of new shares or cash distributed to shareholders shall be limited to the portion in excess of 25% of the paid-in capital.
4. When distributing the earnings, in accordance with the regulations, the Company shall set aside special surplus reserve from the debit balance of other equity items at the balance sheet date in the current year. When the debit balance on other equity items is reversed

subsequently, the reversed amount could be included in the distributable earnings.

5. The resolution on earnings distribution for 2021 resolved by shareholders' meeting on June 14, 2022 and the resolution on earnings distribution for 2020 resolved by shareholders' meeting on July 20, 2021 are as follows:

	<u>2021</u>		<u>2020</u>	
	<u>Amount</u>	<u>Dividends Per Share (NT\$)</u>	<u>Amount</u>	<u>Dividends Per Share (NT\$)</u>
Legal capital reserve	\$ 38,547		\$ 61,606	
Cash dividends	198,785	\$ 5	265,046	\$ 8
Stock dividends	<u>-</u>		<u>66,261</u>	2
	<u>\$ 237,332</u>		<u>\$ 392,913</u>	

6. The Surplus Earnings Distribution Plan in 2022 of the Company, as proposed by the Board of Directors on March 8, 2023, is as follows:

	<u>Amount</u>	<u>2022</u> <u>Dividends Per Share (NT\$)</u>
Legal capital reserve	\$ 31,761	
Cash dividends	<u>151,076</u>	3.8
	<u>\$ 182,837</u>	

The distribution proposal of surplus earnings in 2022 mentioned above has not been resolved by the shareholders' meeting as of March 8, 2023.

(XV) Operating income

	<u>2022</u>	<u>2021</u>
Income from contracts with customers	\$ <u>1,372,773</u>	\$ <u>1,792,439</u>

1. Disaggregation of income from contracts with customers

The income of the Company is derived from the rendering of goods that are transferred at a certain point and can be broken down by the following main product lines:

	<u>2022</u>	<u>2021</u>
Sales income		
Computer multimedia peripheral video		
Converters and interface cards, etc.	\$ 1,361,434	\$ 1,788,342
Others	<u>11,339</u>	<u>4,097</u>
Total	<u>\$ 1,372,773</u>	<u>\$ 1,792,439</u>

2. Contract liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Contract liabilities:			
Contract liabilities-			
Advances on sales	<u>\$ 28,498</u>	<u>\$ 43,153</u>	<u>\$ 29,474</u>

3. Contract liabilities at the beginning of period recognized as income in the current period

	<u>2022</u>	<u>2021</u>
The beginning balance of contract liabilities is recognized as income in the current period		
Advances on sales	<u>\$ 28,890</u>	<u>\$ 15,911</u>

(XVI) Interest income

	<u>2022</u>	<u>2021</u>
Interest on bank deposits	<u>\$ 1,438</u>	<u>\$ 624</u>

(XVII) Other income

	<u>2022</u>	<u>2021</u>
Rental income	\$ 9,207	\$ 1,489
Other income – others	<u>9,068</u>	<u>7,839</u>
	<u>\$ 18,275</u>	<u>\$ 9,328</u>

(XVIII) Other gains and losses

	<u>2022</u>		<u>2021</u>
Foreign exchange gains (losses)	\$ 25,340	(\$	9,173)
Miscellaneous disbursements	(2)		-
Other losses	<u>(2,453)</u>	<u>(</u>	<u>171)</u>
	<u>\$ 22,885</u>	<u>(\$</u>	<u>9,344)</u>

(XIX) Additional information on the nature of expense

	<u>2022</u>		<u>2021</u>
Employee benefit expenses	\$ 235,975	\$	229,753
Depreciation expenses of right-of-use assets	15,962		20,779
Depreciation expenses of real property, plant and equipment	5,027		5,630
Investment properties - buildings and structures			
Depreciation expenses	147		133
Amortization expense of intangible assets	<u>3,657</u>		<u>4,729</u>
	<u>\$ 260,768</u>	<u>\$</u>	<u>261,024</u>

(XX) Employee benefit expenses

	<u>2022</u>		<u>2021</u>
Salary expenses	\$ 205,265	\$	202,375
Labor and health insurance expenses	13,432		12,738
Pension expenses	7,400		7,058
Other employment costs	<u>9,878</u>		<u>7,582</u>
	<u>\$ 235,975</u>	<u>\$</u>	<u>229,753</u>

1. In accordance with the Articles of Incorporation, the Company shall, after deducting the accumulated losses based on the current year's profits, if there is still earnings, allocate no less than 2% as employee compensation and no more than 2% as remuneration to directors.
2. For the years ended December 31, 2022, and 2021, the estimated remuneration of the Company for employees was NT\$7,974 and NT\$10,091, respectively, and the estimated remuneration for directors and supervisors was NT\$7,974 and NT\$10,091, respectively. The amounts mentioned above were recorded as salary expenses.

The amounts are estimated at 2% based on the profits for the year ended December 31, 2022. The estimated amount is in line with the amount actually distributed by the Board of Directors and paid in cash.

The compensation for employees and remuneration to directors resolved by the Board of

Directors for 2021 are consistent with the amounts recognized in the financial report of 2021.

Information on remuneration for employees and directors approved by the Board of directors of the Company is available at the Market Observation Post System.

(XXI) Income tax

1. Income tax expenses

(1) Components of income tax expense

Current tax:	<u>2022</u>		<u>2021</u>
Income tax incurred in current period	\$ 72,000		\$ 100,575
Additional income tax on unappropriated earnings	7,407		11,158
Overvaluation of income tax in previous years	<u>(15,548)</u>		<u>(7,656)</u>
Total income tax in the period	<u>63,859</u>		<u>104,077</u>
Deferred income tax:			
Initial generation and reversal of temporary differences	<u>4,592</u>		<u>(3,783)</u>
Total deferred income tax	<u>4,592</u>		<u>(3,783)</u>
Income tax expenses	<u>\$ 68,451</u>		<u>\$ 100,294</u>

(2) Income tax related to other comprehensive income:

	<u>2022</u>		<u>2021</u>
Remeasurements of defined benefit	<u>(\$ 827)</u>		<u>(\$ 346)</u>

2. Relationship between income tax expense and accounting profit

	<u>2022</u>		<u>2021</u>
Income tax of profit before tax calculated at the statutory tax rate	\$ 76,551		\$ 96,875
Tax effect of excluded items according to tax law	41		(83)
Overvaluation of income tax in previous years	<u>(15,548)</u>		<u>(7,656)</u>
Additional income tax on unappropriated earnings	<u>7,407</u>		<u>11,158</u>
Income tax expenses	<u>\$ 68,451</u>		<u>\$ 100,294</u>

3. The amounts of deferred income tax assets or liabilities arising from temporary differences are as follows:

	<u>January 1</u>	<u>Recognized in profit or loss</u>	<u>2022 Recognized in other comprehensive net income</u>	<u>December 31</u>
Temporary differences:				
- Deferred income tax assets:				
Doubtful debt expenses	\$ 550	(\$ 550)	\$ -	\$ -
Inventory price loss	8,395	(545)	-	7,850
Not actually contributed pension expenses	155	(155)	-	-
Unrealized exchange losses	6,996	(2,893)	-	4,103
Unrealized repair costs	12,885	19	-	13,077
Unused vacation bonus	431	(282)	-	149
Sub-total	<u>\$ 29,412</u>	<u>(\$ 4,233)</u>	<u>\$ -</u>	<u>\$ 25,179</u>
- Deferred tax liabilities:				
Pension	\$ -	(\$ 359)	(\$ 827)	(\$ 1,186)
Sub-total	<u>\$ -</u>	<u>(\$ 359)</u>	<u>(\$ 827)</u>	<u>(\$ 1,186)</u>
Total	<u>\$ 29,412</u>	<u>(\$ 4,592)</u>	<u>(\$ 827)</u>	<u>\$ 23,993</u>

	<u>January 1</u>	<u>Recognized in profit or loss</u>	<u>2021 Recognized in other comprehensive net income</u>	<u>December 31</u>
Temporary differences:				
- Deferred income tax assets:				
Doubtful debt expenses	\$ -	\$ 550	\$ -	\$ 550
Inventory price loss	7,734	661	-	8,395
Not actually contributed pension expenses	955	(454)	(346)	155
Unrealized exchange losses	5,299	1,697	-	6,996
Unrealized repair costs	11,516	1,369	-	12,885
Unused vacation bonus	471	(40)	-	431
Total	<u>\$ 25,975</u>	<u>\$ 3,783</u>	<u>(\$ 346)</u>	<u>\$ 29,412</u>

4. The Company's profit-seeking enterprise income tax has been approved by the tax collection authority to the year 2020.

(XXII) Earnings per share

		<u>2022</u>	
	<u>After-tax amount</u>	<u>Weighted average number of outstanding shares (thousand shares)</u>	<u>Earnings per share (NT\$)</u>
<u>Basic earnings per share</u>			
Net profit attributable to common shareholders in the current period	<u>\$ 314,304</u>	<u>39,757</u>	<u>\$ 7.91</u>
<u>Diluted earnings per share</u>			
Net profit attributable to common shareholders in the current period	314,304	39,757	
Impact of potential common stock with dilution effect			
Employee remuneration	<u>-</u>	<u>132</u>	
Impact of net current profit attributable to common shareholders plus potential common stocks	<u>\$ 314,304</u>	<u>39,889</u>	<u>\$ 7.88</u>

		<u>2021</u>	
	<u>After-tax amount</u>	<u>Number of weighted outstanding shares retroactively adjusted (thousand shares)</u>	<u>Earnings per share (NT\$)</u>
<u>Basic earnings per share</u>			
Net profit attributable to common shareholders in the current period	<u>\$ 384,084</u>	<u>39,757</u>	<u>\$ 9.66</u>
<u>Diluted earnings per share</u>			
Net profit attributable to common shareholders in the current period	384,084	39,757	
Impact of potential common stock with dilution effect			
Employee remuneration	<u>-</u>	<u>109</u>	
Impact of net current profit attributable to common shareholders plus potential common stocks	<u>\$ 384,084</u>	<u>39,866</u>	<u>\$ 9.63</u>

(XXIII) Changes in liabilities generated from financing activities

	<u>2022</u>	<u>2021</u>
	<u>Lease liabilities</u>	<u>Lease liabilities</u>
January 1	\$ 14,833	\$ 19,326
Changes in cash flow from financing	(13,600)	(15,632)
Other non-cash changes	<u>18,228</u>	<u>11,139</u>
December 31	<u>\$ 19,461</u>	<u>\$ 14,833</u>

VII. Related Party Transactions

- (I) Parent company and ultimate controller: None.
- (II) Information of remuneration to the main management

	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 38,529	\$ 44,254
Post-employment benefits	<u>3,000</u>	<u>3,000</u>
Total	<u>\$ 41,529</u>	<u>\$ 47,254</u>

VIII. Pledged Assets

The Company's assets provided as guarantee are as follows:

<u>Asset item</u>	<u>Carrying amount</u>		<u>Guarantee purpose</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>	
Investment properties - land	\$ -	\$ 21,520	Guarantee of borrowing limit
Investment properties - buildings and structures	<u>-</u>	<u>789</u>	Guarantee of borrowing limit
	<u>\$ -</u>	<u>\$ 22,309</u>	

IX. Material Contingent Liabilities and Unrecognized Contractual Commitments

None.

X. Losses due to Major Disasters

None.

XI. Significant Events after the Balance Sheet Date

For the surplus earnings distribution plan for 2022 proposed by the Board of Directors on March 8, 2023, please refer to Note VI (XIV) for details.

XII. Others

(I) Capital management

The capital management the Company aims to ensure the Company's ability as a going concern, so as to maintain an optimal capital structure to reduce the cost of capital, and provide returns to shareholders. In order to maintain or restructure its capital structure, the Company may adjust the dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company uses a debt-to-capital ratio to monitor its capital, which is calculated by dividing the total liabilities of the balance sheet by the total liabilities and equity.

The Company's strategy in 2022 remains the same as that in 2021, with a commitment to maintain a debt ratio below 40%-45%. The debt-to-capital ratio of the Company as of December 31, 2022 and 2021 is 17% and 20%, respectively.

(II) Financial instruments

1. Categories of financial instruments

As of December 31, 2022 and 2021, the carrying amounts of financial assets (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, other financial assets of factoring receivables, and refundable deposits) classified as measured at amortized cost under IFRS 9 by the Company are NT\$572,041 and NT\$478,887 respectively, the carrying amounts of financial liabilities (including notes payable, accounts payable, other payables and guarantee deposits) classified as measured at amortized cost are NT\$185,652 and NT\$227,176, respectively, and the carrying amounts of lease liabilities are NT\$19,461 and NT\$14,833 as of December 31, 2022 and 2021, respectively.

2. Risk Management Policy

- (1) The Company's daily operations are subject to a number of financial risks, including market risks (including exchange rate risks and interest rate risks), credit risks and liquidity risks. The Company adopts a comprehensive risk management and control system to clearly identify, measure and control the risks described, seeking to mitigate the potential adverse impact on the Company's financial position and performance.
- (2) Risk management shall be carried out by the Finance and Accounting Department of the Company in accordance with the policies approved by the Board of Directors. The Finance and Accounting Department of the Company is responsible for identifying, assessing and mitigating financial risks through close cooperation with the Company's internal operating units. The Board of Directors has established written principles for overall risk management and written policies on specific areas and issues, such as exchange rate risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments, and the investment of surplus working capital.

3. The nature and extent of the material financial risk

(1) Market risks

Exchange rate risk

- A. The Company is engaged in the business involved in several non-functional currencies (the functional currency of the Company is new Taiwan dollar), which are subject to exchange rate fluctuations. Information on assets and liabilities in foreign currency that are significantly affected by exchange rate fluctuations is as follows:

	<u>December 31, 2022</u>		
(Foreign currency: functional currency)	<u>Foreign currency (NT\$ thousand)</u>	<u>Exchange rate</u>	<u>Carrying amount (NT\$)</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 9,024	30.71	\$ 277,127
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 1,266	30.71	\$ 38,879

	<u>December 31, 2021</u>		
(Foreign currency: functional currency)	<u>Foreign currency (NT\$ thousand)</u>	<u>Exchange rate</u>	<u>Carrying amount (NT\$)</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 12,037	27.68	\$ 333,184
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 1,921	27.68	\$ 53,173

B. The aggregate amount of total conversion (losses) benefits (realized and unrealized) recognized by the Company for the year of 2022 and 2021 for the monetary items, which have been materially affected by exchange rate fluctuations, is NT\$25,340 and (NT\$9,173), respectively.

C. The impacts on foreign currency market risks of the Company due to material exchange rate fluctuations are analyzed as follows:

(Foreign currency: functional currency)	<u>Range of changes</u>	<u>2022 Sensitivity Analysis</u>	
		<u>Impacts on profit and loss</u>	<u>Impacts on other comprehensive income</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 2,217	\$ -
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 311	\$ -

(Foreign currency: functional currency)	<u>Range of changes</u>	<u>2021 Sensitivity Analysis</u>	
		<u>Impacts on profit and loss</u>	<u>Impacts on other comprehensive income</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 2,665	\$ -
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 425	\$ -

Cash flow and interest rate risks with fair value

- A. The main interest-bearing assets of the Company are cash (presented as "cash and cash equivalents"). As all the maturity dates are less than 12 months, there is no material risk of interest rate changes affecting the cash flow.
- B. The Company does not use any financial instruments to hedge its interest rate risk.

(2) Credit risk

- A. The credit risk of the Company is the risk of financial loss of the Company due to the failure of a customer or a counterparty of a financial instrument to fulfill its contractual obligations, which is mainly caused by the inability of the counterparty to repay the cash flow of accounts receivable payable on the terms of collection.
- B. The Company establishes credit risk management from a corporate perspective. In accordance with the stated internal credit policy, each of the Company's operating units shall carry out the management and credit risk analysis of each new customer before establishing the payment and delivery terms and conditions with such customer. Internal risk control is to assess the credit quality of customers by taking into account their financial position, historical experience, and other factors.
- C. The Company adopts IFRS 9 to provide the following assumptions as a basis for judging whether the credit risk of a financial instrument has increased significantly since the initial recognition:

When the contract payment is overdue for more than 30 days according to the agreed terms, it is deemed that the credit risk of a financial asset has increased significantly since the initial recognition.
- D. The Company adopts IFRS 9 to provide assumptions that if the contract payment is overdue for more than 90 days according to the agreed terms, it is deemed to have breached the contract.
- E. The Company groups the accounts receivable from customers according to the characteristics of customer ratings and customer types and adopts a simplified approach to estimate the expected credit losses based on a provision matrix.
- F. The Company adjusts the loss rate based on historical and current information for a specific period by taking into account the forward-looking considerations for the future to estimate the allowance for losses on accounts receivable. The reserve matrices as of December 31, 2022 and 2021 are as follows:

	<u>Not overdue</u>	<u>1 - 90 days overdue</u>		
<u>December 31, 2022</u>				
Expected loss rate	5.73%	5.75%		
Total book value	\$ 3,645	\$ -		
Allowance for loss	9	-		
	<u>91-180 days overdue</u>	<u>More than 181 days overdue</u>	<u>Total</u>	
<u>December 31, 2022</u>				
Expected loss rate	5.75%	100.00%		
Total book value	\$ -	\$ -	\$	3,645
Allowance for loss	-	-		9
	<u>Not overdue</u>	<u>1 - 90 days overdue</u>		
<u>December 31, 2021</u>				
Expected loss rate	5.73%	5.75%		
Total book value	\$ 44,002	\$ 9		
Allowance for loss	2,521	1		
	<u>91-180 days overdue</u>	<u>More than 181 days overdue</u>	<u>Total</u>	
<u>December 31, 2021</u>				
Expected loss rate	5.75%	100.00%		
Total book value	\$ -	\$ 678	\$	44,689
Allowance for loss	-	678		3,200

G. The statement of changes in allowance loss of the Company's accounts receivable adopting simplified approach is as follows:

	<u>2022</u>
	<u>Accounts receivable</u>
January 1	\$ 3,200
Reversal of impairment loss	(2,513)
Amounts written off as uncollectible	<u>(678)</u>
December 31	<u>\$ 9</u>

	<u>2021</u>
	<u>Accounts receivable</u>
January 1	\$ 700
Provision for impairment loss	<u>2,500</u>
December 31	<u>\$ 3,200</u>

(3) Liquidity risk

A. The Company's Finance Department monitors the Company's working capital requirements to ensure that adequate funds are available to meet operational

requirements.

- B. The Company invests the remaining funds in interest-bearing demand deposits and time deposits (presented as "cash and contractual cash"). The instrument chosen by the Company has an appropriate maturity date or sufficient liquidity. The Company held the monetary market positions of NT\$455,025 and NT\$277,470 as of December 31, 2022 and 2021, respectively, which are expected to generate immediate cash flows to manage liquidity risk.
- C. The following table shows the Company's non-derivative financial liabilities grouped according to their respective maturity dates, which are analyzed based on the remaining period from the balance sheet date to the contract maturity date.. The amount of contract cash flow disclosed in the following table is the amount undiscounted.

December 31, 2022	<u>Within 1 year</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>	
<u>Non-derivative financial liabilities:</u>				
Lease liabilities	\$ 14,863	\$ 4,962	\$ -	-
December 31, 2021	<u>Within 1 year</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>	<u>Over 5 years</u>
<u>Non-derivative financial liabilities:</u>				
Lease liabilities	\$ 9,614	\$ 5,545	\$ -	\$ -

(III) Information on fair value

- Please refer to Note VI.(VIII) for the details of fair value of investment properties measured at costs.
- The carrying amounts of financial instruments not measured at fair value, including cash and cash equivalents, notes receivable, accounts receivable, other receivables, notes payable, accounts payable and other payables, are a reasonable approximation of their fair values.

(IV) Other Matters

Due to the COVID-19 epidemic and the government's measures to prevent COVID-19, the Company has implemented relevant measures and continues to manage related matters, which have had no material impact on the Company's operations and business in 2022.

XIII. Separately Disclosed Items

(I) Information on significant transactions

- Lending of funds to others: None.
- Endorsement/guarantee provided for others: None.
- Marketable securities held at the end of year (excluding investments in subsidiaries, associates, and joint ventures): None.
- Accumulated purchase or disposal of individual marketable securities in excess of NT\$300 million or 20% of the paid-in capital: None.
- Acquisition of real estate at cost in excess of NT\$300 million or 20% of paid-in capital:

None.

6. Disposal of real estate at price in excess of NT\$300 million or 20% of the paid-in capital:
None.

7. Purchases or sales to related parties of at least NT\$100 million or 20% of paid-in capital:
None.

8. Accounts receivable from related parties equal to or in excess of NT\$100 million or 20% of paid-in capital: None.

9. Engaged in derivatives trading: None.

10. The business relationship between the parent company and subsidiaries, and between subsidiaries, and significant transactions and amounts: None.

(II) Information on investees

None.

(III) Information on investments in mainland China

None.

(IV) Information on substantial shareholders

Information of major shareholders: Please refer to Schedule 1.

XIV. Segment Information

(I) General information

The Company operates in a single industry and has been identified as a single reporting segment by the operating decision maker, the Board of Directors, who evaluates performance of and allocates resources to the Company as a whole.

(II) Segment Information

1. The Company's operating segment profit and loss is measured at the pre-tax operating profit and loss and is used as a basis for performance evaluation. The accounting policies and estimates of the operating segment is the same as the summary of significant accounting policies and significant accounting estimates and assumptions set forth in Note IV and Note V.

2. The financial information presented to key operating decision makers is the same as and with the same measurement method as that in the consolidated income statement.

(III) Product and service-specific information

The main business of the Company is the sales of TV cards, digital signal processors and other computer multimedia peripheral interface cards. Because it is a single product, there is no need to disclose the application of its product-specific information.

(IV) Region-specific information

The region-specific information of the Company in 2022 and 2021 are as follows:

<u>Region</u>	<u>2022</u>		<u>2021</u>	
	<u>Revenue</u>	<u>Non-current assets</u>	<u>Revenue</u>	<u>Non-current assets</u>
Asia	\$ 1,014,356	\$ -	\$ 1,413,268	\$ -
America	113,918	-	95,503	-
Europe	81,200	-	66,533	-
Taiwanese	160,937	1,153,528	213,109	1,138,993
Others	<u>2,362</u>	<u>-</u>	<u>4,026</u>	<u>-</u>
	<u>\$ 1,372,773</u>	<u>\$ 1,153,528</u>	<u>\$ 1,792,439</u>	<u>\$ 1,138,993</u>

(V) Important client information

Important client information of the Company in 2022 and 2021 are as follows:

<u>Client Name</u>	<u>2022</u>		<u>2021</u>	
Company A	\$	548,081	\$	912,712
Company B		133,081		185,169
Company C		<u>54,891</u>		<u>88,326</u>
	<u>\$</u>	<u>736,053</u>	<u>\$</u>	<u>1,186,207</u>

Item	Abstract	Amount
Cash on hand		\$ 965
Petty cash		40
Check deposits		279
Current deposits	\$3,656 Exchange rate 30.71	318,646
Time deposits		136,100
		<u>\$ 456,030</u>

YUAN High-Tech Development Co., Ltd.
Statement of Cash and Cash Equivalents
December 31, 2022

Statement I

Unit: NT\$ thousand

<u>Item</u>	<u>Amount</u>		<u>Abstract</u>
	<u>Costs</u>	<u>Net realizable value</u>	
Raw materials	\$ 335,062	\$ 356,727	Raw materials are valued at replacement cost as the net realizable value and work in-process and finished goods are valued at net realizable value
Work in progress (semi-finished)	54,369	56,628	
Finished products	<u>3,117</u>	<u>5,311</u>	
Total	392,548	<u>\$ 418,666</u>	
Less: Price loss of allowance inventories	<u>(39,255)</u>		
	<u>\$ 353,293</u>		

YUAN High-Tech Development Co., Ltd.
Statement of Notes Payable
December 31, 2022

Statement III

Unit: NT\$ thousand

Item	Amount	Remark
Company A	\$ 16,479	
Company B	1,636	Balance of each sporadic supplier
Others	11,550	does not exceed 5% of the current account balance
	<u>\$ 29,665</u>	

YUAN High-Tech Development Co., Ltd.
Statement of Accounts Payable
December 31, 2022

Statement IV

Unit: NT\$ thousand

Item	Amount	Remark
Company A	\$ 24,905	
Company B	3,213	
Company C	4,063	
Company D	7,562	
Others	16,454	Balance of each sporadic supplier does not exceed 5% of the current account balance
	<u>\$ 56,197</u>	

YUAN High-Tech Development Co., Ltd.
Statement of Sales Income
From January 1 to December 31, 2022

Statement V

Unit: NT\$ thousand

Item	Quantity	Amount
Computer multimedia peripheral video converters and interface cards, etc.	1,469,526 pcs	\$ 1,361,434
Other PC-related products	401,854 pcs	11,339
Net sales income		<u>\$ 1,372,773</u>

YUAN High-Tech Development Co., Ltd.
Statement of Cost of Goods Sold
From January 1 to December 31, 2022

Statement VI

Unit: NT\$ thousand

Item	\$	Amount
Raw materials at beginning of period	\$	380,625
Add: Incoming in the current period		539,696
Less: raw materials at end of period	(	1,851)
Segment receiving	(	335,062)
Others	(	3,178)
Raw materials consumed in the current period		580,230
Production overheads — processing costs		88,975
Production costs		669,205
Add: work-in-process at beginning of period		33,884
Purchase in the current period		70,982
Others		134
Less: work-in-process at end of period	(	54,369)
Work in progress scrap	(	1,220)
Segment receiving	(	1,641)
Cost of finished products		716,975
Add: finished products at beginning of period		3,301
Purchase in the current period		99
Less: finished products at end of period	(	3,117)
Finished good scrap	(	251)
Segment receiving	(	811)
Cost of production and sales		716,196
Inventory recovery profit	(	2,724)
Loss from scrap		1,471
Other operating costs	(	438)
Operating costs	\$	<u>714,505</u>

YUAN High-Tech Development Co., Ltd.
Statement of Cost of Goods Sold
From January 1 to December 31, 2022

Statement VI

Unit: NT\$ thousand

Item	Amount	Remark
Salary expenditure (including pension)	\$ 25,617	
Travel expenditure	7,392	
Exhibition expenditure	3,113	
		Balance of each miscellaneous account does not exceed 5% of the current account balance
Others	15,175	
	<u>\$ 51,297</u>	

YUAN High-Tech Development Co., Ltd.
Statement of General and Administrative Expenses
From January 1 to December 31, 2022

Statement VII

Unit: NT\$ thousand

Item	Amount	Remark
Salary expenditure (including pension)	\$ 58,291	
Depreciation	19,343	
Employee benefits		
Others	33,750	Balance of each miscellaneous account does not exceed 5% of the current account balance
	<u>\$ 111,384</u>	

YUAN High-Tech Development Co., Ltd.
Statement of Research and Development Expenses
From January 1 to December 31, 2022

Statement VIII

Unit: NT\$ thousand

Item	Amount	Remark
Salary expenditure (including pensions and overtime)	\$ 128,758	
Insurance premium	11,024	
Others	17,788	Balance of each miscellaneous account does not exceed 5% of the current account balance
	<u>\$ 157,570</u>	

YUAN High-Tech Development Co., Ltd.
Statement of Employee Benefits and Depreciation and Amortization Expenses by Function (continued)
From January 1 to December 31, 2022

Statement X

Unit: NT\$ thousand

Sex	Feature	2022			2021		
		For operating costs	For operation expenses	Total	For operating costs	For operation expenses	Total
Employee benefit expenses							
	Salary expenses	\$ -	\$ 197,291	\$ 197,291	\$ -	\$ 192,284	\$ 192,284
	Labor and health insurance expenses	-	13,432	13,432	-	12,738	12,738
	Pension expenses	-	7,400	7,400	-	7,058	7,058
	Remuneration Paid to Directors	-	7,974	7,974	-	10,091	10,091
	Other employee benefit expenses	-	9,878	9,878	-	7,582	7,582
	Depreciation expenses	-	21,136	21,136	-	26,542	26,542
	Amortization expenses	-	3,657	3,657	-	4,729	4,729

Note:

1. The average number of employees in the current year and the previous year were 145 and 141, respectively, of which the number of directors who do not concurrently serve as employees were 4 and 3, respectively.
2. For companies whose shares are listed on the TWSE/TPEX, the following information should also be disclosed:
 - (1) The average employee benefits expense for the current year is NT\$1,617 ("Total employee benefit expenses for the current year - Total Directors' remuneration" / "Number of employees for the current year - Number of Directors who do not concurrently serve as employees").
The average employee benefits expense for the previous year is NT\$1,592 ((Total employee benefit expenses for the previous year - Total Directors' remuneration) / (Number of employees for the previous year - Number of Directors who do not concurrently serve as employees)).
 - (2) The average employee salary expense for the current year is NT\$1,393 (Total employee salary expenses for the current year / (Number of employees for

YUAN High-Tech Development Co., Ltd.
Statement of Employee Benefits and Depreciation and Amortization Expenses by Function (continued)
From January 1 to December 31, 2022

Statement X

Unit: NT\$ thousand

the current year - Number of Directors who do not concurrently serve as employees)).

The average employee salary expense for the previous year was NT\$1,393 (Total salary expense for the previous year / (Number of employees in the previous year - Number of Directors who do not concurrently serve as employees)).

(3) Change in average employee salary expense is 0.4% ((Average employee salary expense of the current year - Average employee salary expense of the previous year) / Average employee salary expense of the previous year).

(4) The remuneration of Supervisors for the current year was NT\$2,990, and the remuneration of Supervisors for the previous year was NT\$2,703.

(5) The Company's remuneration policy:

The Company's remuneration policies, standards, portfolios and procedures for determining remuneration shall be implemented mainly following the Company's personnel rules and regulations and the Remuneration Committee Organizational Rules. Directors' compensation and employees' compensation shall be appropriated in proportion to the provisions of the Articles of Incorporation, approved by the Salary and Compensation Committee and submitted to the Board of Directors for approval before being reported to the Shareholders' Meeting. Remuneration for directors and managers is based on

industry standards, taking into account individual performance, the Company's operating results and the reasonableness of the correlation with future risks. Remuneration for employees is allocated based on industry standards, the competitive position of the Company's talents in the industry, the Company's overall operating results and profitability, budget planning, performance review and evaluation of future operating risks.

YUAN High-Tech Development Co., Ltd.

Information on substantial shareholders

December 31, 2022

Schedule 1

<u>Name of substantial shareholders</u>	<u>Shares held</u>	<u>Shares</u>	<u>Ratio</u>
Wei Sheng Investment Co., Ltd.		9,408,321	23.31%
Li, Shih-Chang		3,919,005	9.71%
Li, Shih-Kuei		3,174,000	7.86%
Xiang Li Investment Co., Ltd.		2,814,705	6.97%

clinet