

Paragon Technologies Co., Ltd.

Individual Financial Statements for
the years ended December 31,
2022 and 2021
with Independent Auditors' Report

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Independent Auditors' Report

Paragon Technologies Co., Ltd.

Opinion

We have audited the accompanying financial statements of Paragon Technologies Co., Ltd. (the "Company"), which comprise the individual balance sheets as of December 31, 2022 and 2021, and the individual statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the individual financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the individual financial statements of the Company for the year ended December 31, 2022. These matters were addressed in the context of our audit of the individual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter for the individual financial statements of the Company for the year ended December 31, 2022 is stated as follows:

Key audit matters of financial statements of the subsidiaries, accounted for using equity method

Explanation of Key Audit Matters

As of December 31, 2022, the amount of investment in subsidiaries, accounted for using equity method, was \$1,319,312 thousand which is 85% of the total assets. Since the amount is significant relative to the overall financial statements, if the investee's financial statements do not properly reflect the results of operations or do not correctly calculate the investment profit or loss for the year, the investment profit or loss and the amount of investment, accounted for using equity method, will be incorrect.

Therefore, the key audit matters of financial statements of the subsidiaries, accounted for using equity method, are the key audit matters for individual financial statements of the Company. Refer to Notes 4 (6) and 9 for the individual financial statements.

Corresponding Audit Procedures

We have obtained and understood the Company's control over the operations and financial results of its subsidiaries, and performed the following main audit procedures for the key audit matters in planning the financial statements audit of important subsidiaries:

Shipping Authenticity of Revenues for Some Specific Clients

The Company and its subsidiaries are mainly engaged in manufacturing EMI, Optoelectronic, and optical film, and research, development, manufacturing, processing and trading of machinery and equipment, and components. Based on the importance and Bulletin of Standards on Auditing, the sales recognition is the significant risk. Therefore, we believe the occurrence of sales revenue of the Company for some specific clients has a significant impact on the individual financial statements. Thus, the shipping authenticity for revenues of some specific clients is listed as the key audit matters this year. Refer to Note 4 (13) for the explanation of sales recognition policies.

We performed the following main audit procedures:

1. Understand and test the design and implementation of internal controls related to the sales recognition of some specific clients.
2. Sample the revenue details from the above specific clients, review the supporting documentation and test the receipts to confirm that sales transactions have actually occurred.
3. Examine whether significant sales returns and allowances have occurred after the balance sheet date to confirm whether revenues from some specific clients are materially misstated.

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

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

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

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Individual Financial Statements

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

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

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

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the individual financial statements. We are responsible for the direction, supervision and performance of the Company's audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the individual financial statements of the Company for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

*These consolidated financial statements are translated from the traditional Chinese version and are unaudited by a CPA.

Deloitte & Toche

Accountant Weng Bo Ren

Accountant Chi Rui Quan

Approval No. of Financial Supervision
Commission

No.

Financial-Supervisory-Securities-Auditing-
1010028123

Approval No. of Financial Supervision
Commission

No.

Financial-Supervisory-Securities-Auditing-10
60023872

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Paragon Technologies Co., Ltd.

Individual Balance Sheets

December 31, 2021 and 2022

(In Thousands of New Taiwan Dollars)

| Codes | Assets | December 31, 2022 | | December 31, 2021 | |
|-------|--|---------------------|------------|---------------------|------------|
| | | Amount | % | Amount | % |
| | Current assets | | | | |
| 1100 | Cash and cash equivalents (Notes 4, 6 and 27) | \$ 79,716 | 5 | \$ 80,461 | 5 |
| 1170 | Trade receivables (Notes 4, 7, 20 and 27) | 536 | - | 653 | - |
| 1210 | Other receivables - related parties (Notes 4, 7, 27 and 28) | 36,030 | 2 | 26,064 | 2 |
| 1200 | Other receivables (Notes 4, 7 and 27) | 21 | - | 22 | - |
| 1220 | Current tax assets (Notes 4 and 22) | 129 | - | 52 | - |
| 1410 | Prepayments (Note 13) | 6,471 | 1 | 6,659 | - |
| 1470 | Other current assets (Note 13) | 149 | - | 159 | - |
| 11XX | Total current assets | <u>123,052</u> | <u>8</u> | <u>114,070</u> | <u>7</u> |
| | Non-current assets | | | | |
| 1550 | Investments accounted for using equity method (Notes 4, 9 and 28) | 1,319,312 | 85 | 1,335,206 | 86 |
| 1600 | Property, plant and equipment (Notes 4, 10, 21 and 28) | 23,112 | 2 | 30,444 | 2 |
| 1755 | Right-of-use assets (Notes 4 and 11) | 25,715 | 2 | 9,184 | 1 |
| 1780 | Intangible assets (Notes 4 and 12) | 418 | - | 600 | - |
| 1840 | Deferred tax assets (Notes 4 and 22) | 51,279 | 3 | 62,446 | 4 |
| 1920 | Refundable deposits (Notes 13 and 27) | 4,002 | - | 5,122 | - |
| 1990 | Other non-current assets (Notes 13 and 18) | 5,007 | - | 3,450 | - |
| 15XX | Total non-current assets | <u>1,428,845</u> | <u>92</u> | <u>1,446,452</u> | <u>93</u> |
| 1XXX | Total | <u>\$ 1,551,897</u> | <u>100</u> | <u>\$ 1,560,522</u> | <u>100</u> |
| | Liabilities and equity | | | | |
| | Current liabilities | | | | |
| 2100 | Short-term loans (Notes 14, 25 and 27) | \$ 70,000 | 5 | \$ 80,000 | 5 |
| 2170 | Accounts payable (Notes 15 and 27) | 276 | - | 276 | - |
| 2219 | Other Payables (Notes 16 and 27) | 30,502 | 2 | 35,505 | 2 |
| 2280 | Current lease liabilities (Notes 4, 11, 25 and 27) | 6,075 | - | 6,003 | 1 |
| 2320 | Long-term liabilities - current portion (Notes 14, 25 and 27) | 3,978 | - | 3,926 | - |
| 2399 | Other current liabilities (Note 16) | 412 | - | 340 | - |
| 21XX | Total current liabilities | <u>111,243</u> | <u>7</u> | <u>126,050</u> | <u>8</u> |
| | Non-current liabilities | | | | |
| 2540 | Long-term loans (Notes 14, 25 and 27) | 8,575 | 1 | 12,533 | 1 |
| 2550 | Non-current provisions (Notes 4 and 17) | 764 | - | 847 | - |
| 2570 | Deferred tax liabilities (Notes 4 and 22) | 188 | - | - | - |
| 2580 | Lease liabilities (Notes 4, 11 and 27) | 19,725 | 1 | 3,328 | - |
| 2640 | Non-current liability – Net defined benefit liability (Notes 4 and 18) | - | - | 936 | - |
| 25XX | Total non-current liabilities | <u>29,252</u> | <u>2</u> | <u>17,644</u> | <u>1</u> |
| 2XXX | Total liabilities | <u>140,495</u> | <u>9</u> | <u>143,694</u> | <u>9</u> |
| | Equities (Notes 4, 9, 18, 19, 22, 24 and 27) | | | | |
| | Capital stock | | | | |
| 3110 | Common stock | <u>807,422</u> | <u>52</u> | <u>807,522</u> | <u>52</u> |
| 3200 | Capital reserve | <u>673,820</u> | <u>43</u> | <u>759,327</u> | <u>49</u> |
| | Retained earnings | | | | |
| 3310 | Legal reserve | 4,129 | - | - | - |
| 3320 | Special reserve | 37,169 | 3 | - | - |
| 3350 | Unappropriated earnings (accumulated deficit) | <u>27,838</u> | <u>2</u> | <u>41,298</u> | <u>2</u> |
| 3300 | Total retained earnings | <u>69,136</u> | <u>5</u> | <u>41,298</u> | <u>2</u> |
| 3400 | Other interests | (138,976) | (9) | (156,668) | (10) |
| 3500 | Treasury stock | - | - | (34,651) | (2) |
| 3XXX | Total equity | <u>1,411,402</u> | <u>91</u> | <u>1,416,828</u> | <u>91</u> |
| | Total liabilities and equity | <u>\$ 1,551,897</u> | <u>100</u> | <u>\$ 1,560,522</u> | <u>100</u> |

The accompanying notes are an integral part of the individual financial statements.

Chairman: Chen Zai Pu

Manager: You Xiu Ping

Accounting Supervisor: Liu Ming Yi

Paragon Technologies Co., Ltd.
Individual Statements of Comprehensive Income
From January 1 to December 31, 2021 and 2022

(In Thousands of New Taiwan Dollars
, except earnings per share)

| Codes | | 2022 | | 2021 | |
|-------|--|------------|-----------|-------------|-----------|
| | | Amount | % | Amount | % |
| 4000 | Operating Revenue (Notes 4 and 20) | \$ 1,791 | 100 | \$ 1,463 | 100 |
| 5000 | Operating costs (Notes 4, 8 and 21) | (8,679) | (484) | (1,994) | (136) |
| 5900 | Gross loss | (6,888) | (384) | (531) | (36) |
| 5920 | Realized profits of subsidiaries, associates and joint ventures (Notes 4 and 28) | 21,510 | 1,201 | 24,681 | 1,687 |
| 5950 | Realized operating margin | 14,622 | 817 | 24,150 | 1,651 |
| | Operating expenses (Notes 18, 21 and 28) | | | | |
| 6100 | Sales and marketing | - | - | (6) | - |
| 6200 | General and administrative | (43,370) | (2,422) | (66,097) | (4,518) |
| 6300 | Research and development | (31,810) | (1,776) | (34,315) | (2,346) |
| 6000 | Total operating expenses | (75,180) | (4,198) | (100,418) | (6,864) |
| 6900 | Net operating loss | (60,558) | (3,381) | (76,268) | (5,213) |
| | Non-operating income and expenses (Notes 9, 21 and 28) | | | | |
| 7100 | Interest income from bank deposits | 591 | 33 | 456 | 31 |
| 7010 | Other income | 30,283 | 1,691 | 26,170 | 1,789 |
| 7020 | Other gains and losses | 4,003 | 223 | (575) | (39) |
| 7050 | Finance costs | (2,406) | (134) | (2,492) | (171) |
| 7070 | Share of profits of subsidiaries, associates and joint ventures, accounted for using equity method | 70,165 | 3,918 | 110,781 | 7,572 |
| 7000 | Total non-operating income and expenses | 102,636 | 5,731 | 134,340 | 9,182 |

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| Codes | | 2022 | | 2021 | |
|-------|--|------------------|--------------|------------------|--------------|
| | | Amount | % | Amount | % |
| 7900 | Income from continuing operations before tax | \$ 42,078 | 2,350 | \$ 58,072 | 3,969 |
| 7950 | Total income tax expense (Notes 4 and 22) | (17,026) | (951) | (16,816) | (1,149) |
| 8200 | Profit | <u>25,052</u> | <u>1,399</u> | <u>41,256</u> | <u>2,820</u> |
| | Other comprehensive income (Notes 4, 18, 19 and 22) | | | | |
| | Not reclassified to profit or loss: | | | | |
| 8311 | Remeasurement of defined benefit obligation | 2,233 | 124 | 53 | 4 |
| 8316 | Unrealized gain on investments in equity instruments at fair value through other comprehensive income (Applicable for IFRS9) | 1,000 | 56 | - | - |
| 8349 | Income tax related to items that may not be reclassified subsequently to P/L | (447) | (25) | (11) | (1) |
| 8310 | | <u>2,786</u> | <u>155</u> | <u>42</u> | <u>3</u> |
| | To be reclassified to profit or loss in subsequent period: | | | | |
| 8380 | Share of other comprehensive income of subsidiaries, associates and joint ventures, accounted for using equity method | 22,115 | 1,235 | (10,835) | (741) |
| 8399 | Income tax related to items that may be reclassified subsequently to P/L | (4,423) | (247) | <u>2,167</u> | <u>148</u> |
| 8360 | | <u>17,692</u> | <u>988</u> | (8,668) | (593) |
| 8300 | Other comprehensive income (net of income tax) | <u>20,478</u> | <u>1,143</u> | (8,626) | (590) |
| 8500 | Total comprehensive income | <u>\$ 45,530</u> | <u>2,542</u> | <u>\$ 32,630</u> | <u>2,230</u> |
| | Earnings per share (Note 23) | | | | |
| | from continuing operations | | | | |
| 9710 | Basic | <u>\$ 0.31</u> | | <u>\$ 0.52</u> | |
| 9810 | Diluted | <u>\$ 0.31</u> | | <u>\$ 0.52</u> | |

The accompanying notes are an integral part of the individual financial statements.

Chairman: Chen Tsai Pu

Manager: Yu Hsiu-Ping

Accounting Supervisor: Liu Ming Yi

Paragon Technologies Co., Ltd.
Individual Statements of Changes in Equity
From January 1 to December 31, 2021 and 2022

(In Thousands of New Taiwan Dollars
, Unless Otherwise Specified)

| Codes | | Capital Stock | | Retained earnings | | | Unappropriated earnings | Others | | Treasury stock | Total equity |
|-------|--|-----------------------|-------------------|-------------------|-----------------|------------------|-------------------------|--------------------------------------|---|----------------|---------------------|
| | | Shares (in thousands) | Amount | Capital reserve | Legal reserve | Special reserve | | Foreign currency translation reserve | Unrealized gain on investments in equity instruments at fair value through other comprehensive income | | |
| A1 | Balance, January 1, 2021 | 80,752 | \$ 807,522 | \$ 810,542 | \$ - | \$ - | (\$ 55,645) | (\$ 148,000) | \$ - | (\$ 34,651) | \$ 1,379,768 |
| N1 | Share-Based Payments | - | - | 4,430 | - | - | - | - | - | - | 4,430 |
| C11 | Covering loss from capital reserve | - | - | (55,645) | - | - | 55,645 | - | - | - | - |
| D1 | Total profit of 2021 | - | - | - | - | - | 41,256 | - | - | - | 41,256 |
| D3 | Other comprehensive income of 2021 | - | - | - | - | - | 42 | (8,668) | - | - | (8,626) |
| D5 | Total comprehensive income of 2021 | - | - | - | - | - | 41,298 | (8,668) | - | - | 32,630 |
| Z1 | Balance, December 31, 2021 | 80,752 | 807,522 | 759,327 | - | - | 41,298 | (156,668) | - | (34,651) | 1,416,828 |
| B1 | Appropriations of prior year's earnings | | | | | | | | | | |
| B1 | Legal reserve | - | - | - | 4,129 | - | (4,129) | - | - | - | - |
| B3 | Special reserve | - | - | - | - | 37,169 | (37,169) | - | - | - | - |
| C15 | Capital reserve for cash dividends | - | - | (79,142) | - | - | - | - | - | - | (79,142) |
| M7 | Other changes in capital reserve | - | - | 186 | - | - | - | - | - | - | 186 |
| E1 | Capital increase | 1,600 | 16,000 | 12,000 | - | - | - | - | - | - | 28,000 |
| D1 | Total profit of 2022 | - | - | - | - | - | 25,052 | - | - | - | 25,052 |
| D3 | Other comprehensive income of 2022 | - | - | - | - | - | 1,786 | 17,692 | 1,000 | - | 20,478 |
| D5 | Total comprehensive income of 2022 | - | - | - | - | - | 26,838 | 17,692 | 1,000 | - | 45,530 |
| L3 | Income from continuing operations before income tax Treasury Stocks Nullifying | (1,610) | (16,100) | (18,551) | - | - | - | - | - | 34,651 | - |
| Q1 | Disposal of investments in equity instruments at fair value through other comprehensive income | - | - | - | - | - | 1,000 | - | (1,000) | - | - |
| Z1 | Balance, December 31, 2022 | <u>80,742</u> | <u>\$ 807,422</u> | <u>\$ 673,820</u> | <u>\$ 4,129</u> | <u>\$ 37,169</u> | <u>\$ 27,838</u> | <u>(138,976)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,411,402</u> |

The accompanying notes are an integral part of the individual financial statements.

Chairman: Chen Tsai Pu

Manager: Yu Hsiu-Ping

Accounting Supervisor: Liu Ming Yi

Paragon Technologies Co., Ltd.
Individual Statements of Cash Flows
From January 1 to December 31, 2021 and 2022
(In Thousands of New Taiwan Dollars)

| Codes | | 2022 | 2021 |
|--------|--|------------|-------------|
| | Cash flows from operating activities | | |
| A10000 | Income before tax | \$ 42,078 | \$ 58,072 |
| A20010 | Provided by (used in) operating activities | | |
| A20100 | Depreciation | 15,697 | 16,306 |
| A20200 | Amortization | 808 | 823 |
| A20900 | Finance costs | 2,406 | 2,492 |
| A21900 | Share-based compensation | - | 4,430 |
| A22400 | Share of profits of subsidiaries, associates and joint ventures, accounted for using equity method | (70,165) | (110,781) |
| A22500 | Gain on disposal or retirement of property, plant and equipment | (1,082) | - |
| A21200 | Interest income from bank deposits | (591) | (456) |
| A23700 | Impairment loss on inventories | - | 548 |
| A24000 | Realized sales benefits of subsidiaries, associates and joint ventures | (21,510) | (24,681) |
| A30000 | Changes in operating assets and liabilities | | |
| A31130 | Notes receivables | - | 2 |
| A31150 | Trade receivables | 117 | (150) |
| A31180 | Other receivables | - | 5 |
| A31190 | Other receivables - related parties | 26,064 | (6,698) |
| A31230 | Prepayments | 188 | (2,262) |
| A31240 | Other current assets | 10 | (42) |
| A32180 | Other Payables | (5,020) | 3,624 |
| A32200 | Provision for liability | (83) | (560) |
| A32230 | Other current liabilities | 72 | 33 |
| A32240 | Non-current liability – Net defined benefit liability | (260) | (245) |
| A33000 | Cash outflow generated from operations | (11,271) | (59,540) |
| A33100 | Interest received | 592 | 434 |
| A33300 | Interest paid | (2,197) | (2,303) |
| A33500 | Income tax paid | (10,618) | (11,195) |
| AAAA | Net cash flows from operating activities | (23,494) | (72,604) |

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| Codes | | 2022 | 2021 |
|--------|---|-------------------|-------------------|
| | Cash flows from investing activities | | |
| B00100 | Purchase of financial assets at fair value through profit or loss | (\$ 5,000) | \$ - |
| B02200 | Net cash outflow for obtaining subsidiaries | (122,922) | - |
| B07600 | Dividends received from subsidiaries, associates and joint ventures | 222,762 | 112,328 |
| B02700 | Acquisitions of property, plant and equipment | (1,345) | (1,913) |
| B02800 | Proceeds from disposal of property, plant and equipment | 1,082 | - |
| B03800 | Refundable deposits refunded | 1,120 | - |
| B04500 | Acquisition of intangible assets | (626) | (1,210) |
| BBBB | Net cash inflows from investing activities | <u>95,071</u> | <u>109,205</u> |
| | Cash flows from financing activities | | |
| C00200 | Decrease in short-term loans | (10,000) | (35,000) |
| C01600 | Proceeds from long-term loans | - | 16,459 |
| C01700 | Repayments of long-term loans | (3,906) | - |
| C04020 | Payments of lease liabilities | (7,274) | (7,261) |
| C04500 | Cash dividends | (79,142) | - |
| C04600 | Capital increase | <u>28,000</u> | <u>-</u> |
| CCCC | Net cash inflows from financing activities | <u>(72,322)</u> | <u>(25,802)</u> |
| EEEE | Increase (decrease) in cash and cash equivalents | (745) | 10,799 |
| E00100 | Cash and cash equivalents at beginning of period | <u>80,461</u> | <u>69,662</u> |
| E00200 | Cash and cash equivalents, end of period | <u>\$ 79,716</u> | <u>\$ 80,461</u> |

The accompanying notes are an integral part of the individual financial statements.

Chairman: Chen Tsai Pu

Manager: Yu Hsiu-Ping

Accounting Supervisor: Liu Ming Yi

Paragon Technologies Co., Ltd.
Notes to the Individual financial statements
From January 1 to December 31, 2021 and 2022
(In Thousands of New Taiwan Dollars, Unless Specified otherwise)

I. Company history

Paragon Technologies Co., Ltd. (hereinafter referred to as the Company) is established in October 1995 in accordance with the Company Act and relevant regulations and is mainly engaged in manufacturing EMI, Optoelectronic, and optical film, and research, development, manufacturing, processing and trading of machinery and equipment, and components. After the decision of the Board of Directors, the Company merged with its 100%-owned subsidiary, Global Technology Limited, in October 2005 with October 27, 2005, as the base date for the merger. The Company is the surviving company and Global Technology Limited was dissolved as a result of the merger.

In July 2006, the Company was approved to trade its stocks in emerging stock market by the Taipei Exchange (TPEX) in Taiwan. In November 2007, the Company's stocks ceased to be traded on the TPEX; instead, its stocks began to be traded on the Taiwan Stock Exchange.

The individual financial statements are presented in the Company's functional currency, the New Taiwan dollars.

II. Approval date and procedures of the individual financial statements

The individual financial statements were authorized by the Board of Directors on March 15, 2023.

III. New standards, amendments and interpretations adopted

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

The application of the amendments to the IFRSs endorsed and issued into effect by the FSC will not have a significant effect on the Company's accounting policies, except the following:

Amendments to IAS 16 "Property, Plant and Equipment: Proceeds before Intended Use"

This amendment shall apply to plant, property and equipment of the Company in the location and condition necessary for the Consolidated Company to achieve the management's intended mode of operation after January 1, 2021. The amendment provides that proceeds from selling items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management may not be appropriate to be deducted from the cost of the asset. The above items shall be measured in accordance with IAS 2 "Inventories" and the proceeds and costs are recognized in profit or loss based on the applicable rules. Refer to Note 4 for relevant accounting policies.

The consolidated company assesses that, when the amendment of IAS 16 is applicable, except for the change in above accounting policies, there is no impact on the comparative period information that should be restated for this Individual Financial Statements.

- (2) The IFRSs endorsed by the FSC with effective date starting 2023

| <u>New, Revised or Amended Standards and Interpretations</u> | <u>Effective Date per IASB</u> |
|---|--------------------------------|
| Amendments to IAS 1 “Disclosure of Accounting Policies” | January 1, 2023 (Note 1) |
| Amendments to IAS 8 “Definition of Accounting Estimates” | January 1, 2023 (Note 2) |
| Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction” | January 1, 2023 (Note 3) |

Note 1: This amendment applies to annual reporting period starting after January 1, 2023.

Note 2: This amendment applies to changes of accounting estimates and policies in annual reporting period starting after January 1, 2023.

Note 3: This amendment applies to all the transactions occurring after January 1, 2022, except for the deferred tax due to temporary differences for lease and decommissioning obligations as of January 1, 2022.

1. Amendments to IAS 1 “Disclosure of Accounting Policies”

The amendments specify that the Company should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;
- The Company may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and
- Not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

- (1) The Company changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
- (2) The Company chose the accounting policy from options permitted by the standards;
- (3) The accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;
- (4) The accounting policy relates to an area for which the Company is required to make significant judgements or assumptions in applying an accounting policy, and the Company discloses those judgements or assumptions; or
- (5) The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

2. Amendments to IAS 8 “Definition of Accounting Estimates”

The amendments define that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, the Company may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Company uses measurement techniques and inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.

Except for the above impact, as of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact of the application of other standards and interpretations on the Company’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

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|-----|--|---|
| (3) | The IFRSs issued by IASB but not yet endorsed and issued into effect by the FSC | |
| | <u>New, Revised or Amended Standards and Interpretations</u> | <u>Effective Date per IASB (Note 1)</u> |
| | Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture” | To be determined |
| | Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback" | January 1, 2024 (Note 2) |
| | IFRS 17 "Insurance Contracts" | January 1, 2023 |
| | Amendments to IFRS 17 | January 1, 2023 |
| | Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9—Comparative Information" | January 1, 2023 |
| | Amendment to IAS 1 “Classification of Liabilities as Current or Non-current” | January 1, 2024 |
| | Amendments to IAS 1 “Non-current Liabilities with Covenants” | January 1, 2024 |

Note 1: Unless otherwise specified, the above new, revised or amended standards or interpretations start to apply in the annual reporting period after each effective date.

Note 2: The seller and lessee shall retrospectively apply the amendments to IFRS 16 for sale and leaseback transactions entered into after the initial application of IFRS 16.

1. Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments stipulated that, when an entity sells or contributes assets that constitute a business (as defined in IFRS 3 "Business Combination") to an associate (or joint venture), the gain or loss resulting from the transaction is recognized in full. Also, when an entity loses control of a subsidiary that contains a business but retains significant influence (or joint control), the gain or loss resulting from the transaction is recognized in full.

Conversely, when the Company sells or contributes assets that do not constitute a business (as defined in IFRS 3) to an associate (or joint venture), the gain or loss resulting from the transaction is recognized only to the extent of the Company's interest as an unrelated investor in the associate or joint venture, i.e., the Company's share of the gain or loss is eliminated. Also, when the Company loses control of a subsidiary that does not contain a business (as defined in IFRS 3) but retains significant influence (or joint control) over an associate (or a joint venture), the gain or loss resulting from the transaction is recognized only to the extent of the Company's interest as an unrelated investor in the associate (or joint venture), i.e., the Company's share of the gain or loss is eliminated.

2. Amendments to IAS 1 “Classification of Liabilities as Current or Noncurrent” (2020) and “Non-current Liabilities with Covenants” (2022)

The amendments in 2020 clarify that for a liability to be classified as non-current, the Company shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Company will exercise that right.

The amendments in 2020 also clarify that, if the right to defer settlement is subject to compliance with specified conditions, the Company must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date. The amendments in 2020 further clarify that only the terms that shall be followed before the end of reporting period will affect the classification of liability. The terms that shall be followed within 12 months after the end of reporting period will not affect the classification of liability but shall be disclosed with relevant information. This is to enable users of the financial statements to understand the risk that the Company may not be able to comply with the terms and may make repayments within 12 months of the reporting period.

The amendments in 2020 stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Company's own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Company's own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32 "Financial Instruments: Presentation", the aforementioned terms would not affect the classification of the liability.

3. Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback"

The amendments clarify that, in the sale and leaseback, when the assets are transferred as selling assets according to the IFRS 15 "Revenue from Contracts with Customers", the liabilities of the seller and lessee incurred by leaseback shall be handled according to the requirements of lease liability in IFRS 16. However, in the case of the variable lease payments not depending on an index or a rate, the seller and lessee shall weigh the liabilities by not recognizing profit or loss related to the retained right-of-use. Subsequently, the difference between the current lease payment included in the lease liability and the actual payment is recognized in profit or loss.

Except for the above impact, as of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact of the application of other standards and interpretations on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

IV. Summary of significant accounting policies

(1) Statement of Compliance

The individual financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(2) Basis of Preparation

The individual financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values and for net defined benefit liabilities that are recognized after defined benefit obligation minus fair value of plan assets.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs:

1. Level 1 Inputs: the quoted prices (unadjusted) in active markets for identical assets or liabilities that can access at the measurement date.
2. Level 2 Inputs: the inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (price) or indirectly (derived from price).
3. Level 3 inputs: the unobservable inputs for the asset or liability.

When preparing the individual financial statements, the Company account for subsidiaries, associates and joint ventures by using the equity method. In order to agree with the amount of net income, other comprehensive income and equity attributable to shareholders of the Company in the consolidated financial statements, the differences of the accounting treatment between the individual and consolidated basis are adjusted under the "Investments accounted for using equity method", "Share of profits of subsidiaries, associates and joint ventures, accounted for using equity method" and "Share of other comprehensive income of subsidiaries, associates

and joint ventures, accounted for using equity method" in the individual financial statements.

(3) Classification of Current and Non-current Assets and Liabilities

Current assets include:

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

Current liabilities include:

1. Liabilities held primarily for the purpose of trading;
2. Liabilities due to be settled within 12 months after the balance sheet date (liabilities with long-term refinancing or rearrangement of payment terms completed after the balance sheet date and before the release of the individual financial statements); and
3. Liabilities with a repayment deadline that cannot be unconditionally deferred for at least 12 months after the balance sheet date. However, the terms of a liability that could, at the option of the counterparty, result in its settlement by issue of equity instruments do not affect its classification.

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

(4) Foreign Currencies

In preparing the individual financial statements, transactions in currencies other than the Company's functional currency (i.e. foreign currencies) are recognized at the rates of exchange prevailing on the transaction dates.

On each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on that date.

Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise, except for:

1. Foreign currency loans related to assets under construction for future production while their exchange difference is included in the cost of such assets if it adjusted the interest cost of such loans;
2. Exchange differences arising from transactions to hedge part of the foreign currency risk; and
3. Monetary items receivable from or payable to foreign operations. When the settlement is neither planned nor likely to occur in the foreseeable future (and therefore forms part of the net investment in the foreign operations), the exchange differences are recognized as other comprehensive income and are reclassified to profit or loss upon disposal of the net investment.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in foreign currencies are not retranslated.

For the purpose of presenting individual financial statements, the assets and liabilities of the Company's foreign operations (including subsidiaries, associates, joint ventures and branch offices that are prepared using functional currencies which are different from the currency of the Company) are transferred into the New Taiwan dollar on each balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income.

On the disposal of a foreign operation (i.e., a disposal of the Company's entire equities in a foreign operation, a disposal of the Company's partial equities involving the loss of control over a subsidiary of foreign operation, or a disposal of joint arrangements of foreign operation or the reserved equities of associates which is financial assets and handled base on the accounting policies of financial instruments), all of the accumulated exchange differences in respect of that foreign operation are reclassified into profit or loss.

When partial disposal of subsidiary of foreign operation does not result in loss of control, accumulated exchange differences is included in equities transactions on a pro-rata basis, but not recognized in profit or loss. The accumulated exchange differences resulting from other disposal of foreign operation are reclassified into profit or loss on a pro-rata basis.

(5) Inventories

Inventories consist of raw materials, work in process and finished goods. Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

(6) Investments in subsidiaries

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

A subsidiary is an entity that is controlled by the Company (including a structured entity).

Under the equity method, investments are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of its subsidiaries. In addition, changes in the Company's other equity of its subsidiaries are recognized based on its ownership percentage.

Changes in the Company's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amount of an investment and the fair value of the consideration paid or received is recognized directly in equity.

When the Company's share of losses of a subsidiary exceeds its equity in said subsidiary (which includes any carrying amount of the investment accounted for by the equity method and long-term equity that, in substance, forms part of the Company's net investment in the said subsidiary), the Company continues recognizing its share of further losses.

The excess of the cost of acquisition over the Company's shares of the net fair value of the subsidiary's identifiable assets and liabilities at the date of acquisition is recorded as goodwill, which is included in the carrying amount of the investment and shall not be amortized. The excess of the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities over the cost of acquisition at the date of acquisition is recognized as current income.

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

When the Company loses control over a subsidiary, it measures its remaining investment in said subsidiary based on the fair value on the day when control is lost. The fair value of the remaining investment and the difference between any disposal price and the carrying amount of the investment on the day when control is lost are recognized in profit or loss for the period. In addition, all amounts recognized in other comprehensive income related to said subsidiary are accounted for on the same basis as the one adopted for the Company's direct disposal of the relevant assets or liabilities.

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

(7) Investments in Associates and Joint Ventures

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

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

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate and joint venture.

The excess of the cost of acquisition over the Company's shares of the net fair value of the joint ventures' identifiable assets and liabilities at the date of acquisition is recorded as goodwill, which is included in the carrying amount of the investment and shall not be amortized. The excess of the Company's share of the net fair value of the joint ventures' identifiable assets and liabilities over the cost of acquisition at the date of acquisition is recognized as current income.

When the Company subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the proportionate equity in the associate. The records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital reserve - changes in capital reserve from investments in associates and joint ventures accounted for using the equity method. If the ownership interest is reduced due to its additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital reserve, but the capital reserve recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Company's share of losses on an associate equals or exceeds its interest in the associate (including any carrying amount of the investment accounted for using the equity method and other long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of said associate and joint venture. The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized only to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained interest is measured at fair value, and the difference between the fair value and the carrying amount of the associate attributable to the retained interest is recognized in profit or loss of the period. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate directly disposed of the related assets or liabilities. When the investment on associates becomes the investment on joint ventures or vice versa, the Company adopts the equity method continuously and does not measure the reserved equities.

When an entity transacts with its associate, profits and losses resulting from the transactions with the associate is recognized in this financial statements only to the extent of interests in the associate of parties that are not related to the Company.

(8) Property, Plant and Equipment

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

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. When the lease term is shorter than the useful lives, it shall be depreciated within the lease term. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each year, with the effects of any change in the estimates accounted for on a prospective basis.

When derecognizing property, plant and equipment, the difference between the net disposal proceeds and the carrying amount of the asset shall be recognized in loss or profit.

(9) Intangible Assets

1. Separately acquired

Separately acquired intangible assets with finite useful lives are first carried at cost, and at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized using the straight-line method over the estimated useful lives of intangible assets. The estimated useful life, salvage value and amortization method are reviewed at the end of each year, with the effect of changes in accounting estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives are recognized at cost less accumulated impairment loss.

2. Derecognition

When derecognizing intangible assets, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in loss or profit.

(10) Impairment of Property, Plant and Equipment, Right-of-use Assets and Intangible Assets (Except Goodwill)

The Company estimates its property, plant and equipment, right-of-use assets and intangible assets (except goodwill) to determine whether there is any indication that those assets have suffered an impairment loss on each balance sheet date. If any such indication exists, the recoverable amount of the asset is estimated. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

For intangible assets with indefinite useful life and not yet available for use, impairment tests are conducted every year and when there are indications of impairment.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of individual asset or the cash-generating unit is lower than its carrying amount, the carrying amount is reduced to the recoverable amount, and the impairment loss is recognized in profit and loss.

Before the Company recognizes an impairment loss from assets related to contract costs, any impairment loss on inventories, property, plant and equipment related to the contract shall be recognized in accordance with applicable standards. Then, impairment loss from the assets related to the contract costs is recognized to the extent that the carrying amount of the assets exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services and which have not been recognized as expenses. The assets related to the contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit. When an impairment loss subsequently reverses, the carrying amount of the asset, cash-generating unit or assets related to contract cost is increased to the revised recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset, cash-generating unit or assets related to contract cost in prior years (less amortization or depreciation). A reversal of an impairment loss is recognized in profit or loss.

(11) Financial Instruments

Financial assets and financial liabilities shall be recognized in the individual balance sheet when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and liabilities are initially recognized at fair values. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1. Financial assets

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

(1) Measurement categories

Financial assets held by the Company are measured at fair value through profit or loss, and measured at amortized cost.

A. Financial assets at fair value through profit or loss

Financial asset is classified as at FVTPL when such a financial asset is mandatorily classified and designated. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and derivatives and beneficiary securities that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The dividends or interest earned on such a financial asset are recognized in other and interest income respectively. Refer to Note 26 for determination of fair value.

B. Financial assets at amortized cost

When the Company's investments in financial assets meet the following two conditions simultaneously, they are classified as financial assets at amortized cost:

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

Subsequent to initial recognition, financial assets at amortized cost (including cash and cash equivalents, trade receivables at amortized cost) are measured at amortized cost, which equals to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss. Interest income is calculated by multiplying the effective interest rate by the gross carrying amount of a financial asset, except:

- a. Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- b. Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

(2) Impairment of financial assets

The Company assesses the impairment loss of financial assets at amortized cost (including accounts receivable), and investments in debt instruments, lease receivables and contract assets at fair value through other comprehensive income, based on the expected credit loss on each balance sheet date.

Accounts receivable, lease receivables and contract assets are recognized in allowance loss based on the lifetime expected credit losses (ECLs). Other financial assets are first assessed based on whether the credit risk has increased significantly since the initial recognition. If there is no significant increase in the risk, a loss allowance is recognized at an amount equal to 12-month ECLs. If the risks have increased significantly, a loss allowance is recognized at an amount equal to ECLs.

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

The impairment loss of all financial assets is reduced in their carrying amounts through a loss allowance account while the allowance loss of investments in debt instruments at fair value through other comprehensive income is recognized in other comprehensive income and does not reduce their carrying amounts.

(3) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the consideration received is recognized in profit or loss. When derecognizing an investment in equity instrument at FVTOCI in its entirety, the cumulative profit or loss is transferred directly to retained earnings and is not reclassified to profit or loss.

2. Equity instruments

Debt and equity instruments issued by the Company are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of financial liabilities and equity instruments.

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

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity, and its carrying amount is weighted average by stock category. The purchase, sale, issuance, or cancellation of the Company's own equity instruments is not recognized in profit or loss.

3. Financial Liabilities

(1) Subsequent measurement

All financial liabilities are at amortized cost in the effective interest method.

(2) Derecognizing of financial liabilities

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

(12) Provision for liability

The amount recognized in provision is based on the risk and uncertainty of the obligation, and is the best estimate of the expenditure required to settle the obligation on the balance sheet date. Provision for liability is measured by the discount value of the estimated cash flow required to settle the obligation.

Warranty

The warranty to ensure that the products meet the agreed specifications is based on management's best estimate of the expenditure required to settle the obligations and is recognized when relevant products are recognized as income.

(13) Revenue recognition

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

If the Company signs contracts with the same customer (or a related party of the customer) at almost the same time, the Company treats them as a single contract because the goods or services promised in these contracts are a single performance obligation.

If the interval between the transfer of goods or services and the receipt of consideration is less than 1 year, the transaction price is not adjusted for significant financial components of the contract.

1. Revenue from sale of goods

Revenue from the sale of goods comes from sales of electronic components and automotive parts. When the electronic components and automotive parts are delivered to the location designated by customers, customers have the right to determine the price and the way the products are used while bearing the main responsibility for resale and the risk of obsolescence; thus, revenue and account receivable are recognized concurrently.

Because the ownership of processed products is still under the Company in the materials removal process, the removal of the materials is not recognized in profit or loss.

2. Revenue arising from rendering of services

The Company provides vacuum coating service for electronic components supplied by customers, and the revenue arising from rendering of service is recognized in profit or loss gradually as the time pass. The Company measures the progress based on the produced or delivered quantity.

(14) Leasing

At the inception of a contract, the Company assesses whether the contract is (or contains) a lease.

1. The Company as lessor

Where almost all the risks and rewards attached to the ownership of an asset are transferred to the lessee in lease terms, such leases are classified as finance leases. All other leases are classified as operating leases.

Lease payments less any lease incentives payable from operating leases are recognized as income on a straight-line basis over the terms of the lease terms. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

2. The Company as lessee

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

A right-of-use asset is initially measured at cost (including the initial measured amount of lease liabilities, the amount of lease payments made to the lessor less lease incentives received prior to the inception of a lease, initial direct costs, and the estimated costs of restoring underlying assets), and subsequently measured at cost less accumulated depreciation and accumulated impairment and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the individual balance sheets.

A right-of-use asset is depreciated on a straight-line basis over the period from the lease commencement date to the end of its useful life, or to the end of the lease term, whichever is earlier.

Lease liabilities are initially measured at the present value of lease payments (including fixed payments). If the interest rate implicit in a lease can be easily determined, the lease payment is discounted at such an interest rate. If the interest rate cannot be easily determined, the lessee's incremental borrowing rate applies.

Subsequently, lease liabilities are measured at the amortized cost using the effective interest rate method, and interest expense is amortized over the lease term. If changes in the lease term, the expected payments under the salvage value guarantee, the evaluation of the purchase option on the subject asset, or the index or rate used to determine the lease payment lead to changes in future lease payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use assets has been reduced to zero, the remaining remeasurement amount is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

- (15) **Borrowing Costs**
Borrowing costs directly attributable to an acquisition, construction, or production of qualifying assets are added to the cost of said assets, until such time as the assets are substantially ready for their intended use or sale.
The investment income, which is earned from the specific loans temporarily invested before the capital expenditure that meets the requirements, shall be deducted from the borrowing costs eligible for capitalization.
Other than that which is stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.
- (16) **Government grants**
Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received.
Government grants related to income are recognized in the other income on a systematic basis during the periods in which the Company recognizes the relevant costs, for which the grants are intended to compensate, as expenses. Government grants whose primary condition is that the Company should purchase, construct or otherwise acquire noncurrent assets are recognized as deferred revenue and recognized in profit or loss over the useful lives of the related assets on a reasonable and systemic basis.
Government grants that are receivables as compensation for expenses or loss already incurred, or given to the Company for the purpose of immediate financial support without relevant future costs, are recognized in profit or loss in the period in which they become receivables.
If government grants are transferred to the Company in the non-monetary assets form, the grants are recognized and measured at fair value of the non-monetary assets.
The difference between the loan lower than the market rate received by the Company and the fair value of the loan based on the prevailing market interest rate is recognized as government grants.
- (17) **Employee benefits**
1. **Short-term employee benefits**
Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2. Post-employment benefits

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

The defined benefit cost under the defined benefit pension plan (including service cost, net interest, and remeasurement) is calculated based on the projected unit credit method. The service cost (including the service cost for the current and previous period) and the net interest of net defined benefit liabilities (assets) are recognized as employee benefit expenses as they occur or when the plan is revised or reduced. The remeasurement (including actuarial gains and losses and the return on plan assets, net of interest) is recognized in other comprehensive income and presented in retained earnings when it occurs, and will not be reclassified to profit or loss.

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

3. Other long-term employee benefits

The accounting of other long-term employee benefits is the same as the defined benefit pension plan while the relevant remeasurement is recognized in profit or loss.

4. Termination benefits

The Company recognizes termination benefits liabilities when it can no longer cancel the termination benefits agreement or when it recognizes restructuring costs (which is earlier).

(18) Share-Based Payments Agreement

Equity-settled share-based payment agreements and employee stock options for employees

Equity-settled share-based payment agreements and employee stock options are based on the fair value of the equity instruments at the date of grant and the best estimates expected to be received. The expense is recognized on a straight-line method over the receiving period, and the capital reserve - employ stock option is adjusted simultaneously. When they are received at the date of grant, they are fully recognized as expenses on the same day.

The Company adjusts the estimated amount of equity instruments received and employ stock option on each balance sheet date. The affected estimated amount after the adjustment is recognized in profit or loss to reflect the adjusted estimated amount on the accumulated expenses and adjust the capital reserve - employ stock option accordingly.

(19) Income tax

Income tax expenses are the sum of current and deferred income tax.

1. Current income tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Law, an additional tax on inappropriate earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2. Deferred income tax

Deferred income tax is calculated based on the temporary differences between the carrying amount of assets and liabilities and the corresponding tax bases used in the computation of taxable income.

Deferred income tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recognized when there are likely to be taxable income to deduct temporary differences, loss carry-forwards, expenditure from purchasing machinery and equipment.

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

A previously unrecognized deferred tax asset is also reviewed at each balance sheet date and recognized to the extent that it has become probable that future taxable income will allow all or part of the asset to be recovered.

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

3. Current and deferred income tax

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are recognized in other comprehensive income or directly in equity, respectively. When the current or deferred income tax come from the obtaining subsidiaries, the income tax effects are included in the accounting treatment of investing subsidiaries.

V. Major sources of uncertainty arising from significant accounting judgments, estimates, and assumptions

In the application of the Company's accounting policies, the management is required to make judgments, estimations, and assumptions about the relevant information that is not readily accessible from other sources based on historical experience and other relevant factors. Actual results may differ from these estimates.

The Company takes into account the economic impact of the COVID-19 pandemic in its critical accounting estimates, and the management will constantly review the estimates and basic assumptions. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods. The accounting policies, estimates and basic assumptions adopted by the Company have no critical accounting judgments, assumptions and estimation uncertainty after the evaluation of management.

VI. Cash and Cash Equivalents

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|--|--------------------------|--------------------------|
| Cash on hand and revolving funds | \$ 237 | \$ 223 |
| Checking accounts and demand deposits | 69,345 | 58,518 |
| Cash equivalents (investment with an original maturity less than 3 months) | | |
| Time deposits | <u>10,134</u> | <u>21,720</u> |
| | <u>\$ 79,716</u> | <u>\$ 80,461</u> |

The interest rate range of bank deposit at the balance sheet date is as follows:

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|----------------|--------------------------|--------------------------|
| Demand deposit | 0.05%~1.05% | 0.005%~0.200% |
| Time deposit | 4.27% | 2.25% |

VII. Trade Receivables and Other Receivables

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|--|--------------------------|--------------------------|
| <u>Trade receivables</u> | | |
| Carried at amortized cost | | |
| Total carrying amount | \$ 617 | \$ 734 |
| Less: Allowance for impairment loss | (<u>81</u>) | (<u>81</u>) |
| | <u>\$ 536</u> | <u>\$ 653</u> |
| <u>Other receivables</u> | | |
| Non-related parties | | |
| Interest receivable | \$ 21 | \$ 22 |
| Related parties (Note 28) | | |
| Cash dividends receivable | 36,030 | - |
| Income from management services receivable | <u>-</u> | <u>26,064</u> |
| | <u>\$ 36,051</u> | <u>\$ 26,086</u> |

(1) Notes Receivables and Trade Receivables

Trade receivables carried at amortized cost

The Company's average credit period for the sale of goods is 150 days, and no interest accrued for trade receivables during the credit period. The Company adopted a policy of only dealing with counterparties rated at or above Investment-grade and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The credit rate is provided by the credit rating agency. If such information is not available, the Company rate the main customers using other publicly available financial information and historical transaction records. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The Company adopt the simplified approach of IFRS 9 to recognize allowance loss based on the lifetime expected credit losses. The expected credit losses are estimated based on the Company's provision matrix by reference to the past default records of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtor operates and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. From the experience of credit loss, there is no significant difference in the loss patterns between customer groups, therefore, the provision matrix does not further differentiating the customer groups but only determines the expected credit loss rate based on the number of days past due on trade receivable.

If there is evidence showing that the counterparty is facing serious financial difficulties and the Company cannot reasonably foresee the recoverable amount, e.g. the counterparty is under liquidation or the debts are not paid for over 360 days, the Company directly writes off the trade receivables and will continue the collection while the collected amount will be recognized in profit or loss.

The following table details the loss allowance of notes receivables and trades receivables based on the Company's provision matrix.

December 31, 2022

| | <u>0~90 days</u> | <u>91~180 days</u> | <u>180~360 days</u> | <u>More than 361 days</u> | <u>T o t a l</u> |
|-------------------------------|------------------|--------------------|---------------------|---------------------------|------------------|
| Expected credit loss rate | 0% | 0% | 0% | 100% | |
| Total carrying amount | \$ 536 | \$ - | \$ - | \$ 81 | \$ 617 |
| Loss allowance (Lifetime ECL) | - | - | - | (81) | (81) |
| Amortized cost | <u>\$ 536</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 536</u> |

December 31, 2021

| | <u>0~90 days</u> | <u>91~180 days</u> | <u>180~360 days</u> | <u>More than 361 days</u> | <u>T o t a l</u> |
|-------------------------------|------------------|--------------------|---------------------|---------------------------|------------------|
| Expected credit loss rate | 0% | 0% | 0% | 100% | |
| Total carrying amount | \$ 209 | \$ 444 | \$ - | \$ 81 | \$ 734 |
| Loss allowance (Lifetime ECL) | - | - | - | (81) | (81) |
| Amortized cost | <u>\$ 209</u> | <u>\$ 444</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 653</u> |

The following table details the loss allowance of notes receivables and trade receivables.

| | <u>2022</u> | <u>2021</u> |
|------------------------|--------------|--------------|
| Balance at January 1 | <u>\$ 81</u> | <u>\$ 81</u> |
| Balance at December 31 | <u>\$ 81</u> | <u>\$ 81</u> |

(2) Other receivables

There is no interest accrued for other receivables. When determining the receivability of other receivables, the Company considers any changes in the credit quality of other receivables between the original credit grant date and balance sheet date. Based on the experience indicating that other receivables outstanding for more than 360 days are unlikely to be collected, the Company recognizes 100% allowance for bad debts for other receivables outstanding for over 360 days. For other receivables outstanding between 0 and 360 days, the allowance for bad debts is estimated based on the past payment records and the current financial status of the counterparties.

As of the balance sheet date of December 31, 2022 and 2021, the Company did not recognize any other receivables that were overdue but not yet recognized as the impairment loss.

VIII. Inventories

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|-----------------|--------------------------|--------------------------|
| Raw materials | \$ - | \$ - |
| Work-in-process | - | - |
| Finished goods | - | - |
| | <u>\$ -</u> | <u>\$ -</u> |

The natures of the sales cost are as follows:

| | <u>2022</u> | <u>2021</u> |
|--------------------------------|-----------------|-----------------|
| Cost of inventories sold | \$ 8,679 | \$ 1,446 |
| Impairment loss on inventories | - | 548 |
| | <u>\$ 8,679</u> | <u>\$ 1,994</u> |

IX. Investments accounted for using equity method

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|-----------------------------|--------------------------|--------------------------|
| Investments in subsidiaries | \$ 1,319,312 | \$ 1,334,968 |
| Investments in associates | - | 238 |
| | <u>\$ 1,319,312</u> | <u>\$ 1,335,206</u> |

(1) Investments in subsidiaries

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|--------------------------------|--------------------------|--------------------------|
| <u>Non-listed (non-public)</u> | | |
| <u>company</u> | | |
| MARCO SIGHT | | |
| INTERNATIONAL CO., LTD. | \$ 1,192,159 | \$ 1,334,968 |
| LEADING PROFIT | | |
| HOLDING LIMITED | 51,980 | - |
| Jing Cheng Material Co., Ltd. | 75,173 | - |
| | <u>\$ 1,319,312</u> | <u>\$ 1,334,968</u> |

| | <u>Percentage of Ownership and Voting Rights</u> | |
|-------------------------------------|--|--------------------------|
| <u>S u b s i d i a r i e s</u> | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
| MARCO SIGHT | | |
| INTERNATIONAL CO., LTD. | 100% | 100% |
| LEADING PROFIT | | |
| HOLDING LIMITED(1) | 51% | - |
| Jing Cheng Material Co., Ltd.(2) | 70.3% | - |

1. The Company has invested \$51,022 thousand in cash to establish LEADING PROFIT HOLDING LIMITED in July, 2022 and the percentage of ownership is 51%.
2. The Company invested \$39,600 thousand in cash and \$6,000 thousand in financial assets at fair value through other comprehensive income to obtain 76% shares of Jing Cheng Material Co., Ltd. by on August 17, 2022, as the base date. However, the Company did not invest \$32,300 thousand in Jing Cheng Material Co., Ltd. by ownership percentage on November 17, 2022, and the shareholding percentage decreased from 76% to 70.3% and the recognized capital reserve - the difference between the actual acquisition or disposal price of subsidiary shares and their book value is \$186 thousand. Refer to Note 29 for business combinations and Note 30 for equity transactions on non-controlling interests of the Company's 2022 consolidated financial report. Refer to Table 6 "Information on Investees" of Note 32 for investments in subsidiaries hold indirectly.

(2) Investments in associates

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|---|--------------------------|--------------------------|
| Associates that are not individually material | | |
| Cubee auto parts inc. | <u>\$ -</u> | <u>\$ 238</u> |

Refer to Table 6 "Information on Investees" of Note 32 for the nature of activities, principal places of business and countries of incorporation of the associates.

The Company invested Cubee auto parts inc. in September 2018 and the percentage of ownership is 50%. However, as the composition of the board of directors is controlled by other shareholders under the shareholders' agreement, the Company does not have control over Cubee auto parts inc. Management of the Company considers it has significant influence on Cubee auto parts inc. and lists it as an associate.

All the above associates are accounted for using equity method. The summarized financial information of the Company's associates hereunder were prepared on the grounds of IFRSs consolidated financial statements by the associates with the adjustment already reflected at the time of equity method.

Associates that are not individually material

| | <u>2022</u> | <u>2021</u> |
|--|-------------|--------------|
| The Company's share of: | | |
| Loss from continuing operations for the period | (\$ 238) | (\$ 1,525) |
| Total comprehensive income (loss) | (\$ 238) | (\$ 1,525) |

The Company discontinues recognizing the specific associates' share of further losses accounted for using equity method. When the Company recognizes the associates' share of further losses, it considers the carrying amount of the equity investments in the associates and the long-term receivables that are essentially part of the investments in the associates. The recognized loss is not limited to the carrying amount of the equity investments in the associates. The unrecognized loss of the year and the unrecognized cumulative loss of the associates excerpted from their relevant financial statements are as follows:

| | 2022 | 2021 |
|--------------------|------------|------|
| Amount of the year | (\$ 121) | \$ - |
| Cumulative amount | (\$ 121) | \$ - |

10. Property, Plant and Equipment

| | December 31, 2022 | December 31, 2021 |
|----------------------------|-------------------|-------------------|
| Assets used by the Company | \$ 23,112 | \$ 30,444 |

Assets used by the Company

| | Machinery and Equipment | Transportation Equipment | O f f i c e Equipment | O t h e r Equipment | Construction in Progress | T o t a l |
|--|----------------------------|-----------------------------|--------------------------|------------------------|-----------------------------|-------------------|
| <u>Cost</u> | | | | | | |
| Balance, January 1, 2022 | \$ 201,080 | \$ 650 | \$ 19,274 | \$ 24,378 | \$ - | \$ 245,382 |
| Additions | 1,345 | - | - | - | - | 1,345 |
| Disposals | (47,825) | - | - | (24) | - | (47,849) |
| Reclassifications | - | - | - | - | - | - |
| Balance, December 31, 2022 | <u>\$ 154,600</u> | <u>\$ 650</u> | <u>\$ 19,274</u> | <u>\$ 24,354</u> | <u>\$ -</u> | <u>\$ 198,878</u> |
| <u>Accumulated depreciation and impairment</u> | | | | | | |
| Balance, January 1, 2022 | \$ 175,381 | \$ 343 | \$ 17,483 | \$ 21,731 | \$ - | \$ 214,938 |
| Depreciation | 5,266 | 217 | 662 | 2,532 | - | 8,677 |
| Disposals | (47,825) | - | - | (24) | - | (47,849) |
| Reclassifications | - | - | - | - | - | - |
| Balance, December 31, 2022 | <u>\$ 132,822</u> | <u>\$ 560</u> | <u>\$ 18,145</u> | <u>\$ 24,239</u> | <u>\$ -</u> | <u>\$ 175,766</u> |
| Balance, December 31, 2022 | <u>\$ 21,778</u> | <u>\$ 90</u> | <u>\$ 1,129</u> | <u>\$ 115</u> | <u>\$ -</u> | <u>\$ 23,112</u> |
| <u>Cost</u> | | | | | | |
| Balance, January 1, 2021 | \$ 199,475 | \$ 650 | \$ 19,274 | \$ 24,254 | \$ - | \$ 243,653 |
| Additions | 97 | - | - | 124 | 1,508 | 1,729 |
| Disposals | - | - | - | - | - | - |
| Reclassifications | 1,508 | - | - | - | (1,508) | - |
| Balance, December 31, 2021 | <u>\$ 201,080</u> | <u>\$ 650</u> | <u>\$ 19,274</u> | <u>\$ 24,378</u> | <u>\$ -</u> | <u>\$ 245,382</u> |
| <u>Accumulated depreciation and impairment</u> | | | | | | |
| Balance, January 1, 2021 | \$ 169,998 | \$ 127 | \$ 16,818 | \$ 18,716 | \$ - | \$ 205,659 |
| Depreciation | 5,383 | 216 | 665 | 3,015 | - | 9,279 |
| Disposals | - | - | - | - | - | - |
| Reclassifications | - | - | - | - | - | - |
| Balance, December 31, 2021 | <u>\$ 175,381</u> | <u>\$ 343</u> | <u>\$ 17,483</u> | <u>\$ 21,731</u> | <u>\$ -</u> | <u>\$ 214,938</u> |
| Balance, December 31, 2021 | <u>\$ 25,699</u> | <u>\$ 307</u> | <u>\$ 1,791</u> | <u>\$ 2,647</u> | <u>\$ -</u> | <u>\$ 30,444</u> |

The Company's property, plant and equipment are depreciated on a straight-line basis over the following estimated useful life:

| | |
|--------------------------|------------|
| Machinery and Equipment | 3~10 years |
| Transportation Equipment | 3 years |
| Office Equipment | 3~5 years |
| Other Equipment | 3~5 years |

11. Lease arrangements

(1) Right-of-use assets

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|-------------------------------------|--------------------------|--------------------------|
| Carrying amounts | | |
| Buildings | \$ 22,435 | \$ 5,146 |
| Machinery and Equipment | <u>3,280</u> | <u>4,038</u> |
| | <u>\$ 25,715</u> | <u>\$ 9,184</u> |
| | <u>2022</u> | <u>2021</u> |
| Additions to right-of-use assets | <u>\$ 23,551</u> | <u>\$ 5,564</u> |
| Depreciation of right-of-use assets | | |
| Buildings | \$ 6,262 | \$ 6,523 |
| Machinery and Equipment | <u>758</u> | <u>504</u> |
| | <u>\$ 7,020</u> | <u>\$ 7,027</u> |

Cost and accumulated depreciation of right-of-use assets are decreased by \$20,746 thousand respectively, due to the derecognizing of the expired lease agreement in 2022, and are decreased by \$1,022 thousand respectively, due to the derecognizing of the expired lease agreement in 2021.

(2) Lease liabilities

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|---------------------|--------------------------|--------------------------|
| Carrying amounts | | |
| Current portion | <u>\$ 6,075</u> | <u>\$ 6,003</u> |
| Non-current portion | <u>\$ 19,725</u> | <u>\$ 3,328</u> |

Ranges of discount rates for lease liabilities are as follows:

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|-------------------------|--------------------------|--------------------------|
| Buildings | 1.75% ~ 2.2% | 1.75% ~ 2.00% |
| Machinery and Equipment | 1.75% | 1.75% |

- (3) Important leasing activities and terms
The Company leases buildings for the use of plants and offices with lease terms of 1 to 5 years. The Company does not have priority purchase options to acquire the leasehold buildings at the end of the lease terms.
- (4) Other lease information

| | <u>2022</u> | <u>2021</u> |
|--|---------------------|---------------------|
| Expenses relating to short-term leases | <u>\$ 516</u> | <u>\$ 684</u> |
| Total cash outflow for leases | <u>(\$ 7,790)</u> | <u>(\$ 7,945)</u> |

The Company has elected to apply the recognition exemption for transportation equipment, and, thus, did not recognize said leases in right-of-use assets and lease liabilities.

As of December 31, 2022 and 2021, there are no lease commitments signed with the lease term beginning after the balance sheet date.

12. OTHER INTANGIBLE ASSETS

| | <u>P a t e n t s</u> | <u>C o m p u t e r s o f t w a r e</u> | <u>T o t a l</u> |
|---------------------------------|----------------------|--|------------------|
| <u>Cost</u> | | | |
| Balance, January 1, 2021 | \$ 223 | \$ 12,763 | \$ 12,986 |
| Separately acquired | <u>-</u> | <u>1,210</u> | <u>1,210</u> |
| Balance, December 31, 2021 | <u>\$ 223</u> | <u>\$ 13,973</u> | <u>\$ 14,196</u> |
| <u>Accumulated amortization</u> | | | |
| Balance, January 1, 2021 | \$ 223 | \$ 12,550 | \$ 12,773 |
| Amortization | <u>-</u> | <u>823</u> | <u>823</u> |
| Balance, December 31, 2021 | <u>\$ 223</u> | <u>\$ 13,373</u> | <u>\$ 13,596</u> |
| Balance, December 31, 2021 | <u>\$ -</u> | <u>\$ 600</u> | <u>\$ 600</u> |
| <u>Cost</u> | | | |
| Balance, January 1, 2022 | \$ 223 | \$ 13,973 | \$ 14,196 |
| Separately acquired | <u>-</u> | <u>626</u> | <u>626</u> |
| Balance, December 31, 2022 | <u>\$ 223</u> | <u>\$ 14,599</u> | <u>\$ 14,822</u> |
| <u>Accumulated amortization</u> | | | |
| Balance, January 1, 2022 | \$ 223 | \$ 13,373 | \$ 13,596 |
| Amortization | <u>-</u> | <u>808</u> | <u>808</u> |
| Balance, December 31, 2022 | <u>\$ 223</u> | <u>\$ 14,181</u> | <u>\$ 14,404</u> |
| Balance, December 31, 2022 | <u>\$ -</u> | <u>\$ 418</u> | <u>\$ 418</u> |

Amortization of the above intangible assets with finite useful lives is recognized using the straight-line method over the following useful lives:

| | |
|-------------------|-----------|
| Patents | 10 years |
| Computer software | 1~2 years |

13. OTHER ASSETS

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|-------------------------------------|--------------------------|--------------------------|
| <u>Current portion</u> | | |
| Prepayments - current | \$ 6,471 | \$ 6,659 |
| Others | 149 | 159 |
| | <u>\$ 6,620</u> | <u>\$ 6,818</u> |
| <u>Non-current portion</u> | | |
| Refundable deposits | \$ 4,002 | \$ 5,122 |
| Net defined benefit asset (Note 18) | 1,557 | - |
| Others | 3,450 | 3,450 |
| | <u>\$ 9,009</u> | <u>\$ 8,572</u> |

Prepayments - current

Prepayments - current of the consolidated company mainly includes the offset against business tax payable and prepayments.

14. Loans

(1) Short-term loans

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|------------------------|--------------------------|--------------------------|
| <u>Unsecured loans</u> | | |
| Line of credit | <u>\$ 70,000</u> | <u>\$ 80,000</u> |

Interest rate of revolving loans were 2.05% in 2022 and 1.55% in 2021.

(2) Long-term loans

| | <u>Expiration date</u> | <u>Material terms</u> | <u>Effective interest rate</u> | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|--|------------------------|--|--------------------------------|--------------------------|--------------------------|
| <u>Unsecured loans</u> | | | | | |
| First Bank | January 18, 2026 | The total amount of the loan is \$20,000 thousand, and the principal and interest will be repaid in monthly installments from the date of borrowing. | 2.2% | \$ 12,553 | \$ 16,459 |
| Less: | | | | | |
| Current portion of long-term loans payable | | | | (3,978) | (3,926) |
| | | | | <u>\$ 8,575</u> | <u>\$ 12,533</u> |

15. NOTES PAYABLE AND ACCOUNTS PAYABLE

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|---------------------------|--------------------------|--------------------------|
| <u>Accounts payable</u> | | |
| From operating activities | <u>\$ 276</u> | <u>\$ 276</u> |

The average credit period for accounts payable ranges from 90 days to 150 days. The Company has financial risk management policies to ensure that all accounts payable are repaid within the pre-agreed credit period.

16. OTHER LIABILITIES

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|--|--------------------------|--------------------------|
| <u>Current portion</u> | | |
| Other Payables | | |
| Salaries and incentive bonus | \$ 16,804 | \$ 23,766 |
| Payables for annual leave | 2,963 | 2,606 |
| Employees and directors' remuneration payable | 7,056 | 4,130 |
| Payables for labor costs | 1,150 | 954 |
| Payables for auxiliary materials and consumables | 288 | 267 |
| Others | <u>2,241</u> | <u>3,782</u> |
| | <u>\$ 30,502</u> | <u>\$ 35,505</u> |
| Other liabilities | | |
| Others | <u>\$ 412</u> | <u>\$ 340</u> |

17. Provision for liability

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|----------------------------|--------------------------|--------------------------|
| <u>Non-current portion</u> | | |
| Employee benefits | <u>\$ 764</u> | <u>\$ 847</u> |

Provision for liability of employee benefits includes employee death benefits. The employee pension plan adopted by the Company is other long-term benefits plan and the pension is calculated based on the fixed pay when the employee dies.

18. Post-employment benefits plans

(1) Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

(2) Defined benefit plan

The defined benefit plan adopted by the Company in accordance with the Labor Standards Act is the defined benefit plan under the management of the government (R.O.C.). Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes an amount, which equals to 2% of each employee's total monthly salary and wage, which is deposited by the Pension Fund Monitoring Committee in the pension account with the Bank of Taiwan in the name of the committee. Before the end of each year, if the balance in the pension account assessed is inadequate to pay for the retirement benefits for employees who meet the retirement requirements in the following year, the Company will contribute an amount to make up for the difference in a lump sum by the end of March of the following year. The pension account is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment management strategy. The amounts included in the individual balance sheets in respect of the defined benefit plan are as follows:

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|---------------------------------------|--------------------------|--------------------------|
| Defined benefit obligation | \$ 15,948 | \$ 16,612 |
| Fair value of plan assets | (<u>17,505</u>) | (<u>15,676</u>) |
| Net defined benefit liability (asset) | (<u>\$ 1,557</u>) | <u>\$ 936</u> |

Movements in net defined benefit liability (asset) are as follows:

| | Net defined benefit defined benefit obligation | Fair value of Fair value | Net defined benefit Liabilities (assets) |
|--|---|-----------------------------|--|
| January 1, 2021 | <u>\$ 16,142</u> | (<u>\$ 14,908</u>) | <u>\$ 1,234</u> |
| Service cost | | | |
| Current service cost | 255 | - | 255 |
| Interest expense (income) | <u>61</u> | (<u>57</u>) | <u>4</u> |
| Recognized in profit or loss | <u>316</u> | (<u>57</u>) | <u>259</u> |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | - | (207) | (207) |
| Actuarial (gain) loss - changes in demographic assumptions | 265 | - | 265 |
| Actuarial (gain) loss - changes in financial assumptions | (129) | - | (129) |
| Actuarial (gain) loss - experience adjustments | <u>18</u> | <u>-</u> | <u>18</u> |
| Recognized in OCI | <u>154</u> | (<u>207</u>) | (<u>53</u>) |
| Contributions from the employer | <u>-</u> | (<u>504</u>) | (<u>504</u>) |
| December 31, 2021 | <u>\$ 16,612</u> | (<u>\$ 15,676</u>) | <u>\$ 936</u> |

(Continued on next page)

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| | Net defined benefit defined benefit obligation | Fair value of Fair value | Net defined benefit Liabilities (assets) |
|--|---|-----------------------------|--|
| January 1, 2022 | <u>\$ 16,612</u> | <u>(\$ 15,676)</u> | <u>\$ 936</u> |
| Service cost | | | |
| Current service cost | 255 | - | 255 |
| Interest expense (income) | <u>83</u> | <u>(79)</u> | <u>4</u> |
| Recognized in profit or loss | <u>338</u> | <u>(79)</u> | <u>259</u> |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | - | (1,231) | (1,231) |
| Actuarial (gain) loss - changes in demographic assumptions | - | - | - |
| Actuarial (gain) loss - changes in financial assumptions | (539) | - | (539) |
| Actuarial (gain) loss - experience adjustments | (463) | - | (463) |
| Recognized in OCI | <u>(1,002)</u> | <u>(1,231)</u> | <u>(2,233)</u> |
| Contributions from the employer | <u>-</u> | <u>(519)</u> | <u>(519)</u> |
| December 31, 2022 | <u>\$ 15,948</u> | <u>(\$ 17,505)</u> | <u>(\$ 1,557)</u> |

Amount of defined benefit plan recognized in the profit and loss is summarized by function as follow:

| | 2022 | 2021 |
|----------------------------|---------------|---------------|
| Operating costs | \$ - | \$ - |
| Sales and marketing | - | - |
| General and administrative | 259 | 259 |
| R&D expenses | - | - |
| | <u>\$ 259</u> | <u>\$ 259</u> |

Due to the pension plans under the Labor Standards Act, the Company is exposed to the following risks:

1. Investment risk: The Bureau invests labor pension funds in domestic (foreign) equity securities, debt securities, and bank deposits on its own use and through agencies entrusted. However, the Company's amount allocated to plan assets is calculated based on the interest rate not lower than the local bank's interest rate for 2-year time deposits.
2. Interest risk: A decrease in the interest rate of government bonds will increase the present value of the defined benefit obligation. However, the return on the debt investment through the plan assets will also increase, and the increases will partially offset the effect the net defined benefit liability.

3. Salary risk: The present value of the defined benefit obligation is calculated with reference to the future salaries of the participants in the plan. As such, an increase in the salary of the participants in the plan will increase the present value of the defined benefit obligation.

As such, an increase in the salary of the participants in the plan will increase the present value of the defined benefit obligation.

| | December 31, 2022 | | December 31, 2021 | |
|---|---|---------------|---|---------------|
| Discount rate | 1.125% | | 0.5% | |
| Expected salary increase rate | 2.5% | | 2.5% | |
| Mortality rate | Based on Taiwan Life Insurance Industry 6th Experience Life Table | | Based on Taiwan Life Insurance Industry 6th Experience Life Table | |
| Disability rate | Based on 10% of expected mortality rate | | Based on 10% of expected mortality rate | |
| Turnover rate | A g e s | Turnover rate | A g e s | Turnover rate |
| | 20 years old | 9.0% | 20 years old | 9.0% |
| | 25 years old | 7.0% | 25 years old | 7.0% |
| | 30 years old | 6.0% | 30 years old | 6.0% |
| | 35 years old | 4.0% | 35 years old | 4.0% |
| | 40 years old | 1.0% | 40 years old | 1.0% |
| | 45 years old | - | 45 years old | - |
| | 50 years old | - | 50 years old | - |
| | 55 years old | - | 55 years old | - |
| | 60 years old | - | 60 years old | - |
| | | | | |
| | December 31, 2022 | | December 31, 2021 | |
| | Voluntary retirement | | Voluntary retirement | |
| | A g e s | r a t e | A g e s | r a t e |
| Voluntary retirement rate (Z is the earliest retirement age for specific employee) | Z | 15.0% | Z | 15.0% |
| | Z+1 ~ 64 | 3.0% | Z+1 ~ 64 | 3.0% |
| | 65 | 100% | 65 | 100.0% |

If each of the critical actuarial assumptions is subject to reasonably possible changes, when all other assumptions remain unchanged, the amounts by which the present value of the defined benefit obligation would increase (decrease) are as follows:

| | December 31, 2022 | December 31, 2021 |
|-------------------------------|-------------------|-------------------|
| Discount rate | | |
| Increase 0.25% | (\$ 201) | (\$ 257) |
| Reduce 0.25% | <u>\$ 209</u> | <u>\$ 267</u> |
| Expected salary increase rate | | |
| Increase 0.25% | <u>\$ 203</u> | <u>\$ 257</u> |
| Reduce 0.25% | (<u>\$ 196</u>) | (<u>\$ 249</u>) |

As actuarial assumptions may be correlated, it is unlikely that only a single assumption would occur in isolation of one another, so the sensitivity analysis above may not reflect the actual changes in the present value of the defined benefit obligation.

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|---|--------------------------|--------------------------|
| Expected contributions to the plan for the following year | <u>\$ 498</u> | <u>\$ 504</u> |
| The average duration of the defined benefit obligation | 5.1 years | 6.1 years |

19. Equity

(1) Capital stock
Ordinary shares

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|---|--------------------------|--------------------------|
| Number of shares authorized (in thousands) | <u>200,000</u> | <u>200,000</u> |
| Shares authorized | <u>\$ 2,000,000</u> | <u>\$ 2,000,000</u> |
| Number of shares issued and fully paid (in thousands) | <u>80,742</u> | <u>80,752</u> |
| Shares issued | <u>\$ 807,422</u> | <u>\$ 807,522</u> |

Fully paid ordinary shares, which have a par value of NT\$10, carry one vote per share and carry a right to dividends.

The capital reserved for the issuance of convertible corporate bond and employee stock option is 20,000 thousand shares.

The Company's Board of Directors approved a share buyback program on June 23, 2022 to repurchase 1,610 thousand shares transferred in 2017 with \$34,651 thousand. The Company canceled the shares due to the expiry of transferring period and set July 10, 2022 as the record date for capital reduction. The registration for share cancellation was completed on August 5, 2022 by Ministry of Economic Affairs.

On August 9, 2022, the Board of Directors resolved to issue 1,600 thousand shares of common stock at a par value of NT\$10 per share through a cash offering by private placement, at a premium of NT\$17.5 per share, resulting in a paid-in capital of NT\$807,422 thousand. The capital increase date is August 22, 2022 by the resolution of the Board of Directors. The registration for alternation of above capital increase was approved by the Ministry of Economic Affairs on September 13, 2022.

(2) Capital reserve

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|--|--------------------------|--------------------------|
| <u>May be used to offset a deficit, distributed as cash dividends or transferred to share capital(1)</u> | | |
| Issuance of common shares | \$ 649,409 | \$ 729,518 |
| Treasury share transactions | 2,135 | 7,719 |
| Difference between the actual share price for obtaining the subsidiary and the book value | 186 | - |
| <u>May be used to offset a deficit only</u> | | |
| Expiry of employ stock option | 17,660 | 17,660 |
| <u>Shall not be used for any purpose</u> | | |
| Transfer of treasury stock to employee stock options | <u>4,430</u> | <u>4,430</u> |
| | <u>\$ 673,820</u> | <u>\$ 759,327</u> |

1. The capital reserve may be used to offset a deficit and, when there is no deficit, used to distributed as cash dividends or transferred to share capital. The transfer to share capital is limited to a certain percentage of the paid-in capital each year.

(3) Retained earnings and dividend policy

According to the retained earnings policy in Company's Articles of Incorporation, if there is a surplus in the annual financial statements, after paying all taxes and compensating for losses from previous years according to the law, 10% of the surplus shall be allocated as a statutory reserve. However, if the statutory reserve has reached the total amount of paid-in capital, no further allocation is required. Afterward, special reserves shall be allocated or reversed in accordance with the business needs, regulations or the requirements of the competent authority. The remaining surplus plus the accumulated unappropriated earnings shall be prepared by the Board of Directors and submitted to shareholder's meeting for resolution. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to "Employees' compensation and remuneration of directors and supervisors" in Note 21 (8).

The Company's dividend distribution policy should take shareholders' equity as the greatest consideration and may distribute in form of stock or cash dividends after considering the company's competitiveness in current and future domestic and foreign industries, investment environment, and capital needs. As the Company is currently in the growth stage, in consideration of the long-term financial arrangement, the total amount of dividends to be issued annually shall not be less than 30% of the current year's net profit after tax. The percentage of cash dividends shall not be less than 20% of the total dividends.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The Company amended the Articles of Incorporation on June 8, 2022, after the resolution of the shareholders' meeting. As the result, when allocating special reserve

from the net deduction of other interests accumulated in the previous period and unappropriated earnings in the previous period is insufficient, net profit after tax and others are added to the unappropriated earnings of the current period for allocation. Before the amendment of the Articles of Incorporation, the Company allocated from unappropriated earnings in the previous period based on the regulations.

The Company held the annual shareholders' meeting on August 4, 2021 and approved not to allocate earnings due to net loss in 2020. The 2020 deficit compensation is approved as follows:

| | <u>D e f i c i t C o m p e n s a t i o n</u> |
|------------------------------------|--|
| Covering loss from capital reserve | <u>\$ 55,645</u> |

The Company held a shareholders' meeting on June 8, 2022, where the profit distribution for 2021 was passed as follows:

| | <u>2021</u> |
|-----------------|------------------|
| Legal reserve | <u>\$ 4,129</u> |
| Special reserve | <u>\$ 37,169</u> |

The shareholders' meeting decided to distribute \$79,142 thousand cash (\$1/share) with the capital reserve on June 8, 2022.

The Company held a director's meeting on March 15, 2023, where the profit distribution for 2022 was passed as follows:

| | <u>2022</u> |
|-----------------|------------------|
| Legal reserve | <u>\$ 2,784</u> |
| Special reserve | <u>\$ 25,054</u> |

The profit distribution for 2022 will be decided in the shareholders' meeting held on June 13, 2023.

(4) Special reserve

| | <u>2022</u> | <u>2021</u> |
|------------------------------|------------------|-------------|
| Balance at January 1 | \$ - | \$ - |
| Special reserve | | |
| Deduction of other interests | <u>37,169</u> | <u>-</u> |
| Balance at December 31 | <u>\$ 37,169</u> | <u>\$ -</u> |

Upon the distribution of earnings, a special reserve should be provided for the difference between the net deduction of other shareholders' equities recorded at the end of the reporting period and the special reserve allocated for when the initial application of IFRSs. When the net deduction of other shareholders' equities is reversed subsequently, the reversal part may be reversed to the special reserve.

(5) Others

1. Exchange differences resulting from translating the financial statements of foreign operations

| | 2022 | 2021 |
|--|----------------|----------------|
| Balance at January 1 | (\$ 156,668) | (\$ 148,000) |
| Generated in the current period | | |
| Share of exchange differences of subsidiaries, accounted for using equity method | 22,115 | (10,835) |
| Income tax related to share of exchange differences of subsidiaries, accounted for using equity method | (4,423) | 2,167 |
| Balance at December 31 | (\$ 138,976) | (\$ 156,668) |

2. Unrealized gain on financial assets at fair value through other comprehensive income

| | 2022 | 2021 |
|---|-----------|------|
| Balance at January 1 | \$ - | \$ - |
| Generated in current year | | |
| Unrealized gain (loss) | | |
| Equity instruments | 1,000 | - |
| Income tax related to unrealized gain (loss) | - | - |
| Other comprehensive income of this year | 1,000 | - |
| Transfer of accumulated profit and loss from disposition of equity instruments to retained earnings | (1,000) | - |
| Balance at December 31 | \$ - | \$ - |

(6) Treasury stock

| Reason for repossession | Transferring shares to employees (thousand shares) | Buy back to cancel (in thousands) | Total (in thousands) |
|-----------------------------------|--|--------------------------------------|----------------------|
| Shareholding on January 1, 2021 | 1,610 | - | 1,610 |
| Increase in this year | - | - | - |
| Decrease in this year | - | - | - |
| Shareholding on December 31, 2021 | 1,610 | - | 1,610 |
| Shareholding on January 1, 2022 | 1,610 | - | 1,610 |
| Increase in this year | - | - | - |
| Decrease in this year | (1,610) | - | (1,610) |
| Shareholding on December 31, 2022 | - | - | - |

Treasury stocks held by the Company can not be pledged, and do not have the right for dividends allocation and voting rights according to the Securities and Exchange Act.

20. Operating Revenue

(1) Customer contracts

The Company's revenue is generated from the sputter coating of electronic components according to the specification agreed upon between the customers and the Company. The customers provide the materials and obtain the goods' control during the service, thus the service contracts of the Company are gradually recognized as revenue. The Company measures the progress based on the produced or delivered quantity.

(2) Income details from customer contracts

| | <u>2022</u> | <u>2021</u> |
|--------------------------------|-----------------|-----------------|
| Income from customer contracts | | |
| 3C products | \$ - | \$ - |
| Others | <u>1,791</u> | <u>1,463</u> |
| | <u>\$ 1,791</u> | <u>\$ 1,463</u> |

(3) Balance from contracts

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> | <u>January 1, 2021</u> |
|--------------------------------------|------------------------------|------------------------------|------------------------|
| Notes and trade receivables (Note 7) | <u>\$ 536</u> | <u>\$ 653</u> | <u>\$ 503</u> |

21. Net profit (loss) relating to continuing operations and other comprehensive income

Net profit (loss) relating to continuing operations including:

(1) Interest income from bank deposits

| | <u>2022</u> | <u>2021</u> |
|---------------|---------------|---------------|
| Bank deposits | <u>\$ 591</u> | <u>\$ 456</u> |

(2) Other income

| | <u>2022</u> | <u>2021</u> |
|---|------------------|------------------|
| Management and service income (Note 28) | \$ 30,268 | \$ 26,160 |
| Others | <u>15</u> | <u>10</u> |
| | <u>\$ 30,283</u> | <u>\$ 26,170</u> |

(3) Other gains and losses

| | 2022 | 2021 |
|--|-----------------|-------------------|
| Net foreign exchange gains | | |
| (losses) | \$ 2,948 | (\$ 575) |
| Gain from disposal of property, plant and equipment | 1,082 | - |
| Others | (27) | - |
| | <u>\$ 4,003</u> | <u>(\$ 575)</u> |

(4) Finance costs

| | 2022 | 2021 |
|----------------------------|-----------------|-----------------|
| Bank loans interest | \$ 2,214 | \$ 2,287 |
| Lease liabilities interest | 192 | 205 |
| | <u>\$ 2,406</u> | <u>\$ 2,492</u> |

There are no capitalization of interests in 2021 and 2022.

(5) Depreciation and amortization

| | 2022 | 2021 |
|-------------------------------|------------------|------------------|
| Property, Plant and Equipment | \$ 8,677 | \$ 9,279 |
| Right-of-use assets | 7,020 | 7,027 |
| Intangible Assets | 808 | 823 |
| Total | <u>\$ 16,505</u> | <u>\$ 17,129</u> |

An analysis of depreciation by
function

| | | |
|--------------------|------------------|------------------|
| Operating costs | \$ 1,032 | \$ 97 |
| Operating expenses | 14,665 | 16,209 |
| | <u>\$ 15,697</u> | <u>\$ 16,306</u> |

An analysis of amortization by
function

| | | |
|-------------------------------|---------------|---------------|
| Operating costs | \$ 37 | \$ - |
| Sales and marketing | - | - |
| General and administrative | 580 | 664 |
| R&D expenses | 191 | 159 |
| | <u>\$ 808</u> | <u>\$ 823</u> |

(6) R&D expenses immediately recognized as fee

| | 2022 | 2021 |
|--------------|------------------|------------------|
| R&D expenses | <u>\$ 31,810</u> | <u>\$ 34,315</u> |

(7) Employee benefits expense

| | 2022 | 2021 |
|---|-----------|-----------|
| Short-term employee benefits | \$ 45,480 | \$ 57,977 |
| Post-employment benefits | | |
| Defined contribution plans | 1,908 | 2,080 |
| Defined benefit plans | | |
| (Note 18) | 259 | 259 |
| | 2,167 | 2,339 |
| Share-based payments, equity-settled | | |
| share-based payments | - | 4,430 |
| Director remuneration | 2,672 | 2,686 |
| Other employee benefits | (83) | (559) |
| Total employee benefits expense | \$ 50,236 | \$ 66,873 |
| | | |
| An analysis of employee benefits expense by function | | |
| Operating costs | \$ 6,573 | \$ 908 |
| Operating expenses | 43,663 | 65,965 |
| | \$ 50,236 | \$ 66,873 |

(8) Employees' compensation and directors' remuneration

The Company distributed employees' compensation and directors' remuneration at the rates between 1% to 10% and no higher than 3% of the net profit before tax for the year respectively according to the articles of incorporation. After the decision of the Board of Directors on March 15, 2022, and March 15, 2023, the employees' annual compensation and directors' remuneration of 2021 and 2022 are:

Percentage

| | 2022 | 2021 |
|-------------------------|------|------|
| Employees' compensation | 6% | 5% |
| Directors' remuneration | 2% | 1% |

Amount

| | 2022 | 2021 |
|-------------------------|----------|----------|
| | C a s h | C a s h |
| Employees' compensation | \$ 2,814 | \$ 3,304 |
| Directors' remuneration | 938 | 826 |

If there is a change in the proposed amounts after the annual financial statements are authorized for issue, the differences are recorded as a change in accounting estimate.

The actual allocated amount of employees' compensation and directors' remuneration in 2020 and 2021 are the same as the recognized amount in 2020 and 2021 individual financial statements.

Information on the employees' compensation and directors' remuneration resolved by the Company's board of directors is available at the "Market Observation Post System website of the Taiwan Stock Exchange".

(9) Gain or loss on foreign currency exchange

| | 2022 | 2021 |
|-------------------------|-----------------|-------------------|
| Foreign exchange gains | \$ 3,904 | \$ 662 |
| Foreign exchange losses | (956) | (1,237) |
| Net (loss) gain | <u>\$ 2,948</u> | <u>(\$ 575)</u> |

22. Income taxes relating to continuing operations

(1) Income tax recognized in profit or loss

The major components of income tax expense were as follows:

| | 2022 | 2021 |
|--|------------------|------------------|
| Current income tax | | |
| Generated in current period | \$ 9,116 | \$ 6,082 |
| Withholding tax from foreign income | - | 5,151 |
| Levy for unappropriated earnings | <u>1,425</u> | <u>-</u> |
| | 10,541 | 11,233 |
| Deferred income tax | | |
| Generated in current period | <u>6,485</u> | <u>5,583</u> |
| Income tax expenses recognized in profit or loss | <u>\$ 17,026</u> | <u>\$ 16,816</u> |

A reconciliation of accounting profit and income tax expense and applicable tax rate is as follows:

| | 2022 | 2021 |
|---|------------------|------------------|
| Income from continuing operations before tax | <u>\$ 42,078</u> | <u>\$ 58,072</u> |
| Income tax benefit at the statutory rate | \$ 8,416 | \$ 11,614 |
| Nondeductible loss in tax | - | 62 |
| Levy for unappropriated earnings | 1,425 | - |
| Unrecognized loss offset and deductible temporary differences | 7,185 | (11) |
| Withholding tax from foreign income | <u>-</u> | <u>5,151</u> |
| Income tax expenses recognized in profit or loss | <u>\$ 17,026</u> | <u>\$ 16,816</u> |

(2) Income tax recognized in other comprehensive income

| | <u>2022</u> | <u>2021</u> |
|--|-----------------|---------------------|
| <u>Deferred income tax</u> | | |
| Generated in current year | | |
| Translation of financial statements for foreign operations | \$ 4,423 | (\$ 2,167) |
| Actuarial gains and losses on defined benefit plan | <u>447</u> | <u>11</u> |
| Income tax (profit) recognized in other comprehensive income | <u>\$ 4,870</u> | (<u>\$ 2,156</u>) |

(3) Current income tax assets and liabilities

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|---------------------------|--------------------------|--------------------------|
| Current income tax assets | | |
| Tax refund receivables | <u>\$ 129</u> | <u>\$ 52</u> |

(4) Deferred tax assets and liabilities

The changes of deferred tax assets and deferred tax liabilities are as follows:

2022

| | <u>Balance at January 1</u> | <u>Recognized in profit or loss</u> | <u>Recognized in OCI</u> | <u>Exchange difference</u> | <u>Balance at December 31</u> |
|---|-----------------------------|-------------------------------------|--------------------------|----------------------------|-------------------------------|
| <u>Deferred tax assets</u> | | | | | |
| Temporary differences | | | | | |
| Unrealized gain | \$ 20,061 | (\$ 4,302) | \$ - | \$ - | \$ 15,759 |
| Exchange difference of foreign operations | 39,166 | - | (4,423) | - | 34,743 |
| Others | <u>3,219</u> | (<u>1,995</u>) | (<u>447</u>) | - | <u>777</u> |
| | <u>\$ 62,446</u> | (<u>\$ 6,297</u>) | (<u>\$ 4,870</u>) | <u>\$ -</u> | <u>\$ 51,279</u> |
| <u>Deferred tax liabilities</u> | | | | | |
| Temporary differences | | | | | |
| Others | <u>\$ -</u> | (<u>\$ 188</u>) | <u>\$ -</u> | <u>\$ -</u> | (<u>\$ 188</u>) |

2021

| | <u>Balance at January 1</u> | <u>Recognized in profit or loss</u> | <u>Recognized in OCI</u> | <u>Exchange difference</u> | <u>Balance at December 31</u> |
|---|-----------------------------|-------------------------------------|--------------------------|----------------------------|-------------------------------|
| <u>Deferred tax assets</u> | | | | | |
| Temporary differences | | | | | |
| Unrealized gain | \$ 24,997 | (\$ 4,936) | \$ - | \$ - | \$ 20,061 |
| Exchange difference of foreign operations | 36,999 | - | 2,167 | - | 39,166 |
| Others | <u>3,877</u> | (<u>647</u>) | (<u>11</u>) | - | <u>3,219</u> |
| | <u>\$ 65,873</u> | <u>\$ 5,583</u> | <u>\$ 2,156</u> | <u>\$ -</u> | <u>\$ 62,446</u> |

- (5) Unused loss carryforwards in income tax assets that were not recognized in the balance sheets and deductible temporary differences

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|----------------------------------|--------------------------|--------------------------|
| Loss carryforwards | | |
| Expired in 2022 | \$ - | \$ 73,379 |
| Expired in 2024 | - | 12,083 |
| Expired in 2026 | - | 15,057 |
| Expired in 2028 | - | 5,010 |
| Expired in 2029 | - | 610 |
| Expired in 2030 | - | 44,241 |
| | <u>\$ -</u> | <u>\$ 150,380</u> |
| Deductible temporary differences | | |
| Debt waiver not been proven | \$ 17,391 | \$ 17,391 |
| Others | - | 58 |
| | <u>\$ 17,391</u> | <u>\$ 17,449</u> |

- (6) Total temporary differences relating to the investment and not recognized as deferred tax liabilities

As of December 31, 2022 and 2021, temporary differences taxable associated with investments in subsidiaries not recognized as deferred tax liabilities amounted to \$190,258 thousand and \$227,181 thousand.

- (7) Income tax examination

The tax authorities have examined income tax returns of the Company through 2020.

23. Earnings per share

| | <u>2022</u> | <u>(In New Taiwan Dollars)</u> <u>2021</u> |
|--------------------------------|----------------|---|
| Basic earnings per share | | |
| from continuing operations | \$ 0.31 | \$ 0.52 |
| Total basic earnings per share | <u>\$ 0.31</u> | <u>\$ 0.52</u> |
| Diluted earnings per share | | |
| from continuing operations | \$ 0.31 | \$ 0.52 |
| Total basic earnings per share | <u>\$ 0.31</u> | <u>\$ 0.52</u> |

The earning per share and the weighted average number of ordinary shares used in the computation of earning per share are as follows:

Profit

| | 2022 | 2021 |
|--|------------------|------------------|
| Profit | <u>\$ 25,052</u> | <u>\$ 41,256</u> |
| Net profits used to calculate basic earnings per share | <u>25,052</u> | <u>41,256</u> |
| Earnings used to calculate basic earnings per share | 25,052 | 41,256 |
| Effect of potentially dilutive ordinary shares: | | |
| Employee bonuses or dividends | - | - |
| Employ stock option | <u>-</u> | <u>-</u> |
| Earnings used to calculate earnings per share | <u>\$ 25,052</u> | <u>\$ 41,256</u> |

Shares

| | 2022 | (In Thousands) 2021 |
|---|---------------|------------------------|
| Weighted average number of ordinary shares used to calculate for basic earnings per share | 79,758 | 79,142 |
| Effect of potentially dilutive ordinary shares: | | |
| Employees' compensation | 144 | 132 |
| Employ stock option | <u>-</u> | <u>68</u> |
| Weighted average number of common shares used in the computation of diluted EPS | <u>79,902</u> | <u>79,342</u> |

The Company may settle the employees bonuses or dividends in cash or shares; therefore, the Company assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the shareholders' meeting of the following year.

24. Share-Based Payments Agreement

Transfer of treasury stock to employees

The Company set \$21.52 which is the average price of buying back as transferring price and transferred 480 thousand treasury stocks for employees to purchase according to the 2017 Transfer of Treasury Stock to Employees Regulation after the resolution of the Board of Directors on March 23, 2021. The Company adopts the fair value of the equity granted to the Company at \$30.75 in accordance with IFRS No. 2 "Share-Based Payments".

The company did not issue employ stock option in 2022. The issued employ stock option is as follows:

| | 2022 | | 2021 | |
|--|--------------|--|--------------|--|
| | U n i t | W e i g h t e d a v e r a g e E x e r c i s e p r i c e (N T D) | U n i t | W e i g h t e d a v e r a g e E x e r c i s e p r i c e (N T D) |
| Employ stock option | (thousand) | | (thousand) | |
| Outstanding shares at beginning of period | 480 | \$ 21.52 | - | \$ - |
| Shares granted in the period | - | - | 480 | 21.52 |
| Shares exercised in the period | - | - | - | - |
| Shares expired in the period | (480) | 21.52 | - | - |
| Outstanding shares at end of period | - | | 480 | |
| Shares able to be exercised at end of period | - | | 480 | |

The compensation costs recognized by the Company in 2021 based on Share-Based Payments Agreements was \$4,430 thousand.

25. Information on cash flows

(1) Non-cash transactions

The investment and financing activities of the Company by non-cash transactions in 2022 and 2021 are as follows:

1. The Company acquired property, plant and equipment in 2022 and 2021 which reduced NT\$0 thousand and NT\$184 thousand respectively.
2. The Company's subsidiaries distributed cash dividends of NT\$258,792 thousand in 2022, resulting in an increase of NT\$36,030 thousand in other receivables - related parties. As of December 31, 2022, the Company had actually received cash dividends of NT\$222,762 thousand from its subsidiaries.

(2) Changes in liabilities from financing activities

2022

| | January 1, 2022 | Cash Flow | N o n - c a s h c h a n g e s | | December 31, 2022 |
|---|-------------------|----------------------|---------------------------------|------------------------------------|-------------------|
| | | | N e w l e a s e | I n t e r e s t e x p e n s e s | |
| Short-term loans | \$ 80,000 | (\$ 10,000) | \$ - | \$ - | \$ 70,000 |
| Lease liabilities | 9,331 | (7,274) | 23,551 | 192 | 25,800 |
| Long-term loan and current portion of long-term loans payable | 16,459 | (3,906) | - | - | 12,553 |
| | <u>\$ 105,790</u> | <u>(\$ 21,180)</u> | <u>\$ 23,551</u> | <u>\$ 192</u> | <u>\$ 108,353</u> |

2021

| | | | Non-cash changes | | |
|---|-------------------|----------------------|------------------|-------------------|-------------------|
| | January 1, 2021 | Cash Flow | New lease | Interest expenses | December 31, 2021 |
| Short-term loans | \$ 115,000 | (\$ 35,000) | \$ - | \$ - | \$ 80,000 |
| Lease liabilities | 10,823 | (7,261) | 5,564 | 205 | 9,331 |
| Long-term loan and current portion of long-term loans payable | - | 16,459 | - | - | 16,459 |
| | <u>\$ 125,823</u> | <u>(\$ 25,802)</u> | <u>\$ 5,564</u> | <u>\$ 205</u> | <u>\$ 105,790</u> |

26. Capital risk management

In order to ensure that each party in the Company will be able to continue as going concerns, the Company optimizes the debt and equity balance through capital management to maximize the return to stakeholders. The Company's overall strategy has remained unchanged since 2007.

The capital structure of the Company consists of its net debt and equity attributable to owners of the Company. Management reviews the capital structure of the Group regularly including the consideration of each capital cost and relevant risks. The Company balances its overall capital structure by issuing new shares, buying back shares and repaying old debt, as recommended by the management.

The Company is not subject to any externally imposed capital requirements.

27. Financial Instruments

(1) Fair value of financial instruments not measured at fair value

The management of the Company considers that when approaching the expiry date of the carrying amount of financial assets and financial liabilities that are not measured at fair value, or the price receivable in the future equivalent to the carrying amount, their carrying amount approximate their fair values.

(2) Fair value of financial instruments measured at fair value on a recurring basis

1. Fair value hierarchy

The Company does not hold financial assets and liabilities measured at fair value in 2021 and 2022.

There were no transfers between Levels 1 and 2 in 2021 and 2022.

2. Conciliation of financial instruments measures at level 3 fair value
2022

| <u>F i n a n c i a l a s s e t s</u> | Financial assets at F V T O C I <u>Financial assets</u> <u>Equity instruments</u> |
|--|--|
| Balance at January 1 | \$ - |
| Purchase | 5,000 |
| Recognized in other comprehensive income (Unrealized gain (loss) on financial assets at FVTOCI) | 1,000 |
| Disposals | (6,000) |
| Balance at December 31 | <u>\$ -</u> |
| Changes in unrealized gains and losses recognized in P/L and related to assets held at end of the year | <u>\$ -</u> |

3. Valuation techniques and inputs applied for Level 3 fair value measurement
The fair values of unlisted shares and emerging market shares were determined using the income approach. In this approach, the DCF was used to capture the present value of the expected future economic benefits to be derived from the ownership of these investees. The significant unobservable inputs used are listed in the table below. An increase in long-term revenue growth rates or long-term operating profit margin before tax, a decrease in the weighted average cost of capital (WACC), or a discount for lack of marketability would result in increases in fair value.

| (3) Categories of financial instruments | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|---|--------------------------|--------------------------|
| <u>Financial assets</u> | | |
| Disposal of financial assets at amortized cost (Note 1) | \$ 120,305 | \$ 112,322 |
| <u>Financial Liabilities</u> | | |
| Carried at amortized cost (Note 2) | 113,331 | 132,240 |

Note 1: The balances include financial assets at amortized cost, which comprise cash and cash equivalents, bond investment, notes receivables, trade receivables, other receivables, and refundable deposits.

Note 2: The balances included financial liabilities measured at amortized cost, which comprise short-term loans, accounts payable, notes payable, other payables, and long-term loans.

(4) Financial risk management objectives and policies

The Company's major financial instruments included equities and bonds investment, trade receivables, accounts payable, loans, and notes receivable and payable. The Company's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk and Interest rate risk), credit risk and liquidity risk.

The Company mitigates the impact of these risks by hedging its exposure to hedging risks through derivative financial instruments. The use of derivative financial instruments is governed by the policies approved by the Company's Board of Directors, which are the written principles for foreign currency risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments, and investment of current capital. Internal auditors review policy compliance and risk limits continuously. The Company does not engage in transactions of financial instruments (including derivative financial instruments) for speculative purposes.

The Financial Department reports quarterly to the Company's Board of Directors, which is an independent organization responsible for monitoring risks and implementing policies to mitigate risks.

1. Market risk

The main financial risks to which the Company is exposed as a result of its operating activities are the risk of changes in foreign currency rates (see (1) below) and in interest rates (see (2) below). The Company engages in various derivative financial instruments to manage risks in foreign currency rate and interest rate, including:

A. Foreign Exchange Forward Contract to hedge the foreign currency risk arising from the sale of products;

B. Interest Rate Swap to mitigate the risk of rising interest rates.

There is no change in the Company's exposure to market risk of financial instruments and the way it manages and measures such exposure.

(1) Foreign currency risk

The Company had foreign currency sales and purchases, which exposed the Company to foreign currency risk. Around 90% of the Company's sales are not denominated in the functional currency. The Company utilizes Foreign Exchange Forward Contract to manage the foreign currency risk within the scope of the policy.

Refer to Note 31 for the carrying amounts of the Company's monetary assets and monetary liabilities denominated in non-functional currencies at the balance sheet date.

Sensitivity analysis

The Company was mainly affected by the fluctuations in the exchange rates of USD and RMB.

The following table details the Company's sensitivity to a 5% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. 5% is the sensitivity ratio used in reporting foreign currency risk internally to management and represents management's assessment of the reasonably possible range of changes in foreign currency rates. The sensitivity analysis is for a 5% change in foreign currency rates and included only outstanding foreign currency denominated monetary items at the end of the year. A positive number below indicates a decrease in pre-tax loss or an increase in equity when New Taiwan dollars weaken by 5% against the relevant currency. For a 5% strengthening of New Taiwan dollars against the relevant currency, the impact on pre-tax loss or equity will result in the balances below being negative.

| | <u>I m p a c t o f U S D</u> | | <u>I m p a c t o f R M B</u> | |
|-----------------|------------------------------|------------|------------------------------|---------------|
| | 2022 | 2021 | 2022 | 2021 |
| Profit and loss | \$ 541 (i) | \$ 406 (i) | \$ 3,409 (ii) | \$ 2,431 (ii) |
| Equity | 2,599 (iii) | - | 63,351 (iii) | 71,513 (iii) |

- (i) Mainly came from the USD-denominated bank deposits of the Company that were outstanding at the balance sheet date and not hedged for cash flow.
- (ii) Mainly came from the RMB-denominated receivables of the Company that was outstanding at the balance sheet date and not hedged for cash flow.
- (iii) Mainly came from the exchange results of foreign subsidiaries held by the Company at the balance sheet date and invested by the equity method.

The increased sensitivity to the RMB and USD exchange rates in the current year is mainly due to the increased balance in other receivables resulting from the increased RMB-denominated transaction amount, and the increased USD-denominated bank deposits. Management believes that sensitivity analysis does not represent the risk inherent in exchange rates because the foreign currency exposures at the balance sheet date do not reflect the exposures in mid-year.

(2) Interest rate risk

The Company was exposed to interest rate risk because entities borrowed funds at floating interest rates. The risk is managed by the Company by maintaining an appropriate mix of fixed interest rates. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied. The carrying amounts of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|-------------------------------|--------------------------|--------------------------|
| Fair value interest rate risk | | |
| Financial assets | \$ 10,134 | \$ 21,720 |
| Cash flow interest rate risk | | |
| Financial assets | 69,345 | 58,518 |
| Financial Liabilities | 82,553 | 96,459 |

The Company is exposed to cash flow interest rate risk due to holding bank loans with variable rates. This situation meets the Company's policy of maintaining loans with floating rate to reduce fair value risk related to interest rates. The Company's cash flow interest rate risk is mainly due to fluctuations in benchmark interest rates related to NTD-denominated loans.

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating interest rates liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. Basis points of 1% increase or decrease were used when reporting interest rate risk internally to management and represent management's assessment of the reasonably possible change in interest rates.

If interest rates had been increased/decreased by 1% and all other variables held constant, the Company's net profit before tax for 2022 and 2021 would increase/decrease by \$130 thousand and \$377 thousand, respectively mainly due to the exposure to cash flow interest rate risk on the Company's variable-rate loans and bank deposits.

2. Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. At the balance sheet date, the Company's exposures to credit risk, which might cause financial losses due to a counterparty's failure to perform its obligations, are mainly came from:

- (1) The carrying amounts of the financial assets recognized in the balance sheet.
- (2) The contingent liabilities arising from financial guarantees provided by the Company.

In order to minimize credit risk, the management of the Company has delegated a team responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Company considers that the Company's credit risk was significantly reduced.

The Company's trade receivables of 89% and 94% in the total balance of trade receivables as of December 31, 2022 and 2021, respectively, was related to the customers exceeding 5% of the total trade receivables.

3. Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2021 and 2022, the Company had available unutilized bank loan facilities set out in (2) below.

- (1) Liquidity and interest rate risk tables for non-derivative financial liabilities

Liquidity and interest rate risk table

The remaining contractual maturity analysis of non-derivative financial liabilities was based on the earliest date at which the Company might be required to repay and was compiled based on the undiscounted cash flows of financial liabilities (including principal and estimated interest). Therefore, the bank borrowings with a repayment on demand clause were included in the earliest time period, regardless of the probability of exercise of the right by banks.

The undiscounted interest amount of interest cash flows paid at floating interest rates is derived from the yield rate at the balance sheet date.

December 31, 2022

| | Weighted average effective interest rate (%) | Less than 1 y e a r | 1 ~ 3 years | 4 ~ 5 years | More than 5 y e a r s |
|---|--|------------------------|------------------|-----------------|--------------------------|
| <u>Non-derivative financial liabilities</u> | | | | | |
| Floating interest rates instrument | | | | | |
| Short-term loans | 2.05% | \$ 70,255 | \$ - | \$ - | \$ - |
| Long-term loans | 2.2% | 4,214 | 8,429 | 351 | - |
| Lease liabilities | | 6,564 | 12,277 | 8,205 | - |
| Non-interest bearing | | | | | |
| Accounts payable | | 276 | - | - | - |
| Other Payables | | 30,502 | - | - | - |
| | | <u>\$ 111,811</u> | <u>\$ 20,706</u> | <u>\$ 8,556</u> | <u>\$ -</u> |

Further information on the lease liability maturity analysis is as follows:

| | Less than 1 y e a r | 1 ~ 5 years | 5 ~ 10 years | 10 ~ 15 years | 15 ~ 20 years | More than 20 years |
|-------------------|------------------------|------------------|--------------|---------------|---------------|--------------------|
| Lease liabilities | <u>\$ 6,564</u> | <u>\$ 20,482</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

December 31, 2021

| | Weighted average effective interest rate (%) | Less than 1 y e a r | 1 ~ 3 years | 4 ~ 5 years | More than 5 y e a r s |
|---|--|------------------------|-----------------|-----------------|--------------------------|
| <u>Non-derivative financial liabilities</u> | | | | | |
| Floating interest rates instrument | | | | | |
| Short-term loans | 1.55% | \$ 81,240 | \$ - | \$ - | \$ - |
| Long-term loans | 1.7% | 4,175 | 8,350 | 4,523 | - |
| Lease liabilities | | 6,114 | 1,596 | 1,596 | 266 |
| Non-interest bearing | | | | | |
| Accounts payable | | 276 | - | - | - |
| Other Payables | | 35,505 | - | - | - |
| | | <u>\$ 127,310</u> | <u>\$ 9,946</u> | <u>\$ 6,119</u> | <u>\$ 266</u> |

Further information on the lease liability maturity analysis is as follows:

| | Less than 1 y e a r | 1 ~ 5 years | 5 ~ 10 years | 10 ~ 15 years | 15 ~ 20 years | More than 20 years |
|-------------------|------------------------|-----------------|---------------|---------------|---------------|--------------------|
| Lease liabilities | <u>\$ 6,114</u> | <u>\$ 3,192</u> | <u>\$ 266</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

The amount of the financial guarantee contracts mentioned above is the maximum amount that the Company may be required to pay to fulfill its guarantee obligations if the guarantee holder claims the full amount of the guarantee from the guarantor. Based on the balance sheet date, the Company believes it is unlikely to pay those contract payments.

The amount of floating interest rate instruments for the above non-derivative financial assets and liabilities will vary depending on the difference between the floating interest rate and the interest rate estimated at the balance sheet date.

(2) Financing facilities

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|---|--------------------------|--------------------------|
| Bank loan limits (extendable by mutual consent) | | |
| - Amount used | \$ 82,553 | \$ 96,459 |
| - Amount unused | <u>132,840</u> | <u>110,720</u> |
| | <u>\$ 215,393</u> | <u>\$ 207,179</u> |

28. Related party transactions

Unless otherwise specified in notes, the transactions between the company and related parties are as follows.

(1) The Company's related parties and relationship

| <u>N a m e o f r e l a t e d p a r t y</u> | <u>R e l a t i o n s h i p w i t h t h e C o m p a n y</u> |
|---|--|
| MACRO SIGHT INTERNATIONAL CO., LTD. | Subsidiary |
| Jing Cheng Material Co., Ltd. | Subsidiary |
| Paragon (Neijiang) Optoelectronics Technologies Company Limited | Sub-subsidiary |

(2) Disposal of property, plant and equipment

The unrealized gains generated from the disposal of property, plant, and equipment, as well as the sale of machinery and equipment to the subsidiaries (recorded under the investment accounted for using the equity method), are being realized over the useful lives of the machinery and equipment as follows:

| 2022 | | | | | | |
|-------------------------------------|--|-------------------------------------|------------------------------------|---------------------------------|--|--|
| <u>Items for sale</u> | <u>Unrealized g a i n at beginning o f y e a r</u> | <u>Price for current period</u> | <u>Cost for current period</u> | <u>Unrealized g a i n s</u> | <u>Amortization of current p e r i o d</u> | <u>Unrealized g a i n at end of year</u> |
| Equipment inventory | \$ 99,677 | \$ - | \$ - | \$ - | (\$ 21,510) | \$ 78,167 |
| Property, Plant and Equipment | <u>528</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>528</u> |
| | <u>\$ 100,205</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>(\$ 21,510)</u> | <u>\$ 78,695</u> |
| 2021 | | | | | | |
| <u>Items for sale</u> | <u>Unrealized g a i n at beginning o f y e a r</u> | <u>Price for current period</u> | <u>Cost for current period</u> | <u>Unrealized g a i n s</u> | <u>Amortization of current p e r i o d</u> | <u>Unrealized g a i n end of y e a r</u> |
| Equipment inventory | \$ 124,358 | \$ - | \$ - | \$ - | (\$ 24,681) | \$ 99,677 |
| Property, Plant and Equipment | <u>528</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>528</u> |
| | <u>\$ 124,886</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>(\$ 24,681)</u> | <u>\$ 100,205</u> |

(3) Endorsements and Guarantees

ENDORSEMENTS AND GUARANTEES FOR OTHERS

| <u>Related Party Name/Categories</u> | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|--|-------------------------------|------------------------------------|
| Subsidiary | | |
| MACRO SIGHT INTERNATIONAL CO., LTD. | \$ 125,911 | \$ 180,318 |
| Sub-subsidiary | | |
| Paragon (Neijiang) Optoelectronics Technologies Company Limited | <u>-</u> <u>\$ 125,911</u> | <u>21,720</u> <u>\$ 202,038</u> |

(4) Other related party transactions

1. The part of management service provided by the Company to its subsidiaries is recognized in 2022 and 2021. The Company charges administrative and management service fees amounted to NT\$30,268 thousand and NT\$26,160 thousand to MACRO SIGHT INTERNATIONAL CO., LTD based on the Company and the expenses related to managing subsidiaries, plus a certain percentage. The payment terms require payment within 150 days after the calculation.

2. Receivables from related parties

| <u>Related Party Categories</u> | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|--|------------------------------|------------------------------|
| <u>Other receivables - related parties - management fees</u> | | |
| Subsidiary | | |
| MACRO SIGHT INTERNATIONAL CO., LTD | <u>\$ -</u> | <u>\$ 26,064</u> |
| <u>Other receivables - related parties - dividends</u> | | |
| Subsidiary | | |
| MACRO SIGHT INTERNATIONAL CO., LTD | <u>\$ 36,030</u> | <u>\$ -</u> |

3. The Company participated in the capital increase and invested \$32,300 thousand in Jing Cheng Company without following the ownership percentage on November 17, 2022, and the shareholding percentage decreased from 76% to 70.3%.

(5) Compensation of key management

The compensation to directors and other management in 2022 and 2021 were as follows:

| | 2022 | 2021 |
|---|------------------|------------------|
| Short-term employee benefits | \$ 12,531 | \$ 12,402 |
| Post-employment benefits | 258 | 258 |
| Other long-term employee benefits | 3 | 10 |
| Share-based payments - employ stock option | - | 2,769 |
| | <u>\$ 12,792</u> | <u>\$ 15,439</u> |

The compensation to directors and other management were determined by the Compensation Committee in accordance with the individual performance and the market trends.

29. Significant contingent liabilities and unrecognized commitments

Significant commitment of the Company at the balance sheet date, excluding these disclosed in other note, were as follow:

The Company provided financial guarantees for bank loans of its subsidiaries. As of December 31, 2022 and 2021, the total guarantees provided by the Company was NT\$125,911 thousand and NT\$202,038 thousand, respectively, and the subsidiaries have utilized NT\$0 thousand and NT\$9,788 thousand of the guarantees, respectively. Refer to Table 2 of Note 32 for endorsements and guarantees as of December 31, 2022.

30. Significant subsequent events

As of March 24, 2023, the Company has no significant subsequent events, except otherwise specified in other notes.

31. Information on foreign currency assets and liabilities with significant impact

The following information was summarized according to the foreign currencies other than the functional currency of the Company. The exchange rates disclosed were used to translate foreign currencies into functional currency. The significant assets and liabilities denominated in foreign currencies were as follows:

December 31, 2022

| | F o r e i g n C u r r e n c y E x c h a n g e | | R a t e | C a r r y i n g A m o u n t |
|-------------------------|--|--------|-----------------|--------------------------------|
| <u>Financial assets</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD | \$ | 352 | 30.71 (USD:NTD) | \$ 10,820 |
| RMB | | 15,467 | 4.408 (RMB:NTD) | 68,177 |
| | | | | <u>\$ 78,997</u> |

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| | <u>F o r e i g n</u> | <u>E x c h a n g e</u> | <u>R a t e</u> | <u>C a r r y i n g</u> |
|--|------------------------|------------------------|-----------------|------------------------|
| | <u>C u r r e n c y</u> | | | <u>A m o u n t</u> |
| <u>Non-monetary items</u> | | | | |
| Subsidiaries, associates and joint ventures, accounted for using equity method | | | | |
| USD | \$ | 1,693 | 30.71 (USD:NTD) | \$ 51,980 |
| RMB | | 287,436 | 4.408 (RMB:NTD) | <u>1,267,018</u> |
| | | | | <u>\$ 1,318,998</u> |

December 31, 2021

| | <u>F o r e i g n</u> | <u>E x c h a n g e</u> | <u>R a t e</u> | <u>C a r r y i n g</u> |
|-------------------------|------------------------|------------------------|-----------------|------------------------|
| | <u>C u r r e n c y</u> | | | <u>A m o u n t</u> |
| <u>Financial assets</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD | \$ | 293 | 27.68 (USD:NTD) | \$ 8,118 |
| RMB | | 11,194 | 4.344 (RMB:NTD) | <u>48,626</u> |
| | | | | <u>\$ 56,744</u> |

Non-monetary items

| | | | | |
|--|--|---------|-----------------|---------------------|
| Subsidiaries, associates and joint ventures, accounted for using equity method | | | | |
| RMB | | 329,250 | 4.344 (RMB:NTD) | <u>\$ 1,430,262</u> |

The Company is primarily exposed to foreign currency rate risk in RMB. The following information is presented in aggregate for the functional currencies of the individuals holding the foreign currencies, and the exchange rates disclosed are the rates at which those functional currencies are translated into the presentation currency. Gain or loss on foreign currency exchange with significant impact are as follows:

| | 2022 | | 2021 | |
|------------------------|----------------------------|---------------------|----------------------------|---------------------|
| <u>Functional</u> | <u>Functional currency</u> | <u>Net exchange</u> | <u>Functional currency</u> | <u>Net exchange</u> |
| <u>c u r r e n c y</u> | <u>Exchange Currency</u> | <u>(loss) gain</u> | <u>Exchange Currency</u> | <u>(loss) gain</u> |
| NTD | 1 (NTD:NTD) | <u>\$ 2,948</u> | 1 (NTD:NTD) | <u>(\$ 575)</u> |

For the Company's gain and loss of foreign currency exchange in 2022 and 2021, the realized amounts (after netting) were a benefit of NT\$1,628 thousand and a loss of NT\$122 thousand, and the unrealized amounts (after netting) were a benefit of NT\$1,320 thousand and NT\$697 thousand, respectively.

32. Other disclosures

(1) Information of Significant Transactions (2) Information on investees:

1. Financing provided to others: Table 1.
2. Endorsements/guarantees provided: Table 2.

3. Marketable securities held (refer to Notes 6 and 7 for the investment in subsidiaries and associates): Table 3.
 4. Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: Table 4.
 5. Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None.
 6. Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
 7. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5.
 8. Trading in derivative instruments: refer to Note 7 of 2022 consolidated financial statements.
 9. Information on investees: Table 6.
- (3) Information on investment in mainland China:
1. Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 7.
 2. Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
 - (1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: None.
 - (2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: None.
 - (3) The amount of property transactions and the amount of the resultant gains or losses: No significant transactions.
 - (4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: Table 2.
 - (5) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: Table 1.
 - (6) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: None.
- (4) Information of major shareholders: the names of shareholders with a shareholding ratio of 5% or more, their shareholding amount, and their proportional shareholdings: Table 8.

Paragon Technologies Co., Ltd.
FINANCING PROVIDED TO OTHERS
From January 1 to December 31, 2022

TABLE 1 (In Thousands of New Taiwan Dollars and Foreign Currency)

| N o . (Note 1) | L e n d e r | B o r r o w e r | Financial Statement Account | Related Party | Highest Balance for the Period | B a l a n c e a t December 31 | Actual Borrowing A m o u n t | A c t u a l B o r r o w i n g A m o u n t | Nature of Financing | Nature of Financing | Reasons for Short-term Financing | Allowance for Bad Debts | C o l l a t e r a l | | Item Financing Limit for Each Borrower (N o t e 2) | A g g r e g a t e Financing Limit (N o t e 2) | N o t e |
|-------------------|---|--|-----------------------------------|------------------|-----------------------------------|----------------------------------|---------------------------------|---|---|---------------------|--|----------------------------|---------------------|-----------|---|---|---------|
| | | | | | | | | | | | | | N a m e | V a l u e | | | |
| 1 | Bo Ting (Suzhou) Optoelectronics Technologies Company Limited | Zhejiang Junsheng Optoelectronics Technologies Company Limited | Other receivable s | Y | \$ 432,576 RMB 96,000 | \$ 335,008 RMB 76,000 | \$ 335,008 RMB 76,000 | 2% | The need for short-term financing | \$ - | Operating capital | None | None | \$ - | \$ 549,736 RMB 124,713 | \$ 549,736 RMB 124,713 | 1 |
| 2 | Paragon (Kunshan) Photoelectric Technology Co., Ltd. | Zhejiang Junsheng Optoelectronics Technologies Company Limited | Other receivable s | Y | 157,710 RMB 35,000 | 110,200 RMB 25,000 | 110,200 RMB 25,000 | 2% | " | - | " | " | " | - | 263,321 RMB 59,737 | 263,321 RMB 59,737 | 2 |
| 3 | Bo Ting (Jiangsu) Optoelectronics Technologies Company Limited | Zhejiang Junsheng Optoelectronics Technologies Company Limited | Other receivable s | Y | 166,722 RMB 37,000 | 110,200 RMB 25,000 | 110,200 RMB 25,000 | 2% | " | - | " | " | " | - | 436,602 RMB 99,048 | 436,602 RMB 99,048 | 3 |

Note 1: Coding is as follows:
(1) The issuer is coded "0".
(2) The investee companies are coded consecutively beginning from "1".

Note 2: The limit for financing provided by the investment company is as follows:
(1) The individual amount of each financing provided to companies with business dealings with the Company should not exceed the amount of business transactions between the parties, and the total amount of all financing should not exceed 20% of net worth. The term "dealings with" refers to the purchase or sale amount between the two parties within the past year, which is the higher.
(2) The individual amount of each guarantee should not exceed 20% of net equity as of its latest financial statements, and the total amount of all guarantees issued should not exceed 40% of net worth.
(3) The Company can provide financing to its wholly-owned foreign subsidiaries, directly or indirectly held with 100% voting rights, without being subject to (2). However, the individual amount of each financing should not exceed 100% of net worth, and the total amount of all financing should not exceed 100% of net worth.

Paragon Technologies Co., Ltd.
ENDORSEMENTS AND GUARANTEES FOR OTHERS
From January 1 to December 31, 2022

TABLE 2 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| N o . (Note 1) | Endorser/Guarantor N a m e | E n d o r s e e / G u a r a n t e e | | L i m i t o n Endorsement/ Guarantee Given on Behalf of Each Party (N o t e 3) | M a x i m u m A m o u n t E n d o r s e d / G u a r a n t e e d During the Period | Ending Balance A m o u n t E n d o r s e d / G u a r a n t e e d During the Period | Actual Borrowing A m o u n t | A m o u n t E n d o r s e d / G u a r a n t e e d by C o l l a t e r a l | R a t i o o f Accumulated Endorsement/G uarantee to Net Equity in Latest Financial Statements (%) | Maximum Limit E n d o r s e m e n t / G u a r a n t e e (N o t e 3) | Guarantee provided by parent company | Guarantee provided by a subsidiary | Guarantee provided t o subsidiari e s i n Mainland C h i n a | N o t e |
|-------------------|---|---|--|---|---|--|---------------------------------|--|---|---|---|---|--|---------|
| | | N a m e | N a t u r e o f relationship (N o t e 2) | | | | | | | | | | | |
| 0 | Paragon Technologies Co., Ltd. | MACRO SIGHT INTERNATIONAL CO., LTD. | (2) | \$ 705,701 | \$ 189,248 USD 5,100 and EUR 1,250 | \$ 125,911 USD 4,100 | \$ - | \$ - | 8.92% | \$ 705,701 | Y | N | N | |
| 0 | Paragon Technologies Co., Ltd. | Paragon (Neijiang) Optoelectronics Technologies Company Limited | (2) | 705,701 | 22,195 RMB 5,000 | - RMB - | - RMB - | - RMB - | - | 705,701 | Y | N | Y | |
| 2 | Bo Ting (Suzhou) Optoelectronics Technologies Company Limited | Bo Ting (Jiangsu) Optoelectronics Technologies Company Limited | (4) | 274,868 RMB 62,357 | 90,120 RMB 20,000 | - RMB - | - RMB - | - RMB - | - | 274,868 RMB 62,357 | N | N | Y | |

Note 1: Coding is as follows:

(1) The issuer is coded "0".

(2) The investee companies are coded consecutively beginning from "1".

Note 2: There are 7 types of relationships between endorser and endorsee, the types can be indicated:

(1) The company with business dealings with the Company.

(2) The company directly or indirectly held by the Company by more than 50% voting shares.

(3) The company directly or indirectly held the Company by more than 50% voting shares.

(4) The company directly or indirectly held by the Company by more than 90% voting shares.

(5) The company provides mutual guarantees to each other based on the contract for the purpose of contracted engineering projects.

(6) The company in which all shareholders, based on their shareholding percentage, provide endorsements and guarantees due to the joint investment relationship.

(7) Joint and several guarantees provided by company engaged in pre-sale house contracts and selling in accordance with the Consumer Protection Act.

Note 3: The total amount of the endorsement/guarantee provided by the Company shall not exceed 50% percent of net worth. The cumulative amount of endorsement/guarantee for a single company shall not exceed 20% of net worth, and shall not exceed 50% of net worth for a single overseas associate. However, for endorsement/guarantee made due to business relationships, it shall not exceed the total amount of transactions between the Company and the other party in the most recent year (whichever is higher between the purchase or sales amount).

Paragon Technologies Co., Ltd.
MARKETABLE SECURITIES HELD
December 31, 2022

TABLE 3

(In Thousands of New Taiwan Dollars,
Unless Stated Otherwise)

| Holding Company Name | Marketable Securities Type and Name (Note 1) | Relationship with the Holding Company (Note 2) | Financial Statement Account | December 31, 2022 | | | | Note (Note 4) |
|---|--|--|---|-------------------|--------------------------|-------------------------|-------------------------|---------------|
| | | | | Shares | Carrying amount (Note 3) | Percentage of Ownership | Fair value | |
| Bo Ting (Suzhou) Optoelectronics Technologies Company Limited | Bank of Suzhou 1199th Customized Structured Deposit for 2022 | None | Financial assets at fair value through profit or loss | - | \$ 57,413 RMB 13,025 | - | \$ 57,413 RMB 13,025 | |
| Paragon (Neijiang) Optoelectronics Technologies Company Limited | Li Duo Duo Corporate Stable Profit 22JG3821 (Exclusive B for 3 months) RMB-denominated Structured Deposit Product | None | Financial assets at fair value through profit or loss | - | 155,245 RMB 35,219 | - | 155,245 RMB 35,219 | |

Note 1: The term "marketable securities" referred to in this table includes stocks, bonds, beneficiary certificate, and securities derived from these items as defined in International Financial Reporting Standards No. 9.

Note 2: If the issuer of the marketable securities is not a related party, this column may be left blank.

Note 3: For those accounted for at fair value, fill in the carrying amount adjusted at fair value and deducted for impairment loss in the column "Carrying amount". For those not accounted for at fair value, fill in the carrying amount of amortized cost (after deducting impairment loss) in the column "Carrying amount".

Note 4: If any of the listed marketable securities are subject to restrictions on use due to being pledged as collateral for loans or other agreements, the pledged shares, the pledged amount, and the nature of the usage restrictions should be noted in the notes column.

Note 5: Refer to TABLE 6 for equities for investment in subsidiaries, associates and joint ventures.

Paragon Technologies Co., Ltd.
MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
From January 1 to December 31, 2022

TABLE 4

(In Thousands of New Taiwan Dollars,
Unless Stated Otherwise)

| Company Name | Type and Name of Marketable Securities (Note 1) | Financial Statement Account | Related Party (Note 2) | Relationship (Note 2) | Beginning Balance | | Acquisition (Note 3) | | Disposal (Note 3) | | | | December 31, 2022 | |
|---|--|---|------------------------|-----------------------|-------------------|---------------|----------------------|--------------------------|-------------------|--------------------------|--------------------------|-------------------------|-------------------|---|
| | | | | | Shares | Amount | Shares | Amount | Shares | Amount | Carrying Amount | Gain (Loss) on Disposal | Shares | Shares |
| Paragon (Kunshan) Photoelectric Technology Co., Ltd. | Li Duo Duo Corporate Stable Profit 22JG3206 Structured Deposit Product | Financial assets at fair value through profit or loss | - | - | - | \$ - RMB - | - | \$ 176,085 RMB 39,000 | - | \$ 177,448 RMB 39,307 | \$ 176,085 RMB 39,000 | \$ 1,363 RMB 307 | - | \$ - RMB - (Including foreign currency valuation) |
| | Li Duo Duo Corporate Stable Profit 22JG3016 Structured Deposit Product | Financial assets at fair value through profit or loss | - | - | - | - | - | 166,744 RMB 38,500 | - | 168,112 RMB 38,803 | 166,744 RMB 38,500 | 1,368 RMB 303 | - | - RMB - (Including foreign currency valuation) |
| | Fuguo Asset - Treasure Bowl Paragon No. 3 | Financial assets at fair value through profit or loss | - | - | - | - | - | 130,170 RMB 30,000 | - | 130,398 RMB 30,052 | 130,170 RMB 30,000 | 228 RMB 52 | - | - RMB - (Including foreign currency valuation) |
| | The National Trust Ltd. - Jia Long No. 93 | Financial assets at fair value through profit or loss | - | - | - | - | - | 220,420 RMB 50,000 | - | 225,580 RMB 51,169 | 220,420 RMB 50,000 | 5,160 RMB 1,169 | - | - RMB - (Including foreign currency valuation) |
| Bo Ting (Jiangsu) Optoelectronics Technologies Company Limited | Li Duo Duo Corporate Stable Profit Structured Deposit Product | Financial assets at fair value through profit or loss | - | - | - | - | - | 173,080 RMB 38,000 | - | 173,934 RMB 38,193 | 173,080 RMB 38,000 | 854 RMB 193 | - | - RMB - (Including foreign currency valuation) |
| | ICBC Currency Linked Structured Deposit - 2022 No. 268 Type K | Financial assets at fair value through profit or loss | - | - | - | - | - | 110,750 RMB 25,000 | - | 111,635 RMB 25,200 | 110,750 RMB 25,000 | 885 RMB 200 | - | - RMB - (Including foreign currency valuation) |
| | ICBC Currency Linked Structured Deposit - 2022 No. 0974 Type D | Financial assets at fair value through profit or loss | - | - | - | - | - | 44,450 RMB 10,000 | - | 44,520 RMB 10,015 | 44,450 RMB 10,000 | 70 RMB 15 | - | - RMB - (Including foreign currency valuation) |
| Paragon (Neijiang) Optoelectronics Technologies Company Limited | Li Duo Duo Corporate Stable Profit 22JG3665 (early bird for 3 months) RMB-denominated Structured Deposit Product | Financial assets at fair value through profit or loss | - | - | - | - | - | 133,170 RMB 30,000 | - | 134,188 RMB 30,229 | 133,170 RMB 30,000 | 1,018 RMB 229 | - | - RMB - (Including foreign currency valuation) |
| | Li Duo Duo Corporate Stable Profit 22JG3014 Structured Deposit Product | Financial assets at fair value through profit or loss | - | - | - | - | - | 43,290 RMB 10,000 | - | 43,640 RMB 10,078 | 43,290 RMB 10,000 | 350 RMB 78 | - | - RMB - (Including foreign currency valuation) |
| | Li Duo Duo Corporate Stable Profit 22JG3206 Structured Deposit Product | Financial assets at fair value through profit or loss | - | - | - | - | - | 67,725 RMB 15,000 | - | 68,249 RMB 15,118 | 67,725 RMB 15,000 | 524 RMB 118 | - | - RMB - (Including foreign currency valuation) |

Note 1: The marketable securities stated here include shares, debentures and beneficiary certificates and the derivative products caused by those.

Note 2: Investors whose marketable securities accounted for using the equity method are required to be disclosed.

Note 3: The marketable securities acquired and disposed of shall be calculated separately at market value in order to determine whether the amount reaches \$300 million or 20% of the paid-in capital.

Note 4: The paid-in capital refers to the paid-in capital of the parent company. For issuers whose shares have no face value or whose per share par value is not NT\$10, the transaction amount requirement related to 20% of paid-in capital shall be calculated as 10% of the interests attributable to the parent company owner on the balance sheet.

Paragon Technologies Co., Ltd.
TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
December 31, 2022

TABLE 5 (In Thousands of New Taiwan Dollars and Foreign Currency)

| C o m p a n y N a m e | R e l a t e d P a r t y | N a t u r e o f Relationships | E n d i n g B a l a n c e | Turnover Rate | O v e r d u e | | Amount Received in Subsequent Period | Allowance for Bad Debts |
|--|--|-------------------------------|--|---------------|---------------|-------------------------|--------------------------------------|-------------------------|
| | | | | | A m o u n t | A c t i o n s T a k e n | | |
| Bo Ting (Suzhou) Optoelectronics Technologies Company Limited | Zhejiang Junsheng Optoelectronics Technologies Company Limited | Sub-subsidiary | Other receivables (Note 1) \$ 335,008 RMB 76,000 | - | \$ - | — | \$ - | \$ - |
| Paragon (Kunshan) Photoelectric Technology Co., Ltd. | Zhejiang Junsheng Optoelectronics Technologies Company Limited | Sub-subsidiary | Other receivables (Note 1) 110,200 RMB 25,000 | - | - | — | - | - |
| Bo Ting (Jiangsu) Optoelectronics Technologies Company Limited | Zhejiang Junsheng Optoelectronics Technologies Company Limited | Sub-subsidiary | Other receivables (Note 1) 110,200 RMB 25,000 | - | - | — | - | - |

Note 1: Listed as other receivables due to the nature of financing funds.

Paragon Technologies Co., Ltd.
NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
From January 1 to December 31, 2022

TABLE 6 (In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | Balance as of December 31, 2022 | | | Net Income (Losses) of the Investee | Share of Profits/Losses of Investee | Note |
|---|--|--|--|----------------------------|--------------------------|---------------------------------|-------------------------|-------------------------------|-------------------------------------|-------------------------------------|-------------------|
| | | | | December 31, 2022 | December 31, 2021 | Shares | Percentage of Ownership | Carrying Amount | | | |
| Paragon Technologies Co., Ltd. | MACRO SIGHT INTERNATIONAL CO., LTD. Cubee auto parts inc. | F.T. LABUAN, MALAYSIA Taiwan | Investment activities | \$ 481,565 USD 14,134 | \$ 481,565 USD 14,134 | 13,992,000 | 100 | \$ 1,192,159 | \$ 74,089 | \$ 73,013 | Subsidiary |
| | | | Wholesale and retail of automobile parts and equipment | 5,000 | 5,000 | 500,000 | 50 | - | (717) | (238) | Associate |
| | | | Supply of silicon carbide technology and materials | 77,900 | - | 7,030,000 | 70.3 | 75,173 | (5,749) | (2,913) | Subsidiary |
| MACRO SIGHT INTERNATIONAL CO., LTD. | LEADING PROFIT HOLDING LIMITED | SEYCHELLES | Investment activities | 51,021 USD 1,683 | - USD - | 1,683,000 | 51 | 51,980 | 591 | 302 | Subsidiary |
| | MACRO SIGHT TECHNOLOGY LIMITED | BRITISH VIRGIN ISLANDS | Makes investments and import/export | 280,616 USD 8,347 | 280,616 USD 8,347 | 8,346,851 | 100 | 900,205 RMB 204,221 | RMB 38,156 RMB 8,629 | RMB 38,156 RMB 8,629 | Sub-subsubsidiary |
| | CLEAR SMART INVESTMENTS LIMITED | APIA, SAMOA | Makes investments and import/export | 96,756 USD 3,000 | 322,520 USD 10,000 | 3,000,000 | 100 | 259,570 RMB 58,886 | 8,155 RMB 1,844 | 10,307 RMB 2,331 | Sub-subsubsidiary |
| | Paragon Technologies Investments Co., Ltd. | Hong Kong | Investment activities | 777,341 USD 25,000 | 777,341 USD 25,000 | 25,000,000 | 100 | (350,598) (RMB 79,537) | RMB 30,971 RMB 7,004 | RMB 27,877 RMB 6,304 | Sub-subsubsidiary |
| | Precision International Investments Co., Ltd. | Hong Kong | Investment activities | 114,159 USD 3,502 | 114,159 USD 3,502 | 3,502,000 | 100 | 333,754 RMB 75,716 | 32,021 RMB 7,241 | 32,021 RMB 7,241 | Sub-subsubsidiary |
| | Essence International Investment Ltd. | Hong Kong | Investment activities | 492,640 USD 15,100 | 492,640 USD 15,100 | 15,100,000 | 100 | 898,813 RMB 203,905 | RMB 38,163 RMB 8,630 | RMB 38,163 RMB 8,630 | Sub-subsubsidiary |
| MACRO SIGHT TECHNOLOGY LIMITED CLEAR SMART INVESTMENTS LIMITED | Paragon (Kunshan) Photoelectric Technology Co., Ltd. | Kunshan City, Jiangsu Province, Mainland China | EMI processing | 96,756 USD 3,000 | 322,520 USD 10,000 | | 100 | 263,321 RMB 59,737 | RMB 7,809 RMB 1,766 | RMB 7,809 RMB 1,766 | Sub-subsubsidiary |
| | Zhejiang Junsheng Optoelectronics Technologies Company Limited | Solar Industrial Park, Zhejiang Province, Mainland China | Sputter coated automotive parts | 777,341 USD 25,000 | 777,341 USD 25,000 | | 71.43 | (347,339) (RMB 78,797) | RMB 43,464 RMB 9,829 | RMB 31,046 RMB 7,021 | Sub-subsubsidiary |
| Jing Hua International Investments Co., Ltd. | Bo Ting (Suzhou) Optoelectronics Technologies Company Limited | Suzhou New District, Jiangsu Province, Mainland China | EMI processing | 240,742 USD 7,100 | 240,742 USD 7,100 | | 100 | 549,736 RMB 124,713 | 18,822 RMB 4,256 | 18,822 RMB 4,256 | Sub-subsubsidiary |
| | Bo Ting (Jiangsu) Optoelectronics Technologies Company Limited | Nanjing City, Jiangsu Province, Mainland China | EMI processing | 251,904 USD 8,000 | 251,904 USD 8,000 | | 80 | 349,282 RMB 79,238 | 24,317 RMB 5,499 | 19,454 RMB 4,399 | Sub-subsubsidiary |
| | Paragon (Neijiang) Optoelectronics Technologies Company Limited | Neijiang City, Sichuan Province, Mainland China | EMI processing | 91,440 USD 3,000 | 91,440 USD 3,000 | | 100 | 330,905 RMB 75,069 | 31,374 RMB 7,095 | 31,374 RMB 7,095 | Sub-subsubsidiary |
| Precision International Investments Co., Ltd. | Paragon (Chongqing) Optoelectronics Technologies Company Limited | Chongqing, Jiangsu Province, Mainland China | EMI processing | - USD - | 146,630 USD 5,000 | | 100 | - RMB - | 728 RMB 164 | 728 RMB 164 | Sub-subsubsidiary |
| | Bo Ting (Suzhou) Optoelectronics Technologies Company Limited | Nanjing City, Jiangsu Province, Mainland China | EMI processing | 62,976 USD 2,000 | 62,976 USD 2,000 | | 20 | 87,320 RMB 19,810 | 24,317 RMB 5,499 | 4,863 RMB 1,100 | Sub-subsubsidiary |
| Bo Ting (Suzhou) Optoelectronics Technologies Company Limited | Zhejiang Junsheng Optoelectronics Technologies Company Limited | Solar Industrial Park, Zhejiang Province, Mainland China | Sputter coated automotive parts | 294,550 USD 10,000 | 294,550 USD 10,000 | | 28.57 | (138,926) (RMB 31,517) | RMB 43,464 RMB 9,829 | RMB 12,418 RMB 2,808 | Sub-subsubsidiary |

Paragon Technologies Co., Ltd.
Information on investment in mainland china
From January 1 to December 31, 2022

TABLE 7 (In Thousands of New Taiwan Dollars and Foreign Currency)

1. Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, and repatriations of investment income:

| I n v e s t e e C o m p a n y | Main Businesses and P r o d u c t s | Total Amount of Paid-in Capital | M e t h o d o f I n v e s t m e n t (N o t e 1) | Accumulated Outflow of Investment from T a i w a n as of January 1, 2 0 2 2 | I n v e s t m e n t F l o w s | | Accumulated Outflow of Investment from T a i w a n as of December 3 1 , 2 0 2 2 | Net Income (L o s s e s) of the Investee C o m p a n y | Percentage of Ownership | S h a r e o f Profits/Losses (N o t e 2) | Carrying Amount as of December 31, 2 0 2 2 | Accumulated I n w a r d Remittance of Earnings as of December 31, 2 0 2 2 (N o t e 4) | N o t e |
|---|--|------------------------------------|---|--|-------------------------------|-------------|--|---|----------------------------|--|--|---|---------|
| | | | | | O u t w a r d | I n w a r d | | | | | | | |
| Bo Ting (Suzhou) Optoelectronics Technologies Company Limited | EMI processing | \$ 240,742 USD 7,100 | (2) | \$ 205,914 USD 6,000 | \$ - | \$ - | \$ 205,914 USD 6,000 | \$ 18,822 RMB 4,256 | 100% | \$ 18,822 RMB 4,256 | \$ 549,736 RMB 124,713 | \$ 78,139 RMB 18,000 | |
| Paragon (Kunshan) Photoelectric Technology Co., Ltd. | " | 96,756 USD 3,000 | (2) | 32,860 USD 1,000 | - | - | 32,860 USD 1,000 | 7,809 RMB 1,766 | 100% | 7,809 RMB 1,766 | 263,321 RMB 59,737 | 342,514 USD 11,675 | |
| Bo Ting (Jiangsu) Optoelectronics Technologies Company Limited | " | 314,880 USD 10,000 | (2) | - | - | - | - | 24,317 RMB 5,499 | 100% | 24,317 RMB 5,499 | 436,602 RMB 99,048 | 236,785 RMB 54,287 | |
| Paragon (Neijiang) Optoelectronics Technologies Company Limited | " | 91,440 USD 3,000 | (2) | - | - | - | - | 31,374 RMB 7,095 | 100% | 31,374 RMB 7,095 | 330,905 RMB 75,069 | - | |
| Paragon (Chongqing) Optoelectronics Technologies Company Limited | " | 146,630 USD 5,000 | (2) | - | - | - | - | 728 RMB 164 | 100% | 728 RMB 164 | - RMB - | - | |
| Zhejiang Junsheng Optoelectronics Technologies Company Limited | Sputter coated automotive parts | 1,071,891 USD 35,000 | (2) | 173,825 USD 5,000 | - | - | 173,825 USD 5,000 | 43,464 RMB 9,829 | 100% | 43,464 RMB 9,829 | (486,265) (RMB 110,314) | - | |

Note 1: There are 3 types of investment methods, the types can be indicated:
(1) Direct investment in the mainland China area.
(2) Investment in the mainland China area through third party.
(3) Others.

Note 2: Amount was recognized based on the audited financial statements.
2. Limit on the amount of investment in the mainland China area:

| Accumulated Investment in Mainland China as of December 31, 2022 | Investment Amounts Authorized by Investment Commission, MOEA | U p p e r L i m i t o n I n v e s t m e n t |
|---|---|--|
| \$ 512,771 (Note 3) | \$2,006,072 (Notes3 and 5) (HKD 12,173 and USD 61,602) | \$ 893,567 |

Note 3: Including the accumulated investment of NT\$100,172 thousand after the liquidation of Baikai Optoelectronics Technologies (Shenzhen) Co., Ltd. in March 2007 and Shanghai Chengzhe Optoelectronics Technologies Co., Ltd. in July 2020.
Note 4: As of September 2022, Shanghai Chengzhe Optoelectronics Technologies Co., Ltd. has remitted the investment income of NT\$254,140 thousand.
Note 5: Including the investment of NT\$97,799 thousand originally invested by the third party after the liquidation of Baikai Optoelectronics Technologies (Shenzhen) Co., Ltd. in June 2022.

Paragon Technologies Co., Ltd.
INFORMATION ON MAJOR SHAREHOLDERS
December 31, 2022

TABLE 8

| S h a r e h o l d e r s | S h a r e s | |
|-------------------------|--------------------|--|
| | Total Shares Owned | O w n e r s h i p P e r c e n t a g e |
| None | | |

Note 1: The information on major shareholders in this table is based on the last business day at the end of the quarter, including the data of the shareholders holding more than 5% of the company's ordinary shares and special shares that have completed unregistered delivery (including treasury shares). The share capital recorded in the consolidated financial report and the actual number of shares delivered without physical registration may be different due to the difference of calculation basis.

§ The Contents of Statements of Major Accounting Items §

| I | T | E | M | | <u>S T A T E M E N T</u> |
|---|---|---|---|--|--------------------------|
| | | | | | <u>I N D E X</u> |
| Major Accounting Items in Assets, Liabilities and Equity | | | | | |
| | Statement of Cash and Cash Equivalents | | | | 1 |
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| | Statement of Operating Revenue | | | | 9 |
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| | Statement of Finance Costs | | | | Note 21 |
| | Table of Employee Benefits, Depreciation, Depletion, and Amortization Expenses by Function | | | | 13 |

Paragon Technologies Co., Ltd.
Statement of Cash and Cash Equivalents
December 31, 2022

Statement 1 (In Thousands of New Taiwan Dollars)

| <u>C u s t o m e r ' s N a m e</u> | <u>S u m m a r y</u> | <u>A m o u n t</u> |
|--------------------------------------|---|--------------------|
| Cash on hand | | \$ 237 |
| Check and demand deposits | | 36,511 |
| Foreign currency time deposit | During December 15, 2022 ~ March 15, 2023, the interest rate is 4.27% including USD \$330 thousand @30.71 | 10,134 |
| Foreign currency demand deposit | Including USD \$22 thousand @30.71 and RMB \$7,293 thousand @4.408 | <u>32,834</u> |
| | | <u>\$ 79,716</u> |

Paragon Technologies Co., Ltd.
Statement of Trade Receivables
December 31, 2022

Statement 2

(In Thousands of New Taiwan Dollars)

| <u>C u s t o m e r ' s N a m e</u> | <u>S u m m a r y</u> | <u>A m o u n t</u> |
|--------------------------------------|----------------------|--------------------|
| Non-related parties | | |
| Taiwan Name Plate Co., Ltd. | Payment | \$ 476 |
| Proch Plastic Co., Ltd. | Payment | 81 |
| Tong Yang Industry Co. Ltd. | Payment | 26 |
| Asustek Computer Inc. | Payment | 19 |
| NZXT Inc. | Payment | 15 |
| Less: Allowance for impairment loss | | (81) |
| | | <u>\$ 536</u> |

Paragon Technologies Co., Ltd.
Statement of Other Receivables
December 31, 2022

Statement 3

(In Thousands of New Taiwan Dollars)

| <u>I</u> <u>t</u> <u>e</u> <u>m</u> | <u>S u m m a r y</u> | <u>A m o u n t</u> |
|-------------------------------------|----------------------|--------------------|
| Related party | | |
| MACRO SIGHT INTERNATIONAL | Dividends | \$ 36,030 |
| CO., LTD. | | |
| Others | Interest receivable | <u>21</u> |
| | | <u>\$ 36,051</u> |

Paragon Technologies Co., Ltd.
STATEMENT OF CHANGES IN LONG-TERM SHARES INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
From January 1 to December 31, 2022

Statement 4 (In Thousands of New Taiwan Dollars)

| | Balance at January 1 | | Additions in Investment (Note 2) | | Decreases in Investment (Note 2) | | (Loss) Gain | Cumulative Translation | Balance at December 31 | | | Market Value or Net Assets Value (Note 3) | | Collateral | |
|--|----------------------|---------------------|----------------------------------|-------------------|----------------------------------|-----------------------|------------------|------------------------|------------------------|------------|---------------------|---|---------------------|---------------|--------------|
| | S h a r e s | A m o u n t | S h a r e s | A m o u n t | S h a r e s | A m o u n t | | | (N o t e 1) | Adjustment | Ownership | | Price (NTD) | | Total amount |
| | | | | | | | S h a r e s | % | | | A m o u n t | | | | |
| Unlisted (OTC) Company Accounted for Using Equity Method | | | | | | | | | | | | | | | |
| MACRO SIGHT INTERNATIONAL CO., LTD. | 13,992,000 | \$ 1,334,968 | - | \$ - | - | (\$258,792) | \$ 94,525 | \$ 21,458 | 13,992,000 | 100.0 | \$ 1,192,159 | | \$ 1,266,918 | Equity Method | None |
| Cubee auto parts inc. | 500,000 | 238 | - | - | - | - | (238) | - | 500,000 | 50.0 | - | | - | Equity Method | None |
| Jing Cheng Material Co., Ltd. | - | - | 7,030,000 | 78,086 | - | - | (2,913) | - | 7,030,000 | 70.3 | 75,173 | | 75,173 | | |
| LPH | - | - | 1,683,000 | 51,021 | - | - | 302 | 657 | 1,683,000 | 51.0 | 51,980 | | 51,980 | | |
| | | <u>\$ 1,335,206</u> | | <u>\$ 129,107</u> | | <u>(\$ 258,792)</u> | <u>\$ 91,676</u> | <u>\$ 22,115</u> | | | <u>\$ 1,319,312</u> | | <u>\$ 1,394,071</u> | | |

Note 1: Including the realized benefits of NT\$21,510 thousand from subsidiaries - associates and joint ventures.
Note 2: MARCO SIGHT INTERNATIONAL CO., LTD. distributed the profit of NT\$258,792 thousand (RMB\$58,622 thousand) after the resolution of the Board of Directors.
Note 3: The difference of NT\$74,759 thousand between the equity value and the year-end balance of MARCO SIGHT INTERNATIONAL CO., LTD. is due to the impact of unrealized profits with subsidiaries.

Paragon Technologies Co., Ltd.
Statement of Changes in Right-of-use Assets
From January 1 to December 31, 2022

Statement 5

(In Thousands of New Taiwan Dollars)

| I | t | e | m | B u i l d i n g s | M a c h i n e r y a n d E q u i p m e n t | T o t a l | N o t e |
|--------------------------|----------|----------|-----|-------------------|---|------------------|---------|
| <hr/> | | | | | | | |
| Cost | | | | | | | |
| | Balance, | January | 1, | \$ 20,746 | \$ 4,542 | \$ 25,288 | |
| | 2022 | | | | | | |
| | Increase | | | 23,551 | - | 23,551 | |
| | Reduce | | | (20,746) | - | (20,746) | |
| | Balance, | December | 31, | <u>\$ 23,551</u> | <u>\$ 4,542</u> | <u>\$ 28,093</u> | |
| | 2022 | | | | | | |
| Accumulated depreciation | | | | | | | |
| | Balance, | January | 1, | \$ 15,600 | \$ 504 | \$ 16,104 | |
| | 2022 | | | | | | |
| | Increase | | | 6,262 | 758 | 7,020 | |
| | Reduce | | | (20,746) | - | (20,746) | |
| | Balance, | December | 31, | <u>\$ 1,116</u> | <u>\$ 1,262</u> | <u>\$ 2,378</u> | |
| | 2022 | | | | | | |
| | Balance, | December | 31, | <u>\$ 22,435</u> | <u>\$ 3,280</u> | <u>\$ 25,715</u> | |
| | 2022 | | | | | | |

Paragon Technologies Co., Ltd.
Statement of Other Non-Current Assets
December 31, 2022

Statement 6

(In Thousands of New Taiwan Dollars)

| <u>I t e m</u> | <u>S u m m a r y</u> | <u>A m o u n t</u> |
|-------------------------|------------------------------|--------------------|
| Refundable deposits | Golf club deposit and others | \$ 4,002 |
| Other noncurrent assets | | |
| | Golf membership | 3,450 |
| | Net defined benefit assets | <u>1,557</u> |
| | | <u>5,007</u> |
| | | <u>\$ 9,009</u> |

Paragon Technologies Co., Ltd.
Statement of Short-term Loans
December 31, 2022

Statement 7

(In Thousands of New Taiwan Dollars)

| T y p e o f l o a n s | L e n d e r s | B a l a n c e a t D e c e m b e r 3 1 | D u r a t i o n | Interest rate range (%) | Financing facilities | Mortgage or collateral |
|------------------------------|---------------------------------|--|-----------------------|------------------------------|----------------------|------------------------|
| Unsecured loan - credit loan | First Bank | \$ 30,000 | 2022/10/17~2023/01/15 | 2.05% | \$ 30,000 | None |
| | Chang Hwa Commercial Bank, Ltd. | 20,000 | 2022/12/12~2023/03/12 | 2.05% | 20,000 | None |
| | Chang Hwa Commercial Bank, Ltd. | <u>20,000</u> | 2022/12/19~2023/03/19 | 2.05% | <u>20,000</u> | None |
| | | <u>\$ 70,000</u> | | | <u>\$ 70,000</u> | |

Paragon Technologies Co., Ltd.
Statement of Lease Liabilities
December 31, 2022

Statement 8

(In Thousands of New Taiwan Dollars)

| I t e m | S u m m a r y | Lease term | Discount rate (%) | Balance at December 31 |
|------------------------------------|---------------------------------|------------|--------------------------------------|---------------------------|
| Buildings | Mainly as offices | 3~5 years | 2.1% ~ 2.2% | \$ 22,472 |
| Machinery Equipment | and Mainly for production | 6 years | 1.75% | 3,328 |
| Less: current | | | | (<u>6,075</u>) |
| Lease liabilities - non-current | | | | <u>\$ 19,725</u> |

Paragon Technologies Co., Ltd.
Statement of Operating Revenue
2022

Statement 9

(In Thousands of New Taiwan Dollars)

| <u>I t e m</u> | <u>S u m m a r y</u> | <u>A m o u n t</u> |
|---|---|--------------------|
| Sales revenue | Revenue from development of jigs and molds | \$ 722 |
| Revenue arising from rendering of services | Processing revenue | <u>1,069</u> |
| | | <u>\$ 1,791</u> |

Paragon Technologies Co., Ltd.
Statement of Operating Costs
2022

Statement 10

(In Thousands of New Taiwan Dollars)

| <u>I</u> <u>t</u> <u>e</u> <u>m</u> | <u>A</u> <u>m</u> <u>o</u> <u>u</u> <u>n</u> <u>t</u> |
|-------------------------------------|---|
| Cost of goods sold | |
| Raw materials, beginning of year | \$ 1,982 |
| Add: Raw materials purchased | - |
| Less: raw materials, end of year | (195) |
| Scrapped | (<u>1,787</u>) |
| Direct raw materials | - |
| Direct labor | 5,874 |
| Manufacturing expenses | <u>3,334</u> |
| Manufacturing cost | 9,208 |
| Work in process, beginning of year | 106 |
| Less: work in process, end of year | - |
| Scrapped | (<u>106</u>) |
| Cost of work in process | 9,208 |
| Finished goods, beginning of year | 184 |
| Less: finished goods, end of year | - |
| Scrapped | (<u>184</u>) |
| | 9,208 |
| Revenue from sales of scrap | (<u>529</u>) |
| | <u><u>\$ 8,679</u></u> |

Paragon Technologies Co., Ltd.
Statement of Operating Expenses
2022

Statement 11

(In Thousands of New Taiwan Dollars)

| <u>I t e m</u> | <u>S a l e s a n d m a r k e t i n g</u> | <u>G e n e r a l a n d a d m i n i s t r a t i v e</u> | <u>R & D e x p e n s e s</u> | <u>T o t a l</u> |
|----------------|--|--|------------------------------------|------------------|
| Payroll | \$ - | \$ 22,347 | \$ 14,367 | \$ 36,714 |
| Depreciation | - | 2,822 | 11,843 | 14,665 |
| Labor expenses | - | 5,959 | 390 | 6,349 |
| Others | <u>-</u> | <u>12,242</u> | <u>5,210</u> | <u>17,452</u> |
| | <u>\$ -</u> | <u>\$ 43,370</u> | <u>\$ 31,810</u> | <u>\$ 75,180</u> |

Paragon Technologies Co., Ltd.
Statement of Other Income and Net Loss
2022

Statement 12

(In Thousands of New Taiwan Dollars)

| <u>I t e m</u> | <u>S u m m a r y</u> | <u>A m o u n t</u> |
|--|----------------------|--------------------|
| Net foreign exchange gains | | \$ 2,948 |
| Gain from disposal of property, plant and equipment | | 1,082 |
| Others | | <u>27</u> |
| | | <u>\$ 4,003</u> |

Paragon Technologies Co., Ltd.
Table of Employee Benefits, Depreciation, Depletion, and Amortization Expenses by Function
From January 1 to December 31, 2021 and 2022

Statement 13

(In Thousands of New Taiwan Dollars)

| | 2022 | | | 2021 | | |
|---|---|---|------------------|---|---|------------------|
| | Classified as c o s t o f r e v e n u e | Classified as o p e r a t i n g e x p e n s e s | T o t a l | Classified as c o s t o f r e v e n u e | Classified as o p e r a t i n g e x p e n s e s | T o t a l |
| Employee benefits expense | | | | | | |
| Salary and bonus | \$ 5,510 | \$ 34,912 | \$ 40,422 | \$ 760 | \$ 51,822 | \$ 52,582 |
| Labor and health insurance | 541 | 3,209 | 3,750 | 80 | 3,979 | 4,059 |
| Pension | 365 | 1,802 | 2,167 | 42 | 2,297 | 2,339 |
| Director remuneration | - | 2,720 | 2,720 | - | 2,686 | 2,686 |
| Other employee benefits | 157 | 1,068 | 1,225 | 26 | 751 | 777 |
| Share-based payments, equity-settled share-based payments | - | - | - | - | 4,430 | 4,430 |
| | <u>\$ 6,573</u> | <u>\$ 43,711</u> | <u>\$ 50,284</u> | <u>\$ 908</u> | <u>\$ 65,965</u> | <u>\$ 66,873</u> |
| Depreciation | <u>\$ 1,032</u> | <u>\$ 14,665</u> | <u>\$ 15,697</u> | <u>\$ 97</u> | <u>\$ 16,209</u> | <u>\$ 16,306</u> |
| Amortization | <u>\$ 37</u> | <u>\$ 771</u> | <u>\$ 808</u> | <u>\$ -</u> | <u>\$ 823</u> | <u>\$ 823</u> |

Note:

1. The Company had 49 and 53 employees for the current and preceding year, respectively. There were 7 and 7 non-employee directors, respectively.
2. (1) Average labor cost for the current year is NT\$1,132 thousand ("total labor cost for the current year - total director remuneration" / "the number of employees for the current year - the number of non-employee directors").
The average labor cost for the previous year was NT\$1,395 thousand ("total labor cost for the previous year - the director's remuneration" / "the number of employees for the previous year - the number of non-employee directors").
- (2) The average salary and bonus for the current year is NT\$962 thousand (total salary and bonus for the current year / "the number of employees for the current year - the number of non-employee directors").
The average salary and bonus for the current year is NT\$1,239 thousand (total salary and bonus for the previous year / "the number of employees for the previous year - the number of non-employee directors").
- (3) The average adjustment in employee salaries decreased by 22.36% ("average employee salaries of the current year - average employee salaries of the previous year" / average employee salaries of the previous year).
- (4) Compensation to the supervisor for the current and previous years: the Company has the audit committee and therefore does not have the supervisor.
- (5) Remuneration and compensation policies for directors, managers and employees are as follows:
 - a. Remuneration policy for directors
The remuneration and compensation for the Company's directors are handled in accordance with the Articles of Incorporation and the "Regulations on the Remuneration and Compensation of Directors and Members of Functional Committees". The directors' remuneration is mainly determined in accordance with the company's Articles of Incorporation. If the Company makes a profit in the current year, the Company shall allocate an amount not exceeding 3% as directors' remuneration. However, if the company has accumulated deficits, the amount shall be reserved to compensate for the deficits. The directors' remuneration is reviewed by the Compensation Committee and submitted to the Board of Directors for resolution.
 - b. Compensation policy for managers and employees
The compensation of the managers and employees of the Company, including salary, incentive bonus, and employee bonus stock, is determined based on their positions, responsibilities, performance, and reference to industry standards. The employees' compensation is mainly determined in accordance with the company's Articles of Incorporation. If the Company makes a profit in the current year, the Company shall allocate an amount not less than 5% as employees' compensation. However, if the company has accumulated deficits, the amount shall be reserved to compensate for the deficits. The managers' compensation is reviewed by the Compensation Committee and submitted to the Board of Directors for resolution.