Stock Code: 3294

Annual Report is available at:
The Company’s Website:
https://www.megaforce.com.tw
Market Observation Post System:
https://mops.twse.com.tw

# Megaforce Company Limited

**Advancement, Accessibility, and Sustainability**

# 2022 ANNUAL REPORT

**Printed on April 30, 2023**

Note：
If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language version shall prevail.

※Spokesperson

Name: Chia-Cheng, Chang

Title: Chief Financial Officer

Tel.: (02) 8226-5118

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※Deputy Spokesperson

Name: Yen-Hua, Huang

Title: Director of Group Finance

Tel.: (02) 8226-5118

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※Address and Telephone Number of Head Office, Branch, and Plant

| Plant | Address | Tel. |
|---|---|---|
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※The CPAs Attesting the Most Recent Annual Financial Statements

Name of the CPAs: Mei-Yen, Chen and Yu-Feng, Hsu

Firm Name: KPMG in Taiwan

Address: 68F., No. 7, Sec. 5, Xinyi Rd., Taipei City (Taipei 101 Building)

Website: https://www.kpmg.com.tw

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※The name of any exchanges where the Company’s securities are listed offshore, and the method by which to access information on the offshore securities: Not applicable

※Company website: https://www.megaforce.com.tw

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# I. Letter to Shareholders

Dear Shareholders:

We would like to thank all our shareholders for the support to Megaforce. The global economy was affected by China's pandemic control and lockdown and the war between Russia and Ukraine in 2022. Megaforce strived to reduce the impact on the business operations through production adjustments; however, a consolidated net loss resulted in 2022. The company's operating results for 2022 and operating plan overview for 2023 are described as follows:

I. The 2022 Operating Results

Operating results and financial condition

The Company's 2022 consolidated operating revenue was NT$4,835 million, and the operating gross profit was NT$483 million. However, due to the impact of Shanghai's lockdown in 2022 Q2, the annual consolidated net loss was NT$157 million. The important financial ratios are analyzed as follow：

| Items | 2022 | 2021 |
|---|---|---|
| Operating Revenue | 4,834,937 | 5,319,553 |
| Operating Cost | 4,351,713 | 4,693,344 |
| Gross Profit | 483,224 | 626,209 |
| Operating Expenses | 568,106 | 581,185 |
| Operating Profit or Loss | (84,882) | 45,024 |
| Non-operating Revenue and Expense | 70,031 | 31,940 |
| Current Profit or Loss attributable to the Parent Company | (156,567) | 23,994 |
| Earnings Per Share (NTD) | (1.20) | 0.18 |

Budget Implementation

The company did not announce its financial forecast in 2022; therefore, the budget implementation will not be illustrated.

Financial Revenue and Expense and Profitability Analysis

The financial structure and profitability of the company in 2022 are listed as follows:

| Analysis Items | | 2022 | 2021 |
|---|---|---|---|
| Financial structure | Ratio of debt to assets (%) | 56.37 | 58.90 |
| | Ratio of long-term fund to property, plant and equipment (%) | 284.18 | 299.10 |
| Solvency | Current ratio (%) | 160.36 | 163.47 |
| | Quick ratio (%) | 136.07 | 135.37 |
| Profitability | Return on assets (%) | (2.45) | 0.70 |
| | Return on shareholders' equity (%) | (6.74) | 0.99 |
| | Ratio of net income before tax to paid-in capital (%) | (1.12) | 5.83 |
| | Profit ratio (%) | (3.35) | 0.45 |
| | Earnings per share (NTD) | (1.20) | 0.18 |

Research and development status

◎ R&D achievements

- Successful development of the antibacterial and special soft touch oil of LSR
- Successful development of the integrated design, development, and trial production of micron-grade operating room filtration and voltage stabilization system
- Successful design, development, and trial production of the minimally invasive surgical instruments
- Completed the integrated design and development and (automated) testing and verification of medical testing and diagnostic equipment systems
- Successful integrated design, development, and trial production of energy storage system
- Mass production and sales of EzARGO 720P AR display device
- Completed the EzARGO 1080P AR display device EVT test and ready for mass production
- Sample sales of AR LBS and LBS monochrome commercial materials
- Completed the sample for HOE 1st LBS
- The custom-made LBS optical-mechanical module was successfully designed and developed for wearable multimedia devices.
- Successful design and development of the high-brightness AR HUD with LBS solution
- The successful integrated design and development of the commercial touch smart interactive whiteboard system

◎ Future research and development plans

- Development for magnetic engineering plastic and low contraction engineering plastic
- Introduction, development, and trial production of skin-friendly and hand-touch material application products
- Integrated product design, development, testing, and verification of medical temperature sensing system
- Integrated product testing and verification of medical imaging equipment system
- Mass production of EzARGO 1080P and development of LBS AR products
- LCOS AR Camera/Wireless product development
- µLED + HOE G color mass production plan
- Full color µLED + HOE sample completed

Outlook

The world had gone through a dramatic change in global economy and politics in the year of 2022. Many countries in the world have gradually emerged from the shadow of COVID-19 pandemic; however, under the threat of inflation, the central banks of many countries are increasing interest rates, causing the economy to worsen; also, the geopolitics has caused difficulty to the macroeconomy and chaos to the supply chain. China imposed a lockdown in Shanghai in the second quarter of last year due to the impact of the pandemic, which affected the Company's overall operations significantly. The production units within the Company had strived to integrate and deploy for overcoming the production delays caused by the pandemic and for reducing the impact on operations. However, the predicament was too severe to be overcome; therefore, the Company suffered a loss in the year of 2022.

In the prospect of 2023, countries have a new understanding on and response to COVID-19. The lift of lockdown and loose economic policies adopted by China has a good influence on the global economy; therefore, the world is expected to gradually revitalize the negative economy caused by the COVID-19 pandemic and inflation. Furthermore, the supply chain dilemma is gradually resolved and eased, and the International Monetary Fund (IMF) has adjusted up the forecast for global economic growth this year, mainly due to the ease of inflation and unexpected good news of household spending; however, the rising interest rates and the continuing war Russia-Ukraine may still put pressure on economic activity.

Megaforce continues to optimize its global geographical layout in order to disperse operating risks effectively, and hope for the generation of profits eventually. Regarding the planning and execution of new businesses, such as biomedicine, automotive, and optoelectronics, we strive to achieve the set objectives continuously, and look forward to a successful transformation in order to inject new blood into the Group.

We shall remain calm in response to the fast global change. All Megaforce colleagues will work together, manage leanly, make good use of resources, and seize opportunities to jointly open up new situation for Megaforce.

## II. The 2023 Operating Plan Overview

Operating strategy

- Use the core value to establish a trending industry.
- Solicit international customers continuously to increase market share.
- Provide comprehensive services to strategic customers.
- Enhance resource integration and support for strategic products.
- Improve competitiveness with innovative approaches and thinking, and develop niche businesses with industry advantages.
- Disperse operational risks with regional production by establishing new factories and duplicating and improving the management model.
- Activate assets to maximize the efficiency of the group resources.
- Promote smart mold processes to improve efficiency and reduce cost.
- Refine technology to promote industrial value-added operation.
- Promote cross-industry cooperation to expand the industrial ecosystem.
- Emphasize the importance of talent retention and cultivation, and enhance competitiveness.
- Construct system integration and technology development capability to help the Group transform from a component manufacturer to a system integration solution provider in order to enhance value-added services and create revenue and profits.

Expected Quantity of Sale and Reference

The company’s expected quantity of sale is based on the overall industry environment and changes in the market, as well as the company’s production capacity and business development.

The expected quantity of sale of the consolidated company in 2023 is about 364,900 thousand pieces of product-related plastic parts and components and about 790 pieces of mold-related products.

Important Production and Marketing Policy

- Increase the ratio of automated production, reduce process costs, and improve product yield rate.
- Reduce bad debts, review inventory, and consolidate assets in idling.
- Initiate factory integration or adjustment (including the establishment of factory in Mexico, Malaysia, and Minxiong, Taiwan) in accordance with the market size and the timeliness of customer service.
- Develop and expand business and regional resources in North America and Japan.
- Enhance the research, development, and application of plastic materials to achieve optimized molding and to enhance market competitiveness.
- Work with customers to develop new products actively in order to meet the market trends and seize business opportunities.
- Actively develop niche products to reduce the risk of price competition from competitors.
- Enhance core technical capabilities and create the best market differentiation with excellent mold development capabilities and process technology.

III. The Company's Future Development Strategy

- Develop international brand customers continuously.
- Provide one-stop-shop service continuously.
- Transfer production base, adjust production mode rapidly, and enhance customer and market differentiation and deployment.
- Develop and expand micro-molding and molding technology.
- Development and application of polymer materials in medical materials, medical devices, and green industries
- Strategic cooperation, system integration, optoelectronic products, and environmental protection and energy saving industries

IV. Affected by the External Competitive Environment, Regulatory Environment, and Overall Business Environment.

- Geopolitical conflicts (such as the Russo-Ukrainian War and the Middle East), and the impact on raw materials, energy supply, and cost
- The rise in crude oil prices has indirectly caused the cost of plastic materials to go up and affected the profits.
- Inflation has a direct and indirect impact on operations, such as material and cash flow costs.
- The energy conservation issues have affected the operating costs and supply chain; also, continue to improve the resource utilization efficiency of each plant segment and the research and development of material degradation.
- Environmental protection awareness and regulations are becoming more stringent; therefore, the expenditure and management cost of environmental protection equipment in each factory is increasing as a result.
- Enhance the global deployment and minimize the impact of various policies on the company's operations China.
- China, during the process of transforming from a world's factory to the world's market, actively observes the migration of export-oriented customers and strives to solicit domestic-oriented customers.
- Customers' risk-reducing strategy by diversifying suppliers brings new opportunities and threats to the industry.
- Closely observe the subsequent influence of regional economic cooperation organizations, such as the "Regional Comprehensive Economic Partnership (RECP)" and "Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)."
- The impact of the post-COVID-19 pandemic on the production and operation risks
- Opportunities and threats to the company's investment in North America resulted from the new policies of the Biden administration in the United States
- The U.S. Biden administration's blockade policy against China imposes a threat to the company's manufacturing facility in China.

In prospect, Megaforce will work with a prudent, optimistic, and relentless attitude held up high to create higher value for the company and shareholders. Thanks to our shareholders for the long-term support and affirmation. I, on behalf of the company, would like to express the deepest gratitude to you all!

Wishing you all good health, peace, and auspiciousness
Sincerely,

Chairman Wen-Lin, Hsu

# II. Company Profile

## I. Date of Incorporation

The company's date of Incorporation: October 15, 1991.

## II. Company History

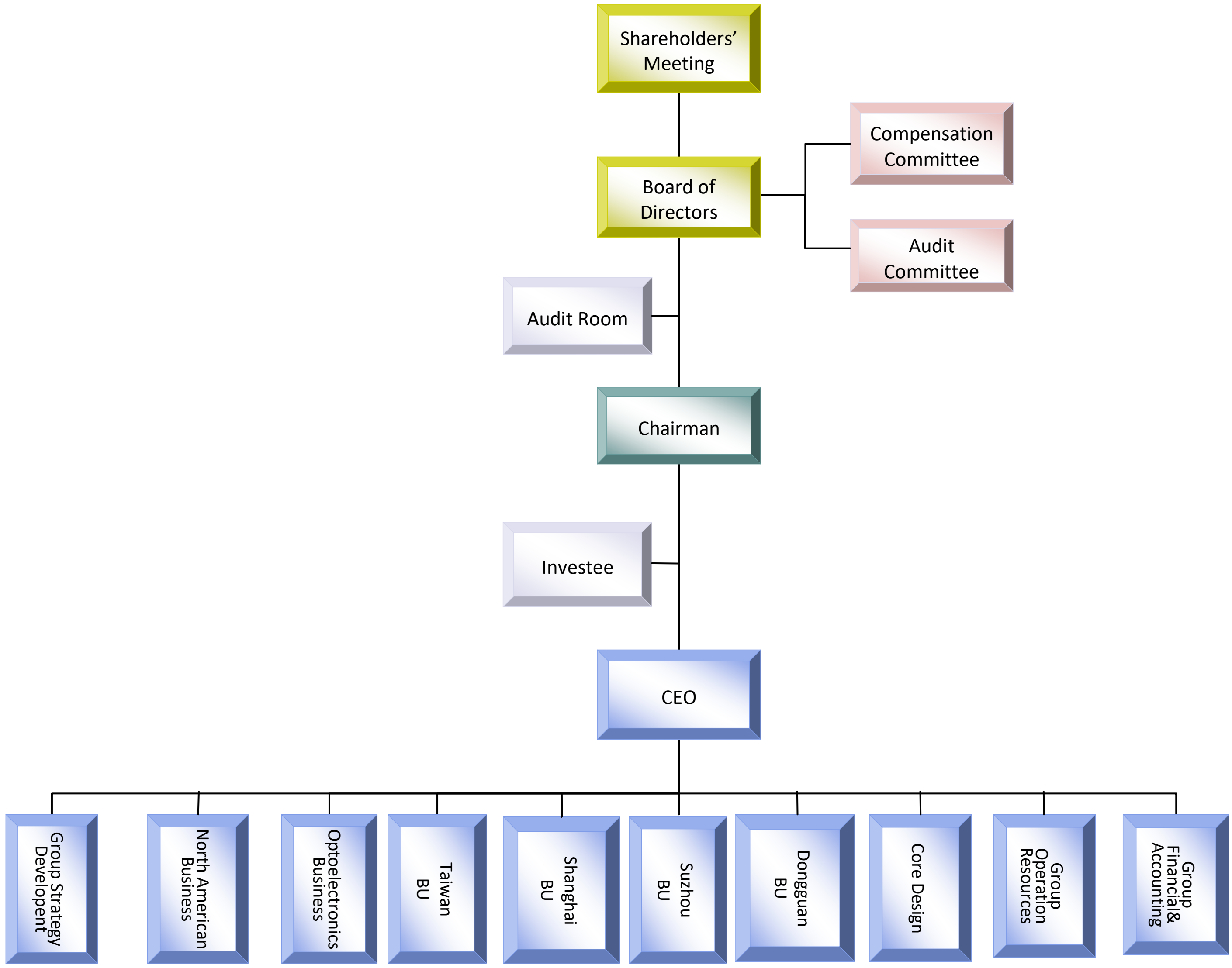
| Year/Month | Milestones |
|---|---|
| October 1991 | The company was established in Xinzhuang City, Taipei County with a capital stock of NT$10 million. |
| April 1997 | The company and factory were relocated to Tucheng Industrial Park, Tucheng City, Taipei County. |
| January 2003 | Invested in Megaforce Co., (HK) Ltd. with 100% shareholding obtained. |
| June 2003 | Stock shares were traded publicly. |
| September 2003 | Indirectly invested in Shanghai Yingji Electronic Plastic Co., Ltd. and Suzhou Yingji Electronic Plastic Co., Ltd. with 51% equity obtained. |
| May 2004 | Indirectly invested in Shanghai AB Megaforce Co., Ltd. with 51% equity obtained. |
| November 2004 | Indirectly invested in Shanghai Shanghua Painting Co., Ltd. with 60% equity obtained. |
| May 2005 | An optical factory was established in Shulin. |
| August 2005 | Increased the shareholding in Shanghai Yingji Electronic Plastic Co., Ltd. and Suzhou Yingji Electronic Plastic Co., Ltd. to 100% by increasing the shareholding in the third region. |
| October 2005 | Stocks shares were traded in the Emerging market. |
| March 2006 | Indirectly invested in Suzhou Intentech Co., Ltd. with 100% equity obtained. |
| April 2007 | Stock shares were traded on the Taipei Exchange. |
| March 2008 | Indirectly invested in MegaMobilE (China) International Co., Ltd. with 95% equity obtained. |
| April 2008 | Indirectly invested in Dongguan Yingshu Electronic Technology Co., Ltd. with 100% equity obtained. |
| December 2008 | Qualified the CG6004 (general version) corporate governance system evaluation certification of Taiwan Corporate Governance Association. |
| December 2009 | Indirectly invested in Dongguan Shijian Light Electron Technology Co., Ltd. with 70% equity obtained. |
| March 2010 | Qualified the CG6005 (general version) corporate governance system evaluation certification of Taiwan Corporate Governance Association. |
| March 2010 | Increased the investment in Shanghai AB Megaforce Co., Ltd. to 90% shareholding. |
| August 2010 | Transferred 100% equity of Best Solution International Inc. and MegaMobilE (China) International Co., Ltd. |
| November 2011 | The Compensation Committee was established. |
| April 2012 | Qualified the CG6007 (general version) corporate governance system evaluation certification of Taiwan Corporate Governance Association. |
| June 2013 | Megachamp Investment Company Limited was established with 100% equity obtained. |
| January 2014 | Indirectly invested in DJ Applied Biotechnology Co., Ltd. and its subsidiaries through Megachamp Investment Company Limited with 33.2% equity obtained. |
| September 2014 | Suzhou Intentech Co., Ltd. merged Suzhou Yingji Electronic Plastic Co., Ltd. |
| December 2015 | Mega1 Company Limited was established with 100% equity obtained. |
| January 2016 | The Group Mold Center was established. |
| August 2016 | Megaforcemx, S. DE R.L. DE C.V., the subsidiary, was established with 100% equity obtained. |
| November 2016 | Dongguan Shijie Megaforce Electronics Factory was renamed as Dongguan Megaforce Electronic Technology Co., Ltd. with 100% equity obtained. |
| June 2018 | The Audit Committee was established. |
| February 2019 | Megaforce International Corporation, the subsidiary in the United States, was established with 100% equity obtained. |
| September 2019 | Megaforce SDN. BHD., the subsidiary in Malaysia was established with 100% equity obtained. |
| August 2019 | Dongguan Megaforce Electronic Technology Co., Ltd. merged with Dongguan Yingshu Electronic Technology Co., Ltd. |
| February 2020 | Chiayi Minxiong Factory was established. |
| November 2021 | Invested in Barintec Co., Ltd. with 64.79% equity obtained accumulatively. |

Three. Corporate Governance Report

I. Organization

(I) Organizational Structure

Organization Chart of Megaforce Company Limited



## (II) Business Operation of Each Department

| | |
|---|---|
| Audit Office | ▪ Draft internal audit plan, and perform inspections according to the plan with an audit report issued.<br>▪ Supervise the establishment and inspection mechanism of the internal control system.<br>▪ Audit the implementation of the business center's business objectives, plans, and budgets. |
| Group Financial Accounting | ▪ Provide financial and management statements.<br>▪ Group accounting and taxation planning<br>▪ Stock affair operation<br>▪ Banking<br>▪ Financing planning and execution |
| Group Operation Resources | ▪ Establishment of Group Quality Assurance System<br>▪ Group supply chain affairs<br>▪ Responsible for the integration of information management system and ERP system<br>▪ Human resources operating procedure and management system<br>▪ Planning and implementation of administration, general affairs, general practices, and other works<br>▪ Planning and implementation of legal and intellectual property matters |
| Core Design | ▪ Plan for the company's R&D direction and strategy, combine market information and analyze technology and resource costs, take charge of the R&D, design, pilot run, and review of v new products and new technologies.<br>▪ Introduction of new manufacturing process and new materials; external technical support and contact; improvement of manufacturing process<br>▪ Cultivation and implementation of core technical capabilities |
| Dongguan BU | ▪ Integrate Dongguan and Mexico areas for the establishment of differentiation to enhance competitiveness, and plan and implement sales and production in accordance with the unit's objectives derived from the Group's operations in order to achieve operational objectives.<br>▪ Plan and implement the unit's short-term, mid-term, and long-term development strategies in accordance with the Group's strategy. |
| Suzhou BU | ▪ Integrate Suzhou area for the establishment of differentiation to enhance competitiveness, and plan and implement sales and production in accordance with the unit's objectives derived from the Group's operations in order to achieve operational objectives.<br>▪ Plan and implement the unit's short-term, mid-term, and long-term development strategies in accordance with the Group's strategy. |
| Shanghai BU | ▪ Integrate Shanghai and Malaysia areas for the establishment of differentiation to enhance competitiveness, and plan and implement sales and production in accordance with the unit's objectives derived from the Group's operations in order to achieve operational objectives.<br>▪ Plan and implement the unit's short-term, mid-term, and long-term development strategies in accordance with the Group's strategy. |
| Taiwan BU | ▪ Main domestic production bases for the establishment of differentiation to enhance competitiveness, and plan and implement sales and production in accordance with the unit's objectives derived from the Group's operations in order to achieve operational objectives.<br>▪ Plan and implement the unit's short-term, mid-term, and long-term development strategies in accordance with the Group's strategy. |
| Optoelectronics Business | ▪ Developed the smallest (1.5cc) laser miniature projector in the world.<br>▪ Focus on the R&D, production, and sales of laser scanning modules and their application products consumer electronics, automotive HUD, home miniature projector, etc.<br>▪ Provide customized development services for AR Glasses and 3D Scanning applications. |
| North American Business | ▪ Plan biomedical business direction and strategy.<br>▪ Combine market information, create market channels, and provide integrated services of high-end medical materials in Taiwan and abroad.<br>▪ Integrate the North American area for the establishment of differentiation to enhance competitiveness, and plan and implement sales and production in accordance with the unit's objectives derived from the Group's operations in order to achieve operational objectives.<br>▪ Establish differentiation to enhance competitiveness, and plan and implement sales and production to achieve operational objectives. |
| Group Strategy Development | ▪ Plan new business development and deployment.<br>▪ Implement new product sales and production to achieve operational objectives.<br>▪ Plan and implement the unit's short-term, mid-term, and long-term development strategies in accordance with the Group's strategy. |

## II. Board of Directors and Management Team

### (I) Directors

#### 1. Information on the Director's Name, Experience (Education), Shareholding, and Nature

April 30, 2023; Unit: Shares

| Title (Note 1) | Nationality | Name | Gender Age (Note 2) | Date elected or Appointed | Term of Office | Date First Elected or Appointed (Note 3) | Shareholding When Elected or Appointed | | Current Shareholding | | Current Shareholding of Spouse and Minor Children | | Shareholding in the Name of Others | | Main Working (Education) Experience (Note 4) | Concurrent Positions in the Company and Other Companies | Spouse or Relatives within the Second Degree of kinship who are Officers, Directors, or Supervisors of the Company | | | Remarks (Note 5) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Shares | % | Shares | % | Shares | % | Shares | % | | | Title | Name | Relation | |
| Chairman | R.O.C. | Wen-Lin, Hsu | Male 71–80 years old | 7.27.2021 | 3 years | 5.23.2003 | 4,964,508 | 3.76 | 4,964,508 | 3.76 | 189,358 | 0.14 | 0 | 0 | Department of Mechanical Engineering, Lunghwa Junior College of Technology<br>Chairman, Techron Company Limited<br>CEO, Megaforce Group | CEO, Megaforce Group<br>Chairman, Megaforce Group Co.,Ltd.<br>Chairman, Megaforce International Co.,Ltd.<br>Chairman, Newforce Global Limited.<br>Chairman, Megaforce SDN. BHD.<br>Director, Barintec Co., Ltd.<br>Chairman, Shanghai Yingji Electronic Plastic Co., Ltd.<br>Chairman, Shanghai Shanghua Painting Co.,Ltd<br>Chairman, Suzhou Intentech Co.,Ltd.<br>Chairman, Dongguan Megaforce Electronic Technology Co., Ltd.<br>Chairman, Megachamp Investment Company Limited.<br>Chairman, Mega1 Company Limited.<br>Chairman, Ying Fan Investment Company Limited.<br>Chairman, Bravocaremax Company Limited<br>Director, Anguil Technology Co., Ltd. | Director / Senior Manager | Wan-Sheng, Hsu / Li-Kai, Chen | Father and daughter / Son-in-law | |
| Vice Chairman | R.O.C. | Tung-Hui, Chiang | Male 61–70 years old | 7.27.2021 | 3 years | 5.23.2003 | 1,312,956 | 0.99 | 1,339,956 | 1.01 | 0 | 0.00 | 0 | 0 | Department of Mechanical Engineering, National Taiwan University<br>Manager, Techron Company Limited<br>President,Megaforce Company Limited | President, Megaforce Company Limited<br>Director, Shanghai Yingji Electronic Plastic Co., Ltd.<br>Director, Shanghai Shanghua Painting Co.,Ltd<br>Director, Suzhou Intentech Co.,Ltd.<br>Director, Dongguan Megaforce Electronic Technology Co., Ltd.<br>Director, Mega1 Company Limited.<br>Director, Ying Fan Investment Company Limited. | None | None | None | |

| Title (Note 1) | Nationality | Name | Gender Age (Note 2) | Date elected or Appointed | Term of Office | Date First Elected or Appointed (Note 3) | Shareholding When Elected or Appointed | | Current Shareholding | | Current Shareholding of Spouse and Minor Children | | Shareholding in the Name of Others | | Main Working (Education) Experience (Note 4) | Concurrent Positions in the Company and Other Companies | Spouse or Relatives within the Second Degree of kinship who are Officers, Directors, or Supervisors of the Company | | | Remarks (Note 5) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Shares | % | Shares | % | Shares | % | Shares | % | | | Title | Name | Relation | |
| Director | R.O.C. | Le-Li, Lu (Representative of Ying Fan Investment Co., Ltd.) | Male 61–70 years old | 7.27.2021 | 3 years | 7.27.2021 | 38,483,802 | 29.15 | 38,983,802 | 29.53 | 0 | 0 | 0 | 0 | MBA－Controllership, St. John's University<br>CFO, Taiwan Green Point Enterprises Co., Ltd.<br>CFO, Megaforce Company Limited | Chairman, Shanghai AB Megaforce Co., Ltd.<br>Supervisor, Shanghai Yingji Electronic Plastic Co., Ltd.<br>Supervisor, Shanghai Shanghua Painting Co.,Ltd<br>Supervisor, Suzhou Intentech Co.,Ltd.<br>Supervisor, Dongguan Megaforce Electronic Technology Co., Ltd.<br>Director, Mega1 Company Limited.<br>Supervisor, CEREC Asia INC.<br>Director, Barintec Co., Ltd. | None | None | None | |
| Director | R.O.C. | Wan-Sheng, Hsu (Representative of Ying Fan Investment Co., Ltd.) | Female 41–50 years old | 7.27.2021 | 3 years | 6.23.2015 | 38,483,802 | 29.15 | 38,983,802 | 29.53 | 63,000 | 0.05 | 0 | 0 | MCom, University of Queensland－Applied Finance<br>SCPM(Stanford Certified Project Manager), Stanford University<br>Audit Department, KPMG Taiwan | Executive Assistant ,CEO's Office, Megaforce Company Limited<br>Director, CEREC Asia INC. (Legal Representative)<br>Director, Megaforce International Corporation<br>Director, Super Bravo Bio Co., Ltd. | Chairman / Senior Manager | Wen-Lin Hsu / Li Kai, Chen | Father and daughter / Husband and wife | |
| Independent director | R.O.C. | Chun-Nan, Pai | Male 71–80 years old | 7.27.2021 | 3 years | 6.11.2008 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | Ph.D. in Law, Chinese Culture University<br>President, Bes Engineering Corporation<br>Chairman, Grand China Management Consulting Co., Ltd.<br>Independent Director, Concord Securities Co., Ltd. | Chairman, Bo-Meng Investment CO., Ltd.<br>Director, China Petrochemical Development Corporation (Legal Representative)<br>Director, Wei Lih Food Industrial Co., Ltd. (Legal Representative)<br>Director, Taivex Therapeutics Corporation(Legal Representative)<br>Director, Bes Engineering Corporation (Legal Representative)<br>Independent Director, President Securities Corporation<br>Independent Director, Advagene Biopharma Co., Ltd. | None | None | None | |

| Title (Note 1) | Nationality | Name | Gender Age (Note 2) | Date elected or Appointed | Term of Office | Date First Elected or Appointed (Note 3) | Shareholding When Elected or Appointed | | Current Shareholding | | Current Shareholding of Spouse and Minor Children | | Shareholding in the Name of Others | | Main Working (Education) Experience (Note 4) | Concurrent Positions in the Company and Other Companies | Spouse or Relatives within the Second Degree of kinship who are Officers, Directors, or Supervisors of the Company | | | Remarks (Note 5) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Shares | % | Shares | % | Shares | % | Shares | % | | | Title | Name | Relation | |
| Independent director | R.O.C. | Ching-Kong, Chao | Male 61–70 years old | 7.27.2021 | 3 years | 6.16.2006 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | Ph.D. Lehigh University－Mechanical Engineering<br>M.S. National Taiwan University－Mechanical Engineering<br>Visiting Professor, Department of Engineering Science, University of Oxford, UK<br>Director, Society of Theoretical and Applied Mechanics of the Republic of China | Chair Professor, National Taiwan University of Science and Technology－Mechanical Engineering<br>Editorial Board, Journal of Mechanics<br>Editorial Board, Journal of Thermal Stresses<br>Director, Society of Theoretical and Applied Mechanics of the Republic of China | None | None | None | |
| Independent director | R.O.C. | Hai-Pang, Chiang | Male 51–60 years old | 6.8.2018 | 3 years | 6.16.2006 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | Ph.D. National Taiwan University－Electrical Engineering<br>Director and Professor, National Taiwan Ocean University－ Institute of Optoelectronic Sciences<br>Supervisor,Taiwan Optical Engineering Society<br>Adjunct Research Fellow, Natioanal Applied Research Labortories<br>Adjunct Research Fellow, Institute of Physics, Academia Sinca | Distinguished Professor, National Taiwan Ocean University－Optoelectronic and Materials Technology<br>Professor, National Taiwan Ocean University－Optoelectronic and Materials Technology | None | None | None | |

Note 1: The corporate shareholder shall have the name of the corporate shareholder and the representative listed separately (the representative of the corporate shareholder shall indicate the name of the corporate shareholder) with Table 1 below filled out.
Note 2: Please indicate the actual age, which can be expressed in intervals, such as 41–50 years old or 51–60 years old.
Note 3: Fill in the time serving as the company's director for the first-time, and indicate if there is any interruption during the term of office.
Note 4: Experience related to incumbent position, describe the job title and job responsibility during the employment, if any, with the commissioned CPA Firm for audit or its affiliated enterprises.
Note 5: If the chairman, President, or the individual (top management) holds equivalent position are the same person, spouses, or relatives in the first-degree of kinship to each other, please detail the reason, rationality, necessity, and countermeasures (for example, increase the number of independent directors, the majority of directors are not concurrently serving as employees or Mangers).
Note 6: The company established an Audit Committee to replace the supervisors on June 8, 2018.
Note 7: Director Mr. Hsien-Yu, Kuo resigned as a director on February 3, 2023.

2. Major Shareholders of the Corporate Shareholders

April 30, 2023

| Name of Corporate Shareholders (Note 1) | Major Shareholders of the Corporate Shareholders (Note 2) | Shareholding Ratio |
|---|---|---|
| Ying Fan Investment Co., Ltd. | Wen-Lin, Hsu | 26.00% |
| | Yu-Mei, Hsu | 18.65% |
| | Tung-Hui, Chiang | 12.14% |
| | Shin Bao Investment Co., Ltd. | 10.51% |
| | Chi Kong Investment Co., Ltd. | 7.03% |
| | Min-Hsiung, Chu | 4.19% |
| | Fong-Jen, Lin | 2.61% |
| | Chin-Bao, Liao | 2.56% |
| | Ze-Yu, Lin | 2.06% |
| | Hui, Chen | 1.64% |

Note 1: The director who is a representative of a corporate shareholder should have the name of the corporate shareholder filled in.

Note 2: Fill in the name and shareholding ratio of the major shareholders of the corporate shareholder (the top-ten shareholders in shareholding). If their major shareholders are corporate shareholders, it is necessary to also fill out Table 2.

Note 3: If the corporate shareholder is not a company organization, the name and shareholding ratio of the shareholder to be disclosed as stated in the preceding paragraph refer to the name, capital contribution, or investment ratio of the investor or contributor (please refer to the announcement of the Judicial Yuan). The contributor who had passed away should be noted as “deceased.”

3. The Major Shareholders of the Major Shareholder that is a Juridical Person

April 30, 2023

| Name of Juridical Person (Note 1) | Major Shareholders of Juridical Person (Note 2) | Shareholding Ratio |
|---|---|---|
| Shin Bao Investment Co., Ltd. | Yi-Wen, Lai | 80% |
| Chi Kong Investment Co., Ltd. | Ru-Ping, Kang (Responsible Person) | 0.43% |

Note 1: If the major shareholders stated in Table 1 are corporate shareholders, it is necessary to fill in the name of the juridical person.

Note 2: Fill in the name and shareholding ratio of the major shareholders of the corporate shareholder (the top-ten shareholders in shareholding).

Note 3: If the corporate shareholder is not a company organization, the name and shareholding ratio of the shareholder to be disclosed as stated in the preceding paragraph refer to the name, capital contribution, or investment ratio of the investor or contributor (please refer to the announcement of the Judicial Yuan). The contributor who had passed away should be noted as “deceased.”

4. Disclosure of the Professional Qualifications of Directors and Supervisors and Independence of Independent Directors

April 30, 2023

| Conditions / Name | Professional Qualification and Experience (Note 1) | Compliance of Independence (Note 2) | Number of Other Public Companies in which the Individual is concurrently serving as an Independent Director |
|---|---|---|---|
| Wen-Lin, Hsu | Professional Qualifications: Possesses expertise in leadership, operational judgment, business management, crisis management, rich industrial knowledge and international market vision, but none of the events stated in Article 30 of the Company Act.<br>Experience: Department of Mechanical Engineering of Lunghwa University of Science and Technology; former chairman of Kerdian Co., Ltd.; incumbent CEO of Megaforce Group, director of Megaforce Group's subsidiaries, and director of Anguil Technology Co., Ltd. | Non-independent directors; therefore, it is not applicable. | 0 |
| Tung-Hui, Chiang | Professional Qualifications: Possesses expertise in leadership, operational judgment, business management, crisis management, rich industrial knowledge and international market vision, but none of the events stated in Article 30 of the Company Act.<br>Experience: Department of Mechanical Engineering of National Taiwan University; former manager of Kedian Co., Ltd.; incumbent President of Megaforce Company Limited and the director of Megaforce Group's subsidiary. | | 0 |
| Le-Li, Lu | Professional Qualifications: Possesses expertise in leadership, operational judgment, business management, crisis management, financial accounting, rich industrial knowledge and international market vision, but none of the events stated in Article 30 of the Company Act.<br>Experience: MBA-Controllership, St. John's University; former CFO of Taiwan Green Point Enterprises Co., Ltd. and the CFO of Megaforce Company Limited; incumbent Chief of Staff of Megaforce Group, director and supervisor of Megaforce Group's subsidiaries, and the representative of the corporate director of the company invested by Megaforce. | | 0 |

| Conditions / Name | Professional Qualification and Experience (Note 1) | Compliance of Independence (Note 2) | Number of Other Public Companies in which the Individual is concurrently serving as an Independent Director |
|---|---|---|---|
| Wan-Sheng, Hsu | Professional Qualifications: Possesses expertise in business management and financial accounting, but none of the events stated in Article 30 of the Company Act.<br>Experience: MCom, University of Queensland – Applied Finance; SCPM (Stanford Certified Project Manager), Stanford University; incumbent special assistant to the CEO's office of Megaforce Group, the director of Megaforce Group's subsidiary, and the representative of the corporate director of the company invested by Megaforce. | Non-independent directors; therefore, it is not applicable. | 0 |
| Ching-Kong, Chao | Professional Qualifications: Possesses expertise in professional knowledge of the industry, but none of the events stated in Article 30 of the Company Act.<br>Experience: Ph.D. degree from the Department of Mechanical Mechanics of Lehigh University in the United States; former visiting professor of the Department of Engineering Science, University of Oxford, UK and executive of the "Society of Theoretical and Applied Mechanics of the Republic of China;" incumbent chair professor of the Department of Mechanical Engineering, Taiwan University of Science and Technology, executive editor of the Journal of Mechanics, the executive editor of the International Journal of Thermal Stress, and the executive of the "Society of Theoretical and Applied Mechanics of the Republic of China." | 1. There has been no direct or indirect interest in the company within the two years prior to the election, and none of the person, spouse, or relatives within the second degree of kinship has served as a director (including independent directors) or an employee of the company, affiliated enterprises, or companies with a specific relationship with the company, and does not hold shares in the company.<br>2. There has been no service in business, legal, financial, accounting, and others provided to the company or affiliated enterprises in the past two years, and has not received any relevant remuneration. | 0 |
| Hai-Pang, Chiang | Professional Qualifications: Possesses expertise in professional knowledge of the industry, but none of the events stated in Article 30 of the Company Act.<br>Experience: Ph.D. degree from the Institute of Electrical Engineering, National Taiwan University; Former Dean and Chair of IOES – Institute of Optoelectronic Sciences, National Taiwan Ocean University, a director and supervisor of Taiwan Optical Engineering Society, a part-time researcher of the Instrument Research Institute of the "National Applied Research Laboratories," and a part-time researcher of the Institute of Physics of the Academia Sinica; incumbent Distinguished Professor and Professor of the Department of Optoelectronics and Materials Technology of National Taiwan Ocean University. | 1. There has been no direct or indirect interest in the company within the two years prior to the election, and none of the person, spouse, or relatives within the second degree of kinship has served as a director (including independent directors) or an employee of the company, affiliated enterprises, or companies with a specific relationship with the company, and does not hold shares in the company.<br>2. There has been no service in business, legal, financial, accounting, and others provided to the company or affiliated enterprises in the past two years, and has not received any relevant remuneration. | 0 |

| Conditions / Name | Professional Qualification and Experience (Note 1) | Compliance of Independence (Note 2) | Number of Other Public Companies in which the Individual is concurrently serving as an Independent Director |
|---|---|---|---|
| Chun-Nan, Pai | Professional Qualifications: Possesses expertise in leadership, operational judgment, business management, and financial accounting, but none of the events stated in Article 30 of the Company Act.<br>Experience: Doctor of Laws, Chinese Culture University; Former President of BES Engineering Corporation, chairman of Zhanhua Business Management Consulting Co., Ltd., and independent director of Concord Securities Co., Ltd.; incumbent chairman of Ber-Mong Investment Co., Ltd. representative of the corporate director of China Petrochemical Development Corporation (CPDC), representative of the corporate director of Wei Lih Food Industrial Co., Ltd., representative of the corporate director of Taivex Therapeutics Corporation, representative of the corporate director of BES Engineering Corporation, independent director of President Securities Corporation, and independent director of Advagene Biopharma Co. Ltd. | 1. There has been no direct or indirect interest in the company within the two years prior to the election, and none of the person, spouse, or relatives within the second degree of kinship has served as a director (including independent directors) or an employee of the company, affiliated enterprises, or companies with a specific relationship with the company, and does not hold shares in the company.<br>2. There has been no service in business, legal, financial, accounting, and others provided to the company or affiliated enterprises in the past two years, and has not received any relevant remuneration. | 2 |

5. Board Diversity and Independence

(I) Board Diversity: Please refer to (III) The implementation of the corporate governance and its deviation from the “Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and the reasons on P.27–P.33 of the annual report.

(II) Independence of the Board of Directors: The company has three independent directors appointed, accounted for 43% of all directors. The company’s Board of Directors complies with the requirement of independence. Except for Wen-Lin, Hsu the Chairman and Wan-Sheng, Hsu the Director, are relatives within the second degree of kinship, the other directors, independent directors, and between independent directors and directors are not a spouse or a relative within the second degree of kinship to one another.

Note 1: Professional qualifications and experience: Describe the professional qualifications and experience of each individual director and supervisor. For those who are members of the Audit Committee with expertise in accounting or finance, describe their accounting or financial background and work experience; also, indicate whether they are subject to any of the events stated in Article 30 of the Company Act.

Note 2: Describe the independence of each independent director in details, including but not limited to whether the person, spouse, and relatives within the second degree of kinship are a director, supervisor, or employee of the company or any of its affiliated enterprise; the number of shares of the company and shareholding ratio held by the person, spouse, and relatives within the second degree of kinship (or in the name of others); whether a director, supervisor, or employee of a company (refer to Article 3, Paragraph 1, Subparagraph 5–8 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”) that has a specific relationship with the company, and the amount of remuneration received for providing business, legal, financial, accounting, and other services to the company or its affiliated enterprises in the last 2 years.

Note 3: Please refer to the best-practice reference examples on the website of the Corporate Governance Center of Taiwan Stock Exchange for the guidelines on disclosures.

## (II) Information on the President, Vice President, Senior Manager, and Officers of Departments and Branches

April 30, 2023; Unit: Shares

| Title (Note 1) | Nationality | Name | Gender | Date Rlected or Appointed | Shareholding | | Shareholding of Spouse and Minor Children | | Shareholding in the Name of Others | | Main Career (Academic) Achievements (Note 2) | Concurrent Positions at Other Companies | Mangers who are Spouses or Relatives within the Second Degree of Kinship | | | Remarks (Note 3) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Shares | % | Shares | % | Shares | % | | | Title | Name | Relationship | |
| Chief Executive Officer | R.O.C. | Wen-Lin ,Hsu | Male | 12.16.2010 | 4,964,508 | 3.76 | 189,358 | 0.14 | 0 | 0 | Department of Mechanical Engineering, Lunghwa Junior College of Technology<br>Chairman, Techron Company Limited<br>CEO, Megaforce Group | Chairman, Megaforce Group Co.,Ltd.<br>Chairman, Megaforce International Co.,Ltd.<br>Chairman, Newforce Global Limited.<br>Chairman, Megaforce SDN. BHD.<br>Director, Barintec Co., Ltd.<br>Chairman, Shanghai Yingji Electronic Plastic Co., Ltd.<br>Chairman, Shanghai Shanghua Painting Co.,Ltd<br>Chairman, Suzhou Intentech Co.,Ltd.<br>Chairman, Dongguan Megaforce Electronic Technology Co., Ltd.<br>Chairman, Megachamp Investment Company Limited<br>Chairman, Mega 1 Company Limited.<br>Chairman, Ying Fan Investment Company Limited.<br>Chairman, Bravocaremax Company Limited<br>Director, Anguil Technology Co., Ltd. | Senior Manager | Li-Kai, Chen | Son-in-law | |
| President | R.O.C. | Tung-Hui, Chiang | Male | 12.1.2021 | 1,339,956 | 1.01 | 0 | 0 | 0 | 0 | Department of Mechanical Engineering, National Taiwan University<br>Manager, Techron Company Limited<br>President, Megaforce Company Limited | Director, Shanghai Yingji Electronic Plastic Co., Ltd.<br>Director, Shanghai Shanghua Painting Co.,Ltd<br>Director, Suzhou Intentech Co.,Ltd.<br>Director, Dongguan Megaforce Electronic Technology Co., Ltd.<br>Director, Mega 1 Company Limited.<br>Director, Ying Fan Investment Company Limited. | None | None | None | |
| Chief Of Staff | R.O.C. | Le-Li, Lu | Male | 1.1.2006 | 611,050 | 0.46 | 0 | 0 | 0 | 0 | MBA－Controllership, St. John's University<br>CFO, Taiwan Green Point Enterprises Co., Ltd.<br>CFO, Megaforce Company Limited | Chairman, Shanghai AB Megaforce Co., Ltd.<br>Supervisor, Shanghai Yingji Electronic Plastic Co., Ltd.<br>Supervisor, Shanghai Shanghua Painting Co.,Ltd<br>Supervisor, Suzhou Intentech Co.,Ltd.<br>Supervisor, Dongguan Megaforce Electronic Technology Co., Ltd.<br>Director, Mega 1 Company Limited.<br>Supervisor, CEREC Asia INC.<br>Director, Barintec Co., Ltd. | None | None | None | |

Note 1: The information disclosure should include the President, Vice President, Senior Manager, officers of departments and branches, and those who hold a position equivalent to the President, Vice President, or Senior Manager, regardless of their titles.

Note 2: Experience related to incumbent position, describe the job title and job responsibility during the employment, if any, with the commissioned CPA Firm for audit or its affiliated enterprises.

Note 3: If the chairman, President, or the individual (top management) holds equivalent position are the same person, spouses, or relatives in the first-degree of kinship to each other, please detail the reason, rationality, necessity, and countermeasures (for example, increase the number of independent directors, the majority of directors are not concurrently serving as employees or Mangers).

| Title (Note 1) | Nationality | Name | Gender | Date Elected or Appointed | Shareholding | | Shareholding of Spouse and Minor Children | | Shareholding in the Name of Others | | Main Career (Academic) Achievements (Note 2) | Concurrent Positions at Other Companies | Mangers who are Spouses or Relatives within the Second Degree of Kinship | | | Remarks (Note 3) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Shares | % | Shares | % | Shares | % | | | Title | Name | Relationship | |
| Chief Strategy Officer | Singapore | Cheng, Chao | Male | 2.15.2019 | 45,000 | 0.03 | 0 | 0 | 0 | 0 | Department of Engineering, Kennedy Western University<br>CMO, LITE-ON Technology Corporation<br>Senior Vice President, Quanta Computer Inc.<br>CEO, 3M PC Touch (Singapore) Pte Limited. | Independent Director, Jean Co., Ltd.<br>Independent Director, Leader Electronics Inc. | None | None | None | |
| Optoelectronics Business R&D Officer | Japan | Makoto Masuda | Male | 9.1.2019 | 0 | 0 | 0 | 0 | 0 | 0 | National Okayama University, Production Mechanical Systems, Faculty of Engineering<br>Chief, Product Engineering Department, Document Business Division, CANON<br>Director, Robot Development Centre, Business Solutions Division, SHARP | General Manager, Mega 1 Company Limited.<br>Director and CEO, Blueoptech Co., Ltd.<br>Director and CEO, Barintec Co., Ltd. | None | None | None | |
| Chief Financial Officer | R.O.C. | Chia-Cheng, Chang | Male | 1.20.2017 | 0 | 0 | 0 | 0 | 0 | 0 | Dept. of Accounting, National Chung Hsing University<br>Senior Manager, Audit Department, PwC Taiwan | Supervisor, Shanghai AB Megaforce Co., Ltd.<br>Supervisor, Mega 1 Company Limited.<br>Independent Director, S&S Heathcare Holding Ltd.<br>Director, Super Bravo Bio Co., Ltd. (Legal Representative) | None | None | None | |
| Shanghai Yingji Electronic Plastic Co., Ltd. – BU President | R.O.C. | Cheng-An, Lee | Male | 9.1.2012 | 0 | 0 | 0 | 0 | 0 | 0 | EMBA, Shanghai Jiao Tong University<br>Manager, Dynacast International Inc. | Director and General Manager, Shanghai Yingji Electronic Plastic Co., Ltd.<br>Director and General Manager, Shanghai Shanghua Painting Co.,Ltd. | None | None | None | |
| Megaforce Company Limited – Vice President of BU | R.O.C. | Huo-Tsao, Lin | Male | 1.1.2016 | 182,727 | 0.14 | 0 | 0 | 0 | 0 | Department of Bussiness, National Open University<br>Team Leader of Molding, Huaju Enterprise Co., Ltd. | NA | None | None | None | |
| Suzhou Intentech Co., Ltd. – BU Senior Manager | R.O.C. | Tsung-Ho, Ou | Male | 3.1.2022 | 1 | 0 | 0 | 0 | 0 | 0 | Graduate Institute of Chemical Engineering , Tamkang University<br>Manager, Foxconn Technology Corporation | Director and General Manager, Suzhou Intentech Co.,Ltd. | None | None | None | |
| Dongguan Megaforce Electronic Technology Co., Ltd. – BU Vice President | R.O.C. | Ming-Wei, Hsu | Male | 3.1.2021 | 881,339 | 0.67 | 0 | 0 | 0 | 0 | Department of International Trade, Soochow University<br>Sales Representative, New Century Infocomm Tech Co., Ltd. | Director and General Manager,Dongguan Megaforce Electronic Technology Co., Ltd.<br>Director, Megaforcemx , S. de R.L. de C.V. | None | None | None | |
| North American Business – BU Senior Manager | R.O.C. | Li-Kai, Chen | Male | 3.1.2021 | 63,000 | 0.05 | 1,493,640 | 1.13 | 0 | 0 | Ph.D., University of California, Merced－BioEngineering and Small Scale Technology<br>Director,R&D of Medical Division, MicroBase Technology Corporation | Managing Director , Megaforce International Corporation<br>Director, Bravocaremax Company Limited(Legal Representative)<br>Director, Mei Jia Fu Shi Investment Co.,Ltd. | None | None | None | |
| Core Design BU Senior Manager | R.O.C. | Cheng-Ching, Hsia | Male | 3.1.2021 | 100,000 | 0.08 | 0 | 0 | 0 | 0 | Dept. of computer engineering, Lunghwa Junior College of Technology<br>Team Leader, Lih Rong Electronic Enterprise Co., Ltd. | NA | None | None | None | |

## III. Remuneration and Compensation Paid to Directors, The President, and Vice President

## (I) Remuneration of Directors, Independent Directors, Supervisors, President, and Vice President

### 1. Remuneration of Directors and Independent Directors

Unit: NT$ thousand; thousand shares

| Title | Name | Director's Remuneration | | | | | | | | Ratio of the Total Amount (A+B+C+D) to Net Income (Note 10) | | Receipt of Remuneration by Part-time Employees | | | | | | | | Ratio of the Total Amount (A+B+C+D+E+F+G) to Net Income (Note 10) | | Receipt of Remuneration from the Invested Enterprises Other than the Subsidiaries or Parent Company (Note 11) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Remuneration (A) (Note 2) | | Severance and Pension (B) | | Director's Remuneration (C) (Note 3) | | Business Practice Expense (D) (Note 4) | | | | Salary, Bonus, Special Expense, etc. (E) (Note 5) | | Severance and Pension (F) (Note 14) | | Employee's Remuneration (G) (Note 6) | | | | | | |
| | | The Company | All Companies included in the Financial Report (Note 7) | The Company | All Companies included in the Financial Report (Note 7) | The Company | All Companies included in the Financial Report (Note 7) | The Company | All Companies included in the Financial Report (Note 7) | The Company | All Companies included in the Financial Report (Note 7) | The Company | All Companies included in the Financial Report (Note 7) | The Company | All Companies included in the Financial Report (Note 7) | The Company | | All Companies included in the Financial Report (Note 7) | | The Company | All Companies included in the Financial Report | |
| | | | | | | | | | | | | | | | | Cash Amount | Stock Amount | Cash Amount | Stock Amount | | | |
| Director | Wen-Lin, Hsu | 0 | 0 | 0 | 0 | 0 | 0 | 30 | 30 | 30 (0.02%) | 30 (0.02%) | 5,505 | 5,505 | 702 | 702 | 0 | 0 | 0 | 0 | 6,237 (3.98%) | 6,237 (3.98%) | 0 |
| Director | Tung-Hui, Chiang | 0 | 0 | 0 | 0 | 0 | 0 | 30 | 30 | 30 (0.02%) | 30 (0.02%) | 4,670 | 4,670 | 576 | 576 | 0 | 0 | 0 | 0 | 5,276 (3.37%) | 5,276 (3.37%) | 0 |
| Director | Le-L,i Lu | 0 | 0 | 0 | 0 | 0 | 0 | 30 | 30 | 30 (0.02%) | 30 (0.02%) | 3,986 | 3,986 | 0 | 0 | 0 | 0 | 0 | 0 | 4,016 (2.57%) | 4,016 (2.57%) | 0 |
| Director | Wan-Sheng ,Hsu | 100 | 100 | 0 | 0 | 0 | 0 | 30 | 30 | 130 (0.08%) | 130 (0.08%) | 1,228 | 1,228 | 0 | 0 | 0 | 0 | 0 | 0 | 1,358 (0.87%) | 1,358 (0.87%) | 0 |
| Director | Hsien-Yu, Kuo (Note 12) | 100 | 100 | 0 | 0 | 0 | 0 | 25 | 25 | 125 (0.08%) | 125 (0.08%) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 125 (0.08%) | 125 (0.08%) | 0 |
| Independent Director | Chun-Nan, Pai | 100 | 100 | 0 | 0 | 0 | 0 | 51 | 51 | 151 (0.10%) | 151 (0.10%) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 151 (0.10%) | 151 (0.10%) | 0 |
| Independent Director | Ching-Kong, Chao | 100 | 100 | 0 | 0 | 0 | 0 | 51 | 51 | 151 (0.10%) | 151 (0.10%) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 151 (0.10%) | 151 (0.10%) | 0 |
| Independent Director | Hai-Pang ,Chiang | 100 | 100 | 0 | 0 | 0 | 0 | 51 | 51 | 151 (0.10%) | 151 (0.10%) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 151 (0.10%) | 151 (0.10%) | 0 |

1. Please describe the policy, system, standard, and structure for the remuneration of independent directors, and the correlation with the amount of remuneration in terms of their responsibilities, risks, time spent, and other factors:
   The company's remuneration payment policy for the independent directors is stipulated as "An amount not more than 5% of the company's net income before tax, if any, that is before deducting the remuneration distributed to employee and director and supervisor, but after appropriating an amount equivalent to the accumulated loss should be distributed as remuneration to directors and supervisors" in accordance with the Articles of Incorporation. The company has a Remuneration Committee" set up to formulate and regularly review the annual and long-term performance objectives and remuneration policies, systems, standards, and structures of independent directors. Evaluate the realization of independent directors' performance objectives, and stipulate the remuneration content and amount for each independent director by referring to the general payment standard of the industry, and taking into account the time invested by each independent director, the responsibilities assumed, the achievement of personal objectives, the performance at other positions assumed, the salary and remuneration paid by the company to those in the same position in recent years, as well as evaluating personal performance based on the achievement of the company's short-term and long-term business objectives, the company's financial status, and the reasonableness of the correlation between the company's operating performance and future risks.
2. In addition to the disclosure in the aforementioned table, the remuneration received by the directors of the company for providing services to all companies included in the financial report in the most recent year (such as serving as a consultant not an employee of the parent company/all companies included in the financial report/invested enterprises): None.

* Relevant information on directors (general directors who are not independent directors) and independent directors should be listed separately.

Note 1: The names of directors should be listed separately (corporate shareholders should list the names of juridical person shareholders and representatives separately), classified by general directors or independent directors individually, and the payment amounts should be disclosed collectively. The directors who are also serving as the President or Vice President of the company concurrently should fill out this form and Table (3-1), or Table (3-2-1) and (3-2-2).

Note 2: It refers to the remuneration of directors in the most recent year (including director salaries, job allowance, severance pay, various bonuses, and incentives).

Note 3: Fill in the amount of remuneration paid to directors with the approval of the Board of Directors in the most recent year.

Note 4: It refers to the relevant business practice expenses of the directors in the most recent year (including transportation expenses, special expenses, allowances, dormitory, business car, and in-kind). When accommodation, car, and other means of transportation or exclusive personal expense account are provided, the nature and cost of the assets provided, the actual or estimated rent at fair market prices, fuel, and other payments shall be disclosed. In addition, for the designated chauffeur, if any, the payment paid by the company should be noted, however, such amount will not be included in the remuneration.

Note 5: It refers to the salary, job allowance, severance pay, bonuses, incentives, transportation allowance, special expenses, allowances, dormitories, business car and other in-kind received by the directors who are also employees (including serving as President, Vice President, other Mangers, and employees) concurrently in the most recent year. When accommodation, car, and other means of transportation or exclusive personal expense account are provided, the nature and cost of the assets provided, the actual or estimated rent at fair market prices, fuel, and other payments shall be disclosed. In addition, for the designated chauffeur, if any, the payment paid by the company should be noted, however, such amount will not be included in the remuneration. In addition, the salary expenses recognized in accordance with IFRS2 "Share-Based Payment," including the acquisition of employee stock warrants, new restricted employee shares, and participation in cash capital increase subscription shares, should also be included in remuneration.

Note 6: It refers to the directors who are also an employee (including the President, V.P., and other Mangers and employees) receiving employee remuneration (including stocks and cash) should disclose the amount of employee remuneration distributed by the Board Of Directors in the most recent year. If such amount cannot be estimated, the proposed distribution amount for this year shall be calculated proportionally to the actual distribution amount of last year with the attachment Form 1-3 filled out accordingly.

Note 7: Disclose the tota l amount of remuneration paid to the directors of the company by all companies (including the company) in the consolidated report.

Note 8: Disclose the name of the director in the respective column of the remuneration table where they belong.

Note 9: Disclose the total amount of remuneration paid to each director of the company by all companies (including the company) in the consolidated financial report; also, disclose the name of the director in the respective column of the remuneration table where they belong.

Note 10: Net income refers to the net income expressed in the standalone financial report for the most recent year.

Note 11: a. It is necessary to fill in the amount of remuneration received by the company's directors from the invested companies other than the subsidiaries or the parent company (if the answer is "NO," please state "NO").

b. If the directors receive remuneration from the invested company other than the subsidiaries or the parent company, the amount received should be filled in column "I" on the remuneration table and the column should be renamed as "Parent Company and All In vested Enterprises."

c. The "remuneration" refers to the salary and remuneration (including remuneration of employees, directors, and supervisors) and business practice fees received by the directors of the company for serving as the directors, supervisors, or Mangers of the invested companies other than the subsidiaries or the parent company.

Note 12: Director Mr.Hsien-Yu, Kuo resigned as a director on February 3, 2023.

Note 13: The company established an Audit Committee to replace the supervisors on June 8, 2018.

Note 14: The appropriated amount of severance and pension of the company and all the companies included in the financial report is NT$1,278 thousand and the actual payment amount is NT$0 thousand.

＊The content of remuneration disclosed in this form is different from the concept of income stipulated in the Income Tax Act; therefore, this form is intended for information disclosure not for taxation purposes.

## 2. Remuneration of the President and Vice President

Unit: NT$ thousand; thousand shares

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name</th><th colspan="2">Salary (A)<br>(Note 2)</th><th colspan="2">Severance and Pension (B)<br>(Note 12)</th><th colspan="2">Bonus, Special Expense, etc. (C)<br>(Note 3)</th><th colspan="4">Employee’s Remuneration (D)<br>(Note 4)</th><th colspan="2">Ratio of Total Amount (A+B+C+D) to Net Income (%) (Note 8)</th><th rowspan="3">Receipt of Remuneration from the Invested Enterprises other than the Subsidiaries or Parent Company (Note 9)</th></tr>
<tr><th rowspan="2">The Company</th><th rowspan="2">All Companies included in the Financial Report (Note 5)</th><th rowspan="2">The Company</th><th rowspan="2">All Companies included in the Financial Report (Note 5)</th><th rowspan="2">The Company</th><th rowspan="2">All Companies included in the Financial Report (Note 5)</th><th colspan="2">The Company</th><th colspan="2">All Companies included in the Financial Report (Note 5)</th><th rowspan="2">The Company</th><th rowspan="2">All Companies included in the Financial Report</th></tr>
<tr><th>Cash Amount</th><th>Stock Amount</th><th>Cash Amount</th><th>Stock Amount</th></tr>
<tr><td>Chief Executive Officer</td><td>Wen-Lin, Hsu</td><td rowspan="10">27,473</td><td rowspan="10">29,648</td><td rowspan="10">2,064</td><td rowspan="10">2,064</td><td rowspan="10">5,987</td><td rowspan="10">5,987</td><td rowspan="10">0</td><td rowspan="10">0</td><td rowspan="10">0</td><td rowspan="10">0</td><td rowspan="10">35,524<br>(22.69%)</td><td rowspan="10">37,699<br>(24.08%)</td><td rowspan="10">0</td></tr>
<tr><td>President</td><td>Tung-Hui, Chiang</td></tr>
<tr><td>Shanghai Yingji Electronic Plastic Co., Ltd. –BU President</td><td>Cheng-An, Lee</td></tr>
<tr><td>Chief Strategy Officer</td><td>Cheng, Chao</td></tr>
<tr><td>Chief of Staff</td><td>Le-Li, Lu</td></tr>
<tr><td>R&D Officer of the Optoelectronics Business Unit</td><td>Makoto Masuda</td></tr>
<tr><td>Chief Financial Officer</td><td>Chia-Cheng, Chang</td></tr>
<tr><td>Megaforce Company Limited –Vice President of BU</td><td>Huo-Tsao, Lin</td></tr>
<tr><td>Suzhou Intentech Co., Ltd. – BU President</td><td>Fu-Chan, Chen (Note 10)</td></tr>
<tr><td>Dongguan Megaforce Electronic Technology Co., Ltd. – BU Vice President</td><td>Ming-Wei, Hsu</td></tr>
</table>

*The information disclosure should include those who hold a position equivalent to the President and Vice President (such as President, CEO, Director), regardless of their titles.

## Remuneration Ranges

| Remuneration Ranges paid to Each President and Vice President of the Company | Name of President and Vice President | |
|---|---|---|
| | The Company (Note 6) | All Companies in the Financial Statements (Note 7)E |
| Below NT$1,000,000 | Fu-Chan, Chen | Fu-Chan, Chen |
| NT$1,000,000 (inclusive) – NT$2,000,000 (exclusive) | None | None |
| NT$2,000,000 (inclusive) – NT$3,500,000 (exclusive) | Cheng-An, Lee / Ming-Wei, Hsu / Huo-Tsao, Lin / Chia-Cheng, Chang | Ming-Wei, Hsu / Huo-Tsao, Lin / Chia-Cheng, Chang |
| NT$3,500,000 (inclusive) – NT$5,000,000 (exclusive) | Le-Li,Lu / Cherng, Chao / Makoto Masuda | Le-Li,Lu / Cherng, Chao / Makoto Masuda / Cheng-An, Lee |
| NT$5,000,000 (inclusive) – NT$10,000,000 (exclusive) | Wen-Lin, Hsu / Tung-Hui, Chiang | Wen-Lin, Hsu / Tung-Hui, Chiang |
| NT$10,000,000 (inclusive) – NT$15,000,000 (exclusive) | None | None |
| NT$15,000,000 (inclusive) – NT$30,000,000 (exclusive) | None | None |
| NT$30,000,000 (inclusive) – NT$50,000,000 (exclusive) | None | None |
| NT$50,000,000 (inclusive) – US$100,000,000 (exclusive) | None | None |
| Over NT$100,000,000 | None | None |
| Total | None | None |

Note 1: The names of the President and Vice President should be listed separately, and the payment amounts should be disclosed collectively. If the director concurrently serves as the President or Vice President, please fill out this form and Table (1-1), or (1-2-1) and (1-2-2).

Note 2: Please fill in the salary, job allowance, and severance pay of the President and Vice President in the most recent year.

Note 3: Fill in the bonuses, incentives, transportation expenses, special expenses, allowances, dormitories, business car, in-kind provisions, and other remuneration amount paid to the President and Vice President in the most recent year. When accommodation, car, and other means of transportation or exclusive personal expense account are provided, the nature and cost of the assets provided, the actual or estimated rent at fair market prices, fuel, and other payments shall be disclosed. In addition, for the designated chauffeur, if any, the payment paid by the company should be noted, however, such amount will not be included in the remuneration. In addition, the salary expenses recognized in accordance with IFRS2 “Share-Based Payment,” including the acquisition of employee stock warrants, new restricted employee shares, and participation in cash capital increase subscription shares, should also be included in remuneration.

Note 4: Please fill in the amount of employee remuneration (including stocks and cash) distributed to the President and Vice President approved by the Board of Directors in the most recent year. If such amount cannot be estimated, the proposed distribution amount for this year shall be calculated proportionally to the actual distribution amount of last year with the attachment Form 1-3 filled out accordingly.

Note 5: Disclose the total amount of remuneration paid to the President and Vice President of the company by all companies (including the company) included in the consolidated financial report.

Note 6: Disclose the total amount of remuneration paid to each President and Vice President by the company and the name of the President and Vice President in the respective column of the remuneration table where they belong.

Note 7: Disclose the total amount of remuneration paid to each President and Vice President of the company by all companies (including the company) included in the consolidated financial report; also, disclose the name of the President and Vice President in the respective column of the remuneration table where they belong.

Note 8: Net income refers to the net income expressed in the standalone financial report for the most recent year.

Note 9: a. It is necessary to fill in the amount of remuneration received by the company’s President and Vice President from the invested companies other than the subsidiaries or the parent company (if the answer is “NO,” please state “NO”).

b. If the President and Vice President receive remuneration from the invested company other than the subsidiaries or the parent company, the amount received should be filled in column “E” on the remuneration table and the column should be renamed as “Parent Company and All Invested Enterprises.”

c. The “remuneration” refers to the salary and remuneration (including remuneration of employees, directors, and supervisors) and business practice fees received by the President and Vice President of the company for serving as the directors, supervisors, or Mangers of the invested companies other than the subsidiaries or the parent company.

Note 10: Mr. Fu-Zhan Chen, the Manger, was dismissed on March 1, 2022 due to internal job rotation of the company.

Note 11: The appropriated amount of severance and pension of the company and all the companies included in the financial report is NT$2,064 thousand, and the actual payment amount is NT$0 thousand.

*The content of remuneration disclosed in this form is different from the concept of income stipulated in the Income Tax Act; therefore, this form is intended for information disclosure not for taxation purposes.

## The Top Five Highest paid Executives of the TWSE/TPEx Listed Companies (Individual Disclosure of Name and Payment of Remuneration) (Note 1)

Unit: NT$ thousand; thousand shares

| Title | Name | Salary (A) (Note 2) | | Severance and Pension (B) | | Bonus, Special Expense, etc. (C) (Note 3) | | Employee's Remuneration (D) (Note 4) | | | | Ratio of the Total Amount (A+B+C+D) to Net Income (Note 6) | | Receipt of Remuneration from the Invested Enterprises Other than the Subsidiaries or Parent Company (Note 7) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | The Company | All Companies included in the Financial Report (Note 5) | The Company | All Companies included in the Financial Report (Note 5) | The Company | All Companies included in the Financial Report (Note 5) | The Company | | All Companies included in the Financial Report (Note 5) | | The Company | All Companies included in the Financial Report | |
| | | | | | | | | Cash Amount | Stock Amount | Cash Amount | Stock Amount | | | |
| Chief Executive Officer | Wen-Lin, Hsu | 4,620 | 4,620 | 702 | 702 | 885 | 885 | 0 | 0 | 0 | 0 | 6,207 (3.96%) | 6,207 (3.96%) | 0 |
| President | Tung-Hui, Chiang | 3,906 | 3,906 | 576 | 576 | 764 | 764 | 0 | 0 | 0 | 0 | 5,246 (3.35%) | 5,246 (3.35%) | 0 |
| Shanghai Yingji Electronic Plastic Co., Ltd. – BU President | Cheng-An, Lee | 2,150 | 3,210 | 108 | 108 | 806 | 806 | 0 | 0 | 0 | 0 | 3,064 (1.96%) | 4,124 (2.63%) | 0 |
| Chief Strategy Officer | Cheng, Chao | 3,240 | 3,240 | 108 | 108 | 720 | 720 | 0 | 0 | 0 | 0 | 4,068 (3.00%) | 4,068 (3.00%) | 0 |
| Chief of Staff | Le-Li, Lu | 3,403 | 3,403 | 0 | 0 | 583 | 583 | 0 | 0 | 0 | 0 | 3,986 (2.55%) | 3,986 (2.55%) | 0 |

Note 1: The so-called "top five executives with the highest pay" refers to the Mangers of the company. The standards for the identification of relevant Mangers refer to the "Mangers" defined in the Tai-Tsai-Zhen-(III)-Zi No. 0920001301 Order by the former Securities and Futures Administration Commission of the Ministry of Finance on March 27, 2003. As for the calculation and recognition principle of "the top five highest remunerations," it is based on the total amount of salaries, severance pay and pensions, bonuses, and special expenses received by the company's Mangers from all companies included in the consolidated financial report, including the amount of employee remuneration (that is, the total amount of "A+B+C+D"), ranked top five orderly. The aforementioned Mangers who are also a director concurrently shall fill out this form and the aforementioned form (1-1).

Note 2: Fill in the salary, job allowance, and severance pay of the top five highest paid executives in the most recent year.

Note 3: Fill in the bonuses, incentives, transportation expenses, special expenses, allowances, dormitories, business car, in-kind provisions, and other remuneration amount for the top five highest paid executives in the most recent year. When accommodation, car, and other means of transportation or exclusive personal expense account are provided, the nature and cost of the assets provided, the actual or estimated rent at fair market prices, fuel, and other payments shall be disclosed. In addition, for the designated chauffeur, if any, the payment paid by the company should be noted, however, such amount will not be included in the remuneration. In addition, the salary expenses recognized in accordance with IFRS 2 "Share-Based Payment," including the acquisition of employee stock warrants, new restricted employee shares, and participation in cash capital increase subscription shares, should be included in the calculation of remuneration.

Note 4: It refers to the employee remuneration (including stocks and cash) to be received by the top five highest paid executives according to the resolution of the Board of Directors in the most recent year, if such amount cannot be estimated, the proposed distribution amount for this year shall be calculated proportionally to the actual distribution amount of last year with the attachment Form 1-3 filled out accordingly

Note 5: Disclose the total amount of remuneration paid to the top five highest paid executives of the company by all companies (including the company) included in the consolidated financial report.

Note 6: Net income refers to the net income expressed in the standalone financial report for the most recent year.

Note 7: a. It is necessary to fill in the amount of remuneration received by the top five highest paid executives of the company from the invested companies other than the subsidiaries or the parent company (if the answer is "NO," please state "NO").

b. The "remuneration" refers to the salary and remuneration (including remuneration of employees, directors, and supervisors) and business practice fees received by the top five highest paid executives of the company for serving as directors, supervisors, or Mangers of the invested companies other than the subsidiaries or the parent company.

Note 8: The appropriated amount of severance and pension of the company and all the companies included in the financial report is NT$1,494 thousand, and the actual payment amount is NT$0 thousand.

*The content of remuneration disclosed in this form is different from the concept of income stipulated in the Income Tax Act; therefore, this form is intended for information disclosure not for taxation purposes.

3. The name of the Mangers who receive Employee Remuneration and the Respective Amount

   The company had no earnings in 2022; therefore, no employee remuneration was distributed.

(II)Analyze the Ratio of the Total Remuneration paid to the Company's Directors, Supervisors, President, and Vice President in the Most Recent 2 Years by the Company and all Companies in the Consolidated Financial Statements to the Net Income; explain the Policies, Criteria and Combination, the Procedures for Determining Remuneration, and the Correlation to Operating Performances and Future Risks.

1. Analyze the Ratio of the Total Remuneration paid to the Company's Directors, Supervisors, President, and Vice President in the Most Recent 2 Years by the Company and all Companies in the Consolidated Financial Statements to the Net Income

| Item / Title | Ratio of Total Remuneration to Net Income | | | |
|---|---|---|---|---|
| | 2021 | | 2022 | |
| | The Company | All Companies included in the Financial Statements | The Company | All Companies included in the Financial Statements |
| Director | 82.84% | 82.84% | (11.15%) | (11.15%) |
| Supervisor (Note 2) | 0% | 0% | 0% | 0% |
| President and Vice President | 210.39% | 221.85% | (22.69%) | (24.08%) |

Note 1: The "market price" of stock dividends is calculated by the TWSE/TPEx Listed Companies based on the average closing price of the last month in the most recent fiscal year; for non-TWSE/TPEx Listed Companies, it is calculated based on the net value at the end of the accounting period of the year that the earnings belong to. Net income refers to the net income expressed for the most recent year.

Note 2: The company established an Audit Committee to replace the supervisors on June 8, 2018.

2. The Remuneration Payment Policies, Criteria and Combination, the Procedures for Determining Remuneration, and the Correlation to Operating Performances and Future Risks

(1) Director

Consider the overall operation of the company and the director's remuneration distribution ratio stipulated in the Articles of Incorporation, take into account the suggestion of the Remuneration Committee, submit to the Board of Directors for deliberation and resolutions before paying remuneration to board directors.

(2) President and Vice President

It includes salary, bonus, and employee remuneration The company bases on the relevant personnel regulations to determine salaries and bonuses, and considers the contribution of each position holder to the company's operations and his/her personal performance for a reasonable distribution of remuneration. The Board of Directors bases on the earnings in the distribution year and the percentage or range of remuneration defined in the Articles of Incorporation to have the employee remuneration resolved for distribution; also, take into account the degree of contribution made by each individual and the recommendation of the Remuneration Committee that will be deliberated and resolved by the Board of Directors before carrying out a reasonable distribution of employee remuneration.

(3) The so-called consideration of the company's overall operations and the degree of contribution to the company's operations in the aforementioned remuneration policy in the last two paragraphs are highly relevant to performance evaluation, including financial indicators (such as the company's revenue and net income before tax achievement rate) and non-financial indicators (such as participating in new product development, the substantiation of strategic development, and the compliance with laws and regulations and operational risks of the departments under supervision); also, consider the degree of participation, stability, and loyalty to the company of each director, President, and Vice President in the company's operations in order to avoid the impact of future risks on the company.

## IV. Implementation of Corporate Governance

### (I) The operation of the Board of Directors

#### (1) Information on the operation of the Board of Directors

The Board of Directors held 6 meetings in 2022 with the attendance of directors and supervisors as follows:

| Title | Name (Note 1) | Actual Number of Attendances (B) | Number of Attendances by proxy | Actual Attendance Rate (%) [B/A] (Note 2) | Remarks |
|---|---|---|---|---|---|
| Chairman | Wen-Lin, Hsu | 6 | 0 | 100% | |
| Vice Chairman | Tung-Hui, Chiang | 6 | 0 | 100% | |
| Director | Ying Fan Investment Co., Ltd. Representative: Le-Li, Lu | 6 | 0 | 100% | |
| Director | Ying Fan Investment Co., Ltd. Representative: Wan-Sheng, Hsu | 6 | 0 | 100% | |
| Director | Hsien-Yu, Kuo | 5 | 0 | 83% | |
| Independent Director | Chun-Nan, Pai | 6 | 0 | 100% | |
| Independent Director | Ching-Kong, Chao | 6 | 0 | 100% | |
| Independent Director | Hai-Pang, Chiang | 6 | 0 | 100% | |

Other matters required to be recorded:

I. If the operation of the Board of Directors is under any of the following circumstances, the meeting date, term, proposal content, all independent directors' opinions, and the Company's handling of their opinions should be described:

(I) Matters addressed in Article 14-3 of the Securities and Exchange Act
No such event has ever occurred. Please refer to P.50–P.52 for important resolutions of the Board of Directors.

(II) In addition to the aforementioned matters, other resolutions of the Board of Directors to which were objected or dissented by an independent director in writing or in records.
No such event has ever occurred. Please refer to P.50–P.52 for important resolutions of the Board of Directors.

II. Regarding the director's recusal due to a conflict of interest, the director's name, the proposal content, the reasons for recusal, and the participation in voting should be stated.
No such event has ever occurred. Please refer to P.50–P.52 for important resolutions of the Board of Directors.

III. TWSE/TPEx Listed Companies should disclose information on the periodicity and duration, scope, method, and content of the self-performance evaluation (or peer evaluation) by the Board of Directors.
The company has formulated the "Rules for Performance Evaluation of Board of Directors." Please refer to P.24 for details on the implementation of the evaluation of the Board of Directors.

IV. Evaluate the objective for enhancing the functions of the Board of Directors (establishing an Audit Committee, enhancing information transparency, etc.) and its implementation in the current year and the most recent year.

1. The company established the Compensation Committee on November 25, 2011 with the members appointed by the Board of Directors. Assist the Board of Directors in implementing and evaluating the company's overall remuneration and welfare policies and the remuneration of board directors and Mangers.
2. The company established the Audit Committee on June 8, 2018 with the participation of all independent directors so to assist the Board of Directors in supervising the company's quality and integrity in the implementation of accounting, auditing, financial reporting processes, and financial control.
3. The company appointed the corporate governance officer on January 29, 2021 to provide the Board of Directors with the information needed to comply with laws and regulations and perform business operation; also, to assist board directors in taking office and completing continue education.
4. The company ranked the top 6%–20% among all TPEx Listed Companies in the 5th–9th term of Corporate Governance Evaluation.

V. The attendance of independent directors in each board meeting in 2022 ◎: Attended in person

| 2022 | 1.25.2022 | 3.18.2022 | 4.29.2022 | 6.8.2022 | 8.5.2022 | 11.4.2022 |
|---|---|---|---|---|---|---|
| Chun-Nan, Pai | ◎ | ◎ | ◎ | ◎ | ◎ | ◎ |
| Ching-Kong, Chao | ◎ | ◎ | ◎ | ◎ | ◎ | ◎ |
| Hai-Pang, Chiang | ◎ | ◎ | ◎ | ◎ | ◎ | ◎ |

Note 1. If the directors and supervisors are a juridical person, it is necessary to disclose the name of the corporate shareholder and its representative.

Note 2: (1) The resignation date of a director or supervisor before the end of the fiscal year should be indicated in the remark column. The actual attendance rate (%) is calculated based on the number of board meetings convened and the actual attendance during the term of office.
(2) If there is a re-election of directors and supervisors before the end of the fiscal year, both the new and old directors and supervisors should be indicated in writing, including the election status as former, newly elected, or re-elected indicated in the remark column. The actual attendance rate (%) is calculated based on the number of board meetings convened and the actual attendance during the term of office.

(2) Implementation of Board Evaluation

| Evaluation Cycle (Note 1) | Evaluation Duration (Note 2) | Evaluation Scope (Note 3) | Evaluation Method (Note 4) | Evaluation Content (Note 5) |
|---|---|---|---|---|
| Implemented once a year | January 1, 2022 – December 31, 2022 | The Board of Directors taking as a whole | Internal Self-evaluation of the Board of Directors | A. Degree of Participation in the Company's Business Operations<br>B. Improve the Decision-making Quality of the Board of Directors<br>C. Board Composition and Structure<br>D. Election and Continuing Education of Board Directors<br>E. Internal Control |
| | | Individual Board Director | Self-evaluation of Individual Board Director | A. Grasp the Company's Objectives and Missions<br>B. Director's Recognition of Responsibilities<br>C. Degree of Participation in the Company's Business Operations<br>D. Internal Relationship Management and Communication<br>E. Professional and Continuing Education of Directors<br>F. Internal Control |
| | | Functional Committees | Self-evaluation of Individual Board Director | A. Degree of Participation in the Company's Business Operations<br>B. Functional Committee's Recognition of Responsibilities<br>C. Improve the Decision-making Quality of Functional Committees<br>D. Composition of Functional Committees and Appointment of Members<br>E. Internal Control |

Note 1: Fill in the implementation cycle of the Board of Directors' evaluation, for example: implemented once a year.

Note 2: Fill in the duration of the Board of Directors' evaluation, for example: evaluate the performance of the Board of Directors for the period from January 1, 2019 to December 31, 2019.

Note 3: The scope of evaluation includes the performance evaluation of the Board of Directors, individual board director, and functional committees.

Note 4: Evaluation methods include internal self-evaluation by the Board of Directors, self-evaluation by individual board director, peer evaluation, appointment of external professional institutions, experts, or other appropriate methods for performance evaluation

Note 5: The evaluation content according to the scope of evaluation includes at least the following items:

(1) Performance evaluation of the Board of Directors: It includes at least the degree of participation in the company's business operations, the decision-making quality of the Board of Directors, the composition and structure of the Board of Directors, the selection and appointment of board directors and continuing education, internal control, etc.

(2) Performance evaluation of individual board director: It includes at least the grasp of the company's objectives and missions, board director's recognition of responsibilities, the degree of participation in the company's business operations, internal relationship management and communication, board directors' professional and continuing education, internal control, etc.

(3) Performance evaluation of functional committees: The degree of participation in the company's business operations, the functional committee's recognition of responsibilities, the decision-making quality of functional committees, the composition of functional committees and selection of members, internal control, etc.

(II) The Operation of the Audit Committee or the Participation of Supervisors in the Operation of the Board of Directors

Information on the Operation of the Audit Committee

A total of 5 Audit Committee meetings (A) held in 2022 with the attendance of independent directors as follows:

| Title | Name | Actual Number of Attendances (B) | Number of Attendances by proxy | Actual attendance rate (%) (B/A) (Note 1 and Note 2) | Remarks |
|---|---|---|---|---|---|
| Convener | Chun-Nan, Pai | 5 | 0 | 100% | |
| Members | Ching-Kong, Chao | 5 | 0 | 100% | |
| Members | Hai-Pang, Chiang | 5 | 0 | 100% | |

Other Matters Required to be recorded:

I. If the Operation of the Audit Committee is under any of the Following Circumstances, the Meeting Date, Term, Proposal Content, all Independent Directors' Dissented Opinions, Qualified Opinion, or Material Suggestion Content, the Resolution of the Audit Committee, and the Company's Handling of Their Opinions should be described:

(I) Matters Listed in Article 14-5 of the Securities and Exchange Act:
No such event has ever occurred. Please refer to P.53 for important resolutions of the Audit Committee.

(II) In addition to the Aforementioned Matters, other matters that have not been approved by the Audit Committee but approved by more than two-thirds of all Board Directors.
No such event has ever occurred. Please refer to P.53 for important resolutions of the Audit Committee.

II. In the Implementation of an Independent Director's Recusal for being an Interested Party in a Proposal, the Independent Director's Name, the Proposal Content, the Recusal Reasons, and his or her participation in voting should be stated:
No such event has ever occurred.

III.Communication between Independent Directors, Internal Audit Officer, and CPA (including Major Matters, Methods and Results of Communication on the Company's Dinancial and Business Conditions):

(1) Communication method between independent directors and internal audit officer

1.The company's Audit Committee is composed of all independent directors, and the internal audit officer attends the Audit Committee meeting at least once every six months to communicate with the independent directors.

2.The company's Audit Office provides an audit report to all independent directors on a monthly basis with the "Audit Report Review Reply Form" enclosed. The monthly implementation and audit result has been fully communicated.

3.Summary of previous major communications conducted:

| Date | Communication Matters | Communication Results |
|---|---|---|
| 3.18.2022 | 1. It is planned to change to e-internal control self-evaluation operation. | No objection. |
| 11.4.2022 | 1. Confirm the format of the summary table for the Group's audit report.<br>2. Report the schedule of the e-internal control self-evaluation operation. | No objection. |

(2) Communication methods between independent directors and the CPAs

1.The independent auditors of the company attend the "meeting for communication between auditing unit and governance unit" at least once every six months to communicate with the CPAs. The CPAs can directly contact the independent directors when necessary, and the communication is good.

2.Summary of previous communications conducted:

| Date | Communication Matters | Communication Results |
|---|---|---|
| 3.18.2022 | Communicate the 2022 annual financial statements, operating status, compliance with laws and regulations, and corporate governance issues with the independent directors in the "meeting for communication between auditing unit and governance unit." | No objection. |
| 8.5.2022 | Communicate the 2022Q2 annual financial statements, operating status, compliance with laws and regulations, and corporate governance issues with the independent directors in the "meeting for communication between auditing unit and governance unit." | No objection. |

IV. The Duties and Powers of the Audit Committee are as follows:

1. Formulate or amend the internal control system in accordance with Article 14-1 of the Securities and Exchange Act.
2. Evaluate the effectiveness of the internal control system.
3. Formulate or amend the "Procedures for acquisition and disposal of assets," "Procedures for engaging in derivatives transactions," "Procedures for loaning of funds," "Procedures for making of endorsements/guarantees," and other material financial business activities in accordance with Article 36-1 of the Securities and Exchange Act.
4. Matters involving the interests of the board directors.
5. Material assets or derivatives transactions.
6. Material loaning of funds and endorsements/guarantees.
7. Offering, issuance, or private placement of "equity-type securities"
8. Appointment, dismissal, or remuneration of the independent auditors.
9. Appointment and dismissal of financial, accounting, or internal audit officers
10. Annual financial report and semi-annual financial report.
11. Other material matters stipulated by the company or the competent authority.

The resolution of the aforementioned item shall be approved by the majority of the Audit Committee members, and shall be submitted to the Board of Directors for resolution.

The matters stated in all subparagraph, except for subparagraph 10, in paragraph 1 can be implemented with the approval of two-thirds of the board directors if not approved by the majority of the Audit Committee members.

Note 1: The resignation date of an independent director before the end of the fiscal year should be indicated in the remark column. The actual attendance rate (%) is calculated based on the number of board meetings convened and the actual attendance during the term of office.

Note 2: If there is a re-election of independent directors before the end of the fiscal year, both the new and old independent directors should be indicated in writing, including the election status as former, newly elected, or re-elected indicated in the remark column. The actual attendance rate (%) is calculated based on the number of Audit Committee meetings convened and the actual attendance during the term of office.

(III) The implementation of the corporate governance and its deviation from the "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and the reasons

The company has been certified for the "CG6004," "CG6005," and "CG6007" corporate governance system evaluation. The Board of Directors members and governance units are committed to the implementation of corporate governance.

Also, the company was ranked the top 6%–20% among the TWSE/TPEx Listed Companies in the 5th–9th Corporate Governance Evaluation.

The company's directors and supervisors have actively participated in continuing education on topics related to corporate governance, which is disclosed in the "Corporate Governance" section of the Market Observation Post System.

Website: http://mops.twse.com.tw/mops/web/t93sc03_1

| Evaluation Items | The State of Operations (Note 1) | | | Deviation from the "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and the reasons |
|---|---|---|---|---|
| | Yes | No | Summary Description | |
| I. Has the Company formulated and disclosed its corporate governance best-practice principles in accordance with the "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies?" | V | | The company has formulated the "Corporate Governance Best-Practice Principles" in accordance with the "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and has it disclosed on the Market Observation Post System and the company's website. | No material deviation |
| II. The Company's equity structure and shareholders' equity | | | | |
| (I) Has the company established internal operating procedures to handle shareholders' recommendations, doubts, disputes, and litigations, and implemented them according to the procedures? | | V | (I) The company has not yet formulated relevant operating procedures. A stock affair agency is entrusted to handle shareholder affairs currently, and the spokesperson, acting spokesperson, and the Group Finance Department are responsible for handling shareholder-related issues. | In planning |
| (II) Does the company have a list of the major shareholders who actually control the company and those who ultimately have control over the major shareholders? | V | | (II) The company grasps the shareholding status and ultimate controller of directors, supervisors, managerial officers, and major shareholders with more than 10% shareholding, and reports the relevant information in accordance with the governing regulations. | No material deviation |
| (III) Has the Company established and implemented risk control and firewall mechanisms between the company and the affiliated enterprises? | V | | (III) The financial and business transactions between the company and its affiliated enterprises are handled in accordance with the "Procedures for Transactions of Group Enterprises, Specified Companies, and Related Parties." An appropriate organizational control structure is established between the company and its subsidiaries with the "Regulations Governing Subsidiary Supervision and Management" formulated to substantiate the risk control and firewall mechanisms for subsidiaries. | No material deviation |
| (IV) Has the company formulated internal regulations to prevent insiders from trading securities using undisclosed market information? | V | | (IV) The company has formulated the "Procedures for Handling Material Inside information," "Code of Ethical Conduct for Employees," and "Regulations Governing Insider Trading" to strictly prevent company employees from using unpublished market information to buy and sell securities. | No material deviation |

| Evaluation Items | The State of Operations (Note 1) | | | Deviation from the "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and the reasons |
|---|---|---|---|---|
| | Yes | No | Summary Description | |
| III. Composition and responsibilities of the Board of Directors<br>(I) Does the Board of Directors formulate a diversity policy, and specific management objectives, and implementation for the composition of board directors? | V | | (I) 1. The Board of Directors of the company approved the formulation of the "Corporate Governance Best-Practice Principles" on November 10, 2015. The policy of diversification is formulated in Chapter 3 "Strengthen the powers of the Board of Directors."<br>The nomination and selection of the company's board directors is in compliance with the provisions of the company's Articles of Incorporation, the "Regulations Governing Election of Directors," and the "Corporate Governance Best-Practice Principles" to ensure the diversity and independence of directors.<br>2. Currently, there are seven directors serving the 11th term of the Board of Directors with Ms. Wan-Sheng, Hsu as the one and only female director with expertise in business management and financial accounting affairs. Mr. Wen-Lin, Hsu and Tung-Hui, Chiang are with expertise in leadership, business judgment, business management, crisis management, and has industry knowledge and international vision. Mr. Le-Li, Lu has expertise in leadership, business judgment, business management, crisis management, financial accounting, and has industry knowledge and international vision. There are three independent directors, including Mr. Ching-Kong, Chao and Mr. Hai-Pang, Chiang who have rich industry knowledge, and Mr. Chun-Nan, Pai who has expertise in leadership, business judgment, business management, and financial accounting experience.<br>3. The directors and independent directors who are also employees of the company accounted for 57% and 43%, respectively. The company aims to have female directors elected and accounted for 10% of the Board of Directors in order to realize gender equality, currently, the female directors accounted for 14% of the Board of Directors.<br>The three independent directors of the company have served more than 10 years so far. In summary, one director is over 80 years old, one director is in the age group of 70–79, three directors are in the age group of 60–69, and two directors are under 60 years old.<br>4. The Board of Directors has formulated a board director diversification policy and has it disclosed on the company's website and Market Observation Post System.<br>5. The sustainable inheritance of board directors and important management:<br>[Board of Directors]<br>The company continues to cultivate high-level managers to get familiar with the Group's operation and development, and to enhance their industrial knowledge and decision-making ability in line with the company's core values. The company uses the "Corporate Governance Best-Practice Principles" to substantiate the board director diversification policy, focus on gender equality, and equip them with diversified industrial experience and | No material deviation |

| Evaluation Items | The State of Operations (Note 1) | | | Deviation from the “Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and the reasons |
|---|---|---|---|---|
| | Yes | No | Summary Description | |
| | | | professional capabilities in banking, finance, and accounting.<br>The company’s Board of Directors is composed with at least one female director designated for the realization of gender equality. The Group deployment has a flat organization adopted and ten business units classified and planned by functions. The senior managerial officers of the subsidiaries are assigned by the company to be in charge of the operation and management of the business units and to serve as a director to get themselves familiar with the operation of the Board of Directors.<br>[Important management level]<br>The company arranges strategic management meetings for mid-level and high-level executives (including the President) every year to conduct discussions and strategic planning in response to global market trends, rapid changes in the industrial environment, and severe competition in the industry; also, combine external resources to understand the industry and new knowledge and technology, and plan proactive and forward-looking business models. Also, help senior executives build up a systematic and innovative thinking, urge them to learn and understand the industrial environment and market demand trend, substantiate the core value of the enterprise, and find new growth momentum for mid-level and high-level executives through innovative development strategies.<br>The company’s important management regularly participates in the monthly operation and management meeting to understand the operation overview, and organizes internal and external training occasionally to improve the decision-making quality of the management (including management ability, professional skills, language learning, judgment and problem-solving ability, and enhancement of professional skills. and management ability) and to train the high-quality manpower needed for the sustainable development of the company.<br>In addition to the policy of retaining talents, the company also recruits outstanding talents from market with an aim to increase the breadth and depth of the management by building up a talent pool with recruits from inside and outside the company.<br>In addition, the company has formulated the “Regulations Governing Position Substitute” to help the substitutes learn about the management responsibilities in a timely manner in order to facilitate the sustainable development. | |
| (II) Does the company voluntarily establish functional committees other than the Compensation Committee and the Audit Committee? | | V | (II) The company has not set up any functional committee except the Compensation Committee and the Audit Committee. | In planning. |

| Evaluation Items | The State of Operations (Note 1) | | | Deviation from the "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and the reasons |
|---|---|---|---|---|
| | Yes | No | Summary Description | |
| (III) Does the company formulate the "Rules for Performance Evaluation of Board of Directors" and other performance evaluation methods, conduct a performance evaluation annually and regularly, and report the performance evaluation results to the Board of Directors and apply it as a reference for the consideration of remuneration and nomination of each director? | V | | (III) The company has formulated the "Rules for Performance Evaluation of Board of Directors" and the evaluation method, which has been implemented every year. The performance evaluation results of the Board of Directors in 2022 were reported to the Board of Directors on January 18, 2023, which is used as a reference in determining individual director's remuneration and nomination for a new term. | No material deviation. |
| (IV) Does the company regularly evaluate the independence of the attesting CPAs? | V | | (IV) The company regularly evaluates the independence of the attesting CPAs once a year through the attesting CPA independence checklist, and confirms that the attesting CPAs are not directors or independent directors of the company or the company's affiliated enterprises, nor shareholders of the company; also, they meet relevant independence conditions, have not provide the company with an audit service for seven consecutive years, and have complied with relevant independence norms. The company has submitted the evaluation results to the Audit Committee and the Board of Directors every year. The CPAs had qualified the evaluation standards on March 18, 2022 and March 15, 2023, and the "Declaration of Independence" was issued by the CPAs. | No material deviation. |

Attesting CPA independence checklist

| Independent evaluation items | Conform to |
|---|---|
| Whether the attesting CPA is a director or independent director of the company or the company's affiliated enterprises? | V |
| Whether the attesting CPA is a shareholder of the company or the company's affiliated enterprises? | V |
| Whether the attesting CPA collects salary form the company or the company's affiliated enterprises? | V |
| Whether the attesting CPA provides audit services to the company for seven consecutive years? | V |
| Does the attesting CPA confirm that the CPA Firm to which it belongs has complied with the relevant independence norms? | V |
| Whether the co-CPAs of the CPA Firm to which they belong have served as directors, managerial officers of the company, or positions that have a material impact on the audit case within one year after resignation? | V |

| Evaluation Items | The State of Operations (Note 1) | | | Deviation from the "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and the reasons |
|---|---|---|---|---|
| | Yes | No | Summary Description | |
| IV. Do the TWSE/TPEx Listed Companies have a suitable and appropriate number of corporate governance personnel and appoint a corporate governance officer to be responsible for corporate governance related matters (including but not limited to providing information necessary for directors and supervisors to perform their business, assisting directors and supervisors in complying with laws and regulations, conducting board meeting and shareholders' meeting related matters in accordance with law, and preparing minutes of board meetings and shareholders' meetings)? | V | | The Company has appointed a corporate governance officer to be responsible for corporate governance-related matters. The scope of duties of the corporate governance officer includes: Assisting directors in complying with laws and regulations and providing necessary information to them for business operation, assisting directors in their appointment and continuing education, handling matters related to board meetings and shareholders' meetings in accordance with the law, preparing minutes of meetings, and assisting the board of directors in strengthening its functions.<br>Please refer to attached "Managerial Officer Training" on page 48 for the training status of corporate governance officer. | No material deviation. |
| V. Has the Company established communication channels with stakeholders (including but not limited to shareholders, employees, customers, and suppliers) and a special section for stakeholders on the company's website, and responded appropriately to important corporate social responsibility issues that are of concern to stakeholders? | V | | The company maintains smooth communication channels with stakeholders, and respects and safeguards their legitimate rights and interests. Also, the company establishes a special section on the website for stakeholders so they can communicate with each other through the telephone or email disclosed on the website when necessary. | No material deviation. |
| VI. Has the company entrusted a professional stock affairs agency to handle shareholders' meetings related matters? | V | | The company entrusts the Department of Agency of CTBC Bank to handle the shareholders' meeting related affairs in order to have the shareholders' meeting held legally and effectively. | No material deviation. |
| VII. Information Disclosure<br>(I) Has the Company set up a website to disclose finance and business matters and corporate governance information? | V | | (I) The company has the product information, technology research and development results, financial information and corporate governance-related information fully disclosed on the company's website at: | No material deviation. |
| (II) Has the Company adopted other means of information disclosure (such as setting up an English website, appointing dedicated personnel responsible for the collection and disclosure of company information, implementing a spokesperson system, and posting the company's investors conference on the website)? | V | | (II) The company has an official website in both Chinese and English language to disclose company information in a timely manner and has a Group Finance Department to be responsible for collecting and disclosing information on shareholders, laws, investment, and markets. Also, a spokesperson system is established and implemented to respond to inquiries from investors and stakeholders. | No material deviation. |
| (III) Does the Company publicly announce and file annual financial statements within two months after the end of the fiscal year, and the financial statements for the first, second, and third quarters and the monthly operating status before the prescribed deadline? | | V | (III) The company has not publicly announced and filed annual financial statements within two months after the end of the fiscal year, but has the financial statements for the first, second, and third quarters and the monthly operating status announced and filed before the prescribed deadline. | In planning. |

| Evaluation Items | The State of Operations (Note 1) | | | Deviation from the “Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and the reasons |
|---|---|---|---|---|
| | Yes | No | Summary Description | |
| VIII. Does the company have any other important information that helps understand the corporate governance operation (including but not limited to employee rights, employee care, investor relations, supplier relations, rights of stakeholders, continuing education of directors and supervisors, the implementation of risk management policies and risk measurement standards, the implementation of customer policies, and the acquisition of the liability insurance by the company for directors and supervisors)? | V | | ◆ Employees’ rights and interests: The company appreciates the importance of labor–management relations, treats employees with integrity, and substantiates the Labor Standards Act. The chairman has a blog available for employees to express their opinions. The company handles employees’ suggestions and complaints in an open manner and practice to effectively resolve labor disputes.<br>◆ Employee Care: Encourage employees to participate in various training courses and technical seminars, pay group insurance premium in full for each employee, arrange regular health checkups, set up an employee welfare committee to enrich employee benefits and encourage employees to engage in club activities with partial subsidies provided.<br>◆ Investor Relations: The company has a Group Finance Department setup with dedicated personnel assigned to handle shareholders’ suggestions and inquiries, and has dedicated personnel assigned to maintain the information related to finance, business, Board of Directors, and shareholders’ meetings on the company’s website and the Market Observation Post System so as to ensure that investors can obtain the latest company news in a timely manner.<br>◆ Supplier Relations: The company maintains good communication with suppliers and good relationship.<br>◆ Stakeholders’ Rights: The company establishes various communication platforms for stakeholders with the latest information of the company provided; also, they can communicate and make suggestions with the company at any time in order to protect their legitimate rights and interests.<br>◆ Directors’ continuing education: The company arranges continuing education for directors occasionally with the relevant information disclosed in the “Corporate Governance” section of the Market Observation Post System.<br>◆ Implementation of risk management policies and risk measurement standards: The company has established the “Risk management policies and procedures” and various internal regulations to conduct various risk management and assessments successfully.<br>◆ Implementation of customer policy: The company maintains a stable and good relationship with customers to create the best profits for the company.<br>◆ Liability insurance policy acquired by the company for directors: The company purchases liability insurance policy for directors every year with the relevant information disclosed on the Market Observation Post System. | No material deviation. |

| Evaluation Items | The State of Operations (Note 1) | | | Deviation from the “Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and the reasons |
|---|---|---|---|---|
| | Yes | No | Summary Description | |

IX. Please describe the improvements that have been made in response to the corporate governance evaluation results issued by the Corporate Governance Center of Taiwan Stock Exchange in the most recent year, and propose priorities and measures for those not yet improved.

Those items that did not score in the 8th Corporate Governance Evaluation in 2021 had been improved and scored in the 9th evaluation, as follows:

| Evaluation index content | Improvement completed |
|---|---|
| Does the company upload the meeting notice in English version 30 days before the regular meeting of shareholders synchronously? | The company had uploaded the meeting notice in English version on May 6, 2022 (30 days before the meeting). |
| Has the company formulated a succession plan for board directors and important management, and has its operation status disclosed on the company website or in the annual report? | The company had disclosed the operation of the sustainable inheritance on P28–29 of the 2021 annual report. |
| Does the company compile and upload the corporate social responsibility report on the Market Observation Post System and the company website before the end of September in accordance with the internationally accepted guidelines for report preparation? | The company uploaded the sustainability report to the Market Observation Post System on the company’s website on August 23, 2022. |
| Are the established supplier management policies disclosed on the company website or in the corporate social responsibility report to request suppliers to follow relevant norms on the issues of environmental protection, occupational safety and health, or human rights of labors with its implementation described? | The company has the relevant norms disclosed on the company’s website. |

Propose priorities and measures for those items that did not score in the 8th Corporate Governance Evaluation in 2021 and not yet improved as follows:

| Evaluation index content | Propose priorities and measures for those items that are not yet improved. |
|---|---|
| Does the company upload the agenda handbooks in English version and meeting supplementary materials 30 days before the regular shareholders’ meeting? | The 2023 agenda handbooks in English version and meeting supplementary materials are in preparation. |
| Does the company upload the annual report in English version 7 days before the regular shareholders’ meeting? [One point will be added to the total score for those have the annual report in English version uploaded 16 days before the regular shareholders’ meeting.] | The 2022 regular shareholders’ meeting annual report in English version is in preparation. |
| Does the company upload the annual financial report in English version 7 days before the regular shareholders’ meeting? [One point will be added to the total score for those have the annual financial report in English version uploaded 16 days before the regular shareholders’ meeting. | The 2022 annual financial report in English version is in preparation. |
| Does the company have an English-language company website constructed that includes information on finance, business, and corporate governance? | The company’s website in English version has been maintained simultaneously with the shareholders’ meeting annual report in English version in 2023. |

Note: Regardless of the answer is “Yes” or “No,” It must be explained in the “Remark” column of the summary report.

## (IV) If the company has established a Compensation Committee, it is necessary to disclose its composition, responsibilities, and operations.

1. The Compensation Committee aims to assist the Board of Directors in implementing and evaluating the company's overall remuneration and welfare policies and the remuneration of directors and managerial officers. Compensation Committee members are to be appointed by the Board of Directors in accordance with the law and regulations. According to the company's Compensation Committee Charter, there should be 3–5 members appointed, and at least one of them should be an independent director.
2. The company had the Compensation Committee setup on November 25, 2011 with at least two meetings held in one year. Independent directors Chun-Nan, Pai, Hai-Pang, Chiang, and Ching-Kong, Chao are appointed as the Compensation Committee members currently; also, Mr. Chun-Nan, Pai is the convener and chairman of the meeting.

### Information on the Compensation Committee members

| Identity (Note 1) | Conditions / Name | Professional qualifications and experience (Note 2) | Independence (Note 3) | Number of other public companies in which the individual is concurrently serving as a Compensation Committee member |
|---|---|---|---|---|
| Independent Director (Convenors) | Chun-Nan, Pai | Professional qualifications: With expertise in leadership, business judgment, business management and finance and accounting, and not subject to any of the provisions of Article 30 of the Company Act.<br>Experience: Doctor of Laws, Chinese Culture University, former President of BES Engineering Corporation, Chairman of Zhanhua Enterprise Management Consulting Co., Ltd., independent director of Concord Securities Co., Ltd., incumbent Chairman of Bomeng Investment Co., Ltd., Representative of the corporate director of China Petrochemical Development Corporation, Representative of the corporate director of Wei Lih Food Industrial Co., Ltd., legal person director representative of the corporate director of Taivex Therapeutics Corporation, Representative of the corporate director of BES Engineering Corporation, independent director of Uni-President Securities Co., Ltd., and independent director of Advantage Biopharma Co., Ltd. | 1. He had no direct or indirect interest in the company within the two years prior to the election, and he or his spouse and relative within the second degree of kinship had not served as a director (including an independent director) or employee of the company, the company's affiliated enterprise, or a company that has a specific relationship with the company; also, did not hold any share of the company.<br>2. He did not provide the company or the company's affiliated enterprises with business, legal, financial, accounting, and other services in exchange for remuneration in the last 2 years. | 2 |
| Independent Director | Hai-Pang, Chiang | Professional Qualifications: With expertise in and professional knowledge of the industry and not subject to any of the provisions of Article 30 of the Company Act.<br>Experience: Ph.D. of Graduate Institute of Electrical Engineering, National Taiwan University, former Chair and professor of the Institute of Optoelectronics Science, National Taiwan Ocean University, director and supervisor of Taiwan Photonics Society, part-time researcher of Taiwan Instrument Research Institute of National Applied Research Laboratories (NARLab) and part-time researcher of the Institute of Physics, Academia Sinica, incumbent Distinguished Professor of the Department of Optoelectronics and Materials Technology, National Taiwan Ocean University, and Professor of the Department of Optoelectronics and Materials Technology, National Taiwan Ocean University. | 1. He had no direct or indirect interest in the company within the two years prior to the election, and he or his spouse and relative within the second degree of kinship had not served as a director (including an independent director) or employee of the company, the company's affiliated enterprise, or a company that has a specific relationship with the company; also, did not hold any share of the company.<br>2. He did not provide the company or the company's affiliated enterprises with business, legal, financial, accounting, and other services in exchange for remuneration in the last 2 years. | 0 |
| Independent Director | Ching-Kong, Chao | Professional Qualifications: With expertise in and professional knowledge of the industry and not subject to any of the provisions of Article 30 of the Company Act.<br>Experience: Ph.D. of Mechanical and Applied Mechanics, Lehigh University in the United States, former visiting professor of the Department of Engineering Science, University of Oxford, UK and director of the Society of Theoretical and Applied Mechanics of the Republic of China, incumbent chair professor of the Department of Mechanical Engineering, National Taiwan University of Science and Technology, standing editor of The Chinese Journal of Mechanics and standing editor of the International Journal of Thermal Stresses, and Director of the Society of Theoretical and Applied Mechanics of the Republic of China. | 1. He had no direct or indirect interest in the company within the two years prior to the election, and he or his spouse and relative within the second degree of kinship had not served as a director (including an independent director) or employee of the company, the company's affiliated enterprise, or a company that has a specific relationship with the company; also, did not hold any share of the company.<br>2. He did not provide the company or the company's affiliated enterprises with business, legal, financial, accounting, and other services in exchange for remuneration in the last 2 years. | 0 |

Note 1: Please specify in the form the relevant working seniority, professional qualifications, experience, and independence of Remuneration Committee member. If the Remuneration Committee member is an independent director, make a note to refer to page ____ for Table 1 Relevant information on Directors and Supervisors (I). Please indicate the identity as independent director or others (for example, noted as a "convener") in the "Identity" column.

Note 2: Professional qualifications and experience: Describe the professional qualifications and experience of individual Remuneration Committee member.

Note 3: Independence conformity: Describe the independence conformity of the Remuneration Committee members, including but not limited to the party, spouse, and relatives within the second degree of kinship are or are not the directors, supervisors, or employees of the company or its affiliated enterprises; shareholding or shareholding ratio of the party, spouse, and relatives within the second degree of kinship (or in the name of others) in the company; are or are not directors, supervisors, or employees of a company (Refer to Article 6, Paragraph 1, Subparagraphs 5–8 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange of the Taipei Exchange) that has a special relationship with the company; and the remuneration amount received for providing the company or the company's affiliated enterprises with business, legal, financial, accounting, and other services in the last 2 years.

Note 4: Please refer to the best-practice principles for information disclosure on the website of the Corporate Governance Center of Taiwan Stock Exchange.

Information on the operation of the Compensation Committee

I. There are three members in the company's Compensation Committee to serve.

II. The term of 5th Compensation Committee members: August 6, 2021 to July 26, 2024.

The Compensation Committee held two meetings (A) in 2022. The qualifications and attendance of the Compensation Committee members are as follows:

| Title | Name | Number of attendances in person (B) | Number of attendances by proxy | Attendance in person (%) (B/A) (Note) | Remark |
|---|---|---|---|---|---|
| Convener | Chun-Nan, Pai | 2 | 0 | 100% | |
| Committee Members | Hai-Pang, Chiang | 2 | 0 | 100% | |
| Committee Members | Ching-Kong, Chao | 2 | 0 | 100% | |

Other matters to be recorded:

I. If the Board of Directors does not accept or adjust the suggestions of the Compensation Committee, the date, term, proposal content, the resolution of the Board of Directors, and the Company's handling of the opinions of the Compensation Committee members (such as the remuneration resolved by the Board of Directors is superior to the suggestion made by the Compensation Committee should be described, including the deviation and the reasons): None Please refer to P.54 for the important resolutions of the Compensation Committee.

II. For the proposals by the Compensation Committee, if any member has objections or reservations with records or written statements made, the date, term, proposal content, and opinions of all members, its handling of the members' opinions should be stated: None

III. Responsibilities and powers of the Compensation Committee:

1.Periodically review the Compensation Committee Charter with suggestions for amendments proposed.

2.Formulate and regularly review annual and long-term performance objectives and remuneration policies, systems, standards, and structures of the company's directors and managerial officers.

3.Regularly evaluate the achievement of the performance objectives by the company's directors and managerial officers, and determine the content and amount of their personal remuneration in accordance with the evaluation results obtained from the performance evaluation standards.

The Compensation Committee shall follow the following principles to perform its responsibilities and powers:

(1) Ensure that the company's remuneration arrangements are in compliance with relevant laws and regulations and are sufficient to attract outstanding talents.

(2) The performance evaluation and remuneration of directors and managerial officers should refer to the standard payment of the industry, consider the personal performance evaluation result, time invested, responsibilities, achievement of personal objectives, performance in other positions, and the remuneration paid to those in the same position in recent years by the company, in other words, evaluate the rationality of the correlation among personal performance, the company's business performance, and future risks based on the achievement of the company's short-term and long-term business objectives, the company's financial status, etc.

(3) Do not guide the directors and managerial officers to engage in an act exceeding the company's risk tolerance in the pursuit of remuneration.

(4) The distribution of remuneration amount to the directors and senior managerial officers for their short-term performance and the timing of distributing variable remuneration should be determined with the industrial characteristics and the company's business nature taking into account.

(5) The content and amount of remuneration for directors and managerial officers should be determined with rationality taking into account. The determination of remuneration for directors and managerial officers should not materially deviate from financial performance. In the event that there is a material decline in profits or accumulated long-term loss, the remuneration should not be higher than that of in the previous year.

(6) Compensation Committee members may not participate in the discussions and voting in the proposal related to their personal remuneration.

The so-called remuneration in the preceding two paragraphs includes cash remuneration, stock options, dividends, retirement benefits or resignation benefits, allowances, and other measures with substantial rewards; also, its scope should be consistent with the remuneration of directors and managerial officers stated in the "Regulations Governing Information to be Published in Annual Report of Public Companies."

If decision-making and handling of any matter relating to the remuneration of directors and managerial officers of a subsidiary is delegated to the subsidiary but requires ratification by the Board of Directors of the company, the company's Compensation Committee shall be asked to make recommendations before the matter is submitted to the Board of Directors for deliberation.

Note:

(1) The resignation date of a Compensation Committee member before the end of the fiscal year should be indicated in the remark column. The actual attendance rate (%) is calculated based on the number of Compensation Committee meetings convened and the actual attendance during the term of office.

(2) If there is a re-election of Compensation Committee members before the end of the fiscal year, both the new and old Compensation Committee members should be indicated in writing, including the election status as former, newly elected, or re-elected indicated, as well as the election date, in the remark column. The actual attendance rate (%) is calculated based on the number of Compensation Committee meetings convened and the actual attendance during the term of office.

(V)The implementation of the sustainable development and its deviation from the "Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies" and the reasons

<table>
<tr><th rowspan="2">Promotion items</th><th colspan="3">The State of implementation (Note 1)</th><th rowspan="2">Deviation from the "Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies" and the reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary description (Note 2)</th></tr>
<tr><td>I. Has the Company established a governance structure to promote sustainable development, and designated a full-time (part-time) unit to promote sustainable development, which is to be handled by the senior management with the authorization of the Board of Directors, and the actual supervision of the Board of Directors? (TWSE/TPEx Listed Companies should report the implementation status, not compliance or explanation.)</td><td>V</td><td></td><td>The company established the "Enterprise Sustainable Operation Taskforce" in 2021. The Taskforce members were recommended by the relevant units with the Group to organize and plan the sustainable operation-related affairs of the Group and make proposals and reports to the chairman regularly. The said Taskforce is headed by Mr. Le Li, Lu, the Chief of Staff, and composed of the representatives from the Group Finance Department, the Group Supply Chain Management Department, the Group Human Resources Department, and the Chief Executive Office to cover corporate governance, environmental sustainability, supplier management, labor conditions and human rights, social participation, and other aspects.<br>The missions of the "Enterprise Sustainable Operation Taskforce:"<br>1. Be responsible for the integration and disclosure of information related to corporate social responsibility within the Group, including but not limited to official websites, annual reports, corporate sustainability reports, etc.<br>2. Research the relevant laws and regulations at where the company operated and review the company's current operations, as well as proposing improvement objectives and plans for all aspects regularly.<br>3. Be responsible for promoting and tracking the results of the aforementioned plans and proposals approved by the Chairman.<br>The 2022 implementations:<br>1. Issued the 2021 sustainability report of Megaforce Company Limited for the first time.<br>2. Amend relevant management measures and strengthen practical operations in compliance with the governing laws and regulations.<br>3. Formulate the greenhouse gas inventory and verification schedule plan with the implementation report submitted to the Board of Directors lawfully on a quarterly basis.<br>4. Report the operation of corporate governance to the Board of Directors once a year.<br>Supervision of the Board of Directors:<br>1. The "Enterprise Sustainable Operation Taskforce" has reported the implementation of the greenhouse gas inventory to the Board of Directors on a quarterly basis since June 2022. A total of three reports were submitted to the Board of Directors in 2022. Report the sustainable development operation policy and promotion to the Board of Directors at least once a year for the reference of the Board of Directors in proposing suggestions on management policies, strategies, and objectives. The latest report date was November 4, 2022. The Board of Directors regularly receives reports and reviews the progress of strategies and objectives.<br>2. Amended the relevant management measures lawfully with 8 amendments made to strengthen the company's practical operation in 2022.</td><td>No material deviation</td></tr>
<tr><td>II. Does the company conduct risk assessments on environmental, social, and corporate governance issues related to the company's operations in accordance with the principle of materiality, and formulate relevant risk management policies or</td><td>V</td><td></td><td>The information disclosure risk assessment boundary covers the company and its subsidiaries. The "Enterprise Sustainable Operation Taskforce" is established to substantiate corporate governance, develop a sustainable environment, maintain social welfare, and strengthen corporate sustainability information disclosure. In terms of the principle of materiality for sustainable development, evaluate the relevant risk assessments of important issues and formulate relevant risk management policies or strategies as follows:<table><tr><th>Material issues</th><th>Risk assessment items</th><th>Risk management policy or strategy</th></tr><tr><td>Society</td><td>Occupational safety</td><td>1. The verification of the "ISO 45001 Occupational Safety and Health Management System" for the main factory was completed in 2021.<br>2. Arrange fire safety drills and occupational safety and health training every year to train employees' emergency response ability and self-safety management.</td></tr><tr><td>Corporate governance</td><td>Society, economy, and legal compliance</td><td>The company has formulated the "Corporate Governance Best-Practice Principles," "Ethical Corporate Management Best-Practice Principles," and "Procedures for Ethical Management and Guidelines for Conduct." It is the intention to ensure that all personnel and operations of the company complying with the relevant laws and regulations strictly through the establishment of governance organizations and the implementation of internal control mechanisms.</td></tr></table></td><td>No material deviation</td></tr>
</table>

<table>
<tr><th rowspan="2">Promotion items</th><th colspan="3">The State of implementation (Note 1)</th><th rowspan="2">Deviation from the “Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies” and the reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary description (Note 2)</th></tr>
<tr><td>strategies? (Note 2) (TWSE/TPEx Listed Companies should report the implementation status, not compliance or explanation.)</td><td></td><td></td><td><table>
<tr><td rowspan="2"></td><td>Enhance the functions of board directors.</td><td>1. Plan 6 hours of continuing education for directors and supervisors every year.<br>2. Acquire liability insurance policy for directors and supervisor regularly to protect the company and reduce possible operating risks.</td></tr>
<tr><td>Stakeholder communication</td><td>The company provides multiple communication channels and makes information disclosure to gain the trust and understanding of stakeholders in the company; also, regularly reports the communication progress to the Board of Directors every year.</td></tr>
<tr><td>Environment</td><td>Environmental protection</td><td>The company’s environmental protection policies and strategies are as follows:<br>1. Self-development and use of low-energy light-curing green energy-friendly materials, and introducing water-based paint to reduce volatile organic compounds (VOCs).<br>2. Use RTO for atmospheric control.<br>3. Utilize the water-cooled circulation system and improve the air-conditioning efficiency in the factory.<br>4. Adopt a rain-wastewater diversion system for wastewater recycling in the factory that meets the effluent standard.<br>5. The “Regulations Governing Waste Reduction and Recycling” is formulated to discuss and regulate the annual waste reduction objectives at the end of each year in order to have waste sorted thoroughly, waste reduced and recycled for achieving resource sustainability; also, utilize the network system to control waste flow.<br>6. Use renewable energy for electricity.<br>7. Promote the recycled materials application technology in the product manufacturing process through the aspects of reduction, reuse, recycling, and reproduction.</td></tr>
</table></td><td></td></tr>
<tr><td>III. Environmental issues<br>(I) Has the company set up an appropriate environmental management system based on the characteristics of its industry?</td><td>V</td><td></td><td>(I) The company has an Industrial Safety Section setup to establish an environmental management system suitable for the industrial characteristics; also, the company had obtained the ISO 14001:2015 environmental certification of the SGS on July 19, 2006 (valid period: 7.15.2020 – 7.15.2023).</td><td>No material deviation</td></tr>
<tr><td>(II) Is the Company committed to improving energy efficiency and using recycled materials with low impact on the environment?</td><td>V</td><td></td><td>(II) The company has a polymer laboratory setup to actively research and develop environmentally friendly materials for the replacement of plastic materials, and promoted DFM lightweight, simplified packaging, and packaging material recycling in the product manufacturing process through the four main operations of reduction, reuse, recycling, and reproduction so as to fulfill the company’s obligation in environmental protection. The company continues to promote various energy-saving and carbon-reduction measures, such as replacement of light tubes, renewal of air compressors, substantiation of waste sorting, and resource recycling. In terms of recycling material application technology, the company has worked with customers to develop post-consumer recycled (PCR) plastic molding technology and started mass production since the year of 2020.</td><td>No material deviation</td></tr>
<tr><td>(III) Does the company evaluate the potential risks and opportunities of</td><td>V</td><td></td><td>(III) The company has formulated the “Enterprise Sustainable Operation Taskforce” to evaluate the current and future potential risks and opportunities of climate change for the company with response measures for climate-related issues adopted:</td><td>No material deviation</td></tr>
</table>

<table>
<tr><th rowspan="2">Promotion items</th><th colspan="3">The State of implementation (Note 1)</th><th rowspan="2">Deviation from the “Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies” and the reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary description (Note 2)</th></tr>
<tr><td>climate change to the company now and in the future, and take corresponding measures to respond to climate related issues?</td><td></td><td></td><td>
<table>
<tr><th></th><th>TCFD core elements</th><th>Suggested disclosures</th><th colspan="4">Implementation Summary</th></tr>
<tr><td rowspan="2">1</td><td rowspan="2">Governance</td><td>◆The Board of Directors’ supervision over the climate-related risks and opportunities</td><td colspan="4">The company’s “Enterprise Sustainable Operation Taskforce” has reported the greenhouse gas inventory plan and implementation to the Board of Directors on a quarterly basis since June 2022 to evaluate the risks and opportunities of climate change.</td></tr>
<tr><td>◆The role of management in evaluating and managing climate-related risks and opportunities</td><td colspan="4">The company established the “Enterprise Sustainable Operation Taskforce” in 2021. The Taskforce members were recommended by the relevant units with the Group to organize and plan the sustainable operation-related affairs of the Group and make proposals and reports to the chairman regularly.</td></tr>
<tr><td rowspan="3">2</td><td rowspan="3">Strategy</td><td rowspan="3">◆The organization’s recognition of climate-related risks and opportunities in short-term, mid-term, and long-term</td><td>Item</td><td>Climate change Potential risks</td><td>Opportunity</td><td>Countermeasures</td></tr>
<tr><td rowspan="2">Short-term and mid-term</td><td>Increase in sustainability-related requirements and regulations</td><td>Develop green energy and environmental protection materials.</td><td>Establish a polymer laboratory and invest resources to develop low-energy light-curing green energy-friendly materials, and introduce water-based paint to reduce volatile organic compounds (VOCs).</td></tr>
<tr><td>Greenhouse gas emissions cause atmospheric pollution and cost increase.</td><td>Save energy, reduce carbon, and cut operating cost through the operation of the environmental protection systems.</td><td>Regenerative Thermal Oxidizer (RTO) is used for atmospheric pollution prevention and control, which is equipped with rotor concentrator and regenerative thermal oxidizer (RTO), continuous emission</td></tr>
</table>
</td><td></td></tr>
</table>

| Promotion items | Yes | No | The State of implementation (Note 1) Summary description (Note 2) | | | | | | | Deviation from the "Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies" and the reasons |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | ◆The possible impact of climate-related risks and opportunities on the organization's operation, strategy, and financial planning | | | | monitoring system (CEMS), UV air purifier, and activated carbon reclamation and adsorption equipment for atmospheric pollution prevention and control. Regenerative Thermal Oxidizer (RTO) uses clean fuel (gas) to have the harmful substances in the exhaust gas stabilized and neutralized. | |
| | | | | | | Long-term | The impact of rising electricity consumption on the greenhouse effect | Promote low-carbon green production, electricity saving, and operating cost reduction. | Promote the set electricity-saving objective every year. Reduce the electricity consumption through the replacement of lighting equipment and the air-conditioning equipment. | |
| | | | | | ◆The organization's flexible strategies for different climate scenarios encountered | According to the TCCIP platform under the RCP8.5 scenario, the average temperature in Taiwan will go up by 1.5°C by the end of the 21st century. The ratio of renewable energy is expected to go up and the promotion of circular economy is expected to be enhanced so as to maintain market competitiveness. | | | | |
| | | | 3 | Risk management | ◆Organizational process for reviewing and assessing climate-related risks<br>◆Organizational procedures for managing climate-related risks<br>◆How does the organization integrate the mechanism for reviewing, evaluating, and managing climate-related risks into the overall risk management system? | The company plans to initiate risk identification and evaluation. Implement risk control and carbon reduction plans through the cross-departmental risk communication of the "Enterprise Sustainable Operation Taskforce," compile the implementation results of risk evaluation and control plans with the internal regulations of the "Risk Management Policies and Procedures" amended; also, report the implementation result to the Board of Directors on a quarterly basis, and integrate the climate change management mechanism into the overall risk management process.<br>The "Enterprise Sustainable Operation Taskforce" will also work with the Group Finance Department and the Group Quality Assurance Department to formulate relevant plans. The parent company's greenhouse gas inventory plan has been completed and approved by the Board of Directors. The subsidiary's greenhouse gas inventory plan was proposed in 2023Q1 with the progress and result followed up on a quarterly basis. | | | | |
| | | | 4 | Indicators and objectives | ◆Disclose the indicators used by the organization to evaluate climate-related risks and opportunities in the procedures for strategy | Formulate greenhouse gas emissions, electricity saving, water saving, and waste reduction as climate change performance indicators. | | | | |

<table>
<tr><th rowspan="2">Promotion items</th><th colspan="3">The State of implementation (Note 1)</th><th rowspan="2">Deviation from the “Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies” and the reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary description (Note 2)</th></tr>
<tr><td></td><td></td><td></td><td><table>
<tr><td></td><td></td><td>and risk control.</td><td></td></tr>
<tr><td></td><td></td><td>◆Disclose Category 1, Category 2, and Category 3 (if applicable) greenhouse gas emissions and related risks.</td><td>Implement carbon reduction measures and monitoring continuously to reduce Category 1 and Category 2 emissions. It is proposed to plan to expand the scope of greenhouse gas inventory disclosure.</td></tr>
<tr><td></td><td></td><td>◆Regarding the objectives and degree of achievements for the management of climate-related risks and opportunities set by the organization</td><td>The company will continue to promote circular economy measures and implement power-saving strategies. The plant is expected to gradually introduce greenhouse gas inventory in 2023 with the carbon reduction objectives of the Group formulated according to the inventory result at the time.</td></tr>
</table></td><td></td></tr>
<tr><td>(IV) Does the company make statistics on greenhouse gas emissions, water consumption, and the total weight of waste for the past two years and formulate policies for energy conservation and carbon reduction, greenhouse gas reduction, water consumption reduction, or other waste management?</td><td>V</td><td></td><td>(IV) The company has formulated the “Sustainable Development Best-Practice Principle.” The company has clearly formulated the objectives of environmental protection and energy saving. The company will strive to achieve low pollution, low energy, easy recycling, and other environmentally friendly acts in the process of product design, development, production, use, and disposal.<br>The company follows the industrial greenhouse gas inventory operation announced by the Environmental Protection Administration of the Executive Yuan; also, refers to ISO/CNS 14064-1 and GHG Protocol to regulate, calculate, and display statistical data as follows:<br>Unit: Ton CO2e/metric ton
<table>
<tr><th>Year</th><th>Greenhouse gas emissions Category I</th><th>Greenhouse gas emissions Category II</th><th>Total greenhouse gas emissions</th><th>Water consumption</th><th>Total weight of waste</th></tr>
<tr><td>2021</td><td>354.6</td><td>31,838.0</td><td>32,192.6</td><td>4,484</td><td>205.552</td></tr>
<tr><td>2022</td><td>316.4</td><td>30,724.1</td><td>31,040.5</td><td>2,387</td><td>329.774</td></tr>
</table>
1. Category 1 includes the information on the Taiwan factory of the parent company and the subsidiaries, including Megaforce (Shanghai) Electronic & Plastic Co., Ltd., Shanghai AB Megaforce Co., Ltd., Shanghai Shanghua Painting Co., Ltd., Suzhou Intentech Co., Ltd., and Dongguan Megaforce Electronic Technology Co., Ltd.<br>2. Category 2 includes the information on the Taiwan factory of the parent company and the subsidiaries, including Megaforce (Shanghai) Electronic & Plastic Co., Ltd., Shanghai AB Megaforce Co., Ltd., Shanghai Shanghua Painting Co., Ltd., Suzhou Intentech Co., Ltd., Dongguan Megaforce Electronic Technology Co., Ltd., MegaforceMY, and MegaforceMX.<br>3. It does not include water consumption of offices and households, which is simply the statistics of Minhsiung Plant of the parent company in Taiwan.<br>4. The total weight of waste is the statistics of Minhsiung Plant of the parent company in Taiwan.<br>The carbon emission inventory includes the data collected from all major factories, and the total volume is the statistics of the calculation from each factory. The factories of MegaforceMY and MegaforceMX have not yet implemented Category 1 greenhouse gas inventory; therefore, the information on Category 1 does not include the aforementioned two factories.<br>The carbon emissions in 2022 decreased by 3.58% from the year of 2021, mainly due to the energy-saving effort fulfilled by each factory, and the fluctuation in energy consumption as a result of the lockdown at each factory for pandemic prevention purpose.<br>The carbon emissions generated from the business operation of the company are indirect emissions resulting from Category 2 electricity consumption, accounting for 99%.<br>Carbon reduction and energy saving objectives: The company follows the ISO 14001 standard to establish the greenhouse gas emission baseline, and formulate or announce carbon reduction objectives. The original plan is to base on the base year of 2016 to set the carbon reduction and</td><td>No material deviation</td></tr>
</table>

| Promotion items | The State of implementation (Note 1) | | | Deviation from the "Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies" and the reasons |
|---|---|---|---|---|
| | Yes | No | Summary description (Note 2) | |
| | | | energy saving objective of 25% reduction in 2022 for the factory in Taiwan. However, the changes in the global economic and trade environment, the raging pandemic, and regional wars in recent years has caused the shift of the overall industrial chain, and the expansion of production capacity in the Taiwan factory has caused the carbon emissions to go up. The establishment and introduction of the greenhouse gas inventory system in the factory is being carried out currently in accordance with relevant regulations. The carbon reduction objective will be set according to the actual inventory results so as to meet the actual practice once the greenhouse gas inventory of the parent company and subsidiaries is completed.<br>Water resource management policy: Adopt a rain-wastewater diversion system for wastewater recycling in the factory that meets the effluent standard.<br>Waste management policy: The "Regulations Governing Waste Reduction and Recycling" is formulated to discuss and regulate the annual waste reduction objectives at the end of each year in order to have waste sorted thoroughly, waste reduced and recycled for achieving resource sustainability; also, utilize the network system to control waste flow.<br>Also, implement it in the product manufacturing process through the operations of reduction, reuse, recycling, and reproduction:<br>1. Simplify packaging and minimize material consumption.<br>2. Recycle packaging materials.<br>3. Reuse and recycle shipping cartons.<br>4. Product scraps processed and used to manufacture plastic boxes. | |
| IV. Social issues<br>(I) Has the company formulated relevant management policies and procedures according to relevant laws and regulations and the International Bill of Human Rights? | V | | (I) The company complies with the local "Labor Act" at where the production base located around the world, honors the "Responsible Business Alliance" (RBA), and refers to the "Convention on the Elimination of All Forms of Discrimination Against Women" (CEDAW), "Convention on the Rights of the Child" (CRC), "Declaration on the Rights of Indigenous Peoples," "The International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families," "Convention on the Rights of Persons with Disabilities (CRPD), and other international convention on the human rights to formulate the "Megaforce Work Rules" as a basis for personnel management and respect for human rights.<br>The company's relevant human rights policies and specific measures are as follows:<br>1. The policy of providing a safe and healthy working environment<br>The company's management has an aim for "zero accident," promoting rigorous hardware facilities and safety and health operating procedures, and regularly organizing on-job occupational safety and health education and training.<br>2. Prevent unlawful discrimination and ensure the equal employment opportunity policy.<br>Provide foreign workers with a good accommodation environment and living space, strictly prohibit workplace violence, and provide employees with minimum wages and benefits that meet or better than the requirements of local laws and regulations.<br>3. The policy of guaranteeing the employee right of the people with disabilities<br>Employ people with disabilities and reserve a certain number of employment opportunities for the people with disabilities in accordance with the provision of Article 38 of the "People with Disabilities Rights Protection Act."<br>4. No child labor policy<br>Employment of employees under the age of 15 is prohibited.<br>5. Prohibition of all forms of forced labor policy<br>6. Assist employees in maintaining physical and mental health and work-life balance policy.<br>The company clearly stipulates a legal and reasonable working hours management plan, and cares about and manages the attendance of employees regularly. The company respects the rights of employees. Employees can set up multiple social clubs and encourage colleagues to join the social clubs.<br>7. Gender equality policy<br>Setup a hot line for preventing sexual harassment. The company implements a system of childcare leave without pay; also, it provides colleagues with family care leave, menstrual leave, maternity leave, paternity leave, pregnancy rest leave, breastfeeding room, breastfeeding time, etc. | No material deviation |
| (II) Has the company formulated and implemented reasonable employee welfare | V | | (II) Please refer to P.83 for the company's employee welfare measures and implementation in details. In addition, there are Regulations Governing Salaries" and salary bracket formulated. The company will evaluate and adjust salary by referring to external salary survey report every year, and will adjust employee salary and remuneration according to the company's operating performance and employee's personal performance.<br>The "Conference of Share Holding Employees" has been established since 2020. Employees may have the mandatory amount appropriated every | No material deviation |

| Promotion items | The State of implementation (Note 1) | | | Deviation from the "Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies" and the reasons |
|---|---|---|---|---|
| | Yes | No | Summary description (Note 2) | |
| measures (including remuneration, vacation and other benefits), and appropriately reflected operating performance or results in employee remuneration? | | | month to purchase company stock shares; also, the company appropriates an amount equivalent to the employee's appropriation as the company's appropriation amount.<br>In terms of the leave system, in addition to the routine two-day weekend, special leave is granted in accordance with the Labor Standards Act. Leave without pay is also an option available to the employee who is having a baby or encounters a serious injury or accident.<br>Diversity and equality in the workplace: Male and female workers are entitled to equal pay for equal work and equal opportunities for promotions. Female supervisors are accounted for 12.7% of all supervisors, which is increasing year by year. | |
| (III) Has the company provided employees with a safe and healthy working environment, and arranged safety and health education regularly for the employees? | V | | (III) Protection measures for working environment and personal safety of employees<br>1. The "Occupational Safety and Health Management Regulations" are formulated to protect the rights and interests of employees at work and their life safety, which are to be implemented fully by the colleagues.<br>2. The firefighting seminars and drills are held regularly to strengthen employees' awareness of firefighting and to help employees accumulate firefighting experience through practical operations.<br>3. Acquire labor insurance, health insurance, and group insurance for employees.<br>4. Inspect the quality of drinking water regularly to ensure health and safety of employees' drinking water.<br>5. Disinfect the factory area and clean the cooling tower regularly.<br>6. The company arrange annual health checkups for incumbent employees every year to improve the health of employees.<br>7. Implement the detection of illumination and carbon dioxide concentration regularly every six months.<br>8. Arrange on-site services for health promotion.<br>The company's occupational safety and health management plan is for the implementation of various environmental safety and health services in order to provide employees with a safe and healthy working environment, which is implemented as follows:<br>1. Environmental health and safety inspection: Carry out the environmental health and safety inspection before the 25th day of each month.<br>2. Convene the Occupational Safety and Health Committee: It will be held in the third week of each quarter with the labor representatives exercising their deliberation right to review items include: automatic inspection, employee accidents for business, education and training, personal protective equipment inspection, operating environment monitoring, etc.<br>3. Fire emergency response drills: Conduct fire emergency response drills in May and November every year to strengthen the use of fire extinguishers and emergency response by colleagues.<br>4. Implement operating environment monitoring: Entrust qualified contractors to monitor illuminance and carbon dioxide in May and November every year; also, compile and publish the results with corrective actions performed for areas with nonconformities identified.<br>5. Employee health checkup and health consultation: Plan and implement health checkups in October – November every year. Arrange medical staff to provide on-site services for health consultation after the health checkup results are announced.<br>6. Illegal infringement at workplace: Identify and evaluate illegal infringements at workplace by means of questionnaires in March – April every year.<br>7. Inspection and maintenance of firefighting equipment: Contract qualified firefighting equipment technicians (repairmen) to inspect and repair the firefighting equipment in the factory in October – November every year. | No material deviation |
| (IV) Does the company have an effective career development training program planned for employees? | V | | (IV) The company encourages employees to participate provides in the internal and external education and training provided by the company; also, establishes training and programs that are beneficial to the development of employees' occupational and functional ability.<br>Include new recruit training, professional training, supervisor training, etc., and help colleagues continue to grow through diversified approaches. A total of 888 people-time completed internal and external education and training program for a total of 2,319.25 hours in 2022. | No material deviation |
| (V) Does the company comply with relevant laws and | V | | (V) The company has the products marketed and labelled in accordance with relevant laws and regulations and international standards. The company evaluates customers' satisfaction with products or services, and actively reviews them as a reference for quality improvement. The unsatisfied | No material deviation |

| Promotion items | The State of implementation (Note 1) Yes | No | Summary description (Note 2) | Deviation from the "Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies" and the reasons |
|---|---|---|---|---|
| international standards, and formulate relevant right and interest protection policies and grievance procedures to deal with customers for products and services, such as customer health and safety, customer privacy, marketing and labelling? | | | customers may report or complain to the company at any time. | |
| (VI) Has the company formulated supplier management policies that require suppliers to follow relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and monitored their implementation? | V | | (VI) 1. The company has a supplier management policy formulated to request the supply chain to appreciate labor rights, environmental protection, and safety and health risk control in order to reduce the operating risks and costs of the company and the suppliers, and to establish a sustainable growth partnership. Suppliers are requested to sign a letter of commitment, indicating that the suppliers will operate in compliance with the normative standards of the Responsible Business Alliance (RBA), safe labor operating environment, reasonable labor conditions, protection of basic human rights of labor, prohibition of child labor; also, must promise not to operate and produce any product with the use of conflict metals. Also, request suppliers to fully comply with all relevant local laws and regulations when operating the company's business, and must follow relevant social responsibilities and all aspects. If the supplier violates the law or the letter of commitment, the company may immediately cease, terminate, or cancel the transaction relationship with the supplier.<br>2. The supplier management mechanism is controlled and managed in the following three aspects:<br>**Selection of new suppliers**: 1. Supplier evaluation criteria:<br>(1) Quality capability: The completeness of the supplier's quality system process implementation.<br>(2) Control of hazardous substances: The products provided by suppliers must comply with the requirements of the Hazardous Substances Process Management System.<br>(3) Productibility: Suppliers must be able to fulfill customers' need in production quickly.<br>(4) Manufacturing engineering capability: Evaluate the process and design control capability of the suppliers.<br>2. New suppliers must sign a letter of commitment between the two parties.<br>3. Comply with relevant quality system requirements. If the supplier has obtained certificates related to environmental protection or hazardous substance management (such as ISO 9001, ISO 14001, ISO 45001, QC 080000, and IATF 16949) will be awarded with additional points given.<br>**Supplier evaluation and management**: 1. Graded according to the supplier evaluation criteria.<br>2. The supplier who does not receive adequate evaluation scores will not be listed as a qualified supplier. The unqualified supplier needs to make improvement, be re-evaluated, and receive adequate evaluation score in order to be listed as a qualified supplier.<br>**Supplier continuous evaluation**: 1. Select key suppliers for continuous evaluation based on the characteristics and risk classifications of the supplier.<br>2. Suppliers must continuously meet various requirements and specifications in order to qualify for sustainable supply. | No material deviation |
| V. Does the Company refer to the internationally accepted reporting | | V | The company has started to compile the sustainability report in accordance with the Global Reporting Initiative (GRI) since the year of 2022. The 2021 sustainability report was uploaded to the Market Observation Post System and the company's website on August 23, 2022. However, the sustainability report was without the assurance or guarantee opinion obtained from a third-party verification unit. | In planning |

| Promotion items | The State of implementation (Note 1) | | | Deviation from the "Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies" and the reasons |
|---|---|---|---|---|
| | Yes | No | Summary description (Note 2) | |
| standards or guidelines to prepare the sustainability reports for disclosing the company's non-financial information? Are the aforementioned sustainability reports with the assurance or guarantee opinions of a third-party verification unit obtained? | | | | |

VI. If the company has the sustainable development best-practice principles formulated in accordance with the "Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies," please describe the differences between its operation and the principles:

The company has formulated the "Sustainable Development Best-Practice Principles," "Corporate Governance Best-Practice Principles," and "Ethical Corporate Management Best-Practice Principles." The company also has based on the "Ethical Corporate Management Best-Practice Principles" to formulate the "Procedures for Ethical Management and Guidelines for Conduct," "Code of Ethical Conduct for Employees," "Code of Ethical Conduct for Directors and Managerial Officers;" and establish an effective corporate governance structure and related ethical standards and matters, which have been implemented and followed without any difference occurred so far.

VII. Other important information that helps understand the promotion of sustainable development:

1. The company will take the initiative to donate money for any material disaster occurred in Taiwan and abroad, encourage employees to make donations with mercy, and establish an employee merciful trading platform.
2. Sponsor elementary school students in rural areas, set up coin donation boxes to fund the Dandelion Project, to help abused women and children, and to hold blood donation activities occasionally.
3. Donate the "EzBite Oral Rehabilitation Device" to the Head and Neck Care Association of the Republic of China so as to ensure that patients do not miss the golden period of rehabilitation during the pandemic outbreak. The company has been regularly working with the Head and Neck Care Association of the Republic of China in recent years and try to understand their needs with assistance provided through corporate volunteers and medical devices donations.
4. The company actively helped prevent pandemic at each operating location in the early stage of the global pandemic outbreak, such as voluntarily donated masks and distributed them to medical institutions and shelters for disadvantaged by working with local government units. Masks were also distributed to local communities in Mexico, Malaysia, and other regions through employees.
5. Cooperated with the University of California, Merced in 2021 to establish a scholarship program for medical students in order to help students who are outstanding in the medical field and have financial needs to continue their studies.
6. The company uses the concept of "sustainable operation" to have the "environmental protection," "safety," and "health" integrated into corporate culture, operating principles, and work processes for years.

Note 1: If the answer "Yes" is ticked for the status of implementation, please specify the important policies, strategies, measures, and implementations adopted. If the answer "No" is ticked for the status of implementation, please specify the differences and reasons in the "Deviation from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and the reasons" column; also, explain the plan of adopting relevant policies, strategies and measures in the future. However, regarding promotion item 1 and 2, the TWSE/TPEx Listed Companies should describe the governance and supervision structure of sustainable development, including but not limited to the management policies, formation of strategies and objectives, and measures review. In addition, describe the company's risk management policies or strategies for environmental, social, and corporate governance issues related to business operations, and the implementation of evaluation.

Note 2: The principle of materiality refers to issues related to environment, society and corporate governance that have a material impact on the company's investors and other stakeholders.

Note 3: Please refer to the best-practice principles for information disclosure on the website of the Corporate Governance Center of Taiwan Stock Exchange.

(VI) The implementation of the ethical corporate management and its deviation from the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and the reasons

1. The company has three independent directors, and the Audit Committee was organized on June 8, 2018 with the opinions of independent directors taken into consideration fully.
2. The company profile, basic information, and financial information are disclosed on the company's website; also, the company's financial and business information are disclosed on the Market Observation Post System in a timely, open, and transparent manner.
3. The company establishes a special section on the website for stakeholders; also, the company's contact email address is disclosed at the Market Observation Post System for stakeholders to contact the company at any time, and there are dedicated personnel to deal with related issues.

| Evaluation Items | The State of Operations (Note) | | | Deviation From the "Ethical Corporate Management Best-Practice Principles for TWSE or TPEx Listed Company" and the Reasons |
|---|---|---|---|---|
| | Yes | No | Summary Description | |
| I. Establishment of ethical corporate management policy and proposal<br>(I) Has the company formulated an ethical corporate management policy approved by the Board of Directors, and are the policy and practice of ethical corporate management stated in the company's regulations and external documents, as well as the commitment of the Board of Directors and the senior management to actively implement the policy? | V | | (I) The company has formulated the "Ethical Corporate Management Best-Practice Principles," "Procedures for Ethical Management and Guidelines for Conduct," "Code of Ethical Conduct for Employees," and "Code of Ethical Conduct for Directors and Managerial Officers"; adhered to high standards of conduct and occupational ethics; and substantiated the commitment to ethical corporate management. | No material deviation |
| (II) Has the company established a mechanism for evaluating the risk of unethical conduct, regularly analyzed and evaluated the activities in the scope of business with a higher risk of unethical conduct, and has formulated a plan to prevent unethical conduct on this basis, which covers at least the preventive measures for the conduct set out in Article 7, Paragraph 2 of the "Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies?" | V | | (II) The company has clearly stipulated in the "Ethical Corporate Management Best-Practice Principles," "Procedures for Ethical Management and Guidelines for Conduct," "Code of Ethical Conduct for Employees," and other ethical corporate management regulations to strictly prohibit employees from accepting gifts, preferences, or special offers from suppliers, dealers, or customers, and other related business activities. | No material deviation |
| (III) Has the company specified operating procedures, conduct guidelines, and disciplinary and complaint systems for violations in the plan to prevent unethical conduct and implemented the plan as well as regularly reviewing and amending it? | V | | (III) The company has formulated the "Ethical Corporate Management Best-Practice Principles," "Procedures for Ethical Management and Guidelines for Conduct," "Work Rules," "Code of Ethical Conduct for Employees," and "Code of Ethical Conduct for Directors and Managerial Officers" for the guidance of employees, which is working well currently. | No material deviation |
| II. Implementation of Ethical Corporate Management<br>(I) Does the company evaluate the ethical records of its counterparties and specify the ethical conduct clauses in the contracts signed with the counterparties? | V | | (I) The company has evaluated and avoided conducting transactions with those who has a record of unethical conduct truthfully, and clearly stipulated the code of conduct in the contract. | No material deviation |
| (II) Does the company have a dedicated unit under the Board of Directors to promote ethical corporate management and regularly report (at least once a year) to the Board of Directors on its ethical management policy and plan to prevent unethical conduct and monitor their implementation? | V | | (II) The human resources unit of the company is the responsible unit for the implementation of the "Procedures for Ethical Management and Guidelines for Conduct," assisting the Board of Directors and the management to check and evaluate the preventive measures established for the implementation of ethical corporate management, and should regularly evaluate (at least once a year) the compliance with the relevant procedures with a report prepared reporting to the Board of Directors. | No material deviation |
| (III) Does the company have the policy formulated to prevent conflict of interest, provide appropriate channels for an explanation, and implement it? | V | | (III) It is clearly stipulated in the company's "Code of Ethical Conduct for Employees" that employees should avoid conflicts of interest. The occurrence of a conflict of interest should be reported to the higher management unit voluntarily with a report filed for record within the company. | No material deviation |
| (IV) Has the company established an effective accounting system and internal control system for the implementation of ethical corporate management, and the internal audit unit drawn up relevant audit plans based on the risk evaluation results of unethical conduct, and audited the compliance of the plan in preventing unethical conduct or entrusted a CPA to perform the audit? | V | | (IV) The company has established an effective accounting system and internal control system, which are checked regularly by the Auditing Office; also, the relevant audit plans are prepared and included in the internal control system in accordance with the "Ethical Corporate Management Best-Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct." The internal auditors did not find any violations of ethical corporate management. | No material deviation |
| (V) Does the company regularly organize internal and external education and training programs on ethical corporate management? | V | | (V) The company organized internal and external education and training programs related to ethical corporate management issues (including confidentiality responsibility, risk management, accounting system, internal control, and other relevant courses) for a total of 254 person-times and a total of 290.5 person-hours in 2022. | No material deviation |

| Evaluation Items | The State of Operations (Note) | | | Deviation From the "Ethical Corporate Management Best-Practice Principles for TWSE or TPEx Listed Company" and the Reasons |
|---|---|---|---|---|
| | Yes | No | Summary Description | |
| III. The operation of the company's whistleblower reporting system<br>(I) Has the Company formulated a specific whistleblower reporting and reward system and a convenient reporting channel, and designated appropriate personnel to deal with the reported individuals? | V | | (I) It is stipulated in the company's "Procedures for Ethical Management and Guidelines for Conduct" to have an internal independent reporting mailbox established and a dedicated person for handling complaints appointed and announced on the company's website and internal website for internal and external personnel to report unethical conducts. | No material deviation |
| (II) Has the Company formulated standard operating procedures for the investigation of the reported matters, follow-up measures to be taken after the completion of the investigation, and the relevant confidentiality mechanisms? | V | | (II) It is stipulated in the company's "Procedures for Ethical Management and Guidelines for Conduct" to have the reported matters handled by the dedicated unit in accordance with the reporting procedures. The relevant personnel handling the whistleblowing matters shall keep the identity of the whistleblower and the reporting content confidential in a written statement. The Auditing Office shall report the whistleblowing matters, handling method, and subsequent review and improvement measures to the Board of Directors. | No material deviation |
| (III) Does the company take measures to protect whistleblowers from retaliation due to whistleblowing? | V | | (III) It is stipulated in the company's "Procedures for Ethical Management and Guidelines for Conduct" to have the whistleblowers protected from any retaliation and mistreatment. | No material deviation |
| IV. Intensification of Disclosure<br>Does the company disclose the content and effectiveness of its "Ethical Corporate Management Best-Practice Principles" on its website and the Market Observation Post System? | V | | The company has formulated the "Ethical Corporate Management Best-Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct" with the relevant content and promotion results disclosed on the company's website and the Market Observation Post System. | No material deviation |
| V. If the company has the "Ethical Corporate Management Best-Practice Principles" formulated in accordance with the "Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies," please state the differences between the two and the state of implementation:<br>The company has formulated the "Ethical Corporate Management Best-Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct." All directors are required to sign a statement of non-violating the ethical corporate management best-practice principles in order to remind directors to comply with laws and regulations. Announce the content of the "Principles" to employees and place it in the shared file area of the internal employee system. Organize internal and external education and training programs on ethical corporate management related issues every year. There is no material deviation of the operation from the "Principles." | | | | |
| VI. Other important information that helps better understand the operation of the company's ethical corporate management (such as the review and amendment to the ethical corporate management best-practice principles)<br>The company announces the ethical corporate management to the associated suppliers, signs the Letter of Undertaking of Integrity with suppliers, and clearly stipulates the commitment to integrity and good faith in the contract. | | | | |

Note: Regardless of the answer is "Yes" or "No," It must be explained in the "Remark" column of the summary report.

(VII) If the company has formulated the corporate governance best-practice principles and related regulations, the inquiry method should be disclosed

The company has formulated the corporate governance related regulations and has them disclosed in the "Corporate Governance" section of the Market Observation Post System (https://mops.twse.com.tw/mops/web/t100sb04_1) and in the "Corporate Governance" section of the "Investors" page on the company's website (https://www.megaforce.com.tw/zh-tw/Html/Company_Rules_Regulations).

(VIII) Other important information that helps better understand the operation of the company's corporate governance

■ The 2022 directors' continuing education

| Title | Name | Continuing education date | | Organizer | Course title | Course hours | Does the training meet the requirements? |
|---|---|---|---|---|---|---|---|
| | | Starting | Ending | | | | |
| Chairman | Wen-Lin, Hsu | 8/30/2022 | 8/30/2022 | Taiwan Corporate Governance Association | The Evaluation and Execution of Investment Mergers and Acquisitions from a Legal Viewpoint | 6 | Yes |
| | | 3/9/2022 | 3/9/2022 | Taiwan Institute of Directors | Leadership Institute Forum Under the New Reality, Reboot – See Digital New Taiwan | | |
| Vice Chairman | Tung-Hui, Chiang | 6/17/2022 | 6/17/2022 | Securities & Futures Institute | Financial Information Frequently Overlooked by directors | 6 | Yes |
| | | 4/22/2022 | 4/22/2022 | Taiwan Corporate Governance Association | Net-zero Emissions, Carbon Neutrality, and Compliance with Corporate Law and Regulations | | |
| Representative of corporate director | Le-Li, Lu | 8/25/2022 | 8/25/2022 | Taipei Exchange | Insider Equity Briefing for TPEx Listed Companies and Emerging Market Listed Companies | 8 | Yes |
| | | 7/20/2022 | 7/20/2022 | Taiwan Stock Exchange | Sustainable Development Roadmap & Industry Theme Briefing | | |
| | | 4/22/2022 | 4/22/2022 | Taiwan Institute for Sustainable Energy | [Taishin 30" Sustainable Net-Zero Emission Summit Forum] Striving for Net-Zero Emission and Achieving Sustainability 2030 | | |
| Representative of corporate director | Wan-Sheng, Hsu | 4/19/2022 | 4/19/2022 | Taiwan Corporate Governance Association | The Only Way towards Corporate Sustainable Management – External Innovation | 9 | Yes |
| | | 3/9/2022 | 3/9/2022 | Taiwan Institute of Directors | Leadership Institute Forum Under the New Reality, Reboot – See Digital New Taiwan | | |
| | | 2/24/2022 | 2/24/2022 | Securities & Futures Institute | Global Risk Perception – Opportunities and Challenges in the Next Decade | | |
| Director | Hsien-Yu, Kuo | 9/16/2022 | 9/16/2022 | Taiwan Insurance Institute | Analysis of the "Principle for Treating Clients Fairly" | 6 | Yes |
| | | 9/5/2022 | 9/5/2022 | Taiwan Insurance Institute | Strengthen the Powers of the Board of Directors | | |
| Independent Director | Chun-Nan, Pai | 8/23/2022 | 8/23/2022 | Taiwan Institute of Directors | From AI to "AI Plus," up against the Challenge of Financial Technology | 6 | Yes |
| | | 5/5/2022 | 5/5/2022 | Taiwan Institute of Directors | Discussion on Corporate Governance Law and Regulations – Treating Clients Fairly, Money Laundering Prevention, Insider Trading, and Personal Data Protection case study | | |

| Title | Name | Continuing education date | | Organizer | Course title | Course hours | Does the training meet the requirements? |
|---|---|---|---|---|---|---|---|
| | | Starting | Ending | | | | |
| Independent Director | Ching-Kong, Chao | 6/14/2022 | 6/14/2022 | Taiwan Corporate Governance Association | How the Audit Committee Substantiates Financial Statements Review? | 6 | Yes |
| | | 4/22/2022 | 4/22/2022 | Taiwan Institute for Sustainable Energy | [Taishin 30th Sustainable Net-Zero Emission Summit Forum] Striving for Net-Zero Emission and Achieving Sustainability 2030 | | |
| Independent Director | Hai-Pang, Chiang | 8/22/2022 | 8/22/2022 | Taiwan Investor Relations Institute | Sustainable Finance and Investment ESG Trends | 6 | Yes |
| | | 5/23/2022 | 5/23/2022 | Taiwan Investor Relations Institute | ESG Carbon Reduction Development Trend and Digital Transformation Corresponding Strategies | | |

■ The 2022 Managerial Officer's Continuing Education

| Title | Name | Continuing education date | | Organizer | Course title | Course hours | Does the training meet the requirements? |
|---|---|---|---|---|---|---|---|
| | | Starting | Ending | | | | |
| CEO | Wen-Lin,Hsu | 8/30/2022 | 8/30/2022 | Taiwan Corporate Governance Association | The Evaluation and Execution of Investment Mergers and Acquisitions from a Legal Viewpoint | 6 | Yes |
| | | 3/9/2022 | 3/9/2022 | Taiwan Institute of Directors | Leadership Institute Forum Under the New Reality, Reboot – See Digital New Taiwan | | |
| President | Tung-Hui,Chiang | 6/17/2022 | 6/17/2022 | Securities & Futures Institute | Financial Information Frequently Overlooked by directors | 6 | Yes |
| | | 4/22/2022 | 4/22/2022 | Taiwan Corporate Governance Association | Net-zero Emissions, Carbon Neutrality, and Compliance with Corporate Law and Regulations | | |
| Chief of Staff | Le-Li, Lu | 8/25/2022 | 8/25/2022 | Taipei Exchange | Insider Equity Briefing for TPEx Listed Companies and Emerging Market Listed Companies | 8 | Yes |
| | | 7/20/2022 | 7/20/2022 | Taiwan Stock Exchange | Sustainable Development Roadmap & Industry Theme Briefing | | |
| | | 4/22/2022 | 4/22/2022 | Taiwan Institute for Sustainable Energy | [Taishin 30th Sustainable Net-Zero Emission Summit Forum] Striving for Net-Zero Emission and Achieving Sustainability 2030 | | |
| Chief Financial Officer and Corporate Governance Officer | Chia-Cheng, Chang | 8/2/2022 | 8/2/2022 | Accounting Research and Development Foundation | How to Analyze the Key Financial Information of Enterprises and Strengthen the Early Crisis Alert Ability | 24 | Yes |
| | | 7/26/2022 | 7/26/2022 | Accounting Research and Development Foundation | View the Disputes over "Management Rights" from the Perspective of Corporate Governance and Shareholder Structure | | |
| | | 5/26/2022 | 5/27/2022 | Accounting Research and Development Foundation | Professional Development of Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges | | |
| | | 5/23/2022 | 5/23/2022 | Taiwan Corporate Governance Association | What Investors Are Thinking – Talking about Enterprise Sustainable Transformation from ESG Investment and Financing | | |

(IX) Implementation of the internal control system

1. Internal Control Statement

Megaforce Company Limited

Statement of Internal Control System

Date: March 15, 2023

The company uses the result of the self-assessment performed on the 2022 internal control system to make declaration as follows:

I. The company knows that establishing, implementing, and maintaining an internal control system is the responsibility of the company's Board of Directors and managerial officers, and the company has established this system. Its purpose is to provide reasonable assurance of the achievement of objectives, such as the effectiveness and efficiency of operations (including profitability, performance and asset security), the reliability, timeliness, and transparency of reporting, as well as compliance with relevant rules, laws and regulations, etc.

II. An internal control system has its inherent limitations. No matter how perfect the design is, an effective internal control system can only provide a reasonable assurance of the achievement of the aforementioned three objectives; moreover, due to changes in the environment and circumstances, the effectiveness of the internal control system may change accordingly. However, the company's internal control system has a self-monitoring mechanism embedded. Once a defect is identified, the company will take corrective actions.

III. The company determines the effectiveness of the design and implementation of its internal control system in accordance with the criteria of the effectiveness of the internal control system stipulated in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Regulations"). The criteria of the internal control system adopted in the "Regulations" are based on the process of managerial control and divide the internal control system into five components: 1. Control environment, 2. Risk evaluation and response, 3. Control operations, 4. Information and communication, and 5. Monitoring operations. Each component consists of a number of items. Please refer to the "Regulations" for these items.

IV. The company has adopted the aforementioned criteria of the internal control system to evaluate the effectiveness of the design and implementation of its internal control system.

V. The company uses the evaluation results stated in the preceding paragraph to conclude that the internal control system on December 31, 2022 (including the supervision and management of subsidiaries), including understanding the operational effect and the extent of efficiency realization, the reporting is reliable, timely, transparent, and complying with the relevant norms and relevant laws and regulations, the compliance with governing laws and regulations, and other design and implementation, is effective, which can reasonably ensure the achievement of the aforementioned objectives.

VI. This statement will become the main content of the company's annual report and prospectus and will be made public. If the aforementioned disclosures have falsehood or concealment, legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act will be incurred.

VII. This statement has been approved by the Board of Directors on March 15, 2023, by the seven directors present, unanimously and it is so stated for the said purpose.

Megaforce Company Limited

Chairman:Wen-Lin, Hsu

President:Tung-Hui, Chiang

2. The review report of the CPAs should be disclosed if the internal control system is reviewed by the CPAs: Not applicable

(X) Where the company and its insiders receive penalties for violations or the company's punishment on its internal personnel for violating internal control system, and where the punishment may have a material impact on shareholders' equity or securities price, the penalty, main mistake, and improvement shall be expressly listed in the most recent year and as of the annual report publication date: None.

(XI) Major resolutions of the shareholders' meeting, board meetings, and functional committee meeting in the most recent year and as of the annual report publication date:

| Date | Board of Directors / Shareholders' Meeting | Important resolutions | Matters listed in §14-3 of the Securities and Exchange Act | Independent directors' objection or qualified opinions |
|---|---|---|---|---|
| The 11th term – 4th meeting 1.25.2022 | Board of Directors | 01. Approved the 2022 budget of the company and its subsidiaries. | | None |
| | | 02. Approved the company's loan applications filed with the Bank of Taiwan, Changhua Commercial Bank, and Bank of Panhsin. | | None |
| | | Opinions of Independent Directors: None | | |
| | | The company's handling of independent directors' opinions: None | | |
| | | Resolution result: Approved by all directors present. | | |
| The 11th term – 5th meeting 3.18.2022 | Board of Directors | 01. Approved the company's loan applications filed with Mega Bills, Far East International Bank, KGI Bank, JihSun Bank, E.Sun Commercial Bank, and EnTie Bank. | | None |
| | | 02. Approved the managerial officers' concurrently serving as the manager of the company and other companies, and the lifting of the non-compete restrictions. | | None |
| | | 03. Approved the company's managerial officers' reassignment. | | None |
| | | 04. Approved the 2021 statement of the internal control system. | V | None |
| | | 05. Approved the attesting CPA's independent assessment. | V | None |
| | | 06. Approved the 2021 employee remuneration and director remuneration distribution proposal. | V | None |
| | | 07. Approved the 2021 standalone financial report and consolidated financial report. | | None |
| | | 08. Approved the 2021 business report. | | None |
| | | 09. Approved the 2021 earnings distribution proposal. | | None |
| | | 10. Approved the amendments to some articles of the "Procedure for the Acquisition and Disposal of Assets." | V | None |
| | | 11. Approved the amendments to some articles of the company's "Articles of Incorporation." | | None |
| | | 12. Approved the amendments to some articles of the "Rules of Procedure for Shareholders' Meetings." | | None |
| | | 13. Approved the amendments to some articles of the "Corporate Social Responsibility Best-Practice Principles." | | None |
| | | 14. Approved the amendments to some articles of the "Corporate Governance Best-Practice Principles." | | None |
| | | 15. Approved the stipulation on the matters related to convening the 2022 regular shareholders' meeting. | | None |
| | | 16. Approved the stipulation on accepting and handling shareholders' proposals at the 2022 regular shareholders' meeting. | | None |
| | | 17. Approved the repurchase of the company's issued common stock shares. | | None |
| | | Opinions of Independent Directors: None | | |
| | | The company's handling of independent directors' opinions: None | | |
| | | Resolution result: Approved by all directors present. | | |
| The 11th term – 6th meeting 4.29.2022 | Board of Directors | 01. Approved the company's 2022Q1 consolidated financial report. | | None |
| | | 02. Amended the "Regulations Governing Share Repurchase" proposal. | | None |
| | | 03. Approved the company's loan application filed with China Bills Finance Corporation. | | None |
| | | 04. Approved the managerial officers' concurrently serving as the manager of the company and other companies, and the lifting of the non-compete restrictions. | | None |
| | | Opinions of Independent Directors: None | | |
| | | The company's handling of independent directors' opinions: None | | |
| | | Resolution result: Approved by all directors present. | | |

| Date | Board of Directors / Shareholders' Meeting | Important resolutions | Matters listed in §14-3 of the Securities and Exchange Act | Independent directors' objection or qualified opinions |
|---|---|---|---|---|
| 6.8.2022 | Regular shareholders' meeting | 01. Acknowledged the 2021 business report and financial statements. | | |
| | | 02. Acknowledged the 2021 earnings distribution proposal. | | |
| | | 03. Approved the amendments to some articles of the company's "Articles of Incorporation." | | |
| | | 04. Approved the amendments to some articles of the "Rules of Procedure for Shareholders' Meetings." | | |
| | | 05. Approved the amendments to some articles of the "Procedures for the Acquisition and Disposal of Assets." | | |
| The 11th term – 7th meeting 6.8.2022 | Board of Directors | 01. Approved the stipulation on the company's cash dividend base date, book closure date, and cash dividend distribution rate adjustment. | | None |
| | | 02. Approved the company's loan applications filed with The Shanghai Commercial & Savings Bank, Taipei Fubon Bank, Cathay United Bank, and Shin Kong Commercial Bank. | | None |
| | | 03. Approved the company's making of endorsements/guarantees for Megaforce (Shanghai) Electronic & Plastic Co., Ltd. | V | None |
| | | 04. Approved the company's cash capital increase in Megaforcemx, S.de R.L. de C.V. | | None |
| | | 05. Approved the company's cash capital increase in Mega 1 Company Ltd. | | None |
| | | 06. Approved the company's greenhouse gas inventory and verification schedule plan. | | None |
| | | Opinions of Independent Directors: None | | |
| | | The company's handling of independent directors' opinions: None | | |
| | | Resolution result: Approved by all directors present. | | |
| The 11th term – 8th meeting 8.5.2022 | Board of Directors | 01. Approved the 2022Q2 consolidated financial report. | | None |
| | | 02. Approved the company's loan applications filed with Mega International Commercial Bank, CTBC Bank, Hua Nan Bank, and Bank SinoPac. | | None |
| | | 03. Approved the company's making of endorsements/guarantees for Dongguan Megaforce Electronic Technology Co., Ltd. | V | None |
| | | 04. Approved the stipulation of the "Management of the prevention of insider trading." | V | None |
| | | Opinions of Independent Directors: None | | |
| | | The company's handling of independent directors' opinions: None | | |
| | | Resolution result: Approved by all directors present. | | |
| The 11th term – 9th meeting 11.4.2022 | Board of Directors | 01. Approved the 2022Q3 consolidated financial report. | | None |
| | | 02. Approved the stipulation of the pre-approval policy for non-audit and assurance services. | V | None |
| | | 03. Approved the 2023 internal audit plan of the company and its subsidiaries. | V | None |
| | | 04. Approved the company's loan applications filed with Land Bank of Taiwan, Yuanta Bank, and Taishin International Bank. | | None |
| | | 05. Approved the amendment to the "Rules of Procedure for Board of Directors Meetings." | V | None |
| | | 06. Approved the amendments to the "Procedures for Handling Material Inside Information." | | None |
| | | 07. Approved the amendments to the "Regulations Governing the Conference of Share Holding Employees." | | None |
| | | 08. Approved the company's short-term loan application filed with o Suzhou Intentech Co., Ltd. | | None |
| | | Opinions of Independent Directors: None | | |
| | | The company's handling of independent directors' opinions: None | | |
| | | Resolution result: Approved by all directors present. | | |
| The 11th term – 10th meeting 1.18.2023 | Board of Directors | 01. Approved the 2023 budget of the company and its subsidiaries. | | None |
| | | 02. Approved the company's loan applications filed with for financing quota to Bank of Taiwan and Bank of Panhsin. | | None |
| | | 03. Approved the amendments to some articles of the "Sustainable Development Best-Practice Principles." | | None |
| | | 04. Approved the amendments to some articles of the "Corporate Governance Best-Practice Principles." | | None |
| | | Opinions of Independent Directors: None | | |
| | | The company's handling of independent directors' opinions: None | | |
| | | Resolution result: Approved by all directors present. | | |

| Date | Board of Directors / Shareholders' Meeting | Important resolutions | Matters listed in §14-3 of the Securities and Exchange Act | Independent directors' objection or qualified opinions |
|---|---|---|---|---|
| The 11th term – 11th meeting 3.15.2023 | Board of Directors | 01. Approved the company's loan applications filed with Mega Bills, Far East International Bank, JihSun Bank, and E.Sun Commercial Bank. | | None |
| | | 02. Approved the 2022 statement of the internal control system. | V | None |
| | | 03. Approved the 2022 financial report. | | None |
| | | 04. Approved the replacement of the attesting CPAs and the evaluation of the CPA's independence. | V | None |
| | | 05. Approved the amendments to the pre-approval policy for non-audit and assurance services. | V | None |
| | | 06. Approved the 2022 business report. | | None |
| | | 07. Approved the 2022 loss appropriation proposal. | | None |
| The 11th term – 11th meeting 3.15.2023 | Board of Directors | 08. Approved the amendments to some articles of the "Procedures for Engaging in Derivatives Trading." | V | None |
| | | 09. Approved the amendments to some articles of the "Risk Management Policy and Procedures." | | None |
| | | 10. Approved the stipulation on the matters related to convening the 2023 regular shareholders' meeting. | | None |
| | | 11. Approved the stipulation on accepting and handling shareholders' proposals at the 2023 regular shareholders' meeting. | | None |
| | | 12. Approved the greenhouse gas inventory and verification schedule plan of the consolidated subsidiary of the company. | | None |
| | | Opinions of Independent Directors: None | | |
| | | The company's handling of independent directors' opinions: None | | |
| | | Resolution result: Approved by all directors present. | | |

◆ Implementation of the resolutions reached at the 2022 shareholders' meeting

| Resolutions | implementation |
|---|---|
| 01. Acknowledged the 2021 business report and financial statements. | It will come into effect after being resolved and approved at the shareholders' meeting. |
| 02. Approved the 2021 earnings distribution proposal. | The Board of Directors had scheduled the cash dividend distribution date on July 5, 2022 with the payment completed fully on July 27, 2022 (cash dividend for NT$0.25384568 per share). |
| 03. Amendments to some articles of the company's "Articles of Incorporation" | It was announced on the company's website on June 8, 2022, and was approved for registration by the Ministry of Economic Affairs on June 27, 2022, which had been handled in accordance with the amended provisions. |
| 04. Amendments to some articles of the "Rules of Procedure for Shareholders' Meetings" | It was announced on the company's website and the Market Observation Post System on June 8, 2022, which had been handled in accordance with the amended provisions. |
| 05. Amendments to some articles of the "Procedures for the Acquisition and Disposal of assets" | It was announced on the company's website and the Market Observation Post System on June 8, 2022, which had been handled in accordance with the amended provisions. |

◆ Implementation of the resolutions and operation of the Audit Committee in the most recent year

The Audit Committee aims to assist the Board of Directors in supervising the company's quality and integrity in performing accounting, auditing, financial reporting processes, and financial controls.

The main matters to be deliberated and reviewed by the Audit Committee:

1. Financial statements
2. Audit and accounting policies and procedures
3. Internal control system
4. Material assets or financial derivatives trading
5. Material loaning of funds and making of endorsements/guarantees
6. Offering or issuance of securities
7. Regulatory compliance
8. Whether there are related party transactions and possible conflicts of interest between managerial officers and directors
9. Employee grievance report
10. Fraud investigation report
11. Corporate risk management
12. Appointment, dismissal, or remuneration of the attesting CPAs
13. Appointment and dismissal of financial, accounting, and internal audit officers

The operation of the Audit Committee in the most recent year:

| Audit Committee | Proposal content and follow-up processing | Matters listed in §14-5 of the Securities and Exchange Act | Resolutions of the Audit Committee / the company's handling of the Audit Committee's opinions | Other matters that have not been approved by the Audit Committee but approved by more than two-thirds of all board directors |
|---|---|---|---|---|
| The 2nd term – 3rd meeting 3.18.2022 | 01. The 2021 statement of internal control system | V | Approved by all the committee members present, and deliberated by the Board of Directors and approved by all the board directors present. | None |
| | 02. Evaluation of the independence of the CPAs: | V | | |
| | 03. The 2021 standalone financial report and consolidated financial report | | | |
| | 04. The 2021 business report | | | |
| | 05. The 2021 earnings distribution proposal | | | |
| | 06. Amendments to some texts of the "Procedures for the Acquisition and Disposal of Assets" | V | | |
| The 2nd term – 4th meeting 4.29.2022 | 01. The company's 2022Q1 consolidated financial report | | Approved by all the committee members present, and deliberated by the Board of Directors and approved by all the board directors present. | None |
| The 2nd term – 5th meeting 6.8.2022 | 01. The company's making of endorsements/guarantees for Megaforce (Shanghai) Electronic & Plastic Co., Ltd. | V | Approved by all the committee members present, and deliberated by the Board of Directors and approved by all the board directors present. | None |
| | 02. The company's cash capital increase in Megaforcemx, S.de R.L. de C.V. | | | |
| | 03. The company's cash capital increase in Mega 1 Company Ltd. | | | |
| The 2nd term – 6th meeting 8.5.2022 | 01. The 2022Q2 consolidated financial report | | Approved by all the committee members present, and deliberated by the Board of Directors and approved by all the board directors present. | None |
| | 02. The company's making of endorsements/guarantees for Dongguan Megaforce Electronic Technology Co., Ltd. | V | | |
| The 2nd term – 7th meeting 11.4.2022 | 01. The 2022Q3 consolidated financial report | | Approved by all the committee members present, and deliberated by the Board of Directors and approved by all the board directors present. | None |
| | 02. The stipulation of the pre-approval policy for non-audit and assurance services | V | | |
| The 2nd term – 8th meeting 3.15.2023 | 01. The 2022 statement of internal control system. | V | Approved by all the committee members present, and deliberated by the Board of Directors and approved by all the board directors present. | None |
| | 02. The 2022 financial report | | | |
| | 03. The replacement of the attesting CPAs and the evaluation of the CPA's independence | V | | |
| | 04. Amendments to the stipulation of the pre-approval policy for non-audit and assurance services | V | | |
| | 05. The 2022 business report | | | |
| | 06. The 2022 loss appropriation proposal | | | |
| | 07. The amendments to some articles of the "Procedures for Engaging in Derivatives Trading" | V | | |

◆ Implementation of the resolutions and operation of the Compensation Committee in the most recent year

The Compensation Committee aims to assist the Board of Directors in implementing and evaluating the company's overall remuneration and welfare policies and the remuneration of the board directors and managerial officers.

The main matters to be deliberated and reviewed by the Compensation Committee:

1. Review the annual performance objectives and remuneration policies, systems, standards, and structures of the directors and managerial officers.
2. Evaluate the achievement of the performance objectives by directors and managerial officers, and determine the content and amount of their personal remuneration.

The operation of the Compensation Committee in the most recent year:

| Compensation Committee | Proposal content and follow-up processing | Resolution result | The company's handling of the opinions of the Compensation Committee |
|---|---|---|---|
| The 5th term – 3rd meeting 3.18.2022 | 01. The company's managerial officers' reassignment<br>02. The 2021 employee remuneration and director remuneration distribution proposal | Approved by all committee members unanimously. | Proposed to and approved by the Board of Directors unanimously. |
| The 5th term – 4th meeting 11.4.2022 | 01. Amendments to the "Regulations Governing the Conference of Share Holding Employees." | Approved by all committee members unanimously. | Proposed to and approved by the Board of Directors unanimously. |

(XII) Important board meeting resolutions that have been opposed or reserved by directors or supervisors with records or written statements kept in the most recent year and as of the annual report publication date: None

(XIII) A summary of the resignation and dismissal of the company's chairman, general manager, head of accounting, finance officer, internal audit officer, corporate governance officer, and R&D officer in the most recent year and as of the annual report publication date: None

## V. Information Regarding CPA Fees

(I) The amount of audit fees and non-audit fees paid to the CPAs and CPA Firm and its affiliated enterprises, and the content of non-audit services should be disclosed

Amount unit: NT$ Thousand

<table>
<tr><th>Name of CPA Firm</th><th>Name of CPAs</th><th>CPA audit period</th><th>Audit fees</th><th>Non-audit fees</th><th>Total</th><th>Remark</th></tr>
<tr><td rowspan="2">KPMG Taiwan</td><td>Mei-Yen, Chen</td><td rowspan="2">1.1.2022 – 12.31.2022</td><td rowspan="2">6,156</td><td rowspan="2">1,110</td><td rowspan="2">7,266</td><td rowspan="2">Non-audit fees refer to tax compliance audit, tax service, and others</td></tr>
<tr><td>Yu-Feng, Hsu</td></tr>
</table>

Note 1: If the CPA Firm or CPAs are changed by the company this year, it is necessary to list the audit period separately, explain the reasons for the change in the remark column, and disclose the audit and non-audit fees paid sequentially. The service content of the non-audit fees paid for should be detailed by a note.

Note 2: Non-audit fee is paid for the services of: business registration, tax attestation, and taxation services.

(II) If the audit fee paid in the year that the CPA firm is changed is for an amount less than what was paid for in the previous year, the amount of audit fees paid before and after the replacement of CPAs and the reasons should be disclosed: None and not applicable.

(III) If the audit fee is decreased by more than 10% from the year before, the amount, percentage, and reason of the audit fee reduction should be disclosed: None and not applicable.

## VI. Information on Change of CPA

The company’s replacement of CPAs in the most recent two years and thereafter:
Due to the internal job rotation of KPMG Taiwan, in compliance with the requirements of Standards on Quality Control Standard No. 1 and the relevant laws and regulations of the competent security authority, CPA Mei-Yen Chen and CPA Yu-Feng Hsu of the company had been replaced by CPA Yen-Ta, Su and CPA Mei-Yen Chen since the year of 2023, which was approved by the Board of Directors on March 15, 2023.

(I) About the former CPAs:

<table>
<tr><td>Replacement date</td><td colspan="3">3.15.2023</td></tr>
<tr><td>Reasons for replacement and explanation</td><td colspan="3">For the sake of cooperating with the Standards on Quality Control No. 1, the relevant laws and regulations of the competent security authority, and the risk control needs of KPMG Taiwan, the CPAs responsible for the audit of the company’s financial statements shall be rotated after serving for seven consecutive years. CPA Mei-Yen, Chen and CPA Yu-Feng, Hsu of KPMG Taiwan who are responsible for the audit of the company’s financial statements were replaced by CPA Yen-Ta, Su and CPA Mei-Yen, Chen.</td></tr>
<tr><td rowspan="2">Indicates whether the termination of appointment is a decision of the clientele or the CPA.</td><td>Party<br>Status</td><td>CPA</td><td>Clientele</td></tr>
<tr><td>Voluntary termination of appointment</td><td>V</td><td></td></tr>
</table>

| | | | |
|---|---|---|---|
| | Not accepting (continuing) appointment | | |
| The issuance of an opinions other than an unqualified opinion within the latest two years and the reasons | No occurrence of the said situation | | |
| Disagreement with the issuer | No occurrence of the said situation | | |
| Other disclosures (the items stated in Article 10, Paragraph 6, Subparagraph 1-4 – 1-7 of the “Regulations” should be disclosed: | None | | |

(II) About the successor CPAs:

| | |
|---|---|
| CPA Firm | KPMG Taiwan |
| Name of CPAs | Yen-Ta, Su and Mei-Yen, Chen |
| Date of commission | 3.15.2023 |
| Consultation matters related to the accounting treatment methods or accounting principles for specific transactions and possible issuance of opinions on the financial reports before appointment, and the results | Not applicable |
| Written opinion of the successor CPA on matters with an opinion different from the predecessor CPA | No occurrence of the said situation |

(III) Reply letter from the former CPAs regarding the matters stated in Article 10, Paragraph 6, Subparagraph 1, Item 3 of the “Regulations:” Not applicable.

VII. Managers Team Who Had Worded for the Independent Auditor: None.

## VIII. Status of Net Change in Shareholdings and Shares Pledged

### 1. Changes in the equity of directors, supervisors, managerial officers, and major shareholders

Unit: Shares

| Title (Note 1) | Name | 2022 | | As of April 9, 2023 | |
|---|---|---|---|---|---|
| | | Increase/ decrease in the shareholding | Increase/ decrease in the number of shares pledged | Increase/ decrease in the shareholding | Increase/ decrease in the number of shares pledged |
| Chairman | Wen-Lin, Hsu | 0 | 0 | 0 | 0 |
| Vice Chairman and President | Tung-Hui, Chiang | 27,000 | 0 | 0 | 0 |
| Shareholder with more than 10% shareholding | Ying Fan Investment Co., Ltd. | 0 | 0 | 500,000 | 0 |
| Director | Ying Fan Investment Co., Ltd. Representative: Le-Li, Lu | | | | |
| Director | Ying Fan Investment Co., Ltd. Representative: Wan-Sheng, Hsu | | | | |
| Director | Hsien-Yu, Kuo (Note 4) | (805,000) | 0 | (46,000) | 0 |
| Independent Director | Ching-Kong, Chao | 0 | 0 | 0 | 0 |
| Independent Director | Hai-Pang, Chiang | 0 | 0 | 0 | 0 |
| Independent Director | Chun-Nan, Pai | 0 | 0 | 0 | 0 |
| Strategy Officer | Cheng-Chao | 0 | 0 | 0 | 0 |
| Chief of Staff | Le-Li, Lu | 0 | 0 | 0 | 0 |
| Director of Optoelectronics R&D | Makoto Masuda | 0 | 0 | 0 | 0 |
| CFO | Chia-Cheng, Chang | 0 | 0 | 0 | 0 |
| President of Megaforce (Shanghai) Electronic & Plastic Co., Ltd. – BU | Cheng-An, Lee | 0 | 0 | 0 | 0 |
| Vice President of Megaforce (Taiwan) – BU | Huo-Tsao, Lin | 0 | 0 | 0 | 0 |
| Vice President of Suzhou Intentech Co., Ltd. – BU | Fu-Chen, Chen (Note 5) | 0 | 0 | 0 | 0 |
| Junior VP of Suzhou Intentech Co., Ltd. – BU | Tsung-Ho, Ou | 0 | 0 | 0 | 0 |
| Vice President of Dongguan Megaforce Electronic Technology Co., Ltd. – BU | Ming-Wei, Hsu | 0 | 0 | 0 | 0 |
| Junior VP of North American BU | Li-Kai, Chen | 0 | 0 | 0 | 0 |
| Junior VP of Core Design BU | Cheng-Ching, Hsia | (10,000) | 0 | 0 | 0 |

Note 1: The company shareholders with more than 10% shareholding should be noted as "major shareholders" and listed separately.
Note 2: If the counterparty of equity transfer or equity pledge is a related party, the following table should also be filled out.
Note 3: The company established an Audit Committee on June 8, 2018 to replace the supervisors.
Note 4: Mr. Hsien-Yu, Kuo, the director, resigned on February 3, 2023. The increase or decrease of the number of shares held in 2023 is the shareholding as of the resignation date.
Note 5: Mr. Fu-Chen, Chen, a managerial office, was dismissed on March 1, 2022.
Note 6: Mr. Tsung-Ho, Ou was newly appointed on March 1, 2022.

### 2. Information on equity transfer

As of April 9, 2023; Unit: Shares

| Name (Note 1) | Reason for equity transfer (Note 2) | Transaction date | Transaction counterparty | The relationship between the transaction counterparty and the company, directors, supervisors, managerial officers, and shareholders holding more than 10% shareholding | Shares | Trading price |
|---|---|---|---|---|---|---|
| Tung- Hui, Chiang | Received a gift | 8.3.2022 | Nai-Yuan, Chiang | Father and son | 27,000 | 17.65 |

Note 1: Fill in the names of the company's directors, supervisors, managerial officers, and shareholders holding more than 10% shareholding. Note 2: Fill in "Acquisition" or "Disposal."

3. Information on equity pledge

The counterparty of the equity pledge transaction is not a related party, so it is not applicable.

## IX. The Relation the Top Ten Shareholders

The Relation the Top Ten Shareholders

April 9, 2023

| Name (Note 1) | The party's shareholding | | Shares held by spouse and minor children | | Holding shares in the name of others | | The title or names and relationships of the top-ten shareholders who are related parties, spouse, and relatives within the second degree of kinship (Noe 3) | | Remark |
|---|---|---|---|---|---|---|---|---|---|
| | Shares | % | Shares | % | Shares | % | Title (or name) | Relation | |
| Ying Fan Investment Co., Ltd. (Representative: Wen -Lin, Hsu) | 38,983,802 | 29.53% | 0 | 0 | 0 | 0 | Wen-Lin, Hsu | The responsible person of the company | |
| Hsien-Yu, Kuo | 7,700,000 | 5.83% | 426,000 | 0.32% | 0 | 0 | None | None | |
| Growing Minerals Industry Inc., British Virgin Islands (Representative: Wen-Lin, Hsu) | 6,371,835 | 4.83% | 0 | 0 | 0 | 0 | Wen-Lin, Hsu | The responsible person of the company | |
| Wen-Lin, Hsu | 4,964,508 | 3.76% | 189,358 | 0.14% | 0 | 0 | Ying Fan Investment Co., Ltd. | The responsible person of the company | |
| The "Conference of Share Holding Employees" of Megaforce Company Limited has a trust property account setup at CTBC Bank | 2,736,721 | 2.07% | 0 | 0 | 0 | 0 | None | None | |
| Jin-Hong, Zheng | 2,416,000 | 1.83% | 0 | 0 | 0 | 0 | None | None | |
| Min-Shon, Chu | 1,872,217 | 1.42% | 0 | 0 | 0 | 0 | Ying Fan Investment Co., Ltd. | The director of the said company | |
| Jin-Han, Lin | 1,763,000 | 1.34% | 0 | 0 | 0 | 0 | None | None | |
| Wan-Sheng, Hsu | 1,493,640 | 1.13% | 63,000 | 0.05% | 0 | 0 | Wen-Lin, Hsu | Father and daughter | |
| Bank SinoPac custodian Myway Samoa Co., Ltd. investment account | 1,364,492 | 1.03% | 0 | 0 | 0 | 0 | None | None | |

Note 1: All the top ten shareholders should be listed, and the names of corporate shareholders and corporate shareholders' representatives should be listed separately.

Note 2: The calculation of the shareholding ratio refers to the calculation of the shareholding ratio in the name of the party, spouse, minor children, or in the name of others.

Note 3: The relationship among the aforementioned shareholders, including juridical persons and natural persons, should be disclosed in accordance with the provisions of the "Regulations Governing the Preparation of Financial Reports by Issuers."

X. Long-Term Investment Ownership

Total shareholding ratio

April 30, 2023; Unit: Thousand shares; %

| Invested company (Note) | The company's investment | | Investment of the directors, supervisors, managerial officers, and business under direct or indirect control | | Total investments | |
|---|---|---|---|---|---|---|
| | Shares | % | Shares | % | Shares | % |
| Megaforce Group Co., Ltd. | 24 | 100% | 0 | 0% | 24 | 100% |
| Megaforce International Co., Ltd. | 0 | 0% | 6,700 | 100% | 6,700 | 100% |
| Newforce Global Ltd. | 0 | 0% | 20 | 100% | 20 | 100% |
| Megachamp Investment Company Limited. | 500 | 100% | 0 | 0% | 500 | 100% |
| Mega1 Company Ltd. | 9,988 | 99.88% | 0 | 0% | 9,988 | 99.88% |
| Shanghai Yingji Electronic Plastic Co., Ltd. | 0 | 0% | 0 | 100% | 0 | 100% |
| Shanghai Shanghua Painting Co., Ltd. | 0 | 0% | 0 | 100% | 0 | 100% |
| Shanghai AB Megaforce Co., Ltd. | 0 | 0% | 0 | 90% | 0 | 90% |
| Suzhou Intentech Co., Ltd. | 0 | 0% | 0 | 100% | 0 | 100% |
| Dongguan Megaforce Electronic Technology Co., Ltd. | 0 | 100% | 0 | 0% | 0 | 100% |
| Megaforcemx, S.de R.L. de C.V. | 0 | 99.79% | 0 | 0.21% | 0 | 100% |
| Megaforce International Corporation | 0 | 100% | 0 | 0% | 0 | 100% |
| Megaforce SDN. BHD. | 16,386 | 100% | 0 | 0% | 16,386 | 100% |
| Barintec Co., Ltd. | 12 | 70.76% | 5 | 29.24% | 17 | 100% |

Note: It is a long-term investment of the company using the equity method

# Ⅳ. Capital and Shares

I. Capital and shares

(I) Source of capital

1. Source of capital

Unit: Shares; NT$

| Month/Year | Issue price | Authorized capital | | Paid-in capital | | Remark | | |
|---|---|---|---|---|---|---|---|---|
| | | Shares | Amount | Shares | Amount | Source of capital | Using property other than cash as payment of shares | Others |
| 10/1991 | 10 | 1,000,000 | 10,000,000 | 1,000,000 | 10,000,000 | Registered capital | None | Note 6 |
| 8/1997 | 10 | 5,500,000 | 55,000,000 | 5,500,000 | 55,000,000 | Cash capital increase | None | Note 7 |
| 12/2002 | 10 | 100,000,000 | 1,000,000,000 | 40,000,000 | 400,000,000 | Cash capital increase | None | Note 8 |
| 5/2003 | 10 | 100,000,000 | 1,000,000,000 | 45,500,000 | 455,000,000 | Cash capital increase | None | Note 9 |
| 7/2004 | 10 | 100,000,000 | 1,000,000,000 | 52,245,191 | 522,451,910 | Capital increase from earnings | None | Note 10 |
| 8/2005 | 40 | 100,000,000 | 1,000,000,000 | 57,995,191 | 579,951,910 | Cash capital increase | None | Note 11 |
| 8/2005 | 10 | 100,000,000 | 1,000,000,000 | 72,736,393 | 727,363,930 | Capital increase from earnings | None | Note 12 |
| 8/2006 | 10 | 100,000,000 | 1,000,000,000 | 84,646,852 | 846,468,520 | Capital increase from earnings | None | Note 13 |
| 4/2007 | 50 | 100,000,000 | 1,000,000,000 | 95,228,852 | 952,288,520 | Cash capital increase | None | Note 14 |
| 9/2007 | 10 | 200,000,000 | 2,000,000,000 | 110,418,180 | 1,104,181,800 | Capital increase from earnings | None | Note 15 |
| 1/2008 | 50 | 200,000,000 | 2,000,000,000 | 124,418,180 | 1,244,181,800 | Cash capital increase | None | Note 16 |
| 3/2008 | 50 | 200,000,000 | 2,000,000,000 | 124,568,180 | 1,245,681,800 | Conversion of the convertible bond | None | Note 17 |
| 9/2008 | 10 | 200,000,000 | 2,000,000,000 | 132,289,089 | 1,322,890,890 | Capital increase from earnings | None | Note 18 |
| 8/2009 | 11.6 | 200,000,000 | 2,000,000,000 | 132,403,089 | 1,324,030,890 | Subscription of employee stock option | None | Note 19 |
| 9/2009 | 10 | 200,000,000 | 2,000,000,000 | 135,008,871 | 1,350,088,710 | Capital increase from earnings | None | Note 20 |
| 11/2009 | 11.2 | 200,000,000 | 2,000,000,000 | 135,860,371 | 1,358,603,710 | Subscription of employee stock option | None | Note 19 |
| 3/2010 | 11.2 | 200,000,000 | 2,000,000,000 | 136,186,871 | 1,361,868,710 | Subscription of employee stock option | None | Note 19 |
| 5/2010 | 11.2 | 200,000,000 | 2,000,000,000 | 136,216,871 | 1,362,168,710 | Subscription of employee stock option | None | Note 19 |
| 9/2010 | 11.2 | 200,000,000 | 2,000,000,000 | 136,659,121 | 1,366,591,210 | Subscription of employee stock option | None | Note 19 |
| 12/2010 | 11.2 | 200,000,000 | 2,000,000,000 | 136,677,871 | 1,366,778,710 | Subscription of employee stock option | None | Note 19 |
| 4/2011 | 11.2 | 200,000,000 | 2,000,000,000 | 136,807,621 | 1,368,076,210 | Subscription of employee stock option | None | Note 19 |
| 9/2011 | 11.2 | 200,000,000 | 2,000,000,000 | 137,987,621 | 1,379,876,210 | Subscription of employee stock option | None | Note 19 |
| 9/2011 | - | 200,000,000 | 2,000,000,000 | 135,987,621 | 1,359,876,210 | Cancellation of treasury stock | None | Note 21 |
| 12/2011 | 11.2 | 200,000,000 | 2,000,000,000 | 136,177,121 | 1,361,771,210 | Subscription of employee stock option | None | Note 19 |
| 5/2012 | 11.2 | 200,000,000 | 2,000,000,000 | 136,184,621 | 1,361,846,210 | Subscription of employee stock option | None | Note 19 |
| 8/2012 | 11.2 | 200,000,000 | 2,000,000,000 | 136,211,121 | 1,362,111,210 | Subscription of employee stock option | None | Note 19 |
| 1/2013 | 10.2 | 200,000,000 | 2,000,000,000 | 136,214,121 | 1,362,141,210 | Subscription of employee stock option | None | Note 19 |
| 4/2013 | - | 200,000,000 | 2,000,000,000 | 129,037,121 | 1,290,371,210 | Cancellation of treasury stock | None | Note 22 |
| 12/2013 | 10.2 | 200,000,000 | 2,000,000,000 | 129,047,121 | 1,290,471,210 | Subscription of employee stock option | None | Note 19 |
| 12/2013 | 17.7 | 200,000,000 | 2,000,000,000 | 129,058,419 | 1,290,584,190 | Conversion of the convertible bond | None | Note 23 |
| 2/2014 | 10.2 | 200,000,000 | 2,000,000,000 | 129,191,419 | 1,291,914,190 | Subscription of employee stock option | None | Note 19 |
| 6/2014 | 10.2 | 200,000,000 | 2,000,000,000 | 130,024,919 | 1,300,249,190 | Subscription of employee stock option | None | Note 19 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 4/2015 | 16.5 | 200,000,000 | 2,000,000,000 | 130,111,919 | 1,301,119,190 | Subscription of employee stock option | None | Note 24 |
| 9/2015 | 16.5 | 200,000,000 | 2,000,000,000 | 130,164,919 | 1,301,649,190 | Subscription of employee stock option | None | Note 24 |
| 12/2015 | 16.5 | 200,000,000 | 2,000,000,000 | 130,197,419 | 1,301,974,190 | Subscription of employee stock option | None | Note 24 |
| 3/2016 | 16.5 | 200,000,000 | 2,000,000,000 | 130,234,419 | 1,302,344,190 | Subscription of employee stock option | None | Note 24 |
| 6/2017 | 16.1 | 200,000,000 | 2,000,000,000 | 130,249,419 | 1,302,494,190 | Subscription of employee stock option | None | Note 24 |
| 12/2017 | 15.8 | 200,000,000 | 2,000,000,000 | 131,338,919 | 1,313,389,190 | Subscription of employee stock option | None | Note 24 |
| 2/2018 | 15.8 | 200,000,000 | 2,000,000,000 | 131,512,919 | 1,315,129,190 | Subscription of employee stock option | None | Note 24 |
| 5/2018 | 15.8 | 200,000,000 | 2,000,000,000 | 132,015,919 | 1,320,159,190 | Subscription of employee stock option | None | Note 24 |

Note 1: Fill in the information for the current year as of the annual report publication date.
Note 2: The effective (approval) date and document number of the capital increase should be indicated.
Note 3: The stock shares issued at a price lower than the par value should be clearly marked.
Note 4: The monetary claims or technologies that are used to pay for stock shares, if any, should be clearly stated with the information on the type and amount of the payment substitute noted.
Note 5: A private placement should be marked conspicuously.
Note 6: October 15, 1991, Approval Document No.: (80) Jian-III-Zi No. 356136
Note 7: August 26, 1997, Approval Document No.: (86) Jian-San-Zi No. 222932
Note 8: December 31, 2002, Approval Document No.: Jin-So-Sun-Zi No. 09101521150
Note 9: May 5, 2003, Approval Document No.: Jin-So-Sun-Zi No. 09201134940
Note 10: July 21, 2004, Approval Document No.: Jin-Guan-Zheng-I-Zi No. 0930132674
Note 11: August 22, 2005, Approval Document No.: Jin-Guan-Zheng-I-Zi No. 0940134911
Note 12: August 22, 2005, Approval Document No.: Approved with the Jin-Guan-Zheng-I-Zi No. 0940134912
Note 13: August 17, 2006, Approval Document No.: Jin-Guan-Zheng-I-Zi No. 0950136660
Note 14: April 4, 2007, Approval Document No.: Approved with the Jin-Guan-Zheng-I-Zi No. 0960014740
Note 15: August 09, 2007, Approval Document No.: Approved with the Jin-Guan-Zheng-I-Zi No. 0960042511
Note 16: October 25, 2007, Approval Document No.: Jin-Guan-Zheng-I-Zi No. 0960057282
Note 17: October 25, 2007, Approval Document No.: Jin-Guan-Zheng-I-Zi No. 09600572821
Note 18: July 04, 2008, Approval Document No.: Jin-Guan-Zheng-I-Zi No. 0970033560
Note 19: July 14, 2006, Approval Document No.: Jin-Guan-Zheng-I-Zi No. 0950130701
Note 20: July 14, 2009, Approval Document No.: Jin-Guan-Zheng-Fa-Zi No. No. 0980035156
Note 21: June 23, 2008, Approval Document No.: Jin-Guan-Zheng-III-Zi No. No. 0970031471
Note 22: January 4, 2013, Approval Document No.: Jin-Guan-Zheng-Jiao-Zi No. 1020000214
Note 23: June 23, 2011, Approval Document No.: Jin-Guan-Zheng-Fa-Zi No. 1000026072
Note 24: May 11, 2011, Approval Document No.: Jin-Guan-Zheng-Fa-Zi No. 1000019590
Note 25: Implementation of private placement of common stock shares in the most recent year and as of the annual report publication date: None

## 2. Types of shares

April 9, 2023
Unit: Shares

| Type of shares | Authorized capital | | | Remark |
|---|---|---|---|---|
| | Outstanding shares (Note) | Unissued shares | Total | |
| Common stock | 132,015,919 | 67,984,081 | 200,000,000 | None |

Note: It refers to stocks of TPEx Listed Company, including 2,000,000 treasury shares.

## (II) Shareholder structure

April 9, 2023

| Shareholder structure / Quantity | Government agency | Financial Institutions | Other juridical persons | Individuals | Foreign institutions and foreigners | Treasury stock | Total |
|---|---|---|---|---|---|---|---|
| Number of people | 0 | 1 | 11 | 9,478 | 20 | 1 | 9,511 |
| Shareholding | 0 | 2,736,721 | 42,511,627 | 75,250,780 | 9,516,791 | 2,000,000 | 132,015,919 |
| Shareholding ratio | 0.00% | 2.07% | 32.20% | 57.01% | 7.21% | 1.51% | 100.00% |

Note: The first-time TWSE (TPEx) listed company and the emerging stock company should disclose the shareholding ratio of the Chinese capital. The so-called Chinese capital refers to the people, juridical persons, groups, other institutions in the mainland China, including an invested company in a third region as stipulated in Article 3 of the "Measures Governing Investment Permit to the People of Mainland Area."

(III) Equity dispersion profile

April 9, 2023
Unit: Share; NT$10 par

| Shareholding classification | Number of shareholders | Shareholding | Shareholding ratio |
|---|---|---|---|
| 1–999 | 1,651 | 311,426 | 0.24% |
| 1,000–5,000 | 6,061 | 12,880,451 | 9.75% |
| 5,001–10,000 | 973 | 7,780,936 | 5.89% |
| 10,001–15,000 | 271 | 3,472,804 | 2.63% |
| 15,001–20,000 | 161 | 3,003,525 | 2.28% |
| 20,001–30,000 | 147 | 3,795,603 | 2.88% |
| 30,001–40,000 | 68 | 2,428,935 | 1.84% |
| 40,001–50,000 | 45 | 2,133,259 | 1.62% |
| 50,001–100,000 | 65 | 4,554,841 | 3.45% |
| 100,001–200,000 | 31 | 4,196,659 | 3.18% |
| 200,001–400,000 | 13 | 3,541,309 | 2.68% |
| 400,001–600,000 | 2 | 1,006,023 | 0.76% |
| 600,001–800,000 | 2 | 1,304,050 | 0.99% |
| 800,001–1,000,000 | 6 | 5,212,334 | 3.95% |
| Over 1,000,001 | 15 | 76,393,764 | 57.86% |
| Total | 9,511 | 132,015,919 | 100.00% |

(IV) Major shareholder List

| Shares / Names of major shareholders | Shareholding | Shareholding ratio |
|---|---|---|
| Ying Fan Investment Co., Ltd. (Representative: Wen-Lin, Hsu) | 38,983,802 | 29.53% |
| Hsien-Yu, Kuo | 7,700,000 | 5.83% |
| Growing Minerals Industry Inc., British Virgin Islands (Representative: Wen-Lin, Hsu) | 6,371,835 | 4.83% |
| Wen-Lin, Hsu | 4,964,508 | 3.76% |
| The “Conference of Share Holding Employees” of Megaforce Company Limited has a trust property account setup at CTBC Bank | 2,736,721 | 2.07% |
| Jin-Hong, Zheng | 2,416,000 | 1.83% |
| Min-Shon, Chu | 1,872,217 | 1.42% |
| Jin-Han, Lin | 1,763,000 | 1.34% |
| Wan-Sheng, Hsu | 1,493,640 | 1.13% |
| Bank SinoPac custodian Myway Samoa Co., Ltd. investment account | 1,364,492 | 1.03% |

(V) Information on market price, net worth, earnings, dividend, and the relevant data for the most recent two years

Unit: NT$; Thousand shares

| Item | | | 2021 (distributed in 2022) | 2022 (distributed in 2023) | As of March 31, 2023 (Note 8) |
|---|---|---|---|---|---|
| Market price per share (Note 1) | Highest | | 39.95 | 32.50 | 20.10 |
| | Lowest | | 16.20 | 15.80 | 17.55 |
| | Average | | 26.76 | 23.81 | 18.35 |
| Net worth per share (Note 2) | Before distribution | | 17.97 | 17.04 | 16.45 |
| | After distribution | | 17.72 | 17.04 | Not applicable |
| Earnings per share (Note 3) | Weighted average shares | | 132,016 | 132,016 | 132,016 |
| | Earnings per share – before retrospective adjustment | | 0.18 | (1.20) | (0.81) |
| | Earnings per share – after retrospective adjustment | | 0.18 | (1.20) | Not applicable |
| Dividends per share | Cash dividends | | 0.25 | 0.00 | Not applicable |
| | Stock dividends | Stock dividends from earnings | 0.00 | 0.00 | Not applicable |
| | | Stock dividends from additional paid-in capital | 0.00 | 0.00 | Not applicable |
| | Cumulative undistributed dividends (Note 4) | | 0.00 | 0.00 | Not applicable |
| Analysis of return on investment | Price to earnings ratio (Note 5) | | 148.67 | 19.84 | Not applicable |
| | Price to dividends ratio (Note 6) | | 107.04 | 0.00 | Not applicable |
| | Cash dividends yield (Note 7) | | 0.93% | 0.00% | Not applicable |

＊If there is a capital increase from earnings or additional paid-in capital with stock share distributed, the market price and cash dividend retroactively adjusted according to the number of shares distributed should also be disclosed.

Note 1: Illustrate the highest and lowest market price of common stock shares in each year; also, calculate the average market price each year in accordance with the transaction value and volume.

Note 2: Please fill in the column by referring to the number of outstanding shares at the end of the year and according to the resolution of the Board of Directors or the shareholders' meeting held in the following year.

Note 3: If there is need to make a retroactive adjustment due to the distribution of stock dividend, the earnings per share before and after the adjustment should be illustrated.

Note 4: If equity securities are issued with terms that allow dividends to be accrued and accumulated for distribution until the year the company makes a profit, the amount of cumulative undistributed dividends as of the current year is disclosed separately.

Note 5: Price-to-Earning (P/E) ratio = Average closing price per share in the current year / earnings per share.

Note 6: Ratio-to-Dividend ratio = Average closing price per share in the current year / cash dividend per share.

Note 7: Cash dividend yield = Cash dividend per share / average closing price per share in the current year

Note 8: The net value per share and earnings per share refers to the information audited (reviewed) by the CPAs in the most recent quarter as of the annual report publication date. The remaining columns should be filled in with the data of the current year as of the annual report publication date.

(VI) Company dividend policy and implementation

1. Dividend policy formulated in the Articles of Incorporation

According to the Articles of Incorporation. The annual earnings, if any, are applied to pay income tax and make up for the losses of the previous years; then, appropriate an amount equivalent to 10% net income legal reserve, but the requirement does not apply when the legal reserve amount is equivalent to the total additional paid-in capital. In addition, a special reserve may be appropriated or reversed in accordance with the laws and regulations or the requirements of the competent authority. The balance amount plus the accumulated retained earnings is the distributable earnings. A part of the earnings can be retained depending on the operating conditions. The dividend can be distributed in the form of cash or stock shares. However, the total cash dividends distributed may not be less than 30% of the total dividend distributed.

The company may authorize the Board of Directors in accordance with the provision of Article 240 of the Company Act to have the distributable dividends and bonuses paid in cash with the resolution adopted by a majority vote at the board meeting attended by two-thirds of the Board of Directors, or to have the legal reserve and paid-in capital in whole or in part paid in cash in accordance with the provision of Article 241 of the Company Act, which should be reported in the shareholders' meeting. If it is implemented with new shares issued, it shall be distributed after the resolution of the shareholders' meeting.

2. Dividend distribution proposed at the current shareholders' meeting

Due to the fact that there are no earnings resulted in the final accounts of 2022, it is proposed in the shareholders' meeting not to distribute common stock dividends and cash dividends.

(VII) The impact of the stock dividends proposed in the shareholders' meeting on the company's operating performance and earnings per share: Not applicable

(VIII) Remuneration of employees, directors, and supervisors

1. The percentage or range of remuneration for employees, directors, and supervisors as set forth in the Articles of Incorporation

According to the Articles of Incorporation, the net income before tax and before distributing employee remuneration and director remuneration, but after reserving an amount equivalent to the accumulated losses for making it up, the remaining balance amount, if any, should be applied to pay employee remuneration for an amount not less than 1% of the remaining balance amount and to pay director remuneration for an amount not more than 5% of the remaining balance amount.

2. The basis for estimating the amount of remuneration to employees, directors, and supervisors, the basis for calculating the number of shares for employee remuneration distributed in stock, and the accounting treatment if the actual amount distributed differs from the estimated amount:

(1) The basis for estimating the amount of remuneration to employees, directors, and supervisors: Please refer to the aforementioned (VIII) 1. "The percentage or range of remuneration for employees, directors, and supervisors as set forth in the Articles of Incorporation."

(2) The basis for calculating the number of shares for employee remuneration distributed in stock: The company did not issue stock dividends in 2022, so it is not applicable.

(3) The accounting treatment if the actual amount distributed differs from the estimated amount: The company did not distribute employee remuneration and director remuneration in 2022, so it is not applicable.

3. Distribution of remuneration as approved by the Board of Directors

(1) The amount of employees' remuneration and directors' and supervisors' remuneration distributed in cash or stock. If the amount differs from the amount estimated in the year in which the expense is recognized, the difference, the reasons for the difference, and the circumstances under which the difference was handled should be disclosed.

The Board of Directors resolved on March 15, 2023 that since the company had no earnings in 2022, no employee remuneration and director remuneration would be distributed. The aforementioned distribution amount is consistent with the amount estimated in the year expenses recognized.

(2) The ratio of the amount of employee remuneration distributed in stock to the total net income and total employee remuneration in the standalone or parent only financial report

The company did not distribute employee remuneration in the form of stock in 2022, so it is not applicable.

4. If the actual distribution of remuneration (including the number of shares distributed, the amount, and the price of the shares) to employees, directors, and supervisors in the previous year (2021) differs from the remuneration to employees, directors, and supervisors recognized and booked, the amount of the difference, the reasons for the difference, and the circumstances under which the difference was handled should be stated.

Unit: NT$ Thousand

| Item | Actual amount distributed | Estimated amount | Amount of difference | Reason for difference |
|---|---|---|---|---|
| Employee remuneration–Cash | 1,200,000 | 1,200,000 | 0 | Not applicable |
| –Stock | 0 | 0 | 0 | Not applicable |
| Director remuneration | 1,080,000 | 1,080,000 | 0 | Not applicable |

(IX) Repurchase of the company’s shares:

1. The repurchase of the company’s shares (transaction completed): Illustrated in the following table.

April 30, 2023

| Repurchase period (Note) | The third time |
|---|---|
| Repurchase purpose | Transfer of shares to employees |
| Repurchase period | From March 25, 2022 to April 29, 2022 |
| Repurchaser price range | NT$15–NT$35 per share |
| Type and quantity of shares repurchased | 2,000,000 common stock shares |
| Amount of stock shares repurchased | NT$44,904,881 |
| The ratio of the purchased quantity to the planned quantity (%) | 100% |
| Number of shares cancelled and transferred completely | 0 |
| Cumulative shareholding in the company | 2,000,000 common stock shares |
| Ratio of the cumulative shareholding in the company to the total number of issued shares (%) | 1.51% |

Note: The number of columns is adjusted according to the actual number of issuances.

2. The company’s shares repurchased by the company (in process): None

## II. Issuance of Corporate Bond

### (I) Corporate bonds

#### 1. Implementation

<table>
<tr><td colspan="2">Type of corporate bonds (Note 2)</td><td>The first private placement of convertible bonds without warrants in 2020</td></tr>
<tr><td colspan="2">Issue (processing) date</td><td>August 26, 2020</td></tr>
<tr><td colspan="2">Face value</td><td>NT$100,000</td></tr>
<tr><td colspan="2">Place of issuance and trading (Note 3)</td><td>Not applicable</td></tr>
<tr><td colspan="2">Issue price</td><td>Issued in full face value</td></tr>
<tr><td colspan="2">Total amount</td><td>NT$30,000,000</td></tr>
<tr><td colspan="2">Interest rate</td><td>Coupon annual interest rate 0%</td></tr>
<tr><td colspan="2">Duration</td><td>Five-year period (expiration date: August 25, 2025)</td></tr>
<tr><td colspan="2">Guarantee agency</td><td>None</td></tr>
<tr><td colspan="2">Trustee</td><td>None</td></tr>
<tr><td colspan="2">Underwriting agency</td><td>None</td></tr>
<tr><td colspan="2">Certification lawyer</td><td>None</td></tr>
<tr><td colspan="2">Attestation CPA</td><td>None</td></tr>
<tr><td colspan="2">Repayment method</td><td>The coupon rate of the private placement convertible bonds is 0% according to the provision of Article 4 of the company’s “Regulations Governing the Issuance and Conversion of the First Domestic Convertible Bonds Without Warrants to Specific Creditors;” therefore, there is no need to determine the interest payment date and method. Unless the convertible bond without warrants to specific creditors is converted into company’s common stock shares in accordance with Article 10 of the “Regulations,” or the bondholders exercise the redemption rights in accordance with Article 19 of the “Regulations,” the convertible bonds will be repaid in cash at the face value of the bonds on the due day in a lump sum.</td></tr>
<tr><td colspan="2">Outstanding principal</td><td>NT$30,000,000</td></tr>
<tr><td colspan="2">Terms of redemption or early settlement</td><td>None</td></tr>
<tr><td colspan="2">Restriction terms (note 4)</td><td>None</td></tr>
<tr><td colspan="2">Credit rating agency name, rating date, and corporate bond rating results</td><td>Not applicable</td></tr>
<tr><td rowspan="2">Other rights attached</td><td>Amount of converted (exchanged or subscribed) common stock shares, overseas depositary receipts, or other marketable securities as of the annual report publication date</td><td>None</td></tr>
<tr><td>Regulations Governing Issuance and Conversion (exchange or subscription) of Bonds</td><td>Please refer to the company’s “Regulations Governing the Issuance and Conversion of the First Domestic Convertible Bonds Without Warrants to Specific Creditors.” Relevant information is disclosed in the “Credit” section of the Market Observation Post System at https://mops.twse.com.tw/mops/web/t105sb01</td></tr>
<tr><td colspan="2">Issuance and conversion, exchange or subscription methods, issuance conditions on possible dilution of equity, and impact on current shareholders’ rights and interests</td><td>The purpose of the current private placement is to repay bank loans and improve the company’s financial structure. The cooperation with strategic investors is helpful to the company’s business development and positive effect on the shareholders’ rights and interests.</td></tr>
<tr><td colspan="2">The name of the entrusted depository agency for the exchange subject matter</td><td>Not applicable</td></tr>
</table>

Note 1: The process of corporate bond includes public offering and private placement corporate bonds. The public offering corporate bonds in processed refer to those that have been validated (approved) by the Commission. The private placement corporate bonds in process refer to those that have been approved by the Board of Directors.

Note 2: The number of columns is adjusted according to the actual number of issuances.

Note 3: Fill in the overseas corporate bonds, if any.

Note 4: Such as restricting the distribution of cash dividends, foreign investment, or maintaining a certain percentage of assets mandatorily.

Note 5: A private placement should be marked conspicuously.

Note 6: For convertible corporate bonds, exchange of corporate bonds, shelf registration for issuance of corporate bonds, or equity warrant bonds, the information on the aforementioned corporate bonds should be disclosed in the format of a table by their nature.

2. Information on convertible corporate bond

<table>
<tr><td colspan="2">Types of corporate bonds (Note 1)</td><td>The first domestic private placement convertible bonds without warrants</td></tr>
<tr><td colspan="2">Year<br>Item</td><td>2020</td></tr>
<tr><td rowspan="3">Market price of convertible corporate bond (Note 2)</td><td>Highest</td><td rowspan="3">Not applicable</td></tr>
<tr><td>Lowest</td></tr>
<tr><td>Average</td></tr>
<tr><td colspan="2">Conversion price</td><td>NT$14.6</td></tr>
<tr><td colspan="2">Issuing (processing) date and conversion price at the time of issuance</td><td>NT$15.2 on August 26, 2020</td></tr>
<tr><td colspan="2">Fulfillment of conversion obligations (Note 3)</td><td>Issuance of new shares</td></tr>
</table>

Note 1: The number of columns is adjusted according to the actual number of issuances.

Note 2: The multiple trading locations for overseas corporate bonds, if any, should be listed separately by trading location.

Note 3: Delivery of issued shares or issuance of new shares.

Note 4: Fill in the data of the current year as of the annual report publication date.

III. Preferred Stocks: None.

IV. Issuance of Depositary Receipts: None.

V. Employee Stock Option: None.

VI. Employee Restricted Stock: None.

VII. Mergers or Acquisitions: None.

VIII. Implementation of the capital allocation plans: None.

# V. Operation Overview

I. Business Activities

(I) Business Scope

1. Major Business Activities

(1) C805050 Industrial Plastic Products Manufacturing.
(2) F213080 Retail Sale of Machinery and Tools.
(3) CQ01010 Mold and Die Manufacturing.
(4) F206030 Retail Sale of Molds.
(5) F401010 International Trade.
(6) CC01050 Manufacturing of data storage and processing equipment.
(7) CC01030 Electrical Appliances Manufacturing.
(8) F113020 Wholesale of Electrical Appliances.
(9) F213010 Retail Sale of Electrical Appliances.
(10) CC01070 Wireless Communication Mechanical Equipment Manufacturing.
(11) CC01080 Electronics Components Manufacturing.
(12) I301010 Information Software Services.
(13) CF01011 Medical Devices Manufacturing.
(14) F108031 Wholesale of Medical Devices.
(15) F208031 Retail Sale of Medical Apparatus.
(16) ZZ99999 All business activities that are not prohibited or restricted by law, except those that are subject to special approval.

2. Current commodity (service) items and their proportions in the operating revenue of the Company.

Unit: NTD thousand

| Major Products | | Use of Goods (services) | 2022 Net Operating Revenue | 2022 Proportions in the Operating Revenue (%) |
|---|---|---|---|---|
| Plastic Components | Digital | Optical mouse, network products, speakers, webcam, tablet accessories, mobile hard disk, etc. | 2,614,952 | 54.08 |
| | Communication | Earphones, connectors, radio frequency identification systems, etc. | 552,419 | 11.43 |
| | Consumer | Game consoles, chargers, etc. | 1,209,115 | 25.00 |
| | Others | Auto parts, etc. | 76,643 | 1.59 |
| | Sum | | 4,453,129 | 92.10 |
| Mold | | Plastic component injection molding | 257,699 | 5.33 |
| Others | | Medical equipment ,etc. | 124,109 | 2.57 |
| Total | | | 4,834,937 | 100.00 |

3. New products planned to be developed

In micro projection, MEGA1 produces high-quality laser machines for customers in various applications, and continues to work with internationally renowned manufacturers to develop new technologies, products and markets, including mobile devices (mobile phones), wearable devices (watches and glasses) and heads-up displays for vehicles. And thanks to the R&D of Liquid Crystal on Silicon (LCoS) and related display technology, the integration ability of mechanical optical electronics has been improved again. In the future, the Company will continue to research and develop AR related products, in order to expand sales and develop new application markets in a more active manner.

In medical materials, the development direction lies in the core technologies of Megaforce, including molds, plastics, silicone, adhesive, photoelectric and other technologies, which are applied in microchannel bio-wafers, minimally invasive surgical instruments, cancer and long-term photo rehabilitation devices, dental silicone and photoelectric combined products, etc. The Company will also design and develop integrated products of medical temperature sensing system and medical imaging equipment system.

In the major business of mold and molding, the Company will continue to develop high-value LSR liquid silicone molding, not only the single silicone molding, together with mass production of silicone plastic molding, but also further develop the silicone metal combined molding technology and silicone double injection molding technology, as well as completing the silicone coated hollow molding technology which is leading in the industry. The Company will continue to develop plastic molding technology, not only rubber and plastic double injection molding technology, but also functional three injection molding technology. The Company will continue to improve mold technology, provide micro-precision structure mold manufacturing, plan 3D rapid mold service technology, so as to offer customers fast and quality services. In new materials, the Company will develop plastics for magnetic engineering and low shrinkage engineering, skin-friendly and hand-touch materials and other related applications, to seek differentiation and strengthen competitiveness.

(II)Industry Overview

1. Current conditions and developments of the industry

   Major business of the Company is plastic injection molding and mold manufacturing. Plastic injection molding products have a wide range of applications, including consumer electronics, medical equipment, automotive industry, information industry and even optical components. Current revenue of the Company is mainly from plastic shell parts for the electronic industry. Mold industry is a special sector which is technology- and capital-intensive with high added value. Mold products feature various specifications and wide applications. In downstream applications, currently 3C related industries take up the largest portion, followed by the transport industry. Now the most popular 3C industry is based on stamping die and plastic die, and the Company is a manufacturer of plastic die.

   A.Current conditions of the industry

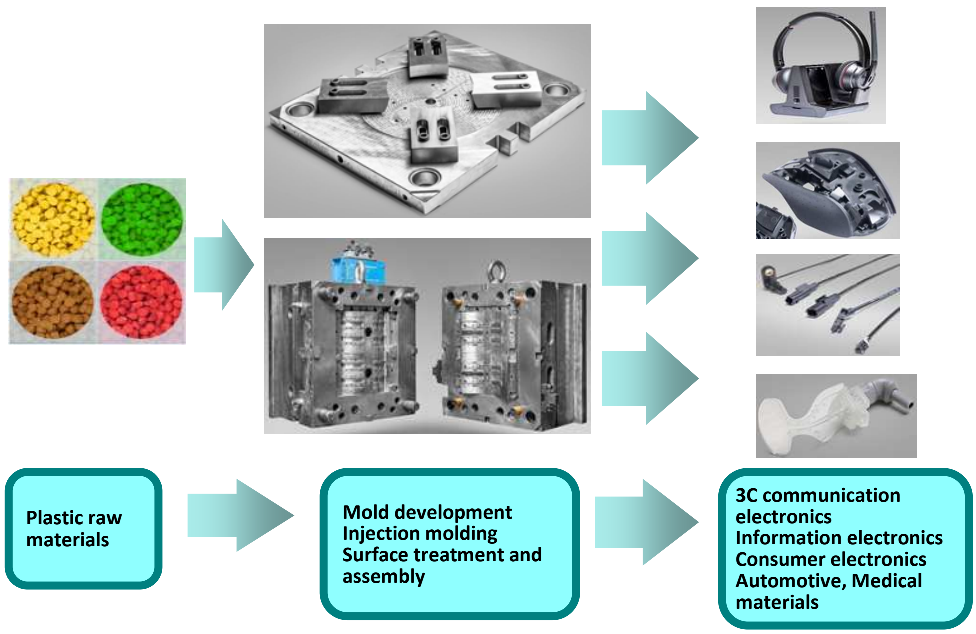
   As the information and electronics industries become more widely used, the final products of these electronic components require strong coverings. According to research institutions, 3C products are the largest downstream industry of industrial plastic products. Moreover, with the rise of environmental protection awareness, the development of plastic products is also oriented to degradable and reusable properties.

   B.Developments of the industry

   With the advancement of science and technology, plastic products manufacturing industry will certainly continue to be highly integrated with information, communication and consumer electronics and other technology industries. In addition, thanks to the development of composite materials, plastic products are widely used in automobile, optics and other industries. The automotive parts, such as bumpers, dashboards and headlights, can all be made of plastic, and the rapid development of the automotive market in Asia is expected to drive the demand for automotive plastics. The booming cloud and Internet industries will also bring about another wave of derivative demand for plastic components. In the aging society where people increasingly pay attention to health and medical quality, medical plastic products are expected to have a certain market demand. Therefore, the plastic products manufacturing industry enjoys high potential in the future.

2. Correlation among upper, middle and downstream industries

   From the perspective of supply and demand, the upstream industry of the plastic product manufacturing industry is the plastic raw material manufacturer, and the manufacturers who need plastic shell or plastic injection components, such as communications industry, information electronics industry, household appliances industry, and automobile manufacturing, are the downstream customers of the plastic product manufacturing industry.




3. Development trends and competition of our products

A. Development and change of product and industry for downstream application

(A) Mouse

Mouse-equipped PC products (desktop and notebook computers) have seen negative growth for more than 6 years due to the popularity of mobile devices such as smart phones and the extension of user renewal cycle. In 2020, due to COVID-19, the demand for work from home and distant learning has increased rapidly, so PC products are in strong market demand. However, the epidemic and the fluctuations of supply chain no longer supported the booming sales of PCs. According to Canalys, the global PC shipment in 2022 was 285.1 million, down by 16% year on year. In Q4 2022, the sales volume was 65.4 million, down by 29%, among which that of NB, down by 30% to 51.4 million; DT fell by 24% to 14 million.

Canalys said the pandemic-driven PC sales boom is over, while the replacement time slot has not yet arrived and the global economic outlook is uncertain, so PC makers have to cope with weaker sales and lower demand ahead. To this end, consumers who still need to buy machines may be able to get a bargain.

IDC said, “the PC market sales has declined for several consecutive quarters, but we should not be too pessimistic. As the global PC shipment in 2021 hit a record high, 2022 figures based on 2021 of course was not good. PC market prospects still exist, and we believe that in the following 2023–2024, the market may gradually recover.”


Source: Chinatimes.com Money, Jan. 2023

According to IDC's forecast, global PC shipment in 2022 will reach 305.3 million units, down by 12.8% year on year; tablets, down by 6.8%. Together, PC and tablet shipments reached 462.1 million units in 2022, still a double-digit decline, down by 10.8 percent year on year. That figure is expected to shrink further in 2023, with the overall PC and tablet market forecasted to decline by 2.6% before recovering to growth in 2024.

Digitimes estimates the global DT, NB and tablet shipment CAGR from 2020 to 2024 as 2.4%, 0.3% and 0.8%, respectively. As the market gradually becomes saturated, the demand will return to mainly education.

(The above contents and data sources are from *Digitimes*, *Chinatimes money*, and udn websites)

**全球個人電腦產品出貨預測**

| 產品類別 | 2022年出貨量 | 2026年預測出貨量 | 2022-2026 年複合成長率(%) |
|---|---|---|---|
| 消費者端 | 2.653 | 2.693 | 0.4 |
| 企業端 | 0.576 | 0.636 | 2.5 |
| 公部門 | 0.692 | 0.690 | -0.1 |
| 中小企業 | 0.700 | 0.759 | 2.0 |

單位：億台
資料來源: IDC Worldwide Personal Computing Device Tracker
何佩儒／製表 經濟日報

Source: udn, Jan. 2023

(B) Earphones

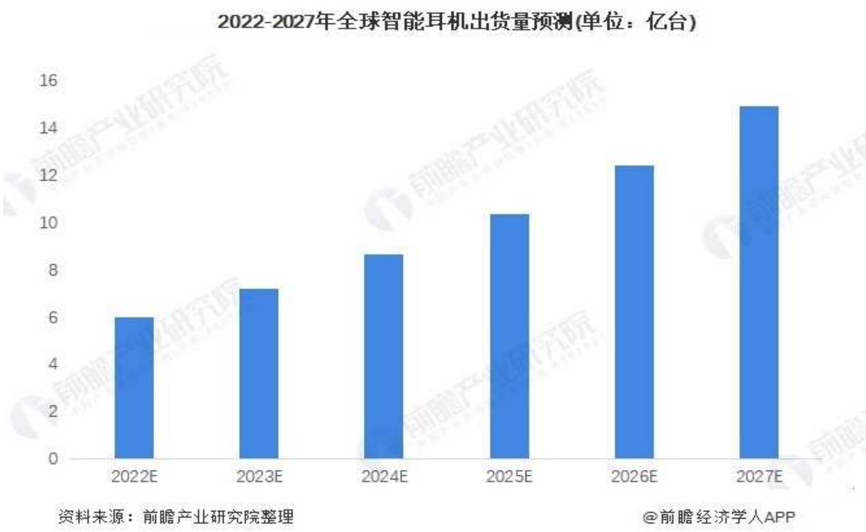
Earphone is a very typical M-shaped product. At one end of the market, there is a huge demand but consumers do not pay much attention to the specifications and characteristics, and the price competition is quite fierce. At the other end is a small number of players, enthusiasts or professionals, whose requirements for specifications and quality are very high, and high-end products costing thousands or even tens of thousands of New Taiwan dollars also have a fixed group of supporters. The rise of mobile devices is blurring the lines between the two ends, and the market for higher-end products is expanding rapidly.

In 2021, the COVID-19 was gradually under control, but the demand for remote work and distant learning was still there, and the need for PC accessories such as Bluetooth earphones was also booming. In particular, since Apple, the leader of true wireless Bluetooth earphones (TWS), no longer sells earphones together with mobile phones, AirPods are expected to set off a new wave of TWS demand.

At present, smart earphones are mainly used in smart phones. According to IDC, the global smartphone shipments reached 1.292 billion in 2020 and 1.35 billion in 2021, with a year-on-year growth of 5% and a rebound after a decline for two consecutive years.

The variety of usage scenarios and the high compatibility with market demand make smart earphones one of the few strategic winners from COVID-19. It is conservatively estimated that the growth rate of global smart earphones shipment will remain at about 20% from 2021 to 2027, and that will exceed 1 billion in 2025, and is expected to reach about 1.5 billion in 2027.

(The above contents and data are from the *Digitimes* and Topology Research Institute websites)




Source: Qianzhan, Jan. 2022

(C) Netcom products

The communication network industry uses wired or wireless equipment to transmit or receive symbols, signals, text, video, sound and other information. The upstream of the industry chain is the component suppliers of various communication terminals, while the downstream is the suppliers of various terminal application products.

With the development of cloud data centers, the continued popularity of 4K/8K audio and video, and the rapid penetration of the Internet of Things and mobile devices, the demand for equipment including 4G/5G data machines, mobile routers and wireless modules, as well as VDSL/G.fast Modem, Cable Modem, PON ONUs, and high level home gate and switch, continues to increase. In addition, emerging smart home applications and home streaming film and television services are rising, driving the shipment of various smart home products such as OTT inflight boxes, smart Wi-Fi routers, smart speakers and IoT terminals.

In recent years, due to COVID-19, the number of people working, studying and playing at home has increased dramatically. Meanwhile, more enterprises are thinking about and accelerating the construction of more advanced ICT software and hardware and cloud application environment. In this way, besides driving a wave of demand for ICT products such as Notebook, PC, OTT box and IP Camera, the trend is also pushing cloud service giants, including Amazon, Microsoft and Google, to increase the number of data centers and marginal computing infrastructure built around the world, and to partner with telecom providers to meet the growing demand for web application traffic from broadband providers. As a result, communication equipment used in data centers, including switches, optical communication peripheral components and related wafers, has also benefited.

In 2021, the annual output value of Taiwan’s netcom industry reached NT$3.92 trillion, growing by 9.5% over 2020. The momentum of mobile and fixed network upgrading continues to create market growth opportunities, mainly driven by mobile CPE, WLAN and small base stations, but still restricted by supply chain issues such as upstream material shortage, price increase and freight shipment. The shortage of materials was alleviated in Q2 and Q3 of 2022, which improved the gross profit margin of netcom plants in the second half of 2022.

In addition, as China’s mainland-made equipment are replaced and customers transfer orders to Taiwan makers due to the ban of FCC by the United States and the promotion of clean Internet by European and American countries, Taiwan factories are actively setting up overseas bases and corresponding production capacity.

Remote office has evolved from a contingency measure to a new type of work style. The annual growth rate of video conference equipment market globally rose from a single-digit 5.9% in 2019 to a double-digit peak of 10.5% in 2020, with an output value of US$3.38 billion. In 2021 and 2022, the growth rate dropped to 8% and 6%,

single digits, and the output value reached nearly US$400 million. Remote office and homeschooling have increased demand for Internet traffic and created new opportunities for broadband products. Drive the demand for network Switch, WLAN, Router and Gateway; compound growth rate CAGR were 5.2%, 2.6% and 21.2%, respectively.
(The above contents and data sources are *Digitimes* website, Topology Research Institute, MIC website, and IC TPEX)

(D) Smart home products

The smart home is an efficient, comfortable, safe, convenient and environmentally friendly living environment which is based on the residence platform and is equipped with construction, network communication, information appliances and equipment automation, and integrates system, structure, service and management. Smart home uses advanced computer technology, network communication technology, and comprehensive wiring technology to organically integrate various subsystems related to home life. Through overall management, it makes home life safer and more comfortable.
According to IDC, the global shipment of smart home devices is expected to grow to 1.44 billion by 2024, with a five-year average compound growth rate of 14%. The smart home products studied by IDC include: video entertainment with smart TV as the core, smart cameras, smart door locks, smart doorbells and other home monitoring and security devices, as well as smart speakers.
Since the COVID-19 in 2020, people have spent more time at home and have better understanding of smart home devices and systems. According to latest research from Parks Associates, one-third of smart device owners at U.S. households with access to broadband have increased their use of devices during the pandemic. Survey institution Omida estimates the global market for smart home products could reach US$249 billion by 2024. The best examples of makers or platforms for so-called smart home products include Amazon (launched Echo smart speaker and Alexa-related products) and Google (Nest line has evolved from thermostats to doorbells) to Apple (product line using the HomeKit platform extends to smart sprinkler controllers and flood sensors), and companies like iRobot which makes Roomba.
According to Juniper Research, the number of smart home device activations will grow from over 7.4 billion in 2020 to 13.5 billion in 2025. Voice assistant features, which have become an increasingly common way to control digital entertainment devices (from smart speakers to TVS and game consoles), will also be connected to the smart home ecosystem. Since Apple officially abandoned the US$299 HomePod in March 2021 and continued to sell the US$99 HomePod Mini, it seems that Apple is determined to start another wave of smart home strategy, which we believe will drive the competition and development of the smart home industry chain.
(The above contents and data sources are from iKnow of Science and Technology Policy Research and Information Center, IDC)

Pic: Paxipay


Pic: Topology Research Institute website

B. Competition

The competition in plastic products manufacturing and mold industry is described as follows:

Manufacturing plastic products

There are few barriers for new entrants, either in terms of technology or capital requirements. Most plastic casings can be made by simple machines in low-tech production. The main advantages of the Company can be summarized as follows:

a. One-stop production mode, providing products and services required by customers at one time, and long-term cooperation with downstream manufacturers, can effectively expand market share, prevent the entry of new manufacturers, to virtually constitute the entry barrier of competitors.
b. Post-process processing technology of plastic casing/mechanism parts require technical and experience threshold.
c. The Company has reached an economic scale in cost or quality, which enjoys an advantage in the face of price competition and is not easy to be replaced by new entrants.

Mold Industry

The competitiveness of mold should consist of four factors, namely price, delivery, quality and service. For molds with mature technology, the difference in on-time delivery and mold quality has been reduced, leading to fierce price competition; but in terms of precision molds, customers pay attention to quality (such as service life, precision, stability, forming speed and low defective rate of finished products) and delivery time, especially for 3C electronic products. The mold industry is faced with tight delivery time.

(III) Overview of Technology and R&D

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

Unit: NTD thousand; %

| Year | 2021 | 2022 | Q1 2023 |
|---|---|---|---|
| R&D expenses | 137,353 | 139,819 | 38,308 |
| Percentage of operating revenue (%) | 2.58% | 2.89% | 4.61% |

2. Technologies or products successfully developed

- Successful development of the antibacterial and special soft touch oil of LSR
- Successful development of the integrated design, development, and trial production of micron-grade operating room filtration and voltage stabilization system
- Successful design, development, and trial production of the minimally invasive surgical instruments
- Completed the integrated design and development and (automated) testing and verification of medical testing and diagnostic equipment systems
- Successful integrated design, development, and trial production of energy storage system
- Mass production and sales of EzARGO 720P AR display device
- Completed the EzARGO 1080P AR display device EVT test and ready for mass production
- Sample sales of AR LBS and LBS monochrome commercial materials
- Completed sample of HOE 1st LBS
- The custom-made LBS optical-mechanical module was successfully designed and developed for wearable multimedia devices.
- Successful design and development of the high-brightness AR HUD with LBS solution
- The successful integrated design and development of the commercial touch smart interactive whiteboard system

(IV) Long-term and Short-term Business Development Plans

1. Short-term development plan

(1) Sales strategy

The Company specializes in the mold, plastic molding, surface treatment process and assembly of mechanical parts and appearance parts products, and extends to micro-projection module of mechanical optical electronics integration and high-precision medical materials application. Now, its products include dental mechanical and electrical products, minimally invasive surgical instruments, medical IoT integration products, medicine and equipment integration products, and it will continue to promote the application of medical materials to increase its added value. To adapt to the rapid changes in the global economy and consumption trend, Megaforce also gives full play to resource integration and has a global layout, with production bases in China, Mexico, Malaysia and Taiwan. It operates globally with strategic thinking and provides flexible services to customers with high adaptability.

(2) Production policy

The Company is committed to providing a variety of services and meeting the needs of customers with quality, fast speed and good price, as well as strengthening the overall production and quality assurance management function. Each plant continues to obtain quality and environmental certifications such as ISO 9001, ISO 14000, TS 16946, QC 080000, OHSAS 18000, and UL. In quality, with the introduction of more accurate and faster computer-aided detection instrument (CAV), and the existing three-dimension measurement instrument (CMM), the measurement ability improved to a higher level; regarding the environment, the Shanghai plant has set up Concentrator Wheel, equipped with Regenerative Thermal Oxidizer, and an online monitoring system connected to government environmental protection authorities to continuously handle waste gas treatment and control in spray painting process.

In response to the changes in the business environment and the increase in labor and related costs in China’s mainland, it added the planning of automation equipment, process fixtures to save labor costs; it planned small, unmanned workshops to handle small quantities and various types of orders. LSR (liquid silicone) manufacturing process has been added in Shanghai and Taipei plants. For Suzhou plant BMC processing, supporting paint baking, polishing and other appearance process have been completed, with samples successively sent and delivery realized; these new technological processes improved the Company’s ability to differentiate its services and conform with new product trends and customer needs.

(3) Technology R&D

The Company is involved in mold design and manufacturing, processing of soft and hard plastic injection molding parts, and appearance processing, throughout the computer, communication, consumer, automobile surrounding industries. Currently its main products include mouse, netcom, audio and video entertainment, wireless charging, automotive interior parts and appearance parts and other mechanical parts. In the short term, the product development is to move towards differentiation, and it will further cooperate with various research institutions and academic institutions to transfer other related precision mold technology and customized appearance technology.

In recent years, processes that have attracted R&D input and successively have mass production capacity include integration of three-shot, plastic and a variety of different materials, liquid silicone LSR used in the isolation of 3C products and medical materials, and then embedding injection of hard glue or metal and liquid silicone LSR, as well as double shooting process of liquid silicone LSR.

Through new machine development process of brand factory's customers, it combined the use of its own polymer material resources; business of mechanical parts extends to mechanical optical electronics, and the Company plans production capacity of optical components which optical lighting and flash need.

(4) Intelligent production

Based on the existing ERP (enterprise resource planning) and PLM (product life cycle management) systems, the Company's new molding equipment is equipped with small area automation and the Internet of things, so that the production information can reflect the production situation more promptly, correctly and transparent, and increase the depth and accuracy of management, so as to achieve our vision of advanced, extension and sustainable.

2. Long-term development plan

(1) Sales strategy

Continue to improve the mechanical parts, appearance parts products; local plants meet customer needs, improve delivery speed, and reduce transportation, tariff and other costs, to achieve mutually beneficial cooperation conditions with customers. Based on the concrete achievements of micro-projection module, the small-scale application cooperation of projection products is carried out by combining upstream MEMS component factories and downstream brand factories. Extend to medical materials, and cooperate with the metal center to obtain the national major project qualification for oral scanner development; other medical materials include minimally invasive devices, and drug dispensers. Continue product development and verification.

(2) Production policy

The updating machine improves the precision of mold processing and molding production, and improves the utilization rate of factory space. Meanwhile, based on automated production ability, to create self-value and help customers improve competitiveness, continue to play the role of strategic partners for customers to reduce costs.

After years of standardization of mold design, the standards are now fully used in 3D mold design and concrete results have been made. We continue to update the database of standard parts, and with the improvement of mold manufacturing expertise and production capacity to show the timeliness and pass rate of mold opening.

(3) Technology R&D

Over the years of continuous efforts in technology development, we won customer recognition and orders of mass production, especially the Shanghai plant continues to be a high-tech enterprise approved by the Shanghai Municipal Science and Technology Commission. The Company continues to develop more sophisticated and advanced mold and plastic molding technology, extending to the production of micro projection products; the Company also carries out related product development in the application of different materials, the use of thermosetting plastic in post-processing of materials, the combination of silicone mechanical parts and optical module in the field of medical materials.

(4) Comprehensive integration

Build the advantage of differentiation in our industry, to provide customers with complete and irreplaceable services and One Stop Shop overall functional solutions. Integrate resources from all places, give full play to the full 3D design mechanism, mold design and component processing in many places, to form a strong comprehensive service network, in order to provide customers with competitive advantages in product development, mass production and aging, cost and quality.

II. Market and Sales Overview

(I) Market analysis

1. Main sales areas

Unit: NTD thousand

| Area \ Year | | 2022 | | 2021 | |
|---|---|---|---|---|---|
| | | Sales value | Percentage % | Sales value | Percentage % |
| Domestic sales | | 151,485 | 3.13% | 188,133 | 3.54% |
| Export | Asia | 4,326,573 | 89.49% | 4,795,847 | 90.16% |
| | America | 353,672 | 7.31% | 322,354 | 6.06% |
| | Europe | 3,207 | 0.07% | 13,219 | 0.24% |
| | Sum | 4,683,452 | 96.87% | 5,131,420 | 96.46% |
| Total | | 4,834,937 | 100.00% | 5,319,553 | 100.00% |

2. Market share

The Company mainly engages in mold design and development and plastic injection components production. Its product applications cover a wide range of industries, such as information, communication, consumer electronics, and home electronics. We diversifies the products to disperse the risk of concentration.

3. Supply and demand in the future and growth potential in the market

Plastic materials gradually replace some traditional materials, and new engineering plastic composite materials replace metal, which enhances added value, and also meets the diversity of the manufacturing industry, and helps the industry development move into the era of technology.

(1) Demand side

Since its establishment, the Company has invested nearly half of its resources in the electronic parts manufacturing, and has developed many customers and products. In computer peripheral parts, power supplies, all kinds of consumer electronics, electrical products, etc., there are very good products and advanced technology. These items also won the recognition of many international quality manufacturers and listed electronics companies such as Logitech, Asus, Qiacer, Powtran, Arcadyan, and Sonos.

In recent years, in addition to specializing in the new plastic molding technology, the Company has been more committed to the research and development of plastic composite materials, whose quality is greatly recognized by EU and US-based international brands. So electronic parts sales volume is expected to continue stable growth.

Besides electronic information and communication products, the Company continues to develop medical equipment and automotive plastic materials towards diversification to enhance the growth momentum of our business.

(2) Supply side

Injection molding plastic components have a very wide range of applications. Now the products sold by the Company’s main customers cover most electronics products in the industry. Globally, consumer spending as a percentage of total spending has declined year after year due to saturation and commoditization, particularly on PCs, laptops and tablets. Cloud apps can extend the life of these devices. COVID-19 in 2020 and 2021 had a short-term stimulus effect as customers increased purchases of related products such as servers, laptops and remote conferencing. The consumer electronics market related to the Company’s business is expected to grow at no less than the IT rate.

(3) Growth analysis

After years of efforts in Taiwan electronics, information and communication industries, 20 main products such as notebook computer, liquid crystal display, monitor, mainframe board, power supply, case, scanner, drawing card, keyboard, power system, mouse, sound card, video card, hub, data machine, network card and smart phone occupy high market share in the world; the ICT industry in Taiwan is now becoming capital intensive, technology and knowledge intensive, while the design and development of next-generation products and key components is strengthened, as well as the integration of supply chains and the extension of branding and marketing efforts.

The Company has a complete upstream and downstream industrial chain, and can provide a complete cost solution. For any components, at customer demand, we can immediately put forward a complete quotation and supporting programs, producers then can get the most reasonable price, the fastest delivery, the best quality and service, for cost-effectiveness.

As for its goals, in addition to continuing the rich manufacturing experience and deep economies of scale of electronic information products parts, the Company will upgrade the existing technology and promote the IMD process, rapid cooling and rapid heating process, micro injection process, different material embedding injection process, LSR liquid silicone process and various post-process processing technology, etc., to ensure the growth momentum of the business and at the same time a stable profit rate, for differentiation with competitors.

4. Competitive niche

(1) Skilled and experienced management team

The management team with more than 30 years' experience of plastic injection and mold manufacturing can fully handle production efficiency, improve the technical ability of processes, not only to effectively reduce the production cost, but also to improve the product quality, and then effectively enhance the operating efficiency and market competitiveness.

(2) Strong R&D, design and production technology capability

In plastic injection molding industry, filling in mold model is needed. The Company also has the key technical resources of plastic molding and mold R&D ability, with mold manufacturers and plastic molding plants in many countries around the world, so it can complete the mold development and production operations in the shortest time. To improve the technical ability of manufacturing processes, the Company has introduced precision mold development equipment, so that R & D, design, mold making and production can all be completed in the factory, which can effectively control product quality, improve production efficiency, reduce production costs, save logistics expenses, make the product more competitive, to provide customers with one-stop integrated services with cost and technical value.

For potential products in the future, such as high-temperature water-based paint, antibacterial water-based paint and medical-grade fluororubber hand-touch spraying agent, the Company continues the customized development of AR Glasses and 3D Scanning application, as well as R&D of inhalation drug delivery device in the medical materials and equipment market; all these are expected to bring new driving forces to Megaforce.

(3) Abundant production resources

Manufacturers with relevant product production experience and capacity scale are the first choice for international large factories looking for tollers. With long experience in the production of plastic injection molding products in the past, the Company has established production bases all over the world, such as Dongguan, Shanghai and Suzhou in China's mainland, Tijuana in Mexico, Malaysia and Taiwan, etc. We have production capacity with economies of scale. Economies of scale and professional mass production economy also make it relatively difficult for new competitors to enter. Abundant production capacity has also become an important advantage for the Company to obtain OEM orders from international big brands.

(4) Product quality affirmed by international large brands

On the basis of many years' experience in plastic injection products, product quality has passed the UK SGS ISO 9001 certification and obtained the recognition of international manufacturers, such as Logitech, Powtran, Arcadyan, Asus, and SONOS. That shows the quality has reached the international standard, which is good for the expansion of the export market.

5. Advantages and disadvantages of the development prospect and countermeasures

(1) Advantages

Wide range of downstream applications

Plastic products have a wide range of applications, as plastic injection molding products can be used in information, communication, medical, automotive and other daily supplies. That can reduce operating costs and increase potential business opportunities, without increasing operation risks due to the development of a single product market. Thanks to the rapid development of e-commerce, information related products, communications, consumer electronic products continue to grow, and the evolution of science and technology has made product design slimmer and shorter with high portability, which stimulates the consumer market to continue growing. The aging population has created an emerging market for medical supplies. Due to requirements for sterile medical products production environment and equipment, coupled with product yield, this market will be an opportunity to differentiate from competitors and increase the profit margin.

Global operation model

To serve customers locally and reduce production costs, the Company has factories in Dongguan, Shanghai, Suzhou, Mexico, Malaysia and Taiwan. Besides serving customers nearby, it can reduce production costs, flexibly adjust production location or delivery location according to customers' needs, and enhance the Company's international corporate image.

Excellent technical ability

By focusing on the industry for many years for R&D of plastic molding and key technologies of mold, the Company's boasts the leading R&D capacity in the industry. At present, it has nitrogen assisted molding production technology, two-color injection molding technology, vacuum assisted molding technology, development of product technology process of environmental protection and recycling, IMD, rapid cooling and rapid heating, micro injection molding technology, different material embedding injection, electronic component protection low-voltage molding technology, LSR molding technology and other advanced technologies. The Company attaches great importance to the integration of technology and commercialization, and quickly launches mass production according to customer needs to increase the added value of technology.

(2) Disadvantages

No long-term sales contract

Due to industry features, the design and production of plastic injection products are tailored to different products. Whether the terminal application products meet the market demand is also the main factor which affects order intake, so the Company has not signed long-term sales contracts with customers. The company can maintain good supply and demand relationships with customers by virtue of its technology and production strength. However, if competitors improve their technology and production strength in the future, or even adopt price strategies to attack the market, our current stable supply and demand relationship with customers will be adversely affected.

[Countermeasures]

a. The Company actively maintains close interaction with downstream manufacturers in terms of supply and demand, keeps abreast of customers' demands and production conditions, controls production and marketing processes with order-oriented production, and precisely controls inventory; furthermore, through investment in R&D, the design and development capabilities of products are constantly improved, so as to meet in time the needs of downstream customers in mold development and product making. And the Company actively participates in the product development process of downstream customers, with technological innovation and product design creativity to master the source of new orders.
b. The Company follows the plant establishment plan for downstream customers and sets up satellite factories near their factories to keep track of customers' product trends and reduce freight costs.
c. In addition to the existing customer base, the Company is also actively developing new customers, including the development of customer sources in emerging markets.

Over-concentrated terminal products

With the continuous introduction of electronic products for future digital life and the evolution of cloud computing, the growth of computer equipment and its peripheral equipment has slowed down in recent years due to the influence of product replacement. In the past, the business performance of downstream main application products such as mouse, keyboard and other computer peripheral equipment which took up the larger share of the Company's profits has also declined due to the changes of the computer peripheral industry. That will have a significant adverse impact on revenue and earnings in the future.

[Countermeasures]

In addition to existing products, the Company extends its technology to other growth product applications, such as instant cooling and heating, IMD product line, LSR product line, embedding injection products with different materials or adding post-process processing technology (such as LSR-attached liquid silicone polycarbonate base coating, and medical grade silicone spray) to expand the product line. In the future, the Company will be involved in the automobile, medical equipment and other related product markets, without incurring significant changes in revenue due to the life cycle of a single product.

Decreased gross margin due to customer demand for price reduction

For plastic injection molding products, after a certain period of time after mass production, customers often set a price reduction time, by asking for a certain reduction, which has an obvious adverse impact on our revenue and profit.

〔Countermeasures〕

a. Strengthen the bargaining power of raw materials, purchase in large quantities as much as possible, and reduce the cost of raw materials with better purchasing price.
b. Improve material management efficiency, reduce loss rate, or improve use efficiency, etc.
c. Continuously improve mold design ability to reduce the raw material loss rate in the process and improve the yield.

(II) Important Uses and Manufacturing Processes of Main Products

1. Important uses

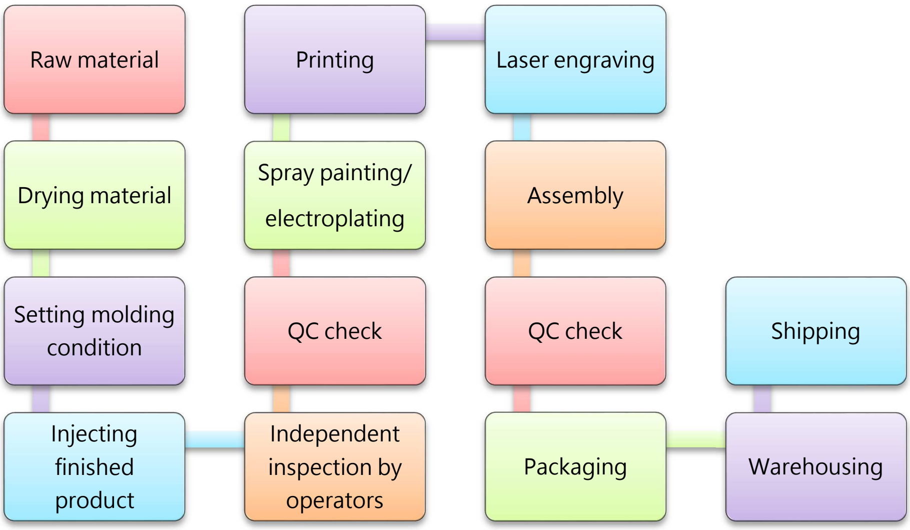
Injection molding products are used in medical equipment, automotive industry, information industry, communication equipment, optical components and LED lighting cups. The Company is positioned to engage in precision engineering plastic molding and manufacturing injection molding products, currently in plastic mold manufacturing, injection molding, assembly parts and mechanical processing which are needed for computer products and peripheral equipment, communication equipment, optical components and medical equipment.

In recent years, on the basis of existing plastic mechanical parts, we produce micro projection and HUD modules or products by combining mechanical, optical electronics. These have been applied to portable electronic products, household appliances and auto parts, etc.

At present, main product uses are as follows:

| Major Products | | Use of Goods (services) |
|---|---|---|
| Plastic Components | Digital | Optical mouse, network products, speakers, webcam, tablet accessories, mobile hard disk, etc. |
| | Communication | Earphones, connectors, radio frequency identification systems, etc. |
| | Consumer | Game consoles, chargers, etc. |
| | Others | Auto parts, etc. |
| Mold | | Plastic component injection molding |
| Others | | Medical equipment ,etc. |

2. Manufacturing process of main products of mechanical parts and appearance parts




(III) Supply of Main Raw Materials

The Company has established good supply relationships with main raw material suppliers such as Chimei Corporation, Grand Pacific, and Nagase Wahlee Plastics, and suppliers of MEMS, laser light source and electronic component for micro-projection products. At the same time, we pay attention to market conditions, price fluctuations of crude oil and plastics, quantity-based price discounts and sources of key electronic materials, and establish long-term strategic cooperation with manufacturers.

(IV) The names of customers who have accounted for more than 10% of the total value of goods bought (sold) in any year of the recent two years, and the amount and percentage of goods bought (sold), together with the reasons for the changes.

1. Information of major suppliers

Not applicable since in any year of the recent two years, the total purchase value from a single supplier did not exceed 10%.

2. Information of major sales customer

Unit: NTD thousand

| | 2021 | | | | 2022 | | | | By Q1, 2023 (Note 2) | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Item | Name | Amount | Percentage in annual net sales (%) | Relationship with issuer | Name | Amount | Percentage in annual net sales (%) | Relationship with issuer | Name | Amount | Percentage in the net sales by the previous quarter of the current year (%) | Relationship with issuer |
| 1 | Logitech Technology (Suzhou) Co., Ltd. | 2,681,087 | 50.40 | N/A | Logitech Technology (Suzhou) Co., Ltd. | 2,692,732 | 55.69 | N/A | Logitech Technology (Suzhou) Co., Ltd. | 412,679 | 49.65 | N/A |
| 2 | Others | 2,638,466 | 49.60 | | Others | 2,142,205 | 44.31 | | Others | 418,571 | 50.35 | |
| | Net sales | 5,319,553 | 100.00 | | Net sales | 4,834,937 | 100.00 | | Net sales | 831,250 | 100.00 | |

Note 1: List the names of customers who have accounted for more than 10% of the total value of goods sold in any year of the recent two years, and the amount and percentage of goods sold. But codes are used to replace customer names which cannot be disclosed required by contracts, and individuals who are not related parties.

Note 2: As of the date of publication of the annual report, a company listed or whose shares have been traded on the premises of a securities broker should disclose its most recent financial information which has been certified or reviewed by accountants.

## (V) Table of Production Quantity and Value in recent two years

Unit: Plastic components (thousand PCS/thousand); Mold (PCS/thousand)

| Main Commodity \ Production Quantity and Value \ Year | | 2021 Production Capacity | 2021 Production Volume | 2021 Production Value | 2022 Production Capacity | 2022 Production Volume | 2022 Production Value |
|---|---|---|---|---|---|---|---|
| Plastic Components | Digital | 1,073,000 | 164,633 | 2,463,496 | 1,099,000 | 159,815 | 2,323,363 |
| | Communication | | 135,607 | 612,571 | | 88,444 | 517,491 |
| | Consumer | | 134,376 | 1,003,798 | | 110,834 | 817,677 |
| | Others | | 5,812 | 60,496 | | 4,645 | 74,069 |
| | Sum | | 440,428 | 4,140,361 | | 363,737 | 3,732,600 |
| Mold | | 1,045 | 826 | 287,926 | 1,045 | 763 | 333,155 |
| Others | | (Note 4) | 170 | 37,157 | (Note 4) | 278 | 62,825 |
| Sum (Note 3) | | | 440,598 | 4,465,444 | | 364,015 | 4,128,580 |

Note 1: Production capacity refers to the number of products that the Company can produce under normal operations by using existing production equipment after taking into account necessary downtime, holidays and other factors.

Note 2: If the production of various products is merely the same (replicable), the production capacity shall be calculated as a whole with notes added.

Note 3: The unit of mold is “PCS,” and the total output is not included.

Note 4: The product category is diversified with insignificant quantity; therefore, no classification is implemented.

## (VI) Table of sales volume and value of recent two years

Unit: Plastic components (thousand PCS/thousand); Mold (PCS/thousand)

| Main Commodity \ Sales Volume and Value \ Year | | 2021 Domestic Sales Volume | 2021 Domestic Sales Value | 2021 Export Volume | 2021 Export Value | 2022 Domestic Sales Volume | 2022 Domestic Sales Value | 2022 Export Volume | 2022 Export Value |
|---|---|---|---|---|---|---|---|---|---|
| Plastic Components | Digital | 4,984 | 29,790 | 261,765 | 3,023,938 | 3,201 | 49,841 | 200,483 | 2,565,111 |
| | Communication | 5,125 | 79,976 | 131,581 | 594,641 | 1,358 | 26,039 | 93,460 | 526,380 |
| | Consumer | 0 | 0 | 101,313 | 1,244,376 | 0 | 0 | 116,409 | 1,209,115 |
| | Other Categories(Note 1) | 457 | 5,504 | 5,277 | 55,994 | 542 | 8,037 | 3,878 | 68,606 |
| | Sum | 10,566 | 115,270 | 499,936 | 4,918,949 | 5,101 | 83,917 | 414,230 | 4,369,212 |
| Mold | | 134 | 61,618 | 843 | 175,134 | 72 | 53,076 | 621 | 204,623 |
| Others(Note 2) | | 1,190 | 11,245 | 50 | 37,337 | 88 | 14,492 | 96 | 109,617 |
| Sum (Note 3) | | 11,756 | 188,133 | 499,986 | 5,131,420 | 5,189 | 151,485 | 414,326 | 4,683,452 |

Note 1: Other categories refer to automobile parts and medical equipment, etc.

Note 2: Others refer to the sale of raw materials, and miscellaneous, etc.

Note 3: The unit of mold is “PCS,” and the total is not included.

III.Status of Employees

Number of employees, average length of service, average age and education distribution ratio of employees in the last two years and as of the publication date of the annual report

| Year | | 2021 | 2022 | By April 30, 2023 in the current year |
|---|---|---|---|---|
| Number of Employees | R&D | 59 | 55 | 59 |
| | Business | 26 | 32 | 32 |
| | Management | 852 | 793 | 796 |
| | Production | 2,255 | 2,380 | 2,349 |
| | Total | 3,192 | 3,260 | 3,236 |
| Average Age | | 37.7 | 39.17 | 39.49 |
| Average Length of Service | | 6.72 | 7.57 | 7.81 |
| Education Distribution Ratio | Doctor | 0.22% | 0.21% | 0.19% |
| | Master | 1.28% | 1.38% | 1.51% |
| | Bachelor | 6.83% | 7.91% | 7.82% |
| | Junior College | 7.74% | 8.59% | 9.89% |
| | High School | 31.92% | 40.06% | 37.74% |
| | Below High school | 52.01% | 41.85% | 42.84% |

Note: Information for the year by the publication date of the annual report should be included.

IV. Expenditure on Environmental Protection

In the most recent year and up to the date of publication of the annual report, for losses due to environmental pollution (including compensation and environmental protection inspection results) and violations of environmental protection laws and regulations, what shall be specified is the date of punishment, the file number of punishments, the provisions of the laws and regulations violated, the contents of the laws and regulations violated, and the contents of punishments. And the estimated amounts that may occur at present and in the future, and responses shall be disclosed. If the estimates cannot be reasonably made, the fact that the estimates cannot be reasonably made should be specified: no such circumstances.

V. Labor Relations

(I) The Company’s various employee welfare measures, further study, training and retirement systems and their implementation, as well as the agreement between labor and management and various measures to protect employees’ rights and interests

1. Employee welfare measures and implementation
   - In accordance with the law, the Company contributes labor insurance and national health insurance, and allocates welfare funds to set up the employee welfare committee, and organizes employee travel, gatherings and lottery activities.
   - Welfare includes birthday gifts, wedding and funeral allowances, travel allowances, education grants, senior staff gifts, occupational annuity, hospital care allowances, emergency relief, special shops, regular health check-ups.
   - Compensation includes competitive salary, extra bonus for three festivals, year-end bonus, performance bonus, etc.
   - From 2020, an employee stock holding committee has been established to handle employee stock holding trust, where employees can deposit a certain amount of money every month, and the Company deposits the same amount. The practice is better than the industry average.
2. Employee’s further education, training and implementation
   - The Company aims to educate and cultivate employees, provides employees with opportunities and funds to take part in training, sets up the “Management Method of Education and Training” and “Operation Guidelines of Employee Training Subsidy,” in order to enable employees to grow hand in hand with the Company, improve work quality, and enhance the overall interests of the Company.
   - The human resources department of the Company is responsible for the implementation of employee education and training, coordinating all departments to formulate annual education and training plans, which are divided into internal training

and external training according to the functional needs of employees, including pre-service training for new employees, in-service education or training, professional training and corporate culture lectures, so as to improve the knowledge and skills of employees.

3. Employee retirement system and implementation
   - In accordance with the "Labor Standard Law," the Company has established the "Employee Retirement Management Measures." According to the provisions, the Company allocates the retirement reserves to the special account of the labor retirement reserves supervision committee every month, and has fully implemented the "Labor Pension Act" since July 1, 2005. The applicable provisions are as follows:
     (1) "The Labor Pension Act" shall apply to all those who have been employed since July 1, 2005 (included).
     (2) For those who started employment before 1 July 2005 (excluding), they may choose the pension system under the "Labor Pension Act" or the "Labor Standard Law" within 5 years from 1 July 2005 according to their actual needs; If the employee has not chosen by the end of the term, the pension provisions of the "Labor Standard Law" shall continue to apply from the date of implementation.
     (3) Employees in one of the following circumstances may ask for retirement.
       a. Those who have worked for 15 years or more and are 55 years.
       b. Employees who have worked for 25 years or more.
       c. Those who have worked for more than 10 years and are 60 years old.
     (4) Pension standard:
       [Old Pension Scheme]
       For employees who started employment before July 1st, 2005 (excluding July 1st), two bases are given for each full year of service, but one base is given for each full year of service for those with over 15 years of service. The maximum is 45 bases. Those less than six months shall be counted as six months; those who have completed half a year are counted as one year.
       [New Old Pension Scheme]
       For those who started employment after July 1, 2005 (inclusive), the Company's retirement pension contribution under the new scheme is 6%.

4. Labor–management agreement and various measures to protect employees' rights and interests
   - Quarterly labor–management meetings are held, a labor–management consultation mechanism is established.
   - Regularly and promptly revise working rules and personnel rules and regulations, clearly regulate and protect employees' rights and interests.
   - Promote gender equality at work and labor relations, and establish channels for employees to complain.
     The Company is committed to enhancing labor harmony and two-way communication to resolve problems. So far, there are no major pending labor disputes.

5. Whether there is a code of conduct or ethics for employees
   - The Company has established management rules such as "Work Rules" and "Code of Ethics for Employee Behavior," for the Company and employees to follow. So that employees know the basic rules for their behavior or ethics. The contents of the rules are as follows:
     (1) The employees of the Company shall be loyal to their duties, abide by all reasonable rules and regulations of the Company, and obey the reasonable command of supervisors at all levels, and shall not agree overtly but oppose covertly, or be perfunctory. Supervisors at all levels should kindly guide and inculcate employees.
     (2) Employees of the Company should work hard, cherish public property, reduce wastage, improve quality and increase production; keep business or job secrets confidential.
     (3) The employees of the Company shall report to their direct supervisors their job performance or company affairs instead of to supervisors at higher level, except for emergency or special circumstances.
     (4) Employees of the Company shall not receive relatives or friends without approval during working hours, or leave work without permission. If it is necessary to receive visitors due to important accidents, they shall do so at designated time and place.
     (5) Employees of the Company shall not bring relatives and friends into the factory without approval.

(6) Employees of the company shall not carry all kinds of contraband (such as guns or drugs) to workplace.
(7) Employees of the Company shall not leave factory with public property without approval.
(8) Employees of the Company shall go to and from work in accordance with the prescribed time, and play (swipe) the card in person, shall not entrust or play (swipe) the card on behalf of others, and shall not be late, leave early or conduct absenteeism, except for business trips or holidays.

- To improve work efficiency, maintain discipline in the workplace, and establish a rewarding and punishing culture, the Company has set up a “Rewarding and Punishing Management Policy” for all employees to follow.
- Computers are an important tool for our staff. In order to regulate the use of electronic tools by our staff, there are “Laptop Management Measures,” “Network Management Measures” and “Software Management Measures” to follow

6. Working environment and personal safety protection measures for employees
   - To protect the rights and interests of employees and life safety, the Company set the “Occupational Safety and Health Management Regulations” which employees are required to thoroughly implement.
   - Fire training and exercises are held regularly to enhance employees’ awareness of fire and accumulate experience through practical operations.
   - Provide employees with labor, health and group insurance.
   - Check drinking water quality regularly to ensure healthy drinking water.
   - Regular disinfect plant, clean cooling water tower, and conduct environmental testing.
   - Carry out employee health check every year according to the occupational safety and health act.
   - Maintain employee health, monitor lighting and carbon dioxide in work area.
   - Conduct health consultation and on-site service to care for employees’ health.
7. According to the Company’s “Occupational Safety and Health Management Plan,” we carry out various environmental safety and health services to provide a safe and healthy working environment for employees. The implementation is as follows:
   - Environmental safety and health inspection: conducted before the 25th of every month.
   - Convening of occupational safety and health committees: held in the third week of each quarter where labor representatives exercise the power of review and deliberation; items include: automatic inspection, employee injury accident, education and training, personal protective equipment inspection, operating environment monitoring, etc.
   - Fire emergency drill: held in May and November every year to strengthen the use of fire extinguishers and emergency response.
   - Processing environmental monitoring: in May and November every year, qualified manufacturers are entrusted to carry out inspection; for carbon dioxide monitoring, the results will be compiled and published, and the improvement measures will be taken for the abnormal values.
   - Employee health examination and consultation: health check-up from October to November every year, and arrange medical staff to carry out health consultation on site after the results are available.
   - Illegal infringements in the workplace: identify and evaluate illegal infringements in the workplace by questionnaire every March to April.
   - Fire equipment maintenance: from October to November every year to find qualified fire equipment engineers (technicians) for inspection and maintenance of fire equipment in the factory.
   - On-the-job education and training on occupational safety: three hours of on-the-job training every three years to prevent disasters and promote awareness of occupational safety and health.

(II) Losses due to labor disputes in the most recent year and up to the date of publication of the annual report (including violations of the Labor Standard Law as a result of labor inspection, what shall be specified is the date of punishment, the file number of punishments, the provisions of the laws and regulations violated, the contents of the laws and regulations violated, and the contents of punishments). And the estimated amounts that may occur at present and in the future, and responses shall be disclosed. If the estimates cannot be reasonably made, the fact that the estimates cannot be reasonably made should be specified: no such circumstances.

VI.Cyber Security Management

(I) Clarify the information security risk management structure, security policy, specific management plan and resources invested in information security management, etc.:

(1) Information security risk management structure

The Information Office is an independent department which is not affiliated to the users' department. It organizes a meeting at least once a month and has three staff members responsible for coordinating and implementing information security policies, promoting information security messages, raising staff awareness of information security, and collecting and improving the performance and effectiveness of the organization's information security management system. The Audit Office conducts an annual information security check on the computer cycle of the internal control system to evaluate the effectiveness of the Company's internal control of information operations.

(2) Information security policies

To implement the information security management, the Company has an internal control system – computer cycle and information security management regulations, through the joint efforts of all colleagues to maintain the Company's important systems and information security, and avoid business damage caused by major information security incidents.

(3) Specific management plan

1. Network information security control
   - Set up a firewall
   - Perform regular virus scans on computers and database
   - Carry out network services in accordance with information security policies
   - Periodically review each network service and track anomalies
2. Data access control
   - Computers are entrusted to a designated person to keep, and set accounts and passwords.
   - Give different access permissions depending on the function.
   - Original access permissions of the transferred or outgoing personnel are cancelled
   - Remove or overwrite confidential and sensitive data and copyrighted software before the equipment is scrapped.
   - Remote access to the management information system should be properly approved
3. Contingency recovery mechanism
   - Regular review of emergency response plan and annual exercise of system recovery
   - Establish and implement the remote backup mechanism
   - Regularly review network security control measures
4. Publicity and inspection
   - Publicize at any time information of security information to enhance employee awareness of information security
   - Regularly carry out safety inspection of the information every year

(4) Resources invested for information security management

1. In response to external security incidents, Megaforce Group security notification was issued to remind employees of following information security guidelines. In 2022, a security notification was issued on Sept. 27.
2. For security purposes, the Notes platform of the Group was converted to Microsoft Exchange online to strengthen Cyber Security, which can effectively avoid being captured by middlemen for forgery and manipulation.
3. Import Microsoft Teams to integrate collaborative work and enhance control over file versions.
4. Plan to conduct a one-month network information security health inspection with Trend Micro in 2023.

(II) Losses due to major information security incidents and labor disputes in the most recent year and up to the date of publication of the annual report, and possible impact and countermeasures. If the estimates cannot be reasonably made, the fact that the estimates cannot be reasonably made should be specified: no such circumstances.

VII. Important Contracts (relevant contracts that are still in force and expire in the most recent year as of the publication date of the annual report)

| Nature of Contract | Party Concerned | Date of Commencement and End of Contract | Main Content | Restriction Clause |
|---|---|---|---|---|
| Medium-term loan contract | Bank SinoPac | October 20, 2022 – October 20, 2026 | Loan line: NT$180 million | Pledge by Zhonghe and Tucheng real estate |
| Medium-term loan contract | Hua Nan Commercial Bank | August 16, 2021 – August 26, 2023 | Loan line: NT$120 million | N/A |
| Medium-term loan contract | E.Sun Commercial Bank, Ltd. | December 29, 2021 – December 29, 2023 | Loan line: NT$100 million | N/A |
| Long-term loan contract | Bank of Taiwan | February 3, 2020 – February 3, 2035 | Loan line: NT$227 million | Pledge by Jiayi real estate |

VIII. Intellectual Property Management Plan

(I) To implement the compliance of corporate governance regulations, standardize patent management, promote technological innovation and form independent intellectual property rights, the “Patent Management Measures,” “Trademark Management Measures,” “Intelligent Property Management Policies” and “Business Secret Management Measures” have been successively formulated to follow, and serve as the basis for the implementation of various intelligent property management measures in accordance with the operation targets each year. The Company regularly submits matters related to its intellectual property to the Board of Directors annually, and the latest submission date is November 4, 2022.

- Patent protection
  To implement global patent laws and regulations, publicize patent knowledge, and encourage colleagues for invention, the “Patent Management Measures” are formulated to follow, and apply to all innovative technologies proposed for patent protection during internal or external cooperation development.
- Trademark Management
  “Trademark Administration Measures” are formulated for registration, proper use and effective management of trademarks. Design trademark patterns according to the purpose of use, decide on the country of application and the category of goods and services; after obtaining the exclusive right to use the trademark, the internal application should be completed first to ensure the correct marking and use of the drawings and categories; half a year before the expiration of the trademark right, the corresponding management department shall evaluate whether to maintain the validity.
- Trade Secret
  To protect the Company’s trade secrets and enhance its competitive advantage, the “Trade Secrets Management Measures” have been formulated. Trade secrets are tangible or intangible information, articles or places that have been verified to be confidential and economical and have been controlled by effective security measures. Company managers, internal employees and external partners shall bear the duty of protection and confidentiality of trade secrets.
  Policies and measures for the protection of trade secrets are currently planned and implemented by the legal department, while the information department assists in establishing a security mechanism for computer information and monitoring

violations. Specific business units and designated confidential managers jointly implement and regularly report, and conduct use, authorization, decryption and other related management.

(II) Implementation of the management of intellectual property

- Patent Development: Table of patents in force

| Country | Republic of China | China | Others | Total |
|---|---|---|---|---|
| 2022 | 39 pieces | 100 pieces | 14 pieces | 153 pieces |

- Trademarks: Table of valid trademarks

| Country | Republic of China | China | Others | Total |
|---|---|---|---|---|
| 2022 | 27 pieces | 20 pieces | 4 pieces | 51 pieces |

- The Company conducts education and training on trade secret course for new employees every year. In 2022, a total of 45 employees from logistics and R&D in Taiwan factory participated in the training. Mainland subsidiary business units, while a total of 47 employees participated in business units of the subsidiary in China’s mainland.

# VI. Financial Information

## I. Concise balance sheet and comprehensive income statement for the recent five years

### (I) Five-Year Financial Summary

#### 1. Concise balance sheet

Unit: NTD thousand

| Item \ Year | | Financial information for the latest Five years (Note 1) | | | | | Financial information for the year by March 31, 2023 (Note 3) |
|---|---|---|---|---|---|---|---|
| | | 2018 | 2019 | 2020 | 2021 | 2022 | |
| Current assets | | 3,678,913 | 3,726,633 | 4,417,362 | 4,216,276 | 3,711,614 | 3,200,437 |
| Real estate, Plant and Equipment (Note 2) | | 945,949 | 872,549 | 1,099,054 | 1,084,470 | 999,601 | 971,795 |
| Intangible assets | | 36,181 | 37,528 | 41,693 | 63,482 | 62,338 | 63,601 |
| Other assets (Note 2) | | 197,110 | 562,042 | 454,938 | 458,662 | 381,723 | 369,478 |
| Total assets | | 4,858,153 | 5,198,752 | 6,013,047 | 5,822,890 | 5,155,276 | 4,605,311 |
| Current liabilities | Before distribution | 2,006,569 | 2,208,101 | 2,832,266 | 2,579,234 | 2,314,567 | 1,845,495 |
| | After distribution | 2,036,932 | 2,247,706 | 2,898,274 | 2,612,238 | 2,314,567 | (Note 8) |
| Non-current liabilities | | 390,875 | 641,169 | 728,074 | 850,595 | 591,291 | 588,553 |
| Total liabilities | Before distribution | 2,397,444 | 2,849,270 | 3,560,340 | 3,429,829 | 2,905,858 | 2,434,048 |
| | After distribution | 2,427,807 | 2,888,875 | 3,626,348 | 3,462,833 | 2,905,858 | (Note 8) |
| Equity attributed to the parent company | | 2,445,348 | 2,337,735 | 2,439,379 | 2,371,841 | 2,233,532 | 2,153,790 |
| Capital stock | | 1,320,159 | 1,320,159 | 1,320,159 | 1,320,159 | 1,320,159 | 1,320,159 |
| Capital reserves | | 831,950 | 830,450 | 831,284 | 830,637 | 830,582 | 830,473 |
| Retained earnings | Before distribution | 259,461 | 260,941 | 333,888 | 284,718 | 107,321 | 2,198 |
| | After distribution | 229,097 | 221,336 | 267,880 | 251,714 | 107,321 | (Note 8) |
| Other equity | | 33,778 | (73,815) | (45,952) | (63,673) | 20,375 | 45,865 |
| Treasury stock | | 0 | 0 | 0 | 0 | (44,905) | (44,905) |
| Non-controlling equity | | 15,361 | 11,747 | 13,328 | 21,220 | 15,886 | 17,473 |
| Total equities | Before distribution | 2,460,709 | 2,349,482 | 2,452,707 | 2,393,061 | 2,249,418 | 2,171,263 |
| | After distribution | 2,430,345 | 2,309,877 | 2,386,699 | 2,360,057 | 2,249,418 | (Note 8) |

* If the Company has prepared individual financial reports, it shall separately prepare a concise individual balance sheet and comprehensive profit and loss statement for the last five years.
* If the financial information of IFRS has been adopted for less than 5 years, Table (2) of the financial information with financial reporting standards of Republic of China adopted shall be prepared separately.

Note 1: The year in which the report has not been verified by an accountant shall be indicated.
Note 2: For those who have handled asset revaluation in the current year, the date of handling and the amount of revaluation shall be stated.
Note 3: A company whose shares are listed or traded at the business premises of a securities firm as of the date of publication of the annual report shall disclose the most recent financial information audited or reviewed by an accountant.
Note 4: The above figure after distribution shall be filled in according to the resolution of the Board of Directors or the next annual shareholders’ meeting.
Note 5: If the financial data should be corrected or restated after being notified by the competent authority, the corrected or restated figures shall be listed, and the circumstances and reasons shall be indicated.
Note 6: The financial information of the last five years must be checked and approved by accountants.
Note 7: The financial information as at March 31, 2023 has been reviewed by accountants.
Note 8: The resolution of non-distribution for 2022 and the surplus distribution for 2023 are pending.

2. Concise comprehensive income statement

Unit: NTD thousand

| Item \ Year | Financial information for the latest Five years (Note 1) | | | | | Financial Information for the year by March 31, 2023 (Note 2) |
|---|---|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2021 | 2022 | |
| Operating revenue | 4,825,632 | 5,000,238 | 5,093,357 | 5,319,553 | 4,834,937 | 831,250 |
| Operating gross margin | 577,210 | 674,830 | 859,190 | 626,209 | 483,224 | 39,658 |
| Operating profit and loss | (2,273) | 56,714 | 217,382 | 45,024 | (84,882) | (95,191) |
| Non-operating revenue and expenses | 48,150 | 45,979 | (33,748) | 31,940 | 70,031 | 9,548 |
| Pre-tax profit | 45,877 | 102,693 | 183,634 | 76,964 | (14,851) | (85,643) |
| Net profit of continuing operations for the current period | (3,873) | 25,822 | 86,477 | 23,906 | (161,808) | (106,513) |
| Loss of discontinuing operations | 0 | 0 | 0 | 0 | 0 | 0 |
| Net profit (loss) for the current period | (3,873) | 25,822 | 86,477 | 23,906 | (161,808) | (106,513) |
| Other comprehensive profit and loss for the current period (net after tax) | (85,456) | (106,675) | 54,877 | (25,108) | 96,074 | 28,358 |
| Total comprehensive profit and loss for the current period | (89,329) | (80,853) | 141,354 | (1,202) | (65,734) | (78,155) |
| Net profit attributable to the parent company | 793 | 30,532 | 85,706 | 23,994 | (156,567) | (105,011) |
| Net profit attributable to non-controlling equity | (4,666) | (4,710) | 771 | (88) | (5,241) | (1,502) |
| Total comprehensive profit and loss attributable to the parent company | (84,236) | (75,749) | 140,415 | (883) | (60,345) | (79,521) |
| Total comprehensive profit and loss attributable to non-controlling equity | (5,093) | (5,104) | 939 | (319) | (5,389) | 1,366 |
| Earnings per share | 0.006 | 0.23 | 0.65 | 0.18 | (1.20) | (0.81) |

* If the Company has prepared individual financial reports, it shall separately prepare a concise individual balance sheet and comprehensive profit and loss statement for the last five years.
* If the financial information of IFRS has been adopted for less than 5 years, Table (2) of the financial information with financial reporting standards of Republic of China adopted shall be prepared separately.

Note 1: The year in which the report has not been verified by an accountant shall be indicated.
Note 2: A company whose shares are listed or traded at the business premises of a securities firm as of the date of publication of the annual report shall disclose the most recent financial information audited or reviewed by an accountant.
Note 3: Loss of discontinuing operations is shown net of income tax.
Note 4: If the financial data should be corrected or restated after being notified by the competent authority, the corrected or restated figures shall be listed, and the circumstances and reasons shall be indicated.
Note 5: The financial information of the last five years must be checked and approved by accountants.
Note 6: The financial information as at March 31, 2023 has been reviewed by accountants.

(II) Concise balance sheet and comprehensive income statements – international financial reporting standards (individual)

1. Concise individual balance sheet

Unit: NTD thousand

| Item \ Year | | Financial information for the latest Five years (Note 1) | | | | | Financial Information for the year by March 31, 2023 (Note 3) |
|---|---|---|---|---|---|---|---|
| | | 2018 | 2019 | 2020 | 2021 | 2022 | |
| Current assets | | 320,651 | 341,157 | 600,403 | 568,142 | 787,849 | 438,733 |
| Real estate, Plant and Equipment (Note 2) | | 105,796 | 120,409 | 415,461 | 473,493 | 460,553 | 451,921 |
| Intangible assets | | 1,441 | 3,315 | 6,753 | 3,764 | 2,761 | 2,237 |
| Other assets (Note 2) | | 3,442,829 | 3,812,241 | 3,938,586 | 3,946,528 | 3,251,021 | 3,267,274 |
| Total assets | | 3,870,717 | 4,277,122 | 4,961,203 | 4,991,927 | 4,502,184 | 4,160,165 |
| Current liabilities | Before distribution | 1,046,216 | 1,442,566 | 1,911,238 | 1,891,522 | 1,786,412 | 1,512,494 |
| | After distribution | 1,076,580 | 1,482,171 | 1,977,246 | 1,924,526 | 1,786,412 | (Note 4) |
| Non-current liabilities | | 379,153 | 496,821 | 610,586 | 728,564 | 482,240 | 493,881 |
| Total liabilities | Before distribution | 1,425,369 | 1,939,387 | 2,521,824 | 2,620,086 | 2,268,652 | 2,006,375 |
| | After distribution | 1,455,733 | 1,978,992 | 2,587,832 | 2,653,090 | 2,268,652 | (Note 4) |
| Equity attributed to the parent company | | 2,445,348 | 2,337,735 | 2,439,379 | 2,371,841 | 2,233,532 | 2,153,790 |
| Capital stock | | 1,320,159 | 1,320,159 | 1,320,159 | 1,320,159 | 1,320,159 | 1,320,159 |
| Capital reserves | | 831,950 | 830,450 | 831,284 | 830,637 | 830,582 | 830,473 |
| Retained earnings | Before distribution | 259,461 | 260,941 | 333,888 | 284,718 | 107,321 | 2,198 |
| | After distribution | 229,097 | 221,336 | 267,880 | 251,714 | 107,321 | (Note 4) |
| Other equity | | 33,778 | (73,815) | (45,952) | (63,673) | 20,375 | 45,865 |
| Treasury stock | | 0 | 0 | 0 | 0 | (44,905) | (44,905) |
| Non-controlling equity | | 0 | 0 | 0 | 0 | 0 | 0 |
| Total equities | Before distribution | 2,445,348 | 2,337,735 | 2,439,379 | 2,371,841 | 2,233,532 | 2,153,790 |
| | After distribution | 2,414,984 | 2,298,130 | 2,373,371 | 2,338,837 | 2,233,532 | (Note 4) |

Note 1: The financial information of the last five years must be checked and approved by accountants.

Note 2: For those who have handled asset revaluation in the current year, the date of handling and the amount of revaluation shall be stated.

Note 3: The financial information as at March 31, 2023 has been reviewed by accountants.

Note 4: The resolution of non-distribution for 2022 and the surplus distribution for 2023 are pending.

2. Concise individual comprehensive income statement

Unit: NTD thousand

| Item \ Year | Financial information for the latest Five years (Note 1) | | | | | Financial Information for the year by March 31, 2023 (Note 2) |
|---|---|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2021 | 2022 | |
| Operating revenue | 845,144 | 933,716 | 1,256,261 | 1,161,025 | 1,019,369 | 201,978 |
| Operating gross margin | 83,912 | 126,077 | 115,213 | 58,259 | 78,230 | 9,645 |
| Operating profit and loss | (127,368) | (117,539) | (150,150) | (221,940) | (200,532) | (58,310) |
| Non-operating revenue and expenses | 143,556 | 175,607 | 285,365 | 252,328 | 163,347 | (26,167) |
| Pre-tax profit | 16,188 | 58,068 | 135,215 | 30,388 | (37,185) | (84,477) |
| Net profit of continuing operations for the current period | 793 | 30,532 | 85,706 | 23,994 | (156,567) | (105,011) |
| Loss of discontinuing operations | 0 | 0 | 0 | 0 | 0 | 0 |
| Net profit (loss) for the current period | 793 | 30,532 | 85,706 | 23,994 | (156,567) | (105,011) |
| Other comprehensive profit and loss for the current period (net after tax) | (85,029) | (106,281) | 54,709 | (24,877) | 96,222 | 25,490 |
| Total comprehensive profit and loss for the current period | (84,236) | (75,749) | 140,415 | (883) | (60,345) | (79,521) |
| Net profit attributable to the parent company | 793 | 30,532 | 85,706 | 23,994 | (156,567) | (105,011) |
| Net profit attributable to non-controlling equity | 0 | 0 | 0 | 0 | 0 | 0 |
| Total comprehensive profit and loss attributable to the parent company | (84,236) | (75,749) | 140,415 | (883) | (60,345) | (79,521) |
| Total comprehensive profit and loss attributable to non-controlling equity | 0 | 0 | 0 | 0 | 0 | 0 |
| Earnings per share | 0.006 | 0.23 | 0.65 | 0.18 | (1.20) | (0.81) |

Note 1: The financial information of the last five years must be checked and approved by accountants.
Note 2: The financial information as at March 31, 2023 has been reviewed by accountants.
Note 3: The cumulative impact of profit and loss, extraordinary profit and loss of the discontinuing operations, and changes in accounting principles are shown net of income tax.

(III) Names of the certifying accountants in the last five years and their verification opinions

| Year | Certifying accounting firm | Certifying accountant | Verification opinions |
|---|---|---|---|
| 2018 | KPMG Taiwan | Mei-Yen, Chen 、Yu-Feng, Hsu | Unqualified opinion |
| 2019 | KPMG Taiwan | Mei-Yen, Chen 、Yu-Feng, Hsu | Unqualified opinion |
| 2020 | KPMG Taiwan | Mei-Yen, Chen 、Yu-Feng, Hsu | Unqualified opinion |
| 2021 | KPMG Taiwan | Mei-Yen, Chen 、Yu-Feng, Hsu | Unqualified opinion |
| 2022 | KPMG Taiwan | Mei-Yen, Chen 、Yu-Feng, Hsu | Unqualified opinion |

II. Five-Year Financial Analysis

(I) Financial analysis of the last five years-IFRS (Consolidated)

| Analysis item | Year (Note 1) | Financial analysis of the last five years (Note 1) | | | | | For the current year as at March 31, 2023 (Note 1) |
|---|---|---|---|---|---|---|---|
| | | 2018 | 2019 | 2020 | 2021 | 2022 | |
| Financial structure | Liabilities to assets ratio (%) | 49.35 | 54.81 | 59.21 | 58.90 | 56.37 | 52.85 |
| | Ratio of long-term funds to real estate, plant and equipment (%) | 301.45 | 342.75 | 289.41 | 299.10 | 284.18 | 283.99 |
| Solvency | Current ratio (%) | 183.34 | 168.77 | 155.97 | 163.47 | 160.36 | 173.42 |
| | Quick ratio (%) | 147.71 | 147.32 | 132.84 | 135.37 | 136.07 | 145.13 |
| | Interest coverage ratio | 4.40 | 5.67 | 8.69 | 4.46 | 0.47 | (Note 4) |
| Operation ability | Receivables turnover (times) | 2.92 | 3.34 | 2.88 | 2.91 | 3.19 | 2.79 |
| | number of days' sales in receivables | 1.25 | 109 | 127 | 125 | 114 | 131 |
| | Inventory turnover ratio (times) | 6.59 | 8.13 | 8.37 | 7.49 | 7.52 | 6.71 |
| | Payables turnover (times) | 7.24 | 8.50 | 7.59 | 7.87 | 8.80 | 8.57 |
| | Average days of sales | 55 | 45 | 44 | 49 | 49 | 54 |
| | Real estate, plant and equipment turnover rate (times) | 4.96 | 5.50 | 5.17 | 4.87 | 4.64 | 3.37 |
| | Turnover of total assets (times) | 1.00 | 0.99 | 0.91 | 0.90 | 0.88 | 0.68 |
| Profitability | Return on assets (%) | 0.24 | 0.96 | 1.88 | 0.70 | (2.45) | (8.16) |
| | Return on equity (%) | 0.03 | 1.27 | 3.57 | 0.99 | (6.74) | (19.00) |
| | Ratio of net profit before tax to paid-in capital (%) | 3.48 | 7.78 | 13.91 | 5.83 | (1.12) | (25.95) |
| | Net profit ratio (%) | (0.08) | 0.52 | 1.70 | 0.45 | (3.35) | (12.81) |
| | Earnings per share (NT$) | 0.01 | 0.23 | 0.65 | 0.18 | (1.20) | (0.81) |
| Cash flow | Cash flow ratio (%) | 15.56 | 13.21 | 5.12 | 9.28 | 14.02 | 5.71 |
| | Cash flow allowance ratio (%) | 118.77 | 125.58 | 94.23 | 77.31 | 84.07 | 87.49 |
| | Cash reinvestment ratio (%) | 5.03 | 5.30 | 2.01 | 3.26 | 5.76 | 2.15 |
| leverage | Operating leverage | (Note 5) | 5.97 | 2.20 | 6.69 | (Note 5) | (Note 5) |
| | Financial leverage | (Note 5) | 1.63 | 1.12 | 1.98 | (Note 5) | (Note 5) |

* If the Company has prepared individual financial reports, it should prepare analysis of individual financial ratio.
* If the financial information of IFRS has been adopted for less than 5 years, Table (2) of the financial information with financial reporting standards of Republic of China adopted shall be prepared separately.

Note 1: The year in which the report has not been verified by an accountant shall be indicated.

Note 2: A company whose shares are listed or traded at the business premises of a securities firm as of the date of publication of the annual report shall disclose the most recent financial information audited or reviewed by an accountant.

Note 3: Information for the last five years has been verified by accountants. Financial information for the year by March 31, 2023 has been verified by accountants.

Note 4: This ratio is not applicable because net profit before income tax and interest expense is negative and does not meet the definition of interest cover ratio.

Note 5: As operating profit is negative and does not meet the definition of operating leverage analysis, this ratio is not applicable.

Note 6: If the Company's shares are non-denomination or denomination per share is not NT$10, the previous calculation of the paid-in capital ratio will be changed to the equity ratio attributable to the parent company on the balance sheet.

Note 7: Please refer to page 98 for the above formula and related instructions.

Reasons for changes in financial ratios in the last two years: (Changes of less than 20% are exempt from analysis)

| Analysis Item | | 2021 | 2022 | Variance Ratio | Explanations |
|---|---|---|---|---|---|
| Financial Structure | Liabilities to assets ratio (%) | 58.90 | 56.37 | -4% | |
| | Ratio of long-term funds to real estate, plant and equipment (%) | 299.10 | 284.18 | -5% | |
| Solvency | Current ratio (%) | 163.47 | 160.36 | -2% | |
| | Quick ratio (%) | 135.37 | 136.07 | 1% | |
| | Interest coverage ratio | 4.46 | 0.47 | -89% | Main reason: the net loss before tax in 2022 was NT$9.2 million lower than in 2021. |
| Operation Ability | Receivables turnover (times) | 2.91 | 3.19 | 10% | |
| | number of days' sales in receivables | 125 | 114 | -9% | |
| | Inventory turnover ratio (times) | 7.49 | 7.52 | 0% | |
| | Payables turnover (times) | 7.87 | 8.80 | 12% | |
| | Average days of sales | 49 | 49 | 0% | |
| | Real estate, plant and equipment turnover rate (times) | 4.87 | 4.64 | -5% | |
| | Turnover of total assets (times) | 0.90 | 0.88 | -2% | |
| Profitability | Return on assets (%) | 0.70 | (2.45) | -450% | Main reason: the net loss after tax in 2022 was NT$1.86 million lower than in 2021. |
| | Return on equity (%) | 0.99 | (6.74) | -781% | |
| | Ratio of net profit before tax to paid-in capital (%) | 5.83 | (1.12) | -119% | |
| | Net profit ratio (%) | 0.45 | (3.35) | -844% | |
| | Earnings per share (NTD) | 0.18 | (1.20) | -767% | |
| Cash Flow | Cash flow ratio (%) | 9.28 | 14.02 | 51% | Net cash inflow from operating activities in 2022 increased compared to 2021. |
| | Cash flow allowance ratio (%) | 77.31 | 84.07 | 9% | |
| | Cash reinvestment ratio (%) | 3.26 | 5.76 | 77% | Net cash inflow from operating activities in 2022 increased compared to 2021. |
| Leverage | Operating leverage | 6.69 | NA | NA | Net operating loss for year 2022. |
| | Financial leverage | 1.98 | NA | NA | |

(2) Financial analysis of the last five years- IFRS (Individual)

| Analysis item | Year (Note 1) | 2018 | 2019 | 2020 | 2021 | 2022 | For the current year as at March 31, 2023 (Note 1) |
|---|---|---|---|---|---|---|---|
| | | Financial Analysis of the last five years | | | | | |
| Financial Structure | Liabilities to assets ratio (%) | 36.82 | 45.34 | 50.83 | 52.49 | 50.39 | 48.23 |
| | Ratio of long-term funds to real estate, plant and equipment (%) | 2669.76 | 2354.11 | 734.12 | 654.79 | 589.68 | 585.87 |
| Solvency | Current ratio (%) | 30.65 | 23.65 | 31.41 | 30.04 | 44.10 | 29.01 |
| | Quick ratio (%) | 20.60 | 17.72 | 25.24 | 21.93 | 36.85 | 19.82 |
| | Interest coverage ratio | 2.27 | 4.34 | 7.58 | 2.57 | (Note 2) | (Note 2) |
| Operation Ability | Receivables turnover (times) | 5.14 | 5.61 | 4.33 | 2.97 | 2.88 | 2.73 |
| | number of days' sales in receivables | 71 | 65 | 84 | 123 | 127 | 134 |
| | Inventory turnover ratio (times) | 7.33 | 9.00 | 11.70 | 8.60 | 7.36 | 6.63 |
| | Payables turnover (times) | 3.73 | 3.81 | 2.76 | 2.13 | 1.98 | 1.85 |
| | Average days of sales | 50 | 41 | 31 | 42 | 50 | 55 |
| | Real estate, plant and equipment turnover rate (times) | 7.98 | 8.26 | 4.69 | 2.61 | 2.18 | 1.77 |
| | Turnover of total assets (times) | 0.22 | 0.23 | 0.27 | 0.23 | 0.21 | 0.19 |
| Profitability | Return on assets (%) | 0.29 | 1.09 | 2.21 | 0.79 | (2.88) | (9.25) |
| | Return on equity (%) | 0.03 | 1.28 | 3.59 | 1.00 | (6.80) | (19.15) |
| | Ratio of net profit before tax to paid-in capital (%) | 1.23 | 4.40 | 10.24 | 2.30 | (2.82) | (25.60) |
| | Net profit ratio (%) | 0.09 | 3.27 | 6.82 | 2.07 | (15.36) | (51.99) |
| | Earnings per share (NT$) | 0.006 | 0.23 | 0.65 | 0.18 | (1.20) | (0.81) |
| Cash Flow | Cash flow ratio (%) | (Note 4) | 1.03 | (Note 4) | (Note 4) | (Note 4) | (Note 4) |
| | Cash flow allowance ratio (%) | (Note 4) | (Note 4) | (Note 4) | (Note 4) | (Note 4) | (Note 4) |
| | Cash reinvestment ratio (%) | (Note 4) | (Note 4) | (Note 4) | (Note 4) | (Note 4) | (Note 4) |
| Leverage | Operating leverage | (Note 5) | (Note 5) | (Note 5) | (Note 5) | (Note 5) | (Note 5) |
| | Financial leverage | 0.91 | 0.87 | 0.88 | 0.92 | 0.89 | 0.90 |

Note 1: The financial information for the last five years has been audited by accountants. The financial information for the year by March 31, 112 has been audited by accountants.
Note 2: As net profit before income tax and interest expense is negative and does not meet the definition of interest cover ratio, this ratio is not applicable.
Note 3: As after-tax profit (loss) is negative and does not meet the definition of profitability analysis, this ratio is not applicable.
Note 4: As net cash flows from operating activities are outflows, which do not meet the definition of cash flow analysis, this ratio is not applicable.
Note 5: As operating profit is negative and does not meet the definition of operating leverage analysis, this ratio is not applicable.
Note 6: If the Company's shares are non-denomination or denomination per share is not NT$10, the previous calculation of the paid-in capital ratio will be changed to the equity ratio attributable to the parent company on the balance sheet.
Note 7: Please refer to page 98 for the above formula and related instructions.

Reasons for changes in financial ratios in the last two years: (Exempted from analysis if the change is less than 20%)

| Analysis Item | | 2021 | 2022 | Variance Ratio | Explanations |
|---|---|---|---|---|---|
| Financial Structure | Liabilities to assets ratio (%) | 52.49 | 50.39 | -4% | |
| | Ratio of long-term funds to fixed assets (%) | 654.79 | 589.68 | -10% | |
| Solvency | Current ratio (%) | 30.04 | 44.10 | 47% | Main reason: current assets in 2022 increased. |
| | Quick ratio (%) | 21.93 | 36.85 | 68% | Main reason: current assets in 2022 increased. |
| | Interest coverage ratio | 2.57 | (0.50) | -120% | Main reason: net loss before tax in 2022. |
| Operation Ability | Receivables turnover (times) | 2.97 | 2.88 | -3% | |
| | number of days' sales in receivables | 123 | 127 | 3% | |
| | Inventory turnover ratio (times) | 8.60 | 7.36 | -14% | |
| | Payables turnover (times) | 2.13 | 1.98 | -7% | |
| | Average days of sales | 42 | 50 | 17% | |
| | Turnover of fixed assets (times) | 2.61 | 2.18 | -16% | |
| | Turnover of total assets (times) | 0.23 | 0.21 | -8% | |
| Profitability | Return on assets (%) | 0.79 | (2.88) | -463% | Main reason: net loss after tax in 2022. |
| | Return on shareholders' equity (%) | 1.00 | (6.80) | -782% | |
| | Ratio of net profit before tax to paid-in capital (%) | 2.30 | (2.82) | -222% | |
| | Net profit ratio (%) | 2.07 | (15.36) | -843% | |
| | Earnings per share (NTD) | 0.18 | (1.20) | -753% | |
| Cash Flow | Cash flow ratio (%) | NA | NA | NA | Main reason: 2022 saw the net cash outflow from operating activities, so the negative cash flow is not analyzed. |
| | Cash flow allowance ratio (%) | NA | NA | NA | |
| | Cash reinvestment ratio (%) | NA | NA | NA | |
| Leverage | Operating leverage | NA | NA | NA | Main reason: Negative operating leverage is not analyzed |
| | Financial leverage | 0.92 | 0.89 | -3% | |

Calculating formula using IFRS as follow:

1. Financial structure
   (1) Liabilities to assets ratio = total liabilities / total assets.
   (2) Ratio of long-term funds to real estate, plant and equipment = (total equity + non-current liabilities) / net of real estate, plant and equipment.
2. Solvency
   (1) Current ratio = current assets / current liabilities.
   (2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.
   (3) Interest cover ratio = net profit before income tax and interest expense / interest expense for the current period.
3. Operation ability
   (1) Turnover of receivables (including accounts receivable and notes receivable arising from operations) = net sales / average receivables (including accounts receivable and notes receivable arising from operations) balance for each period.
   (2) Number of days' sales in receivables= 365 / turnover of receivables.
   (3) Inventory turnover = Cost of goods sold / average inventory.
   (4) Payables turnover (including accounts payable and notes payable arising from operations) = Cost of sales / average payables (including accounts payable and notes payable arising from operations) balance for each period.
   (5) Average days of sales = 365 / inventory turnover.
   (6) Turnover of real estate, plant and equipment = Net sales / Average net real estate, plant and equipment.
   (7) Total assets turnover = net sales / average total assets.
4. Profitability
   (1) Return on assets = [profit and loss after tax + interest expense × (1 - tax rate)] / average total assets.
   (2) Return on equity = after-tax profit and loss / average total equity.
   (3) Net profit ratio = after-tax profit and loss / net sales.
   (4) Earnings per share = ( Profit and loss attributable to the parent company - special stock dividends) / weighted average number of shares issued. (Note 1)
5. Cash flow
   (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
   (2) Net cash flow allowance ratio = Net cash flow from operating activities of the last five years / the last five years (capital expenditure + inventory increase + cash dividends).
   (3) Cash reinvestment ratio = (Net cash flow from operating activities - cash dividends) / (gross real estate, plant and equipment + long-term investments + other non-current assets + working capital). (Note 2)
6. Leverage
   (1) Operating leverage = (Net operating revenue - variable operating costs and expenses) / operating profit (Note 3).
   (2) Financial leverage = operating profit / (operating profit - interest expense).

Note 1: In calculating the above earnings per share, special attention should be paid to the following matters:

1. Based on the weighted average number of common shares and not on the number of shares outstanding at year-end.
2. Where there is capital increase by cash or trade on treasury stock, the period in circulation shall be taken into account, and the weighted average number of shares shall be calculated.
3. Where there is surplus to capital increase or capital reserve to capital increase, in calculating the earnings per share of previous years and half years, it shall be adjusted retroactively according to the proportion of capital increase, without the issuance period of the capital increase taken into account.
4. If the special shares are non-convertible cumulative special shares, the dividends (whether paid or not) for the current year shall be deducted from the net profit after tax or added to net profit after tax. If the special shares are non-cumulative, the special share dividend shall be deducted from the net profit after tax if there is net profit after tax; if there is a loss, adjustment is not needed.

Note 2: In measuring cash flow analysis, special attention should be paid to the following:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the statement of cash flows.
2. Capital expenditure refers to the annual cash outflow from capital investment.
3. The increase in inventory is credited only when the ending balance is greater than the beginning balance, and zero if the year-end inventory is reduced.
4. Cash dividends include those on common and special shares.
5. Gross real estate, plant and equipment refer to the total amount of real estate, plant and equipment before deduction of accumulated depreciation.

Note 3: The issuer shall classify various operating costs and operating expenses as fixed and variable by nature. If there is any estimation or subjective judgment involved, the issuer shall pay attention to its rationality and maintain consistency.

Note 4: If the Company's shares are non-denomination or denomination per share is not NT $10, the previous calculation of the paid-in capital ratio will be changed to the equity ratio attributable to the parent company on the balance sheet.

III.Audit Committee’s Review Report

# Megaforce Company Limited

# Audit Committee’s Review Report

The Board of Directors has prepared the Company’s 2022 Business Report, the Parent Company Only Financial Statements and Consolidated Financial Statements, and Deficit Offsetting Proposal. The Parent Company Only Financial Statements and Consolidated Financial Statements have been audited and attested by CPA Mei-Yan, Chen and CPA Yu-Feng, Hsu of KPMG in Taiwan. The aforementioned documents have been reviewed by the Audit Committee members in accordance with the relevant provisions of the Securities and Exchange Act and the Company Act and with a report prepared and presented for your reference.

Convener of the Audit Committee
Chun-Nan, Pai

March 15, 2023

IV. Consolidated Financial Statements

Latest annual financial report, including accountant's audit report, two-year balance sheet, comprehensive income statement, statement of changes in equity, cash flow statement and notes or attached tables

Please refer to pages 113 to 189.

V. Non-Consolidated Financial Statements

Individual financial report of the Company (excluding the list of important accounting items) of the latest year verified and approved by accountants

Please refer to pages 190 to 258.

VI.Financial Difficulties

The impact of financial difficulties on the financial situation of the Company and its affiliated enterprises in the latest year and up to the date of publication of the annual report

None.

# VII. Review of Financial Position,Management Performance and Risk Management

## I. Financial Status

(I) Main reasons and effects of major changes in assets, liabilities and equity in the last two years

Unit: NTD thousand

| Item \ Year | 2021 | 2022 | Variance | |
|---|---|---|---|---|
| | | | Amount | Percentage % |
| Current Assets | 4,216,276 | 3,711,614 | (504,662) | -11.97% |
| Real Estate, Plant and Equipment | 1,084,470 | 999,601 | (84,869) | -7.83% |
| Intangible Assets | 63,482 | 62,338 | (1,144) | -1.80% |
| Other Assets | 458,662 | 381,723 | (76,939) | -16.77% |
| Total Assets | 5,822,890 | 5,155,276 | (667,614) | -11.47% |
| Current Liabilities | 2,579,234 | 2,314,567 | (264,667) | -10.26% |
| Non-current Liabilities | 850,595 | 591,291 | (259,304) | -30.49% |
| Total Liabilities | 3,429,829 | 2,905,858 | (523,971) | -15.28% |
| Capital Stock | 1,320,159 | 1,320,159 | 0 | 0.00% |
| Capital Reserves | 830,637 | 830,582 | (55) | -0.01% |
| Retained Earnings | 284,718 | 107,321 | (177,397) | -62.31% |
| Total Shareholders' Equity | 2,393,061 | 2,249,418 | (143,643) | -6.00% |

Explanation of major change items (the change rate in the previous and later periods is more than 20%, and the amount exceeds NT$10 million):

1. Non-current liabilities: main reason: long-term loans repaid in 2022 and long-term loans due within one year are transferred to current liabilities.
2. Retained surplus: mainly due to the loss in 2022.

(II) If the impact is significant, its future response plan: Not applicable.

## II. Operating Results

(I) Main reasons for major changes in operating revenue, net operating profit and net profit before tax in the last two years

Table of Comparative Analysis of Operating Results

Unit: NTD thousand

| Item \ Year | 2021 | 2022 | Increase or decrease in amount | Change percentage (%) |
|---|---|---|---|---|
| Operating revenue | 5,319,553 | 4,834,937 | (484,616) | -9.11% |
| Operating costs | 4,693,344 | 4,351,713 | (341,631) | -7.28% |
| Operating gross margin | 626,209 | 483,224 | (142,985) | -22.83% |
| Operating expenses | 581,185 | 568,106 | (13,079) | -2.25% |
| Net operating profit (loss) | 45,024 | (84,882) | (129,906) | -288.53% |
| Non-operating revenue and expenses | 31,940 | 70,031 | 38,091 | 119.26% |
| Net profit (loss) before tax | 76,964 | (14,851) | (91,815) | -119.30% |
| Income tax expense | 53,058 | 146,957 | 93,899 | 176.97% |
| Net profit (loss) for the current period | 23,906 | (161,808) | (185,714) | -776.85% |
| Other comprehensive profit and loss (net after tax) | (25,108) | 96,074 | 121,182 | -482.64% |
| Total comprehensive profit and loss for the current period | (1,202) | (65,734) | (64,532) | 5368.72% |

If the change rate of the previous and later periods is more than 20% and the amount exceeds NT$10 million, the analysis and explanation are as follows:

1. Decrease in operating gross margin: mainly due to the shutdown of subsidiaries with the impact of epidemic lockdown in China in Q2 2022.
2. Decrease in net operating profit: mainly due to decrease in main operating profit.
3. Increase in non-operating revenue and expenses: mainly due to increase in exchange gains.
4. Increase in net loss before tax: decrease in operating gross margin of NT$143 million and increase in non- operating revenue of NT$38 million.
5. Increase in income tax: mainly due to the increase in the amount of surplus distribution of subsidiaries in 2022, given the risk of condition changes and the capital needs of the parent company.
6. Decrease in net profit for the current period: mainly due to decrease in operating gross margin.
7. Increase in other comprehensive profit and loss (net after tax): mainly due to the increase in the exchange variance in the conversion of financial reports of foreign operating entities caused by exchange rate fluctuations.
8. Decrease in total comprehensive profit and loss for the current period: decrease in operating gross margin.

(II) Expected sales volume and its basis

The Company's expected sales volume is based on the overall industry environment and market supply and demand, as well as its own production capacity and business development.

The sales volume of the consolidated company in 2023 is estimated to be about 364,900thousand pieces of plastic parts-related products and 790mold-related products.

(III) The possible impact on the Company's financials and business in the future, and the response plan.

Continue to control costs and strengthen operation and management. In addition, the Company will carry out strategic cooperation with AR product-related industries and medical materials industry to develop new products and customers, and strengthen the global layout to improve its overall competitiveness and corporate value.

## III. Cash Flow

(I) Analysis and explanation of changes in cash flow in the latest year and improvement plan for insufficient liquidity

Unit: NTD thousand

| Cash Balance at the beginning of the period | Net Cash Flow from Operating Activities for the year | Net Cash Flow from Investment and Financing Activities for the year | Amount of Cash Surplus (shortfall) | Remedial Measures for Cash Shortfall | |
|---|---|---|---|---|---|
| | | | | Investment Planing | Financial Planning |
| 1,841,857 | 324,489 | (435,336) | 1,756,579 | N/A | N/A |

- The net cash inflow from operating activities in 2022 was NT$324,489 thousand, of which, in addition to the loss of income and expense of NT$256,235 thousand, the rest were mainly due to the decrease of receivables of NT$272,896 thousand, inventory of NT$173,167 thousand and payables of NT$203,872 thousand.
- The net cash outflow from investment activities in 2022 was NT$13,329 thousand, mainly due to the acquisition of plant and machinery equipment NT$75,704 thousand.
- The net cash outflow from financing activities in 2022 years was NT$422,007 thousand, mainly due to the net increase of long-term and short-term borrowings of NT$241,571 thousand, repayment of lease principal of NT$78,715 thousand, cash dividend of NT$33,004 thousand, repurchase of treasury shares of NT$44,905 thousand and interest payment of NT$23,818 thousand.

(II) Cash liquidity analysis for the next year

- Operating activities: Operating conditions remained stable in 2023. Accounts receivable and inventory were continuously controlled to maintain a stable net cash inflow from operating activities.
- Investment activities: In response to the development of new businesses, we will continue to implement investment plans in 2023. Due to the rise in global interest rates and the overall economic impact of the Russia–Ukraine war, we will prudently and conservatively control capital outflow to save operating costs of the Company.
- Financing activities: We will adopt the most favorable financing scheme depending on the actual operating conditions and investment needs and take into account market conditions.
- Measures to make up for projected cash flow shortfall and flow analysis: None.

## IV. Major Capital Expenditures

Impact of significant capital expenditure on financials and business In the most recent year : None.

## V. Investment Policy

Reinvestment policy for the latest year, main reasons for profit or loss, improvement plan and investment plan for the next year

(I) Reinvestment policy of the Company

The decision-making authority of the Company makes reinvestment based on operational needs or the consideration of the Company’s future growth and other factors. The demand department proposes an investment plan and makes a detailed evaluation of the organizational type, investment purpose, and location of new business, market conditions, business development, possible joint venture objects, shareholding ratio, reference price and financial status. The demand department reviews the completeness and rationality of the plan together with the Group’s financial accounting department, and prepares an investment proposal evaluation table for the decision-making authority to use as the basis for investment decisions. In addition, for the invested businesses, the Company also keeps track of the operating status, analyzes the investment results, and helps the decision-making authorities to track and evaluate as part of post-investment management.

(II) Main reasons for profits or losses

Up to now, the operations of the major reinvestment businesses are still stable, but due to different customer portfolios and business strategy considerations, there are profits for some businesses and losses for others.

(III) Improvement plan and investment plan for the next year

In response to changes in the external environment, the Company has carried out resource integration and organizational adjustment. In the next year, the market development in North America of medical materials products and the application market of optoelectronics products will continue to be promoted with increased investment.

## VI. Risk Management

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

1. Interest rate fluctuations

Impact

In the last two years, the interest on the Company's bank loans accounted for approximately 0.35% to 0.50% of the consolidated revenue. With other variables remaining unchanged, if the annual bank interest rate increased or decreased by 0.25%, the annual net pre-tax income would decrease or increase by approximately NT$3,745 thousand to NT$4,349 thousand, as shown below.

Unit: NTD thousand

| Item | 2021 | 2022 | Q1 2023 |
|---|---|---|---|
| Interest on bank loans | 18,671 | 24,069 | 5,964 |
| Net operating revenue | 5,319,553 | 4,834,937 | 831,250 |
| Interest on bank loans/Operating revenue | 0.35% | 0.50% | 0.72% |
| Balance of long-term and short-term borrowings | 1,739,571 | 1,498,000 | 1,322,250 |
| The impact of 0.25% change of annual interest rate on profit and loss | 4,349 | 3,745 | 826 |

Countermeasures

A. Refer to the research reports and outlooks of domestic and foreign economic research institutions and banks, and the interest rate fluctuations of domestic and foreign indicator markets to grasp the trend of interest rates.

B. Keep good contact and communication with correspondent banks, keep abreast of interest rate changes and strive for preferential interest rates.

C. In response to the interest rate increase of the Central Bank of the Republic of China (Taiwan), the Company will make capital plans and evaluate various financing channels as soon as possible, and adjust financing plans promptly to maintain a sound financial structure.

2. Exchange rate changes

Impact

The products of the Company and its subsidiaries mainly sell in the export market and are mostly priced in US dollars and RMB. Therefore, the exchange rate changes of the US dollar and RMB have a great impact on its profit and loss. The Company uses the adjustment of US dollar and RMB assets and liabilities for natural hedging. The Company's needs of working capital will continue to be planned and arranged in advance, and the foreign currency assets and liabilities of each company of the Group will be adjusted promptly to reduce the risk of exchange rate fluctuations.

Unit: NTD thousand

| Item | 2021 | 2022 | Q1 2023 |
|---|---|---|---|
| Net exchange gains and losses | (34,366) | 23,193 | (1,102) |
| Net operating revenue | 5,319,553 | 4,834,937 | 831,250 |
| Exchange gains and losses/net revenue | 0.65% | 0.48% | 0.13% |
| Net operating profit (loss) | 45,024 | (84,882) | (95,191) |
| Exchange gains and losses/net operating gains (loss) | 76.32% | 27.32% | 1.16% |

Countermeasures

A. The business department, in quotation, has taken into account the impact of exchange rate fluctuations on the selling price, and adjusted the product price according to the exchange rate fluctuations to appropriately reflect the fluctuations and ensure the profitability of products.

B. The purchase department and the supplier negotiate a consensus on common sharing of exchange rate risks, and decide whether to renegotiate the transaction price with the supplier according to the range of exchange rate changes.

C. The financial department pay close attention to international financial conditions, obtain the latest information on exchange rate fluctuations, and ask correspondent banks to provide professional consulting services to fully master the trend of exchange rate, and adopt appropriate hedging strategies at appropriate times to reduce exchange rate risks according to the actual capital demand.

D. In the future, natural hedging of foreign exchange positions will continue to be the main strategy for exchange rate risk control, and the positions of foreign currency assets and liabilities will be adjusted promptly to reduce the risk of exchange rate fluctuations.

3. Inflation

Impact

The Company's main business is mold development, and manufacturing and sales of plastic injection molding products. The current inflation has no direct material impact on the Company's profit and loss.

Countermeasures

A. Refer to the statistics of Department of Statistics of the Ministry of Economic Affairs, and the research reports and economic indexes of major economic research institutions and professional investment institutions at home and abroad.

B. Discuss and collect economic data from time to time to provide reference for management decision-making.

(II) Policies for engaging in high-risk and highly leveraged investments, capital loans to others, endorsement guarantee and derivative commodity trading, main reasons for profits or losses, and future countermeasures

The Company has not engaged in high-risk, highly leveraged investment and other transactions in the recent year, being conservative and prudent; the operating procedures for capital loans to others, endorsement guarantee and derivative commodity trading have been formulated in accordance with relevant provisions, and have been implemented in accordingly, and the announcement and declaration have been made regularly in accordance with relevant provisions.

(III) R&D plans and estimated R&D expenses in the future

The Company's R&D plans in the future mainly include:

- Development for magnetic engineering plastic and low contraction engineering plastic
- Introduction, development, and trial production of skin-friendly and hand-touch material application products
- Integrated product design, development, testing, and verification of medical temperature sensing system
- Integrated product testing and verification of medical imaging equipment system
- Mass production of EzARGO 1080P and development of LBS AR products
- LCOS AR Camera / Wireless product development
- µLED+HOE G color mass production plan
- Full color µLED + HOE sample completed

The Company is expected to invest NT$37,088 thousand in R&D in 2023.

(IV) The impact of important domestic and foreign policy and legal changes on the Company's financials and business, and the countermeasures

The "Medical Devices Act," which was passed on January 15, 2020 and implemented on May 1, 2021, removed the management of medical devices from the past "Pharmaceutical Affairs Act," and added the establishment of product source and flow information, electronic registration of some low-risk medical devices, flexible approval of license validity period and active notification obligation of industry players, etc. This new act not only accelerates the process of product marketing, benefits patients, but also promotes the development of the industry and improves the management system of medical devices, which is of great importance to the operation and development of the Company's biomedical department.

(V) The impact of technological changes (including information and communications security risks) and industrial changes on the Company's financials and business, and countermeasures

In the environment of rapid industrial development and change, we can only seek differentiation and strengthen core competitiveness to develop blue ocean technology, products and markets. Therefore, the Company actively participates in various industrial exhibitions at home and abroad, and jointly develops new technologies and products with strategic customers to enhance our adaptability of the environment. In addition, the Company integrates internal technology of mechanical optical electronics software and hardware to establish synergy and core capabilities, and fully communicate with research institutes or universities to jointly develop the latest technology to enhance competitiveness in the future market.

In response to the increasing impact of information and communications security risks on businesses, information security management is implemented through processes such as strengthening concepts, prevention, behavior recording, proactive early warning and regular audit, so that the Company can operate , and protect customer data and the Company's intellectual property. The Company set up a Group information department responsible for information security management, and formulating information security policies according to the actual internal management needs. In addition, with the information security inspection, information personnel regularly participate in external seminars to understand the information security problems and preventive measures, increase the knowledge and practice of information security, and promote the awareness of information protection with all colleagues, and issue information security notice from time to time, so as to improve preventive measures of the relevant departments and colleagues.

(VI) The impact of corporate image change on corporate crisis management and countermeasures

The Company adheres to the core value of broadness, innovation, promptness, sincerity and teamwork to treat every employee and serve customers, enjoys a good corporate image, and has won a good reputation. There is nothing that harms the corporate image.

(VII) Expected benefits, possible risks and countermeasures of merger and acquisition: no such circumstances, it is not applicable.

(VIII) Expected benefits, possible risks and countermeasures of expansion of the plant: no such circumstances, it is not applicable.

(IX) Risks arising from concentration of purchase or sale of goods, and countermeasures

The largest supplier accounted for 8.97% and 8.65% of the total purchase amount in 2022 and 2021 respectively. There is no over-concentration of purchases.

The sales value the Company's largest customer in 2022 and 2021 accounted for 55.69% and 50.40% of the total annual net sales respectively. To avoid high sales concentration, in addition to continuously evaluating the financial situation and operating situation of customers, the Company actively develop other customers to disperse the risk of high sales concentration.

(X) The impact, risks and countermeasures of a mass transfer or replacement of shares of directors, supervisors or major shareholders holding more than 10% of the shares in the Company: no such circumstances, it is not applicable.

(XI) The impact of the change of management right on the Company, risks and countermeasures: no such circumstances, it is not applicable.

(XII) Litigation or non-litigation matters

The relevant information shall be disclosed of any major litigation, non-litigation or administrative litigation that has been determined or is still pending in the latest year and as of the date of publication of the annual report, involving the Company and its directors, supervisors, general manager, substantial responsible persons, major shareholders holding more than 10% of the shares and affiliated companies, and the outcome of which may have a material impact on the rights and interests of shareholders or the price of securities of the Company: no such case.No such event has ever occurred.

(XIII) Other important risks and countermeasures: None.

## VII. Other Important Matters: None.

# VIII. Other Special Notes

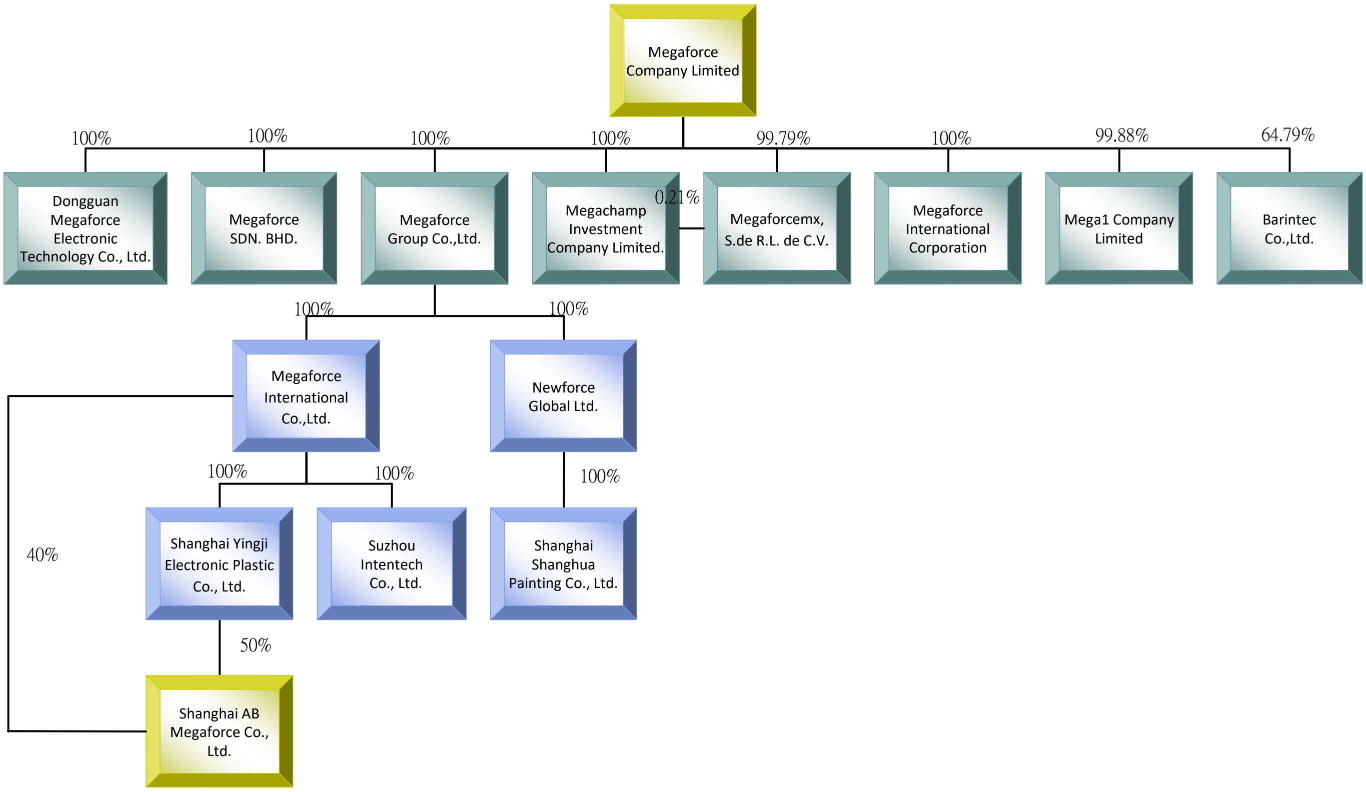
## I. Affiliated Companies

### (I) Consolidated business report of the related enterprises

#### 1. Overview of Related Enterprises

(1) Organizational chart of related enterprises

Dec. 31, 2022




Entities presumed to have control and subordinate relations according to Item 3 of Article 369 of the Company Act: none.

(2) Basic information of related enterprises

December 31, 2022; Unit: NTD thousand

| Company name | Date of establishment | Address | Amount of paid-in capital | Main business or production items |
|---|---|---|---|---|
| Megaforce Group Co., Ltd. | October 9, 1991 | No.5, Zihciang St.Tucheng Dist., NewTaipei City, Taiwan,R.O.C. | 737 | Holding company |
| Megaforce International Co., Ltd. | October 31, 1991 | No.5, Zihciang St.Tucheng Dist., NewTaipei City, Taiwan,R.O.C. | 205,744 | Holding company |
| Newforce Global Ltd. | January 8, 1992 | No.5, Zihciang St.Tucheng Dist., NewTaipei City, Taiwan,R.O.C. | 614 | Holding company |
| Megachamp Investment Company Limited. | June 11, 2013 | 9F., No. 15, Section 2, Zhonghua Road, Xinzhuang District, New Taipei City | 5,000 | Holding company |
| Mega1 Company Limited | December 17, 2015 | 14F., No. 16 Jian 8th Road, Zhonghe District, New Taipei City | 240,000 | Optical component manufacturing |
| Megaforce International Corporation | February 13, 2019 | 4355 W. Emerald Street, Suite 110 Boise, Idaho 83706 | 9,212 | Buying and selling of goods |
| Megaforcemx, S.de R.L. de C.V. | August 26, 2016 | PIC 1, Blvd Pacífico 7630, Parque Industrial Pacífico, Tijuana BC, México. | 429,912 | Plastic components and precision molds |

| Company name | Date of establishment | Address | Amount of paid-in capital | Main business or production items |
|---|---|---|---|---|
| Megaforce SDN. BHD. | September 18, 2019 | Lot 213086, Jalan Industri 1/1, Kawasan Perindustrian Gopeng, Mukim Sg Raya, Daerah Kinla, 31600 Gopeng, Perak | 122,832 | Plastic components |
| Barintec Co., Ltd. | October 17, 2018 | Keihanna Open Innovation Center, 7-5-1 Seikadai, Seika-cho, Soraku-gun, Kyoto, Japan | 13,595 | AR and optical technology development and commodity trading |
| Shanghai Yingji Electronic Plastic Co., Ltd. | December 21, 1982 | No. 885 Xinye Road, Qingpu Industrial Park, Shanghai | 475,974 | Plastic components |
| Shanghai Shanghua Painting Co., Ltd. | March 12, 1992 | No. 900 Xinda Road, Qingpu Industrial Park, Shanghai | 61,416 | Coating of plastic products |
| Shanghai AB Megaforce Co., Ltd. | April 11, 1990 | No. 930 Xinda Road, Qingpu Industrial Park, Shanghai | 113,620 | Precision die and mold |
| Suzhou Intentech Co., Ltd. | February 16, 1995 | Xujiang Industrial Park, Xukou Town, Wuzhong District, Suzhou city | 1,305,090 | Plastic components |
| Dongguan Megaforce Electronic Technology Co., Ltd. | Novemberer 18, 2016 | No. 176 Yinhe North Road, Southwest Village, Shijie Town, Dongguan city | 200,370 | Plastic components and precision molds |

(3) Information on the same shareholders of those presumed to have control and affiliation relations: not applicable.

(4) Industries covered by the business of the overall related enterprises: manufacturing and sales of plastic components and precision molds, optical

instrument manufacturing, AR and optical technology development.

(5) Information of directors, supervisors and general managers of each related enterprise

Dec. 31, 2022; Unit: 1,000 shares

| Company Name | Job Title | Name or Representative | Holding of Shares | |
|---|---|---|---|---|
| | | | Shares | Shareholding Ratio |
| Megaforce Group Co., Ltd. | Director | Wen-Lin, Hsu | 0 | 0% |
| Megaforce International Co., Ltd. | Director | Wen-Lin, Hsu | 0 | 0% |
| Newforce Global Limited | Director | Wen-Lin, Hsu | 0 | 0% |
| Megachamp Investment Company Limited. | Chairman | Wen-Lin, Hsu | 0 | 0% |
| Mega1 Company Limited | Chairman | Wen-Lin, Hsu | 0 | 0% |
| | Director | Tung-Hui, Chiang | 0 | 0% |
| | Director | Le-Li, Lu | 0 | 0% |
| | Supervisor | Chia-Cheng, Chang | 0 | 0% |
| Megaforce International Corporation | Director | Wan-Sheng, Hsu | 0 | 0% |
| | Director | Li-Kai, Chen | 0 | 0% |
| Megaforcemx, S.de R.L. de C.V. | Director | Ming-Wei, Hsu | 0 | 0% |
| | Director | Cheng-Yen, Yang | 0 | 0% |
| | Director | Jui-Sheng, Tsai | 0 | 0% |
| Megaforce SDN. BHD. | Director | Wen-Lin, Hsu | 0 | 0% |
| | Director | Hong-Te, Chen | 0 | 0% |
| Barintec Co., Ltd. | Director | Makoto Masuda | 0 | 0% |
| | Director | Wen-Lin, Hsu | 0 | 0% |
| | Director | Le-Li, Lu | 0 | 0% |
| Shanghai Yingji Electronic Plastic Co., Ltd. | Chairman | Wen-Lin, Hsu | 0 | 0% |
| | Director | Tung-Hui, Chiang | 0 | 0% |
| | Director | Cheng-An, Lee | 0 | 0% |
| | Supervisor | Le-Li, Lu | 0 | 0% |
| | General manager | Cheng-An, Lee | 0 | 0% |
| Shanghai Shanghua Painting Co., Ltd. | Chairman | Wen-Lin, Hsu | 0 | 0% |
| | Director | Tung-Hui, Chiang | 0 | 0% |
| | Director | Cheng-An, Lee | 0 | 0% |
| | Supervisor | Le-Li, Lu | 0 | 0% |
| | General Manager | Cheng-An, Lee | 0 | 0% |

| Company name | Job Title | Name or Representative | Holding of Shares | |
|---|---|---|---|---|
| | | | Shares | Shareholding Ratio |
| Shanghai AB Megaforce Co., Ltd. | Chairman | Le-Li, Lu | 0 | 0% |
| | Director | Chih-Wei, Chang | 0 | 0% |
| | Director | Ko Tanaka | 0 | 0% |
| | Supervisor | Chia-Cheng, Chang | 0 | 0% |
| | General Manager | Chih-Wei, Chang | 0 | 0% |
| Suzhou Intentech Co., Ltd. | Chairman | Wen-Lin, Hsu | 0 | 0% |
| | Director | Tung-Hui, Chiang | 0 | 0% |
| | Director | Tsung-Ho, Ou | 0 | 0% |
| | Supervisor | Le-Li, Lu | 0 | 0% |
| | General Manager | Tsung-Ho, Ou | 0 | 0% |
| Dongguan Megaforce Electronic Technology Co., Ltd. | Chairman | Wen-Lin, Hsu | 0 | 0% |
| | Director | Tung-Hui, Chiang | 0 | 0% |
| | Director | Ming-Wei, Hsu | 0 | 0% |
| | Supervisor | Le-Li, Lu | 0 | 0% |
| | General Manager | Ming-Wei, Hsu | 0 | 0% |

2. Operation overview of each related enterprise

December 31, 2022; Unit: NTD thousand

| Company Name | Amount of Paid-in Capital | Total Value of Assets | Total Liabilities | Net Value | Operating Revenue | Operating Profit | Profit and Loss for the current period (after tax) | Earnings Per Share (NTD) |
|---|---|---|---|---|---|---|---|---|
| Megaforce Group Co., Ltd. | 737 | 2,633,308 | 0 | 2,633,308 | 0 | (190) | 315,630 | 0 |
| Megaforce International Co., Ltd. | 205,744 | 2,488,027 | 0 | 2,488,027 | 0 | 0 | 314,979 | 0 |
| NewForce Global Ltd. | 614 | 104,043 | 0 | 104,043 | 0 | 0 | (174) | 0 |
| Megachamp Investment Company Limited. | 5,000 | 2,134 | 50 | 2,084 | 0 | (93) | (143) | 0 |
| Mega1 Company Limited | 240,000 | 97,007 | 46,468 | 50,539 | 9,935 | (36,363) | (36,603) | 0 |
| Megaforce International Corporation | 9,212 | 39,086 | 37,032 | 2,054 | 62,411 | (162) | (213) | 0 |
| Megaforcemx, S.de R.L. de C.V. | 429,912 | 202,267 | 66,281 | 135,986 | 53,264 | (38,750) | (33,115) | 0 |
| Megaforce SDN. BHD. | 122,832 | 91,734 | 24,442 | 67,292 | 51,478 | (12,869) | (12,229) | 0 |
| Barintec Co., Ltd. | 13,595 | 8,111 | 2,456 | 5,655 | 4,366 | (12,506) | (12,577) | 0 |
| Shanghai Yingji Electronic Plastic Co., Ltd. | 475,974 | 1,984,016 | 610,213 | 1,373,803 | 2,899,434 | 267,360 | 253,683 | 0 |
| Shanghai Shanghua Painting Co., Ltd. | 61,416 | 154,196 | 50,165 | 104,031 | 171,236 | 3,095 | 2,991 | 0 |
| Shanghai AB Megaforce Co., Ltd. | 113,620 | 176,990 | 38,600 | 138,390 | 172,864 | (12,787) | (7,644) | 0 |
| Suzhou Intentech Co., Ltd. | 1,305,090 | 1,316,291 | 256,396 | 1,059,895 | 912,524 | (2,332) | 66,798 | 0 |
| Dongguan Megaforce Electronic Technology Co., Ltd. | 200,370 | 440,472 | 178,033 | 262,439 | 451,003 | (49,169) | (40,771) | 0 |

(II) Consolidated financial statements of related enterprises

As the entities included in the preparation are the same, and the relevant information to be disclosed has been disclosed in the previous financial report, it will not be prepared separately and a statement will be issued. Please refer to pages 113 to 189 for the foregoing financial report and page 112 for the statement.

(III) Relationship Report

安侯建業聯合會計師事務所
KPMG
台北市110615信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 110615, Taiwan (R.O.C.)
電　話 Tel + 886 2 8101 6666
傳　真 Fax + 886 2 8101 6667
網　址 Web kpmg.com/tw

## Accountants' Review Opinion

The 2022 annual relationship report of Megaforce Co., Ltd. has been reviewed by the accountant in accordance with the provisions of Letter Tai-Cai-Zheng-(6)-Zi No. 04448 issued by the former Securities and Futures Supervisory Commission of the Ministry of Finance of R.O.C on November 30, 1999. This review is to issue a review opinion on whether the 2022 annual relationship report of Megaforce Co., Ltd. is prepared in accordance with the provisions of the "Standards for the Preparation of Consolidated Business Report of Related Enterprises, Consolidated Financial Statements Of Related Enterprises and Relationship Reports," and whether the disclosed information is materially inconsistent with the relevant information disclosed in the notes to the financial statements of the same period examined by the accountant on March 15, 2023.

According to the results of this accountant's review, it is not found that the preparation of the above relationship report violates the provisions of the "Standards for the Preparation of Consolidated Business Report of Related Enterprises, Consolidated Financial Statements Of Related Enterprises and Relationship Reports," nor is it found that the information disclosed in the aforesaid relationship report is materially inconsistent with the relevant information disclosed in the notes to the financial statements of the same period.

KPMG Taiwan

CPA: Mei-Yen, Chen　Yu-Feng, Hsu

March 15, 2023

1. Overview of the relationship between the affiliated company and the controlling company:

Dec. 31, 2022

| Name of Controlling Company | Reasons for Control | Shareholding and Pledging of Controlling Company | | | Personnel such as Directors, Supervisors or Managers Appointed by Controlling Company | |
|---|---|---|---|---|---|---|
| | | Number of Shares Held | Shareholding Ratio | Number of Shares Pledged | Title | Name |
| Ying fan Investment Co., Ltd. | The same with Chairman | 38,483,802 | 29.15% | 0 | Director | Le-Li, Lu; Wan-Sheng, Hsu |

2. Buying and selling transactions: None.

3. Property transaction: None.

4. Financing: None.

5. Asset lease: None.

6. Endorsement guarantee: None.

II. Private Placement Securities

In the most recent year and up to the date of publication of the annual report, handling of private equity: None.

III. The Shares of the Company Held or Disposed of by the Subsidiaries

Shares held or disposed of by subsidiaries of the Company in the latest year and as of the date of publication of the annual report: None.

IV.Special Notes

In accordance with the provisions of the Letter Zheng-Gui-Jian-Zi No. 1020200236 issued by Taipei Exchange of the Republic of China on March 21, 2013, the Company discloses the outstanding OTC commitments: all the Company’s OTC commitments have been completed.

# IX.Events that have a significant impact on shareholders’ rights and interests or securities prices as specified in subparagraph 2, Item 3, Article 36 of the Securities and Exchange Act occur in the most recent year and up to the date of publication of the annual report: None.

# Representation Letter

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

Company name: Megaforce Company Limited
Chairman: Wen-Lin Hsu
Date: March 15, 2023

安侯建業聯合會計師事務所
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# Independent Auditors' Report

To the Board of Directors of

Megaforce Company Limited:

## Opinion

We have audited the consolidated financial statements of Megaforce Company Limited and its subsidiaries (“the Group”), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

## Basis for Opinion

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

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year 2022. These matters were addressed in the context of our audit of the consolidated financial statements taken as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters that should be communicated in our report.

Valuation of inventories

Please refer to notes (4)(h) to the consolidated financial statements for the accounting policies on the valuation of inventories, note (5) for the uncertainties in accounting estimates and assumptions regarding the valuation of inventories, and note (6)(e) for the provision for losses on decline in value of inventories.

Description of key audit matter:

Inventories are measured at the lower of costs and net realizable values. Due to fierce market competition or change in customer's demands, sales of related products might fluctuate significantly, which could possibly result in an obsolescence of products or no longer meet the market demand, and a significant fluctuation in the sales of the related products, wherein the carrying value of the inventories may exceed its net realizable value. Therefore, the valuation of inventories has been identified as key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included reviewing the lower of inventory and net realizable value assessments and inventory aging schedules provided by the Group; analyzing the fluctuation of inventory aging; evaluating the most recent sales prices used by the management and reviewing subsequent inventory liquidation to assess the reasonableness of the net value of the Group's inventories to verify the accuracy of the management's estimate of the inventory allowance for losses and adequacy of the disclosure.

**Other Matter**

Megaforce Company Limited has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2022 and 2021, on which we have issued an unmodified opinion.

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

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

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

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

**Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Mei-Yen Chen and Yu-Feng Hsu.

KPMG

Taipei, Taiwan (Republic of China)
March 15, 2023

**Notes to Readers**

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

# MEGAFORCE COMPANY LIMITED AND SUBSIDIARIES

## Consolidated Balance Sheets

## December 31, 2022 and 2021

## (Expressed in Thousands of New Taiwan Dollars)

| | | December 31, 2022 | | December 31, 2021 | |
|---|---|---|---|---|---|
| | **Assets** | **Amount** | **%** | **Amount** | **%** |
| | **Current assets:** | | | | |
| 1100 | Cash and cash equivalents (note (6)(a)) | $ 1,756,579 | 34 | 1,841,857 | 32 |
| 1170 | Notes and accounts receivable, net (notes (6)(c), (s) and (7)) | 1,387,041 | 27 | 1,643,066 | 28 |
| 130X | Inventories (note (6)(e)) | 496,691 | 10 | 660,040 | 11 |
| 1476 | Other financial assets－current (note (6)(d)) | 4,868 | - | 4,362 | - |
| 1479 | Other current assets | 66,435 | 1 | 66,951 | 1 |
| | **Total current assets** | 3,711,614 | 72 | 4,216,276 | 72 |
| | **Non-current assets:** | | | | |
| 1510 | Financial assets at fair value through profit or loss－non-current (note (6)(b)) | - | - | 44,262 | 1 |
| 1517 | Financial assets at fair value through other comprehensive income－non-current (note (6)(b)) | 21,460 | 1 | 7,119 | - |
| 1600 | Property, plant and equipment (notes (6)(h) and (8)) | 999,601 | 19 | 1,084,470 | 19 |
| 1755 | Right-of-use assets (note (6)(i)) | 193,271 | 4 | 188,051 | 3 |
| 1780 | Intangible assets (notes (6)(g) and (j)) | 62,338 | 1 | 63,482 | 1 |
| 1840 | Deferred income tax assets (note (6)(p)) | 141,778 | 3 | 196,721 | 4 |
| 1980 | Other financial assets－non-current | 16,955 | - | 14,280 | - |
| 1990 | Other non-current assets | 8,259 | - | 8,229 | - |
| | **Total non-current assets** | 1,443,662 | 28 | 1,606,614 | 28 |
| | **Total assets** | $ 5,155,276 | 100 | 5,822,890 | 100 |

| | | December 31, 2022 | | December 31, 2021 | |
|---|---|---|---|---|---|
| | **Liabilities and Equity** | **Amount** | **%** | **Amount** | **%** |
| | **Current liabilities:** | | | | |
| 2100 | Short-term borrowings (note (6)(k)) | $ 1,020,000 | 20 | 1,120,000 | 19 |
| 2120 | Financial liabilities at fair value through profit or loss－current (notes (6)(b) and (m)) | 285 | - | - | - |
| 2130 | Contract liabilities－current (note (6)(s)) | 59,229 | 1 | 62,912 | 1 |
| 2170 | Notes and accounts payable | 450,232 | 9 | 539,299 | 9 |
| 2200 | Other payables (notes (6)(t) and (7)) | 539,041 | 11 | 653,027 | 11 |
| 2230 | Current income tax liabilities | 21,697 | - | 37,599 | 1 |
| 2280 | Lease liabilities－current (note (6)(n)) | 52,448 | 1 | 40,433 | 1 |
| 2321 | Current portion of bonds payable (note (6)(m)) | 28,907 | 1 | - | - |
| 2322 | Current portion of long-term debt (notes (6)(l) and (8)) | 114,764 | 2 | 81,857 | 1 |
| 2360 | Net defined benefit liability－current (note (6)(o)) | 6,000 | - | 12,252 | - |
| 2399 | Other current liabilities－other | 21,964 | - | 31,855 | 1 |
| | **Total current liabilities** | 2,314,567 | 45 | 2,579,234 | 44 |
| | **Non-current liabilities:** | | | | |
| 2500 | Financial liabilities at fair value through profit or loss－non-current (notes (6)(b) and (m)) | - | - | 240 | - |
| 2530 | Bonds payable (note (6)(m)) | - | - | 28,495 | 1 |
| 2540 | Long-term debt (notes (6)(l) and (8)) | 363,236 | 7 | 537,714 | 9 |
| 2570 | Deferred income tax liabilities (note (6)(p)) | 75,190 | 1 | 103,361 | 2 |
| 2580 | Lease liabilities－non-current (note (6)(n)) | 107,408 | 2 | 116,360 | 2 |
| 2640 | Net defined benefit liability－non-current (note (6)(o)) | 45,055 | 1 | 64,034 | 1 |
| 2670 | Other non-current liabilities | 402 | - | 391 | - |
| | **Total non-current liabilities** | 591,291 | 11 | 850,595 | 15 |
| | **Total liabilities** | 2,905,858 | 56 | 3,429,829 | 59 |
| | **Equity attributable to owners of parent (notes (6)(m) and (q)):** | | | | |
| 3100 | Common stock | 1,320,159 | 26 | 1,320,159 | 23 |
| 3200 | Capital surplus | 830,582 | 16 | 830,637 | 14 |
| 3300 | Retained earnings | 107,321 | 2 | 284,718 | 5 |
| 3400 | Other equity | 20,375 | 1 | (63,673) | (1) |
| 3500 | Treasury shares | (44,905) | (1) | - | - |
| | **Total equity attributable to owners of parent** | 2,233,532 | 44 | 2,371,841 | 41 |
| 36XX | Non-controlling interests | 15,886 | - | 21,220 | - |
| | **Total equity** | 2,249,418 | 44 | 2,393,061 | 41 |
| | **Total liabilities and equity** | $ 5,155,276 | 100 | 5,822,890 | 100 |

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

# MEGAFORCE COMPANY LIMITED AND SUBSIDIARIES

## Consolidated Statements of Comprehensive Income

## For the years ended December 31, 2022 and 2021

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

| | | 2022 | | 2021 | |
|---|---|---|---|---|---|
| | | Amount | % | Amount | % |
| 4000 | **Operating revenues (notes (6)(s) and (7))** | $ 4,834,937 | 100 | 5,319,553 | 100 |
| 5000 | **Operating costs (notes (6)(e), (h), (i), (j), (n), (o), (7) and (12))** | 4,351,713 | 90 | 4,693,344 | 88 |
| | **Gross profit** | 483,224 | 10 | 626,209 | 12 |
| | **Operating expenses (notes (6)(c), (d), (h), (i), (j), (n), (o), (t), (7) and (12)):** | | | | |
| 6100 | Selling expenses | 95,179 | 2 | 89,345 | 2 |
| 6200 | Administrative expenses | 331,772 | 7 | 356,449 | 7 |
| 6300 | Research and development expenses | 139,819 | 3 | 137,353 | 3 |
| 6450 | Recognized (reversal of) expected credit losses | 1,336 | - | (1,962) | - |
| | **Total operating expenses** | 568,106 | 12 | 581,185 | 12 |
| | **Net operating profit (loss)** | (84,882) | (2) | 45,024 | - |
| | **Non-operating income and expenses (notes (6)(f), (g), (m), (n) and (u)):** | | | | |
| 7100 | Interest income | 17,686 | 1 | 13,532 | - |
| 7020 | Other gains and losses, net | 80,282 | 2 | 45,497 | 1 |
| 7060 | Share of loss of associates accounted for using equity method | - | - | (4,830) | - |
| 7510 | Interest expense | (27,937) | (1) | (22,259) | - |
| | **Total non-operating income and expenses** | 70,031 | 2 | 31,940 | 1 |
| 7900 | **Profit (loss) before tax** | (14,851) | - | 76,964 | 1 |
| 7950 | Less: Income tax expenses (note (6)(p)) | 146,957 | 3 | 53,058 | 1 |
| | **Profit (loss)** | (161,808) | (3) | 23,906 | - |
| 8300 | **Other comprehensive income (loss):** | | | | |
| 8310 | **Items that will not be reclassified subsequently to profit or loss** | | | | |
| 8311 | Remeasurements of defined benefit plans (note (6)(o)) | 15,217 | - | (7,156) | - |
| 8316 | Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (notes (6)(q) and (v)) | (1,139) | - | (1,520) | - |
| 8349 | Income tax related to items that will not be reclassified subsequently to profit or loss (note (6)(p)) | 3,043 | - | - | - |
| | Items that will not be reclassified subsequently to profit or loss | 11,035 | - | (8,676) | - |
| 8360 | **Items that will be reclassified subsequently to profit or loss** | | | | |
| 8361 | Exchange differences on translation of foreign operations (note (6)(q)) | 85,039 | 2 | (15,637) | - |
| 8370 | Share of other comprehensive income of associates accounted for using equity method (notes (6)(f) and (q)) | - | - | (795) | - |
| 8399 | Income tax related to items that will be reclassified subsequently to profit or loss | - | - | - | - |
| | Items that will be reclassified subsequently to profit or loss | 85,039 | 2 | (16,432) | - |
| 8300 | **Other comprehensive income (loss), net** | 96,074 | 2 | (25,108) | - |
| 8500 | **Total comprehensive income (loss)** | $ (65,734) | (1) | (1,202) | |
| | **Profit (loss), attributable to:** | | | | |
| 8610 | Profit (loss), attributable to owners of parent | $ (156,567) | (3) | 23,994 | |
| 8620 | Profit (loss), attributable to non-controlling interests | (5,241) | - | (88) | - |
| | Profit (loss) | $ (161,808) | (3) | 23,906 | |
| | **Comprehensive loss attributable to:** | | | | |
| 8710 | Comprehensive loss, attributable to owners of parent | $ (60,345) | (1) | (883) | - |
| 8720 | Comprehensive loss, attributable to non-controlling interests | (5,389) | - | (319) | - |
| | Total comprehensive loss | $ (65,734) | (1) | (1,202) | - |
| | **Earnings per share (in New Taiwan dollars) (note (6)(r))** | | | | |
| 9750 | Basic earnings (loss) per share | $ (1.20) | | 0.18 | |
| 9850 | Diluted earnings (loss) per share | $ (1.20) | | 0.18 | |

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

# MEGAFORCE COMPANY LIMITED AND SUBSIDIARIES

## Consolidated Statements of Changes in Equity

## For the years ended December 31, 2022 and 2021

## (Expressed in Thousands of New Taiwan Dollars)

| | Equity attributable to owners of parent: Common Stock | Capital surplus | Retained earnings: Legal reserve | Retained earnings: Special reserve | Retained earnings: Unappropriated retained earnings (accumulated deficit) | Retained earnings: Total retained earnings | Other equity interest: Exchange differences on translation of foreign financial statements | Other equity interest: Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income | Treasury shares | Total equity attributable to owners of parent | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at January 1, 2021** | $ 1,320,159 | 831,284 | 44,366 | 73,815 | 215,707 | 333,888 | (36,419) | (9,533) | - | 2,439,379 | 13,328 | 2,452,707 |
| Appropriation and distribution of retained earnings: | | | | | | | | | | | | |
| Legal reserve appropriated | - | - | 11,256 | - | (11,256) | - | - | - | - | - | - | - |
| Special reserve appropriated | - | - | - | (27,863) | 27,863 | - | - | - | - | - | - | - |
| Cash dividends to shareholders | - | - | - | - | (66,008) | (66,008) | - | - | - | (66,008) | - | (66,008) |
| Net profit | - | - | - | - | 23,994 | 23,994 | - | - | - | 23,994 | (88) | 23,906 |
| Other comprehensive income | - | - | - | - | (7,156) | (7,156) | (16,201) | (1,520) | - | (24,877) | (231) | (25,108) |
| Total comprehensive income | - | - | - | - | 16,838 | 16,838 | (16,201) | (1,520) | - | (883) | (319) | (1,202) |
| Change in ownership interest in subsidiaries | - | (647) | - | - | - | - | - | - | - | (647) | 647 | - |
| Changes in non-controlling interests | - | - | - | - | - | - | - | - | - | - | 7,564 | 7,564 |
| Balance at December 31, 2021 | 1,320,159 | 830,637 | 55,622 | 45,952 | 183,144 | 284,718 | (52,620) | (11,053) | - | 2,371,841 | 21,220 | 2,393,061 |
| Appropriation and distribution of retained earnings: | | | | | | | | | | | | |
| Legal reserve appropriated | - | - | 1,684 | - | (1,684) | - | - | - | - | - | - | - |
| Special reserve appropriated | - | - | - | 17,721 | (17,721) | - | - | - | - | - | - | - |
| Cash dividends to shareholders | - | - | - | - | (33,004) | (33,004) | - | - | - | (33,004) | - | (33,004) |
| Net loss | - | - | - | - | (156,567) | (156,567) | - | - | - | (156,567) | (5,241) | (161,808) |
| Other comprehensive income | - | - | - | - | 12,174 | 12,174 | 85,187 | (1,139) | - | 96,222 | (148) | 96,074 |
| Total comprehensive income | - | - | - | - | (144,393) | (144,393) | 85,187 | (1,139) | - | (60,345) | (5,389) | (65,734) |
| Purchase of treasury share | - | - | - | - | - | - | - | - | (44,905) | (44,905) | - | (44,905) |
| Change in ownership interest in subsidiaries | - | (55) | - | - | - | - | - | - | - | (55) | 55 | - |
| **Balance at December 31, 2022** | $ 1,320,159 | 830,582 | 57,306 | 63,673 | (13,658) | 107,321 | 32,567 | (12,192) | (44,905) | 2,233,532 | 15,886 | 2,249,418 |

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

# MEGAFORCE COMPANY LIMITED AND SUBSIDIARIES

## Consolidated Statements of Cash Flows

## For the years ended December 31, 2022 and 2021

## (Expressed in Thousands of New Taiwan Dollars)

| | | 2022 | 2021 |
|---|---|---|---|
| **Cash flows from (used in) operating activities:** | | | |
| **Profit (loss) before tax** | $ | (14,851) | 76,964 |
| **Adjustments:** | | | |
| **Adjustments to reconcile profit (loss):** | | | |
| Depreciation expense | | 246,827 | 234,326 |
| Amortization expense | | 3,846 | 8,463 |
| Recognized (reversal of) expected credit loss | | 1,336 | (1,962) |
| Net gain on financial assets or liabilities at fair value through profit or loss | | (5,110) | (38,636) |
| Interest expense | | 27,937 | 22,259 |
| Interest income | | (17,686) | (13,532) |
| Share of loss of associates accounted for using equity method | | - | 4,830 |
| Gain on disposal of property, plan and equipment | | (915) | (2,725) |
| Property, plant and equipment reclassified to expenses | | - | 33 |
| Gain on disposal of investments accounted for using equity method | | - | (6,501) |
| **Total adjustments to reconcile profit (loss)** | | 256,235 | 206,555 |
| **Changes in operating assets and liabilities:** | | | |
| **Changes in operating assets:** | | | |
| Notes and accounts receivable | | 272,896 | 357,615 |
| Inventories | | 173,167 | (69,668) |
| Other current assets | | 4,758 | (4,639) |
| Other financial assets | | 487 | 10,225 |
| Other non-current assets | | (541) | (48) |
| **Net changes in operating assets** | | 450,767 | 293,485 |
| **Changes in operating liabilities:** | | | |
| Contract liabilities | | (6,319) | 32,735 |
| Notes and accounts payable | | (95,849) | (110,584) |
| Other payables | | (108,023) | (151,919) |
| Other current liabilities | | (10,309) | 5,521 |
| Net defined benefit liability | | (10,014) | (11,694) |
| **Net changes in operating liabilities** | | (230,514) | (235,941) |
| **Total changes in operating assets and liabilities** | | 220,253 | 57,544 |
| **Total adjustments** | | 476,488 | 264,099 |
| Cash inflow generated from operations | | 461,637 | 341,063 |
| Income taxes paid | | (137,148) | (101,602) |
| **Net cash flows from operating activities** | | 324,489 | 239,461 |
| **Cash flows from (used in) investing activities:** | | | |
| Acquisition of financial assets at fair value through other comprehensive income | | (15,480) | - |
| Proceeds from disposal of financial assets designated at fair value through profit or loss | | 30,000 | - |
| Acquisition of financial assets at fair value through profit or loss | | (2,560,274) | (2,730,854) |
| Proceeds from disposal of financial assets at fair value through profit or loss | | 2,594,301 | 2,747,582 |
| Net cash flow from acquisition of subsidiaries | | - | 902 |
| Acquisition of property, plant and equipment | | (75,704) | (166,912) |
| Proceeds from disposal of property, plant and equipment | | 1,578 | 2,918 |
| Acquisition of intangible assets | | (2,671) | (4,798) |
| Decrease (increase) in other financial assets | | (1,857) | 496 |
| Interest received | | 16,778 | 12,271 |
| **Net cash flows used in investing activities** | | (13,329) | (138,395) |
| **Cash flows from (used in) financing activities:** | | | |
| Increase in short-term borrowings | | 6,895,000 | 5,588,992 |
| Repayments of short-term borrowings | | (6,995,000) | (5,426,462) |
| Increase in long-term debt | | 180,000 | 510,000 |
| Repayments of long-term debt | | (321,571) | (547,429) |
| Payments of lease liabilities | | (78,715) | (51,953) |
| Increase (decrease) in other non-current liabilities | | 6 | (486) |
| Cash dividends paid | | (33,004) | (66,008) |
| Payments to acquire treasury shares | | (44,905) | - |
| Interest paid | | (23,818) | (18,522) |
| **Net cash flows used in financing activities** | | (422,007) | (11,868) |
| **Effect of exchange rate changes on cash and cash equivalents** | | 25,569 | 12,214 |
| **Net increase (decrease) in cash and cash equivalents** | | (85,278) | 101,412 |
| **Cash and cash equivalents at beginning of period** | | 1,841,857 | 1,740,445 |
| **Cash and cash equivalents at end of period** | $ | 1,756,579 | 1,841,857 |

See accompanying notes to consolidated financial statements.

**(1) Company history**

Megaforce Company Limited (the "Company"). was incorporated on October 15, 1991, as a company limited by shares and registered under the Ministry of Economic Affairs, R.O.C. The address of Company's registered office is 1F., No.5, Ziqiang St., Tucheng Dist., New Taipei City 236, Taiwan. The Company and subsidiaries (the "Group") is engaged in the manufacture and sales of plastic injection mold, tooling manufacturing and general import and export trade.

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

These consolidated financial statements were authorized for issue by the Board of Directors on March 15, 2023.

**(3) New standards, amendments and interpretations adopted:**

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

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

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

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

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

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

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

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

| Standards or Interpretations | Content of amendment | Effective date per IASB |
| --- | --- | --- |
| Amendments to IAS 1 "Classification of Liabilities as Current or Non-current" | Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance.<br>The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt. | January 1, 2024 |
| Amendments to IAS 1 "Non-current Liabilities with Covenants" | After reconsidering certain aspects of the 2020 amendments1, new IAS 1 amendments clarify that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current.<br>Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability's classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date. | January 1, 2024 |

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

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

- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"
- IFRS 17 " Insurance Contracts" and amendments to IFRS 17
- Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 – Comparative Information "
- IFRS16 "Requirements for Sale and Leaseback Transactions"

(Continued)

**(4) Summary of significant accounting policies:**

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

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ( “the Regulations” ) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C. ( “the IFRSs endorsed by the FSC” ).

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

1) Financial instruments at fair value through profit or loss;

2) Financial assets at fair value through other comprehensive income; and

3) The defined benefit liabilities is recognized as the present value of the defined benefit obligation less the fair value of the plan assets and the effect of the asset ceiling mentioned in note (4)(o).

(ii) Functional and presentation currency

The functional currency of the Group is determined based on the primary economic environment in which the Group operates. The Company’ s consolidated financial statements are presented in New Taiwan Dollars, which is the Company’ s functional currency. Except when otherwise indicate, all financial information presented in New Taiwan Dollars has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The Company ‘controls’ an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

(Continued)

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

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

Changes in the Group’ s ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

(ii) List of subsidiaries in the consolidated financial statements

| | | | Percentage of ownership | | |
|---|---|---|---|---|---|
| **Name of investor** | **Name of subsidiary** | **Principal activity** | **December 31, 2022** | **December 31, 2021** | **Description** |
| The Company | Megaforce Group Co., Ltd. (Group) | Holding company | 100.00% | 100.00% | |
| The Company | Megachamp Investment Company Limited (Megachamp) | Holding company | 100.00% | 100.00% | |
| The Company | Dongguan Megaforce Electronic Technology Co., Ltd. (Dongguan Megaforce) | Manufacturing and selling plastic components and high-precision tools | 100.00% | 100.00% | |
| The Company and Megachamp | Megaforcemx, S.de R.L. de C.V. (MegaforceMX) | Manufacturing and selling plastic components and high-precision tools | 100.00% | 100.00% | (Note 1) |
| The Company | Megaforce SDN. BHD. (MegaforceMY) | Manufacturing and selling plastic components | 100.00% | 100.00% | |
| The Company | Megal Company Limited (Megal) | Manufacturing optical components | 99.88% | 99.85% | |
| The Company | Barintec Co., Ltd. (Barintec) | Developing AR modules and optical technology, and selling related products | 64.79% | 64.79% | (Note 2) |
| The Company | Megaforce International Corporation (International-US) | Trading of merchandise | 100.00% | 100.00% | |
| Group | Megaforce International Co., Ltd. (International-Samoa) | Holding company | 100.00% | 100.00% | |
| Group | Newforce Global Ltd. (Newforce) | Holding company | 100.00% | 100.00% | |
| International-Samoa | Shanghai Yingji Electronic Plastic Co., Ltd. (Shanghai Yingji ) | Manufacturing and selling plastic components | 100.00% | 100.00% | |
| International-Samoa | Suzhou Intentech Co., Ltd. (Suzhou Intentech) | Manufacturing and selling plastic components | 100.00% | 100.00% | |
| International-Samoa and Shanghai Yingji | Shanghai AB Megaforce Co., Ltd. (Shanghai AB) | Manufacturing and selling of high-precision tools | 90.00% | 90.00% | (Note 3) |
| Newforce | Shanghai Shanghua Painting Co.,Ltd. (Shanghai Shanghua) | Painting of electronic and plastic products | 100.00% | 100.00% | |

(Continued)

Note 1: The Group held 99.79% and 0.21% equity interests in MegaforceMX through the Company and Megachamp, respectively.

Note 2: The entity was a former associate of the Group. In November 2021, the Group gained control over the entity by acquiring shares and included it into the consolidated financial statements.

Note 3: The Group owned 40% and 50% equity interests in Shanghai AB through International-Samoa and Shanghai Yingji , respectively.

(iii) Subsidiaries excluded from the consolidated financial statements: None.

(d) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the functional currencies of the Group at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period ( “the repoerting date” ), monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction. Exchange differences are generally recognized in profit or loss.

(ii) Foreign operations

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

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to noncontrolling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(Continued)

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

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

(i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting period; or

(iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

(i) It is expected to be settled in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is due to be settled within twelve months after the reporting period; or

(iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

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

(g) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset not at fair value through profit or loss (FVTPL) (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

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

(Continued)

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI)–equity investment and fair value through profit or loss (FVTPL). Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

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

Subsequent to initial recognition, these assets are measured at amortized cost, which equals to carrying amount determined by the effective interest less any impairment loss. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Financial assets measured at fair value through other comprehensive income (FVOCI )

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment' s fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Group' s right to receive payment is established (usually the ex-dividend date).

3) Financial assets measured at fair value through profit or loss (FVTPL)

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

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

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

(Continued)

4) Assessment whether contractual cash flows are solely payments of principal and interest on the principal amount outstanding

For the purposes of this assessment, 'principal' is defined as the fair value of the financial assets on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features)

5) Impairment of financial assets

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

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

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

Loss allowance for trade receivables are always measured at an amount equal to lifetime ECL.

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

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

(Continued)

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

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

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

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

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group’s procedures for recovery of amounts due.

6) Derecognition of financial assets

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

(Continued)

3) Compound financial instruments

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

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

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

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

4) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

5) Derecognition of financial liabilities

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

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

6) Offsetting of financial assets and liabilities

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

(Continued)

(h) Inventories

The costs of inventories include all necessary expenditures and charges for bringing them to a condition and location wherein they are available to be sold or processed. Subsequently, inventories are evaluated at the lower of cost and net realizable value; net realizable value is the estimated selling price in the ordinary course of business, less, the estimated costs of completion and selling expenses. The Group's inventories are normally valued at standard costs that are reviewed periodically and revised to suit current conditions when necessary. When the standard costs approximate the actual costs, the differences are directly recognized as operating costs. At the end of the period, the differences between the costs are allocated to operating costs and inventories on an average basis.

(i) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Group, from the date on which significant influence commences until the date on which significant influence ceases. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's shareholding percentage of the associate, the Group recognizes change in ownership interests in the associate in "capital surplus" in proportion to its shareholding.

Unrealized gains and losses from transaction between the Group and an associate are recognized only to the extent of unrelated Group's interests in the associate.

When the Group's share of losses of an associate equals or exceeds its interests in an associate, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group discontinues the use of the equity method and measures the retained interest at fair value from the date when its investment ceases to be an associate. The difference between the fair value of retained interest and proceeds from disposing, and the carrying amount of the investment at the date the equity method was discontinued is recognized in profit or loss. The Group accounts for all the amounts previously recognized in other comprehensive income in relation to that investment on the same basis as would have been required if the associates had directly disposed of the related assets or liabilities. If a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss (or retained earnings) on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) (or retained earnings) when the equity method is discontinued.

(Continued)

(j) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

Land is not depreciated.

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

| | | |
|---|---|---|
| 1) | Buildings and construction | 20~55 years |
| 2) | Machinery equipment | 5~10 years |
| 3) | Office and other equipment | 3~5 years |

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

(k) Intangible assets

Goodwill arising on the acquisition of associates is included in the carrying amount of investment in associates. Goodwill is not amortized but is measured at cost, less accumulated impairment losses.

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Other intangible assets, including computer software, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses. Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straightline basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for computer software is 2~3 years.

(Continued)

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

(l) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset’ s recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

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

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset’ s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(m) Treasury stock

Repurchased shares are recognized under treasury shares (a contra equity account) based on its repurchase price (including all directly accountable costs). Gains on disposal of treasury shares should be recognized under capital reserve－treasury shares transaction; losses on disposal of treasury shares should be offset against existing capital reserve arising from similar types of treasury shares. If there are insufficient capital reserve to be offset against, then such losses should be accounted for under retained earnings. The carrying amount of treasury shares should be calculated using the weighted average different types of repurchase.

During the cancellation of treasury shares, capital reserve－share premiums and share capital should be debited proportionately. Gains on cancellation of treasury shares should be recognized under existing capital reserve arising from similar types of treasury shares; losses on cancellation of treasury shares should be offset against existing capital reserve arising from similar types of treasury shares. If there are insufficient capital reserve to be offset against, then such losses should be accounted for under retained earnings.

(Continued)

(n) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer.

(i) Sale of goods

The Group manufactures and sells plastic goods and molds to electronic product vender. The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer or accepted by the customer with supporting documents issued, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

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

(ii) Financing components

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

(o) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

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

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

(Continued)

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

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

(iii) Short-term employee benefits

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

(p) Leases

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

(i) As a leasee

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

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

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

(Continued)

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

1) fixed payments;

2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

3) amounts expected to be payable under a residual value guarantee; and

4) payments for purchase or termination options that are reasonably certain to be exercised.

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

1) there is a change in future lease payments arising from the change in an index or rate; or

2) there is a change in the Group' s estimate of the amount expected to be payable under a residual value guarantee; or

3) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or

4) there is a change of its assessment on whether it will exercise a extension or termination option; or

5) there is any lease modifications

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

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

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

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

(Continued)

(ii) As a lessor

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

(q) Income taxes

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

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

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

(i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

(ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(iii) taxable temporary differences arising on the initial recognition of goodwill.

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

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

(Continued)

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

(i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity; or

2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(r) Business combination

The Group accounts for business combinations using the acquisition method. The goodwill arising from an acquisition is measured as the excess of (i) the consideration transferred (which is generally measured at fair value) and (ii) the amount of non-controlling interest in the acquiree, both over the identifiable net assets acquired at the acquisition date. If the amount calculated above is a deficit balance, the Group recognized that amount as a gain on a bargain purchase in profit or loss immediately after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed.

All acquisition-related transaction costs are expensed as incurred, except for the issuance of debt or equity instruments.

For each business combination, the Group measures any non-controlling interests in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s identifiable net assets.

In a business combination achieved in stages, the Group remeasures its previously held equity interest in the acquiree at its acquisition-date fair value, and recognizes the resulting gain or loss, if any, in profit or loss. In prior reporting periods, the Group may have recognized changes in the value of its equity interest in the acquiree in other comprehensive income. If so, the amount that was recognized in other comprehensive income will be recognized on the same basis as would be required if the Group had disposed directly of the previously held equity interest. If the disposal of the equity interest required a reclassification to profit or loss, such an amount will be reclassified to profit or loss.

(s) Government grants

A government grant is recognized in profit or loss only when there is reasonable assurance that the Group will comply with the conditions attached to it and that the grant will be received.

(Continued)

On a systematic basis, the grant is recognized in profit or loss for the period wherein the costs that it is intended to compensate are recognized as expenses by the Group. Government grants for obtaining non-current assets through acquisition, construction, and other methods shall be deducted when recognizing the underlying assets' carrying amounts. Over the useful lives of depreciable assets, the corresponding amounts shall be reclassified as profit or loss on a reasonable and systematic basis.

(t) Earnings per share

The Group discloses the basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as convertible bonds, employee stock options and employee compensation.

(u) Operating segments

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

**(5) Critical accounting judgments, estimates, and assumptions on uncertainty:**

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

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

There are no critical judgments in applying accounting policies that have significant effect on the amounts recognized in the consolidated financial statements.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is valuation of inventories.

As inventories are stated at the lower of cost or net realizable value, the Group's subsidiaries estimates the amount of obsolete and unmarketable inventories on the reporting date, and then writes down the cost of inventories to net realizable value. The valuation of the inventories is mainly determined based on assumptions as to future demand within a specific time horizon. Due to both rapid industrial transformation and fierce competition, there may be significant changes in the net realizable values of inventories. Please refer to note (6)(e) for inventory valuation.

(Continued)

**(6) Explanation of significant accounts:**

(a) Cash and cash equivalents

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Cash on hand | $ 1,232 | 1,378 |
| Demand deposits | 1,533,781 | 1,684,009 |
| Time deposits | 221,566 | 156,470 |
| | $ 1,756,579 | 1,841,857 |

Please refer to note (6)(v) for the exchange rate risk, and sensitivity analysis of the financial assets of the Group.

(b) Financial instruments

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

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Stock unlisted in domestic markets | $ - | - |
| Private convertible bonds issued by domestic TPEx-listed entities | - | 44,262 |
| | $ - | 44,262 |

Based on the assessment of the Group's management, the equity interests in domestic unlisted investees were fully recognized as impairment losses for prior years after the net value has already approximated $0.

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

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Convertible bonds with embedded derivatives | $ 285 | 240 |

(iii) Fair value through other comprehensive income –equity investment

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Stock unlisted in domestic markets | $ 21,460 | 7,119 |

The Group designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for the long-term strategic purposes. There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments as of December 31, 2022 and 2021.

(Continued)

(iv) Please refer to note 6(w) for credit risk and market risk.

(v) As of December 31, 2022 and 2021, none of the Group's financial assets mentioned above has been pledged as security.

(c) Notes and accounts receivable (including related parties)

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Notes receivable | $ - | 158 |
| Accounts receivable | 1,387,282 | 1,643,526 |
| Receivable from related parties | 1,720 | - |
| Less: loss allowance | (1,961) | (618) |
| | $ 1,387,041 | 1,643,066 |

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables (including related parties). Forward looking information is taken into consideration as well. Analysis of expected credit losses on notes and accounts receivable (including related parties) were as follows:

| | December 31, 2022 | | |
|---|---|---|---|
| | Gross carrying amount | Weighted-average loss rate | Loss allowance provision |
| Current | $ 1,366,704 | 0.01% | 137 |
| Past due 1~90 days | 21,668 | 1.1%~100% | 1,704 |
| Past due 91~180 days | 630 | 19% | 120 |
| | $ 1,389,002 | | 1,961 |

| | December 31, 2021 | | |
|---|---|---|---|
| | Gross carrying amount | Weighted-average loss rate | Loss allowance provision |
| Current | $ 1,628,784 | 0.01% | 163 |
| Past due 1~90 days | 13,624 | 1.1% | 150 |
| Past due 91~180 days | 175 | 17% | 30 |
| Past due more than 181 days | 1,101 | 25% | 275 |
| | $ 1,643,684 | | 618 |

(Continued)

The movements in the allowance for notes and accounts receivable (including related parties) were as follows:

| | 2022 | 2021 |
|---|---|---|
| Balance at January 1 | $ 618 | 3,005 |
| Impairment losses recognized (reversed) | 1,335 | (1,953) |
| Amounts written off | - | (455) |
| Foreign exchange gains or losses | 8 | 21 |
| Balance at December 31 | **$ 1,961** | **618** |

As of December 31, 2022 and 2021, the notes and accounts receivable were not pledged as collateral.

(d) Other receivables

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Other receivables | $ 1,831 | 2,263 |
| Less: loss allowance | (1) | - |
| | **$ 1,830** | **2,263** |

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

| | 2022 | 2021 |
|---|---|---|
| Balance at January 1 | $ - | 9 |
| Impairment losses recognized (reversed) | 1 | (9) |
| Balance at December 31 | **$ 1** | **-** |

(e) Inventories

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Raw materials | $ 112,236 | 152,945 |
| Work in progress and semi-finished products | 178,366 | 268,003 |
| Finished goods | 206,089 | 239,092 |
| | **$ 496,691** | **660,040** |

The details of the cost of sales were as follows:

| | | 2022 | 2021 |
|---|---|---|---|
| Inventory that has been sold | $ | 4,110,483 | 4,577,719 |
| Write-down of inventories | | 3,150 | 7,701 |
| Loss on disposal of inventories | | 50,066 | 63,437 |
| Gain (loss) on physical inventory count | | (74) | 44 |
| Unallocated production costs (Note) | | 140,339 | - |
| Others | | 47,749 | 44,443 |
| | $ | 4,351,713 | 4,693,344 |

(Note) The amount represents the unallocated fixed production costs arising from abnormal availability/uptime due to the outbreak of COVID-19 2022.

The write-downs arose from the write-down of inventories to net realizable value.

As of December 31, 2022 and 2021, the Group did not provide any inventories as collateral for its loans.

(f) Investments accounted for using equity method

The Group's financial information for investments accounted for using the equity method that are individually insignificant was as follows:

| | 2021 |
|---|---|
| Profit or loss attributable to the Group | (4,830) |
| Other comprehensive income (loss) | (795) |
| Total comprehensive income (loss) | (5,625) |

In November 2021, the Group increased its shareholding in Barintec Co., Ltd. (Barintec), a related company, and consequently gained control over this investee. As a result, Barintec is included as one of the Group in the consolidated financial statements. Please refer to note (6)(g) for related information.

(g) Acquisition of subsidiaries

(i) The cost of acquisition

On November 30, 2021 (date of acquisition), the Group obtained control of Barintec Co., Ltd. (Barintec) by investing the amount of $18,850 to acquire additional 15.81% of the shares and voting interests in the company. As a result, the Group's equity interest in Barintec increased from 48.98% to 64.79% and Barintec has been included in the Group's consolidated entities since the date of acquisition. Barintec is principally engaged in developing AR modules and optical technology as well as selling related products. By acquiring Barintec, the Group mainly aimed to pursue market share with its optical technology development.

(Continued)

(ii) Identifiable net assets acquired in a business combination

The fair value of identifiable assets acquired and liabilities assumed from the acquisition was as follows:

Consideration transferred:

| | | | |
|---|---|---|---|
| Cash | | $ | 18,850 |
| Add: Fair value of pre-existing interest in the acquiree | | | 20,563 |
| Non-controlling interests (measured at non-controlling interest’s proportionate share of the fair value of identifiable net assets) | | | 7,564 |
| Less: Fair value of identifiable net assets acquired | | | |
| Cash and cash equivalents | 19,752 | | |
| Accounts receivable | 904 | | |
| Inventories | 228 | | |
| Prepayments and other current assets | 2,294 | | |
| Property, plant and equipment | 470 | | |
| Other non-current assets | 737 | | |
| Accounts payable | (2,383) | | |
| Other payables | (281) | | |
| Other current liabilities | (239) | | (21,482) |
| Goodwill | | $ | 25,495 |

The Group’s previously held 48.98% ownership of Barintec is remeasured to fair value at the acquisition date, and recognized a gain on disposal of $6,501 in other gains and losses, net.

(iii) Goodwill

Goodwill mainly arises from Barintec’s future market share and the value of workforce, neither of which qualifies as an identifiable intangible asset. None of the goodwill recognized is expected to be deductible for income tax purpose.

(iv) Pro forma information on operating results

From the acquisition date to December 31, 2021, Barintec’s operating results, which comprised operating revenue of $335 and the net loss after tax of $(1,855), have been included to the Group’s consolidated statement of comprehensive income. If this acquisition had occurred on January 1, 2021, the pro forma operating revenue and net income after tax would have been $5,320,163 and $18,875 for 2021.

(Continued)

(h) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group for the years ended 2022 and 2021, were as follows:

| | | Land | Buildings and construction | Machinery and equipment | Office and other equipment | Construction in progress/ equipment to be tested | Total |
|---|---|---|---|---|---|---|---|
| Cost: | | | | | | | |
| Balance at January 1, 2022 | $ | 318,300 | 619,705 | 1,959,469 | 587,556 | 1,626 | 3,486,656 |
| Additions | | - | - | 43,524 | 15,215 | 5,817 | 64,556 |
| Disposals | | - | - | (88,235) | (10,765) | - | (99,000) |
| Reclassification | | - | - | 4,103 | (2,476) | (1,627) | - |
| Effects of changes in foreign exchange rates | | 1,808 | 11,214 | 38,505 | 10,884 | (22) | 62,389 |
| Balance on December 31, 2022 | **$** | **320,108** | **630,919** | **1,957,366** | **600,414** | **5,794** | **3,514,601** |
| Balance on January 1, 2021 | $ | 294,374 | 629,496 | 1,967,826 | 539,928 | 10,626 | 3,442,250 |
| Acquisition through business combination | | - | - | 767 | - | - | 767 |
| Additions | | 15,108 | 4,305 | 85,786 | 73,094 | 1,645 | 179,938 |
| Disposals | | - | - | (80,851) | (25,991) | - | (106,842) |
| Reclassification | | 9,388 | (9,388) | 2,880 | 6,122 | (10,602) | (1,600) |
| Reclassified to expenses | | - | - | (160) | - | (25) | (185) |
| Effects of changes in foreign exchange rates | | (570) | (4,708) | (16,779) | (5,597) | (18) | (27,672) |
| Balance on December 31, 2021 | **$** | **318,300** | **619,705** | **1,959,469** | **587,556** | **1,626** | **3,486,656** |
| Accumulated depreciation and impairment losses: | | | | | | | |
| Balance at January 1, 2022 | $ | - | 392,849 | 1,578,855 | 430,482 | - | 2,402,186 |
| Depreciation | | - | 22,511 | 94,628 | 54,495 | - | 171,634 |
| Disposals | | - | - | (88,088) | (10,249) | - | (98,337) |
| Reclassification | | - | - | 1,025 | (1,025) | - | - |
| Effects of changes in foreign exchange rates | | - | 5,701 | 25,608 | 8,208 | - | 39,517 |
| Balance at December 31, 2022 | **$** | **-** | **421,061** | **1,612,028** | **481,911** | **-** | **2,515,000** |
| Balance at January 1, 2021 | $ | - | 372,656 | 1,565,094 | 405,446 | - | 2,343,196 |
| Acquisition through business combination | | - | - | 308 | - | - | 308 |
| Depreciation | | - | 22,674 | 106,431 | 54,025 | - | 183,130 |
| Disposals | | - | - | (80,843) | (25,806) | - | (106,649) |
| Reclassification | | - | - | (1,600) | - | - | (1,600) |
| Reclassified to expenses | | - | - | (152) | - | - | (152) |
| Effects of changes in foreign exchange rates | | - | (2,481) | (10,383) | (3,183) | - | (16,047) |
| Balance at December 31, 2021 | **$** | **-** | **392,849** | **1,578,855** | **430,482** | **-** | **2,402,186** |
| Carrying amount: | | | | | | | |
| Balance at December 31, 2022 | **$** | **320,108** | **209,858** | **345,338** | **118,503** | **5,794** | **999,601** |
| Balance at December 31, 2021 | **$** | **318,300** | **226,856** | **380,614** | **157,074** | **1,626** | **1,084,470** |

Please refer to note (8) for the Group's property, plant and equipment pledged as collateral for debt and credit lines as of December 31, 2022 and 2021.

(Continued)

(i) Right-of-use assets

The Group leases many assets including land, buildings and vehicles. Information about leases for which the Group is a lessee was presented below:

| | | Right of land use | Buildings | Vehicles | Total |
|---|---|---|---|---|---|
| Cost: | | | | | |
| Balance at January 1, 2022 | $ | 71,460 | 268,039 | 2,672 | 342,171 |
| Additions | | - | 66,473 | - | 66,473 |
| Deductions | | - | (42,114) | (1,123) | (43,237) |
| Lease modifications | | - | 4,950 | - | 4,950 |
| Effect of changes in foreign exchange rates | | 571 | 13,874 | - | 14,445 |
| Balance at December 31, 2022 | $ | 72,031 | 311,222 | 1,549 | 384,802 |
| Balance at January 1, 2021 | $ | 71,721 | 228,599 | 1,652 | 301,972 |
| Additions | | - | 55,412 | 1,217 | 56,629 |
| Deductions | | - | (16,051) | (197) | (16,248) |
| Lease modifications | | - | 5,771 | - | 5,771 |
| Effect of changes in foreign exchange rates | | (261) | (5,692) | - | (5,953) |
| Balance at December 31, 2021 | $ | 71,460 | 268,039 | 2,672 | 342,171 |
| Accumulated depreciation: | | | | | |
| Balance at January 1, 2022 | $ | 38,565 | 114,053 | 1,502 | 154,120 |
| Depreciation | | 1,122 | 73,518 | 553 | 75,193 |
| Deductions | | - | (42,114) | (1,123) | (43,237) |
| Effect of changes in foreign exchange rates | | 226 | 5,229 | - | 5,455 |
| Balance at December 31, 2022 | $ | 39,913 | 150,686 | 932 | 191,531 |
| Balance at January 1, 2021 | $ | 37,565 | 82,157 | 996 | 120,718 |
| Depreciation | | 1,102 | 49,522 | 572 | 51,196 |
| Deductions | | - | (16,051) | (66) | (16,117) |
| Effect of changes in foreign exchange rates | | (102) | (1,575) | - | (1,677) |
| Balance at December 31, 2021 | $ | 38,565 | 114,053 | 1,502 | 154,120 |
| Carrying amount: | | | | | |
| Balance at December 31, 2022 | $ | 32,118 | 160,536 | 617 | 193,271 |
| Balance at December 31, 2021 | $ | 32,895 | 153,986 | 1,170 | 188,051 |

(Continued)

(j) Intangible assets

The cost, amortization and impairment of the intangible assets of the Group for the years ended 2022 and 2021, were as follows:

| | | Computer software | Goodwill | Total |
|---|---|---|---|---|
| Cost: | | | | |
| Balance at January 1, 2022 | $ | 19,702 | 57,971 | 77,673 |
| Additions | | 2,671 | - | 2,671 |
| Disposals | | (2,154) | - | (2,154) |
| Effect of changes in foreign exchange rates | | 236 | - | 236 |
| Balance at December 31, 2022 | $ | 20,455 | 57,971 | 78,426 |
| Balance at January 1, 2021 | $ | 17,128 | 32,476 | 49,604 |
| Additions | | 4,798 | - | 4,798 |
| Acquisition through business combinations | | - | 25,495 | 25,495 |
| Disposals | | (2,113) | - | (2,113) |
| Effect of changes in foreign exchange rates | | (111) | - | (111) |
| Balance at December 31, 2021 | $ | 19,702 | 57,971 | 77,673 |
| Accumulated amortization and impairment losses: | | | | |
| Balance at January 1, 2022 | $ | 14,191 | - | 14,191 |
| Amortization | | 3,846 | - | 3,846 |
| Disposals | | (2,154) | - | (2,154) |
| Effect of changes in foreign exchange rates | | 205 | - | 205 |
| Balance at December 31, 2022 | $ | 16,088 | - | 16,088 |
| Balance at January 1, 2021 | $ | 7,911 | - | 7,911 |
| Amortization | | 8,463 | - | 8,463 |
| Disposals | | (2,113) | - | (2,113) |
| Effect of changes in foreign exchange rates | | (70) | - | (70) |
| Balance at December 31, 2021 | $ | 14,191 | - | 14,191 |
| Carrying amount: | | | | |
| Balance at December 31, 2022 | $ | 4,367 | 57,971 | 62,338 |
| Balance at December 31, 2021 | $ | 5,511 | 57,971 | 63,482 |

(Continued)

(i) Amortization

The amortization of intangible assets are included in the statement of comprehensive income:

| | | 2022 | 2021 |
|---|---|---|---|
| Operating cost | $ | 1,126 | 2,528 |
| Operating expense | | 2,720 | 5,935 |
| | $ | 3,846 | 8,463 |

(ii) Impairment testing for goodwill

For impairment testing purposes, goodwill has been allocated to the operating units, which are the minimum level for monitoring the Group’s goodwill for internal management. Such units shall not be larger than the Group’s operating segments. The overall carrying amount of goodwill as of December 31, 2022 and 2021, is allocated to the segments of electronic components and opto-mechatronics.

The recoverable amount of the cash generating unit (CGU) is based on value in use. Value in use is determined by discounting the future cash flows arising from the continued use of the unit. The values in use (including goodwill) on December 31, 2022 and 2021, determined in similar methods, were calculated based on the following key assumptions.

1) The estimate of cash flow was based on past experience, actual operating results and a five-year operating plan. The portion of cash flows of more than 5 years is estimated at the carrying amount of the net future cash flows to be received from the disposal of assets.

2) The Group estimates the discount rate according to the weighted-average capital cost. The discount rate adopted for the recoverable amount of CGUs is as follows:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Discount rate | 7.72% | 7.37% |

According to a test result, the segments of electronic components and opto-mechatronics have not incurred any impairment loss as of December 31, 2022 and 2021.

(k) Short term borrowings

| | | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| Unsecured bank loans | $ | 1,020,000 | 1,120,000 |
| Unused credit lines | $ | 675,999 | 605,079 |
| Range of interest rates | | 1.64%~1.93% | 0.99%~1.12% |

For the years ended 2022 and 2021, the amounts, which were due in June 2023 and April 2022, increased by $6,895,000 and $5,588,992, respectively; and the amounts repaid were $6,995,000 and $5,426,462, respectively. Please refer to note (6)(u) for interest expense.

(Continued)

(l) Long-term debt

The details of long-term debt were as follows:

| | December 31, 2022 | | | |
|---|---|---|---|---|
| | **Range of interest rate** | **Maturity year** | | **Amount** |
| Unsecured bank loans | 1.71%~1.88% | 2023 | $ | 75,000 |
| Secured bank loans | 1.84%~1.944% | 2026~2035 | | 403,000 |
| Less: current portion of long-term debt | | | | (114,764) |
| Total | | | **$** | **363,236** |
| Unused credit lines | | | **$** | **-** |

| | December 31, 2021 | | | |
|---|---|---|---|---|
| | **Range of interest rate** | **Maturity year** | | **Amount** |
| Unsecured bank loans | 1.25%~1.35% | 2023~2024 | $ | 243,321 |
| Secured bank loans | 1.1746%~1.215% | 2025~2035 | | 376,250 |
| Less: current portion of long-term debt | | | | (81,857) |
| Total | | | **$** | **537,714** |
| Unused credit lines | | | **$** | **-** |

(i) Issue and repayment of loans

For the years ended 2022 and 2021, the borrowings, which are due in October 2026 and September 2025, increased by $180,000 and $510,000 respectively; and the amounts repaid were $321,571 and $547,429, respectively. Please refer to note 6(u) for interest expense.

(ii) Collateral for bank loans

Refer to note (8) for a description of the Group’ s assets pledged as collateral to secure the bank loans.

(m) Bonds payables

The details of unsecured convertible bonds were as follows:

| | | **December 31, 2022** | **December 31, 2021** |
|---|---|---|---|
| Total convertible bonds issued | $ | 30,000 | 30,000 |
| Less: unamortized discounted corporate bonds payable | | (1,093) | (1,505) |
| Less: current portion of bonds payables | | (28,907) | - |
| | **$** | **-** | **28,495** |
| Embedded derivatives–put options (included in financial liabilities at fair value through profit or loss) | **$** | **285** | **240** |

(Continued)

| | 2022 | 2021 |
|---|---|---|
| Embedded derivatives–gains or losses on put options remeasured at fair value (included in other gains and losses) | $ 45 | (105) |
| Interest expenses | $ 563 | 563 |

On March 13, 2020, the Group's Board of Directors resolved to issue domestic unsecured convertible bonds under private placement, so as to repay bank loans and improve the financial structure. On June 5, 2020, the shareholders' meeting resolved to issue the bonds twice within 1 year from the date of the resolution, with the aggregate amount of the issue being capped at $100,000.

On August 7, 2020, the Group's Board of Directors resolved to issue the 1st domestic unsecured convertible bonds under a private placement, which has been carried out on August 26, 2020. The amount of the issue totaled $30,000, which has been received.

In accordance with IFRS 9, the Company separated the conversion option from bonds, and recognized as equity and liabilities. The related information was as follows:

| | |
|---|---|
| The fair value of convertible bonds at issuance | $ 27,939 |
| The embedded derivatives at issuance (i.e., put options) | 585 |
| The equity components at issuance (i.e., conversion right) | 1,476 |
| | $ 30,000 |

The major terms of the aforementioned first private unsecured convertible bond were as follows:

(i) Period of issue: 5 years (August 26, 2020 ~ August 25, 2025)

(ii) Terms of repayment: Unless the bondholders request the Company to repurchase the bonds or the bonds are converted into ordinary shares of the Company in accordance with the regulations, the Company shall redeem the bonds in cash at par value of the bonds upon maturity.

(iii) Conversion period: The bondholders have the right to ask for conversion of the bonds into common shares of the Company at any time during the period from the date after three months of the bonds issued to the maturity date by notifying to the Company, with the exceptions of the following: (1) the book closure period of the ordinary shares according to law; (2) from the 15 business days prior to the closure date of the Company's stock dividends, the closure date of cash dividends, or the closure date of cash capital increase subscription, to the ex-dividend date; (3) from the capital reduction base date to the day before the trading day of producing the new stock certificates due to the capital reduction.

(Continued)

(iv) Put option of bondholders: The Group shall set the date after 3 years (August 26, 2023) and the date after 4 years (August 26, 2024) from the issue date of the convertible bond as the record dates for the early exercise of put option. The bondholders are entitled to request the Group to redeem the private placement convertible bond at par value plus an indemnity to cover the interest rate, which amounted to 101.5075% of the par value after 3 years (0.50% yield rate) and 102.0151% of the par value after 4 years (0.50% yield rate), respectively. After accepting the redemption request, the Group should redeem the bonds by cash within 5 business days after the redemption date.

(v) Conversion price: Determined on August 7, 2020, the conversion price of the convertible bond shall be the higher of the following two calculations, multiplied by 110% (rounded to the nearest dime of NTD):

- The simple average closing price of the common shares of the Company for either the 1, 3, or 5 business days before the price determination date, after adjustment for any distribution of share dividends, cash dividends or capital reduction.

- The simple average closing price of the common shares of the Company for the 30 business days before the price determination date, after adjustment for any distribution of stock dividends, cash dividends, or capital reduction.

Under the above-mentioned method, the conversion price was set at $15.2 per share.

(n) Lease liabilities

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

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Current | $ 52,448 | 40,433 |
| Non-current | $ 107,408 | 116,360 |

Please refer to note (6)(v) for the maturity analysis.

The amounts recognized in profit or loss was as follows:

| | 2022 | 2021 |
|---|---|---|
| Interest expense on lease liabilities | $ 3,305 | 3,025 |
| Expense relating to short-term lease | $ 8,782 | 12,209 |
| Expenses related to leases of low-value assets (excluding short-term leases of low-value assets) | $ 1,477 | 1,339 |

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

| | 2022 | 2021 |
|---|---|---|
| Total cash outflow for leases | $ 92,279 | 68,526 |

(Continued)

(i) Leases of land and buildings

The Group leases lands and buildings for its factory and storage locations. The leases of factory typically run for a period of 10 years, and of storage locations for 2 to 5 years. Leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

(ii) Other leases

The Group leases transportation equipment with contract terms of 2 to 5 years. In addition, the Group leases dormitories, parking spaces and miscellaneous equipment, with contract terms of 6 months to 1 year. These leases are short-term and/or of leases of low-value items, for which the Group elected not to recognized right-of-use assets and lease liabilities for these leases.

(o) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value was as follows:

| | | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| Present value of defined benefit obligations | $ | 110,592 | 123,820 |
| Fair value of plan assets | | (59,537) | (47,534) |
| Net defined benefit liabilities | $ | 51,055 | 76,286 |

The amounts recognized as net defined benefit liabilities were as follows:

| | | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| Current | $ | 6,000 | 12,252 |
| Non-current | | 45,055 | 64,034 |
| | $ | 51,055 | 76,286 |

Only the Company within the Group adopts defined benefit plans. The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

(Continued)

As of December 31, 2022, the balances of the labor pension reserve account and the Company's Bank of Taiwan labor pension reserve account amounted to $59,537. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movements in present value of defined benefit obligations for the Group were as follows:

| | | 2022 | 2021 |
|---|---|---|---|
| Defined benefit obligations on January 1 | $ | 123,820 | 132,889 |
| Current service cost and interest | | 2,570 | 2,885 |
| Remeasurement of net defined benefit liabilities | | | |
| －Actuarial losses (gains) arising from experience adjustments | | (69) | 4,951 |
| －Actuarial gains (losses) arising from changes in financial assumptions | | (11,607) | 2,807 |
| Benefits paid | | (4,122) | (19,712) |
| Defined benefit obligations on December 31 | **$** | **110,592** | **123,820** |

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Group were as follows:

| | | 2022 | 2021 |
|---|---|---|---|
| Fair value of plan assets on January 1 | $ | 47,534 | 52,065 |
| Interest income | | 332 | 327 |
| Remeasurements loss (gain): | | | |
| －Return on plan assets (excluding interest income) | | 3,541 | 602 |
| Contribution of pension fund | | 12,252 | 14,252 |
| Benefits paid | | (4,122) | (19,712) |
| Fair value of plan assets on December 31 | **$** | **59,537** | **47,534** |

4) For 2022 and 2021, there was no effect of asset ceiling of defined benefit plan.

(Continued)

5) Expenses recognized in profit or loss:

| | | 2022 | 2021 |
|---|---|---|---|
| Current service costs | $ | 1,800 | 2,097 |
| Net interest on the net defined benefit liabilities | | 438 | 461 |
| | $ | 2,238 | 2,558 |
| Operating costs | $ | 300 | 384 |
| Administrative expenses | | 1,698 | 1,958 |
| Research and development expenses | | 240 | 216 |
| | $ | 2,238 | 2,558 |

6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

| | 2022.12.31 | 2021.12.31 |
|---|---|---|
| Discount rate | 1.750% | 0.625% |
| Future salary increase rate | 1.000% | 1.000% |

The Group expects to make contribution of $6,000 to the defined benefit plans in the year following December 31, 2022.

The weighted average lifetime of the defined benefits plans is 11.16 years.

7) Sensitivity analysis

The following table summarizes the impact of a change in the assumptions on the present value of the defined benefit obligation on December 31, 2022 and 2021:

| | | Impact on the defined benefit obligations | |
|---|---|---|---|
| | | 0.25% increase | 0.25% decrease |
| December 31, 2022 | | | |
| Discount rate | $ | (1,812) | 1,868 |
| Future salary increase rate | | 1,839 | (1,793) |
| December 31, 2021 | | | |
| Discount rate | | (2,382) | 2,467 |
| Future salary increase rate | | 2,406 | (2,336) |

(Continued)

The sensitivity analysis above was based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2022 and 2021.

(ii) Defined contribution plans

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

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to $14,518 and $13,209 for the years ended December 31, 2022 and 2021, respectively.

The pension costs, basic old-age insurance and social welfare expenditure recognized by other subsidiaries including in consolidated financial statements amounted to $143,045 and $136,147 for the years ended December 31, 2022 and 2021, respectively.

(p) Income taxes

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

| | 2022 | 2021 |
|---|---|---|
| Current tax expenses | $ 122,016 | 92,919 |
| Deferred income tax expenses (benefits) | 24,941 | (39,861) |
| Income tax expenses | $ 146,957 | 53,058 |

The amount of income tax recognized in other comprehensive income for 2022 and 2021 was as follows:

| | 2022 | 2021 |
|---|---|---|
| Items that will not be reclassified subsequently to profit or loss: | | |
| Remeasurement from defined benefit plans | $ 3,043 | - |

(Continued)

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

| | | 2022 | 2021 |
|---|---|---|---|
| Profit (loss) before tax | $ | (14,851) | 76,964 |
| Income tax using the Company's statutory tax rate | | (2,970) | 15,393 |
| Effect of tax rates in foreign jurisdiction | | 10,599 | 19,059 |
| Permanent difference and others | | 3,134 | 2,540 |
| Income added pursuant to the Income Tax Act | | 21 | 18 |
| Additional tax on undistributed earnings | | - | 1,764 |
| Changes in unrecognized temporary differences | | 159,530 | 51,340 |
| Current-year losses for which no deferred tax asset was recognized | | 23,618 | 35,153 |
| Withholding tax in foreign jurisdiction | | 2,022 | 2,703 |
| Change in provision in prior periods | | 4,732 | (430) |
| Tax incentives | | (53,729) | (74,482) |
| Income tax expenses | **$** | **146,957** | **53,058** |

Shanghai Yingji and Suzhou Intentech, the Company's subsidiaries, obtained high-tech enterprise certifications. During the three years after dates on which the certifications were issued, the two subsidiaries were entitled to a preferential income tax rate of 15%.

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

Deferred tax liabilities have not been recognized in respect of the following items:

| | | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| Investment income recognized under the equity method (Note) | $ | 300,481 | 322,090 |
| Others | | 1,650 | 45 |
| | **$** | **302,131** | **322,135** |

(Note) The Company is able to control and assure the amount will not be remitted back in the foreseeable future; therefore, such temporary differences are not recognized as deferred tax liabilities.

2) Unrecognized deferred tax assets

As of December 31, 2022 and 2021, the Group's unrecognized deferred tax assets were as follows:

| | | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| Deductible temporary differences | $ | 218,983 | 115,918 |
| The carryforward of unused tax losses | | 182,435 | 162,254 |
| | **$** | **401,418** | **278,172** |

(Continued)

The Income Tax Act of each country allows net losses, as assessed by the tax authorities, to offset taxable income for local tax reporting purposes.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom. As of December 31, 2022, the information of the Group’ s unused tax losses for which no deferred tax assets were recognized are as follows:

| Year of loss | Unused tax loss | Expiry date |
|---|---|---|
| 2013 | $ 1 | 2023 |
| 2014 | 74 | 2024 |
| 2015 | 62 | 2025 |
| 2016 | 14,888 | 2026 |
| 2017 | 25,212 | 2027 |
| 2018 | 37,230 | 2028 |
| 2019 | 21,024 | 2029 |
| 2019 | 976 | - |
| 2020 | 371 | - |
| 2020 | 33,553 | 2030 |
| 2020 | 3,102 | 2029 |
| 2021 | 45 | - |
| 2021 | 2,338 | 2026 |
| 2021 | 21,428 | 2031 |
| 2022 | 2,513 | 2027 |
| 2022 | 630 | 2031 |
| 2022 | 18,937 | 2032 |
| 2022 | 51 | - |
| | $ 182,435 | |

3) Recognized deferred tax assets and liabilities

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

| | Loss on inventory valuation | Depreciation adjustment for tax purposes | Defined benefit plans | Tax losses carry forwards | Others | Total |
|---|---|---|---|---|---|---|
| **Deferred income tax assets:** | | | | | | |
| Balance at January 1, 2022 | $ 20,833 | 42,646 | 15,257 | 88,957 | 29,028 | 196,721 |
| Recognized in profit or loss | (452) | (5,454) | (2,003) | (46,421) | 1,189 | (53,141) |
| Recognized in other comprehensive income | - | - | (3,043) | - | - | (3,043) |
| Effect on changes in foreign exchange rate | 203 | 436 | - | 303 | 299 | 1,241 |
| Balance at December 31, 2022 | $ 20,584 | 37,628 | 10,211 | 42,839 | 30,516 | 141,778 |

(Continued)

| | | Loss on inventory valuation | Depreciation adjustment for tax purposes | Defined benefit plans | Tax losses carry forwards | Others | Total |
|---|---|---|---|---|---|---|---|
| Balance at January 1, 2021 | $ | 17,896 | 48,260 | - | 85,158 | 24,468 | 175,782 |
| Recognized in profit or loss | | 3,077 | (5,838) | 15,257 | 3,996 | 4,906 | 21,398 |
| Effect on changes in foreign exchange rate | | (140) | 224 | - | (197) | (346) | (459) |
| Balance at December 31, 2021 | $ | **20,833** | **42,646** | **15,257** | **88,957** | **29,028** | **196,721** |

| | | Unrealized gains on equity method investments | Others | Total |
|---|---|---|---|---|
| **Deferred income tax liabilities:** | | | | |
| Balance at January 1, 2022 | $ | 94,553 | 8,808 | 103,361 |
| Recognized in profit or loss | | (21,033) | (7,167) | (28,200) |
| Effect on changes in foreign exchange rate | | - | 29 | 29 |
| Balance at December 31, 2022 | $ | **73,520** | **1,670** | **75,190** |
| Balance at January 1, 2021 | $ | 112,017 | 9,882 | 121,899 |
| Recognized in profit or loss | | (17,464) | (999) | (18,463) |
| Effect on changes in foreign exchange rate | | - | (75) | (75) |
| Balance at December 31, 2021 | $ | **94,553** | **8,808** | **103,361** |

The Company’s tax returns through 2020 were assessed and approved by the Tax Authority.

(q) Capital and other equity

As of December 31, 2022 and 2021, the Company’s authorized share capital consisted of 200,000 thousand shares, with a par value of $10 per share, amounting to $2,000,000, of which 132,016 thousand shares were issued. All issued shares were paid up upon issuance. In addition, the Company has reserved $200,000 for employee stock options.

Reconciliation of shares outstanding for 2022 and 2021, was as follows (expressed in thousands shares):

| | Ordinary shares | |
|---|---|---|
| | **2022** | **2021** |
| Balance at January 1 | 132,016 | 132,016 |
| Repurchase of treasury stock | (2,000) | - |
| Balance at December 31 | **130,016** | **132,016** |

(Continued)

(i) Capital surplus

The balances of capital surplus as of December 31, 2022 and 2021, were as follows:

| | | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| Additional paid-in capital | $ | 734,511 | 734,511 |
| Treasury share transactions | | 41,683 | 41,683 |
| Lapsed share options | | 52,798 | 52,798 |
| Changes in equity of subsidiaries for using the equity method | | 109 | 164 |
| Equity component of issuance for convertible bonds | | 1,476 | 1,476 |
| Dividends not claimed by shareholders within time limit | | 5 | 5 |
| | $ | 830,582 | 830,637 |

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received.

According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(ii) Retained earnings

According to the Company's Articles of Incorporation, the Company's annual net profit shall first be used to offset accumulated losses in previous years, and then set aside the legal reserve at 10% of net profit, until the accumulated legal reserve equals to the Company's capital and any special reserve pursuant to relevant regulations or as requested by the authorities. The remainder, plus the undistributed prior-year earnings, shall be distributed as dividends or retained based on business operation conditions after the earnings distribution plan proposed by the Board of Directors and approved during the stockholders' meeting. Dividends shall be distributed by way of cash or stock; however, cash dividends shall not be less than 30% of the total dividends.

1) Legal reserve

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

(Continued)

2) Special reserve

In accordance with the requirements issued by the FSC, a portion of earnings shall be allocated as special reserve during earnings distribution. If the Company has already reclassified a portion of earnings to special reserve under the preceding subparagraph, it shall make supplemental allocation of special reserve for any difference between the amount it has already allocated and the amount of the current-period total net reduction of other shareholders' equity. An equivalent amount of special reserve shall be allocated from the after-tax net profit in the period, plus items other than after-tax net profit in the period, that are included in the undistributed current-period earnings and the undistributed prior-period earnings. When the Company distributes its 2020 earnings in 2021, a portion of its current-period earnings and undistributed prior-period earnings shall be reclassified to special earnings reserve. When the Company distributes its 2021 earnings in 2022, the after-tax net profit in the period, plus items other than the after-tax net profit in the period, that are included in the undistributed current-period earnings and undistributed prior-period earnings, shall be reclassified to special earnings reserve. A portion of undistributed prior-period earnings shall be reclassified to special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to the net reduction of other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

The appropriations of earning for 2021 and 2020 had been approved by the shareholder's meeting held on June 8, 2022 and July 27, 2021, respectively. The relevant dividend distributions to shareholders were as follows:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | **Dividends per share (in dollars)** | **Amount** | **Dividends per share (in dollars)** | **Amount** |
| Dividends distributed to ordinary shareholders: | | | | |
| Cash | $ 0.25 | 33,004 | 0.50 | 66,008 |

(iii) Treasury shares

In accordance with the requirements under Article 28-2 of the Securities and Exchange Act and Regulation Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies, the Company's board of directors decided on March 18, 2022 to repurchase 2,000 thousand shares of the Company in order to motivate employees and enhance internal cohesion in the company. The number of the above-mentioned repurchase shares will not over 1.51% of the total number of issued of the Company. The shares purchased for the purpose of transferring to employees shall be transferred within three years from the date of share repurchase. Those not transferred within the said limit shall be deemed as not issued by the Company and it should be cancelled. As of December 31, 2022, the Company has repurchased its 2,000 thousand ordinary shares, at a total cost of $44,905.

(Continued)

In accordance with the requirements of Securities and Exchange Act, treasury shares held by the Company should not be pledged, and do not hold any shareholder rights before their transfer.

(iv) Other equity interests (net of tax)

| | | Exchange differences on translation of foreign financial statements attributable to owners of parent | Unrealized gains (losses) on financial assets at fair value through other comprehensive income | Non-controlling interests | Total |
|---|---|---|---|---|---|
| Balance at January 1, 2022 | $ | (52,620) | (11,053) | (1,167) | (64,840) |
| Exchange differences arising from translation of foreign operations | | 85,187 | - | (148) | 85,039 |
| Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income | | - | (1,139) | - | (1,139) |
| Balance at December 31, 2022 | $ | 32,567 | (12,192) | (1,315) | 19,060 |
| Balance at January 1, 2021 | $ | (36,419) | (9,533) | (936) | (46,888) |
| Exchange differences arising from translation of foreign operations | | (15,406) | - | (231) | (15,637) |
| Share of other comprehensive income of associates accounted for using equity method | | (795) | - | - | (795) |
| Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income | | - | (1,520) | - | (1,520) |
| Balance at December 31, 2021 | $ | (52,620) | (11,053) | (1,167) | (64,840) |

(r) Earnings per share

The Group’s basic and diluted earnings per share were calculated as follows:

| | 2022 | 2021 |
|---|---|---|
| **Basic earnings per share** | | |
| Profit/(loss) attributable to ordinary shareholders of the Company | (156,567) | 23,994 |
| Weighted-average number of ordinary shares outstanding (in thousands) | 130,646 | 132,016 |
| Basic earnings per share (in dollars) | (1.20) | 0.18 |

(Continued)

| | 2021 |
|---|---|
| **Diluted earnings per share** | |
| Profit attributable to ordinary shareholders of the Company | 23,994 |
| Interest expense on convertible bonds, net of tax | 450 |
| | **24,444** |
| Weighted-average number of ordinary shares outstanding (in thousands) | 132,016 |
| Convertible bonds | 1,974 |
| Employee' s remuneration | 82 |
| Weighted average number of ordinary shares (after adjustments of potential diluted ordinary shares) (in thousands) | 134,072 |
| Diluted earnings per share (in dollars) | **0.18** |

The Company incurred a net loss for the year ended December 31, 2022, the potential ordinary shares had an anti-dilutive effect, therefore, there is no need to calculate the diluted earnings per share.

(s) Revenue from contracts with customers

(i) Details of revenue

| | | 2022 | 2021 |
|---|---|---|---|
| Primary geographical markets: | | | |
| Asia | $ | 4,478,058 | 4,983,980 |
| America | | 353,672 | 322,354 |
| Europe | | 3,207 | 13,219 |
| | **$** | **4,834,937** | **5,319,553** |
| Major products lines: | | | |
| Plastic injection | $ | 4,453,129 | 5,034,219 |
| Tools | | 257,699 | 236,752 |
| Others | | 124,109 | 48,582 |
| | **$** | **4,834,937** | **5,319,553** |

(ii) Contract balances

| | | December 31, 2022 | December 31, 2021 | January 1, 2021 |
|---|---|---|---|---|
| Notes and accounts receivable (including related parties) | $ | 1,389,002 | 1,643,684 | 2,010,743 |
| Less: loss allowance | | (1,961) | (618) | (3,005) |
| Total | **$** | **1,387,041** | **1,643,066** | **2,007,738** |
| Contract liabilities - sale of plastic injection | $ | 7,067 | 6,312 | 684 |
| Contract liabilities - sale of tools | | 24,791 | 47,922 | 28,281 |
| Other | | 27,371 | 8,678 | 1,655 |
| Total | **$** | **59,229** | **62,912** | **30,620** |

(Continued)

Please refer to note (6)(c) for details on notes and accounts receivable and allowance for impairment.

The amount of revenue recognized for the years ended December 31, 2022 and 2021 that was included in the contract liability balance at the beginning of the period were $53,897 and $20,135, respectively.

The contract liabilities were primary related to the advance received from customers due to sales of plastic injections and tools; for which revenue is recognized when products have been delivered to or accepted by customers.

The changes in the contract liability balances primarily result from the timing difference between the satisfaction of performance obligation and the customer's payment.

(t) Remuneration to employees and directors

In accordance with the Articles of Incorporation, if the Company incur profit for the year (prior to deduction of compensations to employees and directors), the profit shall first to be offset against any deficit, then, the Company shall contribute no less than 1% of the profit as employee remuneration and no more than 5% as directors remunerations. The aforementioned employee compensation shall be paid in shares or cash, and the recipients may include the employees of the subsidiaries of the Company who meet the certain conditions determined by the Board of Directors.

The Company incurred a net loss for year 2022, therefore, no remuneration was accrued. For the years ended December 31, 2021, the Company accrued and recognized its employee's and director's remuneration amounting to $1,200 and $1,080, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period, multiplied by the percentage of remuneration to employees and directors as specified in the Company's articles. These remunerations were expensed under operating expenses during 2021.

There was no difference between the actual distributed amounts as determined by the board of directors and those recognized in the Company's consolidated financial statements of the years ended December 31, 2021. Related information is available at the Market Observation Post System website.

(u) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

| | | 2022 | 2021 |
|---|---|---|---|
| Interest income from bank deposits | $ | 17,686 | 13,419 |
| Other interest income | | - | 113 |
| | **$** | **17,686** | **13,532** |

(Continued)

(ii) Other gains and losses

The details of other gains and losses were as follows:

| | 2022 | 2021 |
|---|---|---|
| Gains on disposal of property, plant and equipment | $ 915 | 2,725 |
| Gains on disposals of investments | - | 6,501 |
| Foreign exchange gains (losses) | 23,193 | (34,366) |
| Gains (losses) on financial assets (liabilities) at fair value through profit or loss | 5,110 | 38,636 |
| Gain on advance receipts | 13,832 | - |
| Government grants income | 11,752 | 8,814 |
| Revenues from insurance claims | - | 5,988 |
| Others | 25,480 | 17,199 |
| | $ 80,282 | 45,497 |

(iii) Finance costs

The details of finance costs were as follows:

| | 2022 | 2021 |
|---|---|---|
| Interest expense from bank loans | $ 24,069 | 18,671 |
| Interest expenses on lease liabilities | 3,305 | 3,025 |
| Interest expense from bonds payable | 563 | 563 |
| | $ 27,937 | 22,259 |

(v) Financial instruments

(i) Credit risk

1) Credit risk exposure

Credit risk is the risk of financial loss to the Group if a customer or counterparty of a financial instrument fail to meet its contractual obligations. The carrying amount of the Group’ s financial assets represents the maximum amount exposed to credit risk.

2) Concentration of credit risk

To minimize credit risk, the Group continuously evaluates it customer’ s financial positions and periodically monitors and reviews the recoverable amount of the accounts receivable to ensure the uncollectible amount are recognized appropriately as impairment loss. As of December 31, 2022 and 2021, 65.34% and 64.39% of the Group’ s accounts receivable were concentrated on 2 specific customers, respectively. Therefore, credit risk is significantly centralized.

(Continued)

3) Receivables

For credit risk exposure of notes and accounts receivable, please refer to note (6)(c).

For other financial assets at amortized cost includes other receivables, please refer to note (6)(d).

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

| | Carrying amount | Contractual cash flows | Within 6 months | 6-12 months | 1-2 years | 2-5 years | Over 5 years |
|---|---|---|---|---|---|---|---|
| **December 31, 2022** | | | | | | | |
| Non-derivative financial liabilities | | | | | | | |
| Short-term borrowings | $ 1,020,000 | 1,024,627 | 1,024,627 | - | - | - | - |
| Long term debt (including current portion) | 478,000 | 515,434 | 40,063 | 82,807 | 49,467 | 197,965 | 145,132 |
| Lease liabilities (including current portion) | 159,856 | 165,655 | 31,185 | 23,856 | 40,490 | 65,302 | 4,822 |
| Account and other payables | 658,412 | 658,412 | 658,412 | - | - | - | - |
| Bonds payable | 28,907 | 30,452 | - | 30,452 | - | - | - |
| Total | $ 2,345,175 | 2,394,580 | 1,754,287 | 137,115 | 89,957 | 263,267 | 149,954 |
| **December 31, 2021** | | | | | | | |
| Non-derivative financial liabilities | | | | | | | |
| Short-term borrowings | $ 1,120,000 | 1,121,825 | 1,121,825 | - | - | - | - |
| Long term debt (including current portion) | 619,571 | 648,318 | 44,280 | 44,364 | 206,160 | 191,538 | 161,976 |
| Lease liabilities (including current portion) | 156,793 | 164,047 | 24,544 | 18,580 | 32,755 | 81,405 | 6,763 |
| Account and other payables | 801,279 | 801,279 | 801,279 | - | - | - | - |
| Bonds payable | 28,495 | 30,452 | - | - | 30,452 | - | - |
| Total | $ 2,726,138 | 2,765,921 | 1,991,928 | 62,944 | 269,367 | 272,943 | 168,739 |

The Group does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) Market risk

1) Foreign currency risk

The Group’ s significant exposure to foreign currency risk on financial assests and liabilities was as follows:

| | December 31, 2022 | | | December 31, 2021 | | |
|---|---|---|---|---|---|---|
| | Foreign currency | Exchange rate | NTD | Foreign currency | Exchange rate | NTD |
| Financial assets | | | | | | |
| Monetary items | | | | | | |
| USD | $ 35,145 | 30.708 | 1,079,233 | 42,262 | 27.69 | 1,170,235 |
| RMB | 66,205 | 4.3999 | 291,295 | 52 | 4.3431 | 226 |
| JPY | 20,038 | 0.2324 | 4,657 | - | - | - |

(Continued)

| | December 31, 2022 | | | December 31, 2021 | | |
|---|---|---|---|---|---|---|
| | Foreign currency | Exchange rate | NTD | Foreign currency | Exchange rate | NTD |
| Financial liabilities | | | | | | |
| Monetary items | | | | | | |
| USD | 23,083 | 30.708 | 708,833 | 26,773 | 27.69 | 741,344 |

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivables; and accounts and other payables that are denominated in foreign currency. A strengthening (weakening) of 1% of the NTD against the USD, RMB, and JYP as of December 31, 2022 and 2021, would have increased or (decreased) the net profits before taxes by $6,663 and $4,291, respectively. The analysis is performed on the same basis for both periods.

The amounts of conversion gains and losses (including realized and unrealized) of monetary items of the Group which were converted into functional currency, and the exchange rate information for the conversion to the Company's functional currency, NTD, are as follows:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Exchange gain (loss) | Average exchange rate | Exchange gain (loss) | Average exchange rate |
| NTD | (5,770) | - | (19,629) | - |
| RMB | 5,900 | 4.4550 | (3,029) | 4.3639 |
| MXN | 990 | 1.5060 | (1,420) | 1.3838 |
| MYR | 88 | 6.8254 | 80 | 6.7398 |

2) Interest rate analysis

The following sensitivity analysis is based on the exposure to the interest rate risk of non-derivative financial instruments on the reporting date. Regarding liabilities with variable interest rates, the analysis is based on the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.25% when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

If the interest rate had increased or decreased by 0.25%, with all other variable factors remaining constant, the Group's profit before tax would have decreased or increased by $3,745 and $4,349 for the years ended December 31, 2022 and 2021 respectively, which was mainly resulted from the borrowings with floating interest rate.

(iv) Fair value information

1) Financial instruments not measured at fair value

The Group's management considers the carrying amounts of financial assets and financial liabilities measured at amortized cost approximate of their fair values.

2) Financial instruments measured at fair value

The Group's accounting policies and disclosures include measuring financial and non financial assets and liabilities at fair value through profit or loss. The Group's financial and accounting department is responsible for the assessment of fair value by striving to use market observable inputs when measuring assets and liabilities. In addition, necessary adjustments of fair value are made to ensure that the evaluation results are reasonable.

The financial instruments at fair value through profit and loss and financial assets at fair value through other comprehensive income are measured at fair value on a recurring basis. The table below analyzes financial instruments that are measured at fair value subsequent to initial recognition and grouped into Levels 1 to 3 based on the degree to which the fair value is observable. Fair value levels have been defined as follows:

A. Level 1: quoted process (unadjusted) in active markets for identified assets or liabilities.

B. Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

C. Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

| | **December 31, 2022** | | | | |
|---|---|---|---|---|---|
| | | **Fair value** | | | |
| | **Carrying amounts** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Financial assets at fair value through other comprehensive income－non-current** | $ 21,460 | - | - | 21,460 | 21,460 |
| **Financial assets measured at amortized cost** | | | | | |
| Cash and cash equivalents | 1,756,579 | - | - | - | - |
| Notes and accounts receivable (including related parties), net | 1,387,041 | - | - | - | - |
| Other financial assets－current | 4,868 | - | - | - | - |
| Other financial assets－non-current | 16,955 | - | - | - | - |
| Subtotal | 3,165,443 | - | - | - | - |
| Total | **$ 3,186,903** | **-** | **-** | **21,460** | **21,460** |

(Continued)

| | December 31, 2022 | | | | |
|---|---|---|---|---|---|
| | | Fair value | | | |
| | Carrying amounts | Level 1 | Level 2 | Level 3 | Total |
| **Financial liabilities at fair value through profit or loss** | | | | | |
| Put option of domestic convertible bond | $ 285 | - | 285 | - | 285 |
| **Financial liabilities at amortized cost** | | | | | |
| Bank loans | 1,498,000 | - | - | - | - |
| Notes and accounts payable | 450,232 | - | - | - | - |
| Other payables (including related parties) | 208,180 | - | - | - | - |
| Lease liabilities | 159,856 | - | - | - | - |
| Bonds payable | 28,907 | - | - | - | - |
| Subtotal | 2,345,175 | - | - | - | - |
| Total | **$ 2,345,460** | **-** | **285** | **-** | **285** |

| | December 31, 2021 | | | | |
|---|---|---|---|---|---|
| | | Fair value | | | |
| | Carrying amounts | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets at fair value through profit or loss** | | | | | |
| Convertible bonds | $ 44,262 | - | 44,262 | - | 44,262 |
| **Financial assets at fair value through other comprehensive income －non-current** | 7,119 | - | - | 7,119 | 7,119 |
| **Financial assets measured at amortized cost** | | | | | |
| Cash and cash equivalents | 1,841,857 | - | - | - | - |
| Notes and accounts receivable (including related parties), net | 1,643,066 | - | - | - | - |
| Other financial assets－current | 4,362 | - | - | - | - |
| Other financial assets－non-current | 14,280 | - | - | - | - |
| Subtotal | 3,503,565 | - | - | - | - |
| Total | **$ 3,554,946** | **-** | **44,262** | **7,119** | **51,381** |

(Continued)

| | December 31, 2021 | | | | |
|---|---|---|---|---|---|
| | | Fair value | | | |
| | Carrying amounts | Level 1 | Level 2 | Level 3 | Total |
| **Financial liabilities at fair value through profit or loss** | | | | | |
| Put option of domestic convertible bond | $ 240 | - | 240 | - | 240 |
| **Financial liabilities at amortized cost** | | | | | |
| Bank loans | 1,739,571 | - | - | - | - |
| Other payables (including related parties) | 539,299 | - | - | - | - |
| Lease liabilities | 261,980 | - | - | - | - |
| Bonds payable | 156,793 | - | - | - | - |
| Subtotal | 28,495 | - | - | - | - |
| Total | 2,726,138 | - | - | - | - |
| | $ 2,726,378 | - | 240 | - | 240 |

3) Valuation techniques for financial instruments measured at fair value

A. Non derivative financial instruments

When the financial instruments of the Group are not traded in an active market, their fair values are illustrated by the category and nature as follows:

- Equity instruments without an active market price: Measurements of fair value of financial instruments without an active market price are calculated using the comparable market approach, with the use of key assumptions based on the ratio of the net value per share of the investee to the net value of the shares derived from the quoted market prices of comparable listed companies. These assumptions have been adjusted for the effect of discount on the lack of the marketability of the equity securities.

- Private convertible bonds issued by TPEx listed entities: Using the Discounted Cash Flow (DCF) Method, future cash flow is not only estimated based on observable share prices on the balance sheet date and the effect of liquidity discount, and the conversion price specified in the contract but also discounted at rates that reflect the credit risk of each counterparty.

B. Derivative financial instruments

For the conversion and put options of bonds payable, the fair values are estimated based on appraisal reports by external experts. The evaluation model is a binary tree model for convertible bond pricing that uses market observable inputs including share price volatility, risk free interest rate, risk discount rate, and liquidity risk, so as to reflect the fair value of the option.

4) Transfers between levels of fair value hierarchy

There were no transfer among fair value hierarchies for the years ended December 31, 2022 and 2021.

5) Reconciliation of Level 3 fair values

| | | Financial assets at fair value through other comprehensive income |
|---|---|---|
| Opening balance, January 1, 2022 | $ | 7,119 |
| Total gains and losses | | |
| Recognized in other comprehensive income | | (1,139) |
| Purchased | | 15,480 |
| Ending Balance, December 31, 2022 | **$** | **21,460** |
| Opening balance, January 1, 2021 | $ | 8,639 |
| Total gains and losses | | |
| Recognized in other comprehensive income | | (1,520) |
| Ending Balance, December 31, 2021 | **$** | **7,119** |

For the years ended December 31, 2022 and 2021, total gains and losses that were included in “unrealized gains and losses on financial assets at fair value through other comprehensive income” were as follows:

| | **2022** | **2021** |
|---|---|---|
| In other comprehensive income, and presented in “unrealized gains and losses on financial assets at fair value through other comprehensive income” | (1,139) | (1,520) |

6) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group’s financial instruments that use Level 3 inputs to measure fair value include “financial assets measured at fair value through profit or loss – equity investments” and “fair value through other comprehensive income – equity investments”.

Most of fair value measurements of the Group which are categorized as equity investment into level 3 have several significant unobservable inputs. Significant unobservable inputs of equity investments without quoted price are independent of each other.

(Continued)

Quantified information of significant unobservable inputs was as follows:

| Item | Valuation technique | Significant unobservable inputs | Interrelationship between significant unobservable inputs and fair value measurement |
|---|---|---|---|
| Financial assets at fair value through profit or loss, financial assets at fair value through comprehensive income–equity investment | Comparable market approach | • Price Book ratio multiples (1.67~4.58 and 2.80~5.55, respectively on December 31, 2022 and 2021)<br>• Lack of marketability discount rate (50%~70% as of December 31, 2022 and 2021) | • The higher the multiple is, the higher the fair value will be.<br>• The higher the lack of marketability discount rate, the lower the fair value will be. |

7) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

The Group's fair value measurement on financial instruments is reasonable. However, the measurement would be different if different valuation models or inputs are used. For financial instruments using level 3 inputs, if the inputs changed, the impact on other comprehensive income or loss are as follows:

| | | | Changes in other comprehensive income arising from changes in fair value | | | |
|---|---|---|---|---|---|---|
| | | Upward or | December 31, 2022 | | December 31, 2021 | |
| | Input | downward | Favorable | Unfavorable | Favorable | Unfavorable |
| Financial assets at fair value through comprehensive income–equity investment | Price Book ratio multiples | 3% | $ 644 | (644) | 214 | (214) |

The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

As for financial assets at fair value through profit or loss, the Company's investments of unlisted shares in domestic markets incurred losses for a few consecutive years, causing the net value of equity interest to approximate $0. In 2017, the Company's management decided to fully recognize impairment losses after assessment; therefore, it did not conduct sensitivity analysis for these underlying subjects.

(Continued)

(w) Financial risk management

(i) Overview

The Group have exposures to the following risks from its financial instruments:

1) credit risk

2) liquidity risk

3) market risk

The following likewise discusses the Group's objectives, policies and processes for measuring and managing the above mentioned risks.

(ii) Structure of risk management

With the Board of Directors as the highest guiding unit, a risk management framework with 3 levels of different duties has been established, and the lower level reports to the immediately higher level. In addition, risk management policies and procedures are formulated to maintain the effectiveness of their operation and reduce various risk costs. Through appropriate risk management education training, the Group equips its employees with the ability to perform risk management tasks, and makes them aware of their roles and obligations.

The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by internal auditors. Internal auditors undertake both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

1) Accounts and other receivables

To maintain the quality of accounts and other receivables, the Group has established procedures for customer risk assessment. In addition to granting credit lines according to credit ratings, the Group also periodically reviews the payments made through customers' accounts, so as to control the level of credit risk.

The above-mentioned financial assets are measured using lifetime expected loss provision and forward looking information is taken into consideration as well.

In addition, the Group will review the recoverable amounts of receivables on each balance sheet date to ensure that appropriate impairment loss has been appropriated for the uncollectible receivables.

(Continued)

2) Cash and investments

The exposure to credit risk for the bank deposits and other financial instruments is measured and monitored by the Group's finance department. The Group only deals with banks and corporate organizations with good credit rating. The Group does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

3) Guarantees

As of December 31, 2022 and 2021, the Group has not provided any endorsement and guarantees for other than subsidiaries wherein the Group held more than 50% equity interests.

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's financial department monitors cash flow requirements and optimizing its cash return on investments. The Group aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash flows on financial liabilities over the succeeding 60 days. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. As of December 31, 2022 and 2021, the Group's unused credit line were amounted to $675,999 and $605,079, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currency of the Company and its subsidiaries. However, the net positions of foreign currency assets and liabilities are normally immaterial; therefore, the net exposure to foreign currencies was continuously controlled under acceptable level by the management that considered the currency risk to be immaterial. The Group's main functional currencies are NTD and RMB.

(Continued)

(x) Capital management

In consideration of industry dynamics and future developments, as well as external environment factors, the Group maintains an optimal structure to enhance long-term shareholder value by managing its capital in a manner to ensure that it has sufficient and necessary financial resources to find its working capital needs, dividend payments, and other business requirements for continuing operations and to reward shareholders and take into consideration the interests of other stockholders.

The Group' s debt-to-equity ratio at the end of the reporting period as of December 31, 2022 and 2021, are as follows:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Total liabilities | $ 2,905,858 | 3,429,829 |
| Less: cash and cash equivalents | 1,756,579 | 1,841,857 |
| Net debts | $ 1,149,279 | 1,587,972 |
| Total equity | $ 2,249,418 | 2,393,061 |
| Debt-to-equity ratio | 51.09% | 66.36% |

The decrease in the debt-to-equity ratio as of December 31, 2022, was mainly due to the decrease in net debt as the Group reduced bank loans in response to future capital utilization planning and demand.

(y) Investing and financing activities not affecting current cash flow

The Group' s investing and financing activities which did not affect the current cash flow in the years ended December 31, 2022 and 2021, were as follow

(i) For right-of-use assets under leases, please refer to note (6)(i).

(ii) Reconciliation of liabilities arising from financing activities were as follows:

| | | | Non-cash changes | | | |
|---|---|---|---|---|---|---|
| | January 1, 2022 | Cash flows | Additions | Interest expense arising from lease liabilities | Foreign exchange movements and others | December 31, 2022 |
| Long-term debt | $ 619,571 | (141,571) | - | - | - | 478,000 |
| Short-term borrowings | 1,120,000 | (100,000) | - | - | - | 1,020,000 |
| Lease liabilities | 156,793 | (78,715) | 66,473 | 3,305 | 12,000 | 159,856 |
| Bonds payable | 28,495 | - | - | - | 412 | 28,907 |
| Total liabilities arising from financing activities | $ 1,924,859 | (320,286) | 66,473 | 3,305 | 12,412 | 1,686,763 |

(Continued)

| | | | Non-cash changes | | | |
|---|---|---|---|---|---|---|
| | **January 1, 2021** | **Cash flows** | **Additions** | **Interest expense arising from lease liabilities** | **Foreign exchange movements and others** | **December 31, 2021** |
| Long-term debt | $ 657,000 | (37,429) | - | - | - | 619,571 |
| Short-term borrowings | 957,470 | 162,530 | - | - | - | 1,120,000 |
| Lease liabilities | 146,441 | (51,953) | 56,629 | 3,025 | 2,651 | 156,793 |
| Bonds payable | 28,083 | - | - | - | 412 | 28,495 |
| Total liabilities arising from financing activities | $ 1,788,994 | 73,148 | 56,629 | 3,025 | 3,063 | 1,924,859 |

## (7) Related-party transactions

(a) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

| Name of related party | Relationship with the Group |
|---|---|
| Barintec Co., Ltd. (Barintec) | The Group' s subsidiary (Note) |
| Blueoptech Co., Ltd. (Blueoptech) | Other related parties |
| Liefco Optical Inc. (Liefco) | The Company represented as a director of Liefco |
| CEREC Asia Inc. (CEREC) | The Company represented as a director of CEREC |
| Tairone Energy Saving Tech. Co., Ltd (Tairone) | The Company represented as a director of Tairone |

(Note) Starting from November 30, 2021, the Company' s former associate became a subsidiary.

(b) Significant transactions with related parties

(i) Sales

The amounts of sales by the Group to related parties were as follows:

| | 2022 | 2021 |
|---|---|---|
| Other related parties | $ 2,196 | 623 |

The selling prices and credit terms for the sales to related parties above are not significantly different from those third party customers, and the normal credit term with the related party above is 45 days.

(Continued)

(ii) Receivables from related parties

The details of the Group’ s receivables from related parties were as follows:

| Account | Relationship | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| Notes and accounts receivable, net | Other related parties | $ 209 | - |

(iii) Service expenses

The Group pays service fees to related parties for product development, and the amount is included in operating expenses as follows:

| | 2022 | 2021 |
|---|---|---|
| Associates | $ - | 5,383 |

(iv) Other income and others

| | 2022 | 2021 |
|---|---|---|
| Associates: | | |
| Sale of optical model samples (Note) | $ - | 954 |
| Other related parties: | | |
| Sale of samples (Note) | 4 | - |
| | $ 4 | 954 |

(Note) The amount is recognized as a deduction from operating expenses.

All receivables from related parties arising from the above-mentioned transactions have been received.

(v) Operating costs and expenses

| | 2022 | 2021 |
|---|---|---|
| Other related parties: | | |
| Processing fee | $ 679 | 2,223 |
| R&D expenses | 2,871 | - |
| Rent expenses/Telecom and internet fees/Advertisement and sample fees | 838 | 547 |
| | $ 4,388 | 2,770 |

Other payables from related parties arising from the above-mentioned transactions were as follows:

| Account | Relationship | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| Other payables | Other related parties | $ 375 | 547 |

(Continued)

(c) Key management personnel compensation

Key management personnel compensation comprised:

| | | 2022 | 2021 |
|---|---|---|---|
| Short-term employee benefits | $ | 45,165 | 50,126 |
| Post-employment benefits | | 2,370 | 2,302 |
| | $ | 47,535 | 52,428 |

**(8) Pledged assets:**

The carrying values of assets pledged as security were as follows:

| Pledged assets | Pledged to secure | | December 31, 2022 | December 31, 2021 |
|---|---|---|---|---|
| Property and plant | Long-term debt | $ | 366,934 | 372,314 |

**(9) Significant commitments and contingencies:**

(a) The Group’ s unrecognized contractual commitments are as follows:

| | | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| Acquisition of property, plant and equipemnt | $ | 17,163 | 9,134 |

(b) The Group’ s outstanding standby letter of credit are as follows:

| | | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| Outstanding standby letter of credit | $ | 5,325 | 7,526 |

**(10) Losses Due to Major Disasters:None**

**(11) Subsequent Events:None**

**(12) Other:**

A summary of employee benefits, depreciation, and amortization, by function, is as follows:

| By function / By item | For the year ended December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | | 2021 | | |
| | Operating Cost | Operating Expense | Total | Operating Cost | Operating Expense | Total |
| Employee benefits | | | | | | |
| Salary | 1,402,585 | 322,481 | 1,725,066 | 1,404,275 | 321,923 | 1,726,198 |
| Labor and health insurance | 139,694 | 29,912 | 169,606 | 133,804 | 27,449 | 161,253 |
| Pension | 139,492 | 20,309 | 159,801 | 132,206 | 19,708 | 151,914 |
| Others | 83,226 | 24,657 | 107,883 | 83,177 | 25,613 | 108,790 |
| Depreciation | 227,673 | 19,154 | 246,827 | 214,703 | 19,623 | 234,326 |
| Amortization | 1,126 | 2,720 | 3,846 | 2,528 | 5,935 | 8,463 |

(Continued)

**(13) Other disclosures:**

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group:

(i) Loans to other parties:

(In Thousands of NTD)

| Number | Name of lender | Name of borrower | Account name | Related party | Highest balance of financing to other parties | Ending balance (Note 1) | Actual usage amount during the period | Range of interest rates | Nature of financing (Note 2) | Transaction amounts | Reasons for short-term financing | Loss allowance | Collateral | | Financing limit for each borrowing company | Maximum financing limit for lender |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | Item | Value | | |
| 1 | Shanghai Yingji | Suzhou Intentech | Accounts receivable from related parties | Yes | 450,870 | - | - | - | 2 | - | Operating requirement | - | - | - | Net equity * 100% 1,373,803 | Net equity * 100% 1,373,803 |
| 2 | Shanghai Yingji | Dongguan Megaforce | Accounts receivable from related parties | Yes | 45,087 | 43,999 | 43,999 | - | 2 | - | Operating requirement | - | - | - | Net equity * 100% 1,373,803 | Net equity * 100% 1,373,803 |
| 3 | Suzhou Intentech | The Company | Accounts receivable from related parties | Yes | 154,510 | 153,540 | 40,566 | - | 2 | - | Operating requirement | - | - | - | Net equity * 100% 1,059,895 | Net equity * 100% 1,059,895 |

Note 1: The amount approved by the Board of Directors as of December 31, 2022.

Note 2: Nature of financing were as follows:

(i) Business transaction.

(ii)Short-term financing.

Note 3: The above-mentioned transactions have been eliminated in the consolidated financial statements.

(Continued)

## MEGAFORCE COMPANY LIMITED AND SUBSIDIARIES
## Notes to the Consolidated Financial Statements

(ii) Guarantees and endorsements for other parties:

(In Thousands of NTD)

| No. | Name of guarantor | Counter-party of guarantee and endorsement | | Limitation on amount of guarantees and endorsements for a specific enterprise | Highest balance for guarantees and endorsements during the period | Balance of guarantees and endorsements as of reporting date | Actual usage amount during the period | Property pledged for guarantees and endorsements (Amount) | Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements | Maximum amount for guarantees and endorsements | Parent company endorsements/ guarantees to third parties on behalf of subsidiary | Subsidiary endorsements/ guarantees to third parties on behalf of parent company | Endorsements/ guarantees to third parties on behalf of companies in Mainland China |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Name | Relationship with the Company (Note 1) | | | | | | | | | | |
| 0 | The Company | MEGA1 | 2 | 2,233,532 | 20,000 | - | - | - | - % | Net equity *200% 4,467,064 | Y | N | N |
| 0 | The Company | Shanghai Yingji | 2 | 2,233,532 | 179,628 | 92,124 | 21,064 | - | 4.12% | Net equity *200% 4,467,064 | Y | N | Y |
| 0 | The Company | Dongguan Megaforce | 2 | 2,233,532 | 22,441 | 22,000 | - | - | 0.98% | Net equity *200% 4,467,064 | Y | N | Y |
| 1 | Shanghai Shanghua | Shanghai Yingji | 4 | 104,030 | 270,522 | - | - | - | - % | Net equity *200% 208,060 | N | N | Y |
| 2 | Suzhou Intentech | Shanghai Yingji | 4 | 1,059,895 | 263,994 | 263,994 | - | - | 24.91% | Net equity *200% 2,119,790 | N | N | Y |

Note 1: Relationship between the guarantee and the guarantor were as follows:

1. For entities the guarantor has business transaction with.
2. The Company directly or indirectly, owned more than 50% of their shares.

(Continued)

3. For entities who owned, directly or indirectly, more than 50% in total of the guarantor' s shares.
4. The Company and its subsidiaries directly or indirectly, owned more than 90% of their shares.
5. Fulfillment of contractual obligation by providing mutual endorsements and guarantees for peer or joint builders in order to undertake a construction project.
6. For entities who are guaranteed and endorsed by all capital contributing shareholders in proportion to each of their shareholder' s percentage.
7. Performance guarantee in which entities within the same industry provide among themselves joint and several securities by entering into sales agreement with each other for pre-construction project pursuant to Company Protection Act.

(iii) Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of NTD)

| Name of holder | Category and name of security | Relationship with securities issuer | Account title | Ending balance | | | | Highest shares/unit of ownership | Note |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Shares/Units (thousands) | Carrying value | Percentage of ownership (%) | Fair value | | |
| The Company | Liefco Optical Inc. | Related party | Financial assets at fair value through profit or loss－non-current | 2,107 | - | 9.50% | - | 2,107 | |
| The Company | Tairone Energy Saving Tech. Co., Ltd. | Related party | Financial assets at fair value through profit or loss－non-current | 1,099 | - | 10.25% | - | 1,099 | |
| The Company | Opus Microsystem Inc. | - | Financial assets at fair value through profit or loss－non-current | 1 | - | 7.27% | - | 1 | |
| The Company | CEREC Asia Inc. | Related party | Financial assets at fair value through other comprehensive income－non-current | 769 | - | 11.15% | - | 769 | |
| The Company | Super Bravo Bio Co., Ltd. | Related party | Financial assets at fair value through other comprehensive income－non-current | 2,232 | 21,460 | 6.97% | 21,460 | 2,232 | |

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock:None

(Continued)

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock:None

(vi) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock:None

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

(In Thousands of NTD/RMB)

| | | | Transaction details | | | | Transactions with terms different from others | | Notes/Accounts receivable (payable) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Name of company | Related party | Nature of relationship | Purchase/Sale | Amount | Percentage of total purchases/ sales | Payment terms | Unit price | Payment terms | Ending balance | Percentage of total notes/accounts receivable (payable) | Note |
| Shanghai Yingji | Shanghai Shanghua | Affiliates | Processing fee | RMB 38,644 | 16.47% | 140 days | - | | RMB (20,347) | (26.84)% | |
| Shanghai Shanghua | Shanghai Yingji | Affiliates | Sales | RMB 38,644 | 100.00% | 140 days | - | | RMB 20,347 | 100.00% | |
| Shanghai Yingji | Suzhou Intentech | Affiliates | Processing fee | RMB 23,949 | 10.21% | 140 days | - | | RMB (7,804) | (7.29)% | |
| Suzhou Intentech | Shanghai Yingji | Affiliates | Sales | RMB 23,949 | 11.63% | 140 days | - | | RMB 7,804 | 19.39% | |
| The Company | Suzhou Intentech | Parent/subsidiary | Purchase | NTD 362,397 | 49.42% | 140 days | - | | NTD (311,428) | (68.26)% | |
| Suzhou Intentech | The Company | Parent/subsidiary | Sales | RMB 81,433 | 39.55% | 140 days | - | | RMB 70,781 | 62.29% | |
| The Company | Dongguan Megaforce | Parent/subsidiary | Purchase | NTD 179,078 | 24.42% | 140 days | - | | NTD (106,167) | (23.27)% | |
| Dongguan Megaforce | The Company | Parent/subsidiary | Sales | RMB 40,346 | 39.72% | 140 days | - | | RMB 24,130 | 56.18% | |

Note 1: The above-mentioned transactions have been eliminated in the consolidated financial statements.

(Continued)

Note 2: In consideration of the Group's capital utilization, the Company adjusts timely the credit terms granted to related parties.

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

(In Thousands of RMB)

| Name of company | Counter-party | Nature of relationship | Ending balance | Turnover rate | Overdue | | Amounts received in subsequent period | Allowance for bad debts |
|---|---|---|---|---|---|---|---|---|
| | | | | | Amount | Action taken | | |
| Dongguan Megaforce | The Company | Parent/subsidiary | RMB 24,130 | - | - | | RMB 13,898 | - |
| Suzhou Intentech | The Company | Parent/subsidiary | RMB 70,781 | - | - | | RMB 8,931 | - |

Note: The above-mentioned transactions have been written off in the consolidated financial statements.

(ix) Trading in derivative instruments: note (6)(b).

(x) Business relationships and significant intercompany transactions:

(In Thousands of NTD)

| No. (Note 1) | Name of company | Name of counter-party | Nature of relationship (Note 2) | Intercompany transactions | | | |
|---|---|---|---|---|---|---|---|
| | | | | Account name | Amount | Trading terms | Percentage of the consolidated net revenue or total assets |
| 0 | The Company | MEGA1 | 1 | Accounts receivable | 942 | O/A 140 days | 0.02% |
| 0 | The Company | MegaforceMY | 1 | Accounts receivable | 2,758 | O/A 140 days | 0.05% |
| 0 | The Company | MegaforceUS | 1 | Accounts receivable | 22,471 | O/A 140 days | 0.44% |
| 1 | Shanghai Yingji | The Company | 2 | Accounts receivable | 2,064 | O/A 140 days | 0.04% |
| 2 | Shanghai Shanghua | Shanghai Yingji | 3 | Accounts receivable | 89,524 | O/A 140 days | 1.74% |
| 3 | Shanghai AB | Shanghai Yingji | 3 | Accounts receivable | 12,586 | O/A 140 days | 0.24% |
| 3 | Shanghai AB | Suzhou Intentech | 3 | Accounts receivable | 18,006 | O/A 140 days | 0.35% |
| 3 | Shanghai AB | Dongguan Megaforce | 3 | Accounts receivable | 33 | O/A 140 days | -% |

(Continued)

# MEGAFORCE COMPANY LIMITED AND SUBSIDIARIES
## Notes to the Consolidated Financial Statements

| No. (Note 1) | Name of company | Name of counter-party | Nature of relationship (Note 2) | Intercompany transactions | | | |
|---|---|---|---|---|---|---|---|
| | | | | Account name | Amount | Trading terms | Percentage of the consolidated net revenue or total assets |
| 4 | Suzhou Intentech | The Company | 2 | Accounts receivable | 311,428 | O/A 140 days | 6.04% |
| 4 | Suzhou Intentech | Shanghai Shanghua | 3 | Accounts receivable | 11,241 | O/A 140 days | 0.22% |
| 4 | Suzhou Intentech | Shanghai Yingji | 3 | Accounts receivable | 34,337 | O/A 140 days | 0.67% |
| 5 | Dongguan Megaforce | The Company | 2 | Accounts receivable | 106,167 | O/A 140 days | 2.06% |
| 5 | Dongguan Megaforce | MegaforceMX | 3 | Accounts receivable | 2,265 | O/A 140 days | 0.04% |
| 6 | MEGA1 | The Company | 2 | Accounts receivable | 523 | O/A 140 days | 0.01% |
| 6 | MEGA1 | Barintec | 3 | Accounts receivable | 1,489 | O/A 140 days | 0.03% |
| 9 | MegaforceUS | The Company | 2 | Accounts receivable | 136 | O/A 140 days | -% |
| 0 | The Company | Shanghai Yingji | 1 | Other receivables | 6,698 | O/A 140 days | 0.13% |
| 0 | The Company | Shanghai Shanghua | 1 | Other receivables | 703 | O/A 140 days | 0.01% |
| 0 | The Company | Shanghai AB | 1 | Other receivables | 694 | O/A 140 days | 0.01% |
| 0 | The Company | MegaforceUS | 1 | Other receivables | 869 | O/A 140 days | 0.02% |
| 0 | The Company | MegaforceMX | 1 | Other receivables | 250 | O/A 140 days | -% |
| 1 | Shanghai Yingji | Dongguan Megaforce | 3 | Other receivables | 43,999 | O/A 140 days | 0.85% |
| 6 | MEGA1 | The Company | 2 | Other receivables | 532 | O/A 140 days | 0.01% |
| 0 | The Company | MEGA1 | 1 | Prepayments | 3,218 | O/A 140 days | 0.06% |
| 0 | The Company | MegaforceUS | 1 | Sales revenue | 50,001 | O/A 140 days | 1.03% |
| 0 | The Company | MEGA1 | 1 | Sales revenue | 1,194 | O/A 140 days | 0.02% |
| 0 | The Company | MegaforceMY | 1 | Sales revenue | 6,438 | O/A 140 days | 0.13% |
| 1 | Shanghai Yingji | The Company | 2 | Sales revenue | 2,356 | O/A 140 days | 0.05% |
| 1 | Shanghai Yingji | Suzhou Intentech | 3 | Sales revenue | 8 | O/A 140 days | -% |
| 2 | Shanghai Shanghua | Shanghai Yingji | 3 | Sales revenue | 171,236 | O/A 140 days | 3.54% |
| 3 | Shanghai AB | Shanghai Yingji | 3 | Sales revenue | 27,222 | O/A 140 days | 0.56% |
| 3 | Shanghai AB | Suzhou Intentech | 3 | Sales revenue | 34,232 | O/A 140 days | 0.71% |
| 3 | Shanghai AB | Dongguan Megaforce | 3 | Sales revenue | 29 | O/A 140 days | -% |
| 4 | Suzhou Intentech | The Company | 2 | Sales revenue | 362,397 | O/A 140 days | 7.50% |

(Continued)

| No. (Note 1) | Name of company | Name of counter-party | Nature of relationship (Note 2) | Intercompany transactions | | | |
|---|---|---|---|---|---|---|---|
| | | | | Account name | Amount | Trading terms | Percentage of the consolidated net revenue or total assets |
| 4 | Suzhou Intentech | Shanghai Yingji | 3 | Sales revenue | 106,161 | O/A 140 days | 2.20% |
| 4 | Suzhou Intentech | Shanghai Shanghua | 3 | Sales revenue | 20,840 | O/A 140 days | 0.43% |
| 5 | Dongguan Megaforce | The Company | 2 | Sales revenue | 179,436 | O/A 140 days | 3.71% |
| 5 | Dongguan Megaforce | MegaforceMX | 3 | Sales revenue | 2,116 | O/A 140 days | 0.04% |
| 6 | MEGA1 | Barintec | 3 | Sales revenue | 3,224 | O/A 140 days | 0.07% |
| 6 | MEGA1 | The Company | 2 | Sales revenue | 6,217 | O/A 140 days | 0.13% |
| 7 | Barintec | MEGA1 | 3 | Sales revenue | 181 | O/A 140 days | -% |
| 8 | MegaforceMY | Shanghai Yingji | 3 | Sales revenue | 1,119 | O/A 140 days | 0.02% |
| 9 | MegaforceUS | The Company | 2 | Sales revenue | 136 | O/A 140 days | -% |
| 0 | The Company | Shanghai Yingji | 1 | Service income | 32,595 | O/A 140 days | 0.67% |
| 0 | The Company | Shanghai Shanghua | 1 | Service income | 1,455 | O/A 140 days | 0.03% |
| 0 | The Company | Shanghai AB | 1 | Service income | 1,809 | O/A 140 days | 0.04% |
| 0 | The Company | Suzhou Intentech | 1 | Service income | 16,864 | O/A 140 days | 0.35% |

Note 1: Numbers are filled in as follows:

1. “0” represents the parent entity.
2. Subsidiaries are numbered starting from “1”.

Note 2: Relationships with transaction counterparties are categorized as follows:

1. The transactions from parent company to subsidiary.
2. The transactions from subsidiary to parent company.
3. The transactions between subsidiaries.

Note: The above-mentioned transactions have been eliminated in the consolidated financial statements.

(Continued)

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2022 (excluding information on investees in Mainland China):

(In Thousands of USD/NTD/JPY)

| Name of investor | Name of investee | Location | Main businesses and products | Original investment amount December 31, 2022 | Original investment amount December 31, 2021 | Balance as of December 31, 2022 Shares (thousands) | Balance as of December 31, 2022 Percentage of ownership | Balance as of December 31, 2022 Carrying value | Highest shares of ownership | Net income (losses) of investee | Share of profits/losses of investee | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| The Company | Group | | Investment and holding | 1,294,793 (USD40,088) | 1,294,793 (USD40,088) | 24 | 100.00% | 2,633,308 | 24 | 315,630 | 315,630 | Note 1 |
| The Company | Megachamp | Taiwan | Investment and holding | 5,000 | 5,000 | 500 | 100.00% | 2,084 | 500 | (143) | (143) | Note 1 |
| The Company | MegaforceMX | Mexico | Plastic components and precision tools | 424,751 (USD13,970) | 424,751 (USD13,970) | - | 99.79% | 135,700 | - | (33,115) | (33,045) | Note 1 |
| The Company | MegaforceMY | Malaysia | Plastic components | 85,215 (USD3,064) | 85,215 (USD3,064) | 16,386 | 100.00% | 67,292 | 16,386 | (12,229) | (12,229) | Note 1 |
| The Company | MEGA1 | Taiwan | Manufacturing of optical components | 587,061 | 537,061 | 23,972 | 99.88% | 49,437 | 23,972 | (36,603) | (37,601) | Note 1 |
| The Company | Barintec | Japan | Developing AR modules and optical technology, and selling related products | 43,409 (USD162,000) | 43,409 (USD162,000) | 9 | 64.79% | 29,159 | 9 | (12,577) | (8,148) | Note 1 |
| The Company | International-US | USA | Trading of merchandise | 9,233 (USD300) | 9,233 (USD300) | - | 100.00% | 2,054 | - | (213) | (213) | Note 1 |
| Group | International-Samoa | Samoa | Investment and holding | USD 51,932 | USD 51,932 | 6,700 | 100.00% | 2,488,027 | 6,700 | 314,979 | Note 2 | Note 1 |
| Group | Newforce | The British Virgin Islands | Investment and holding | USD 7,929 | USD 7,929 | 20 | 100.00% | 143,294 | 20 | (174) | Note 2 | Note 1 |
| Megachamp | MegaforceMX | Mexico | Plastic components and precision tools | 916 (USD30) | 916 (USD30) | - | 0.21% | 286 | - | (33,115) | Note 2 | Note 1 |

Note 1: The above-mentioned transactions have been eliminated in the consolidated financial statements.

Note 2: To prevent confusion, profits (losses) of investees, which have already been included in those of the investor, are not presented separately herein.

(Continued)

(c) Information on investment in Mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of NTD/USD)

| Name of investee | Main businesses and products | Total amount of paid-in capital | Method of investment (Note 1) | Accumulated outflow of investment from Taiwan as of January 1, 2021 | Investment flows | | Accumulated outflow of investment from Taiwan as of December 31, 2022 | Net income (losses) of the investee | Percentage of ownership | Highest percentage of ownership | Investment income (losses) | Book value | Accumulated remittance of earnings in current period |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Outflow | Inflow | | | | | | | |
| Shanghai Yingji | Plastic components | USD 15,500 | (2) (Note 4) | USD 2,698 | - | - | USD 2,698 | 253,683 | 100.00% | 100.00% | 257,336 | 1,371,945 | USD 53,342 |
| Shanghai AB | High precision tools | USD 3,700 | (2) (Note 4) | USD 1,200 | - | - | USD 1,200 | (7,644) | 90.00% | 90.00% | (6,880) | 124,551 | - |
| Suzhou Intentech | Plastic components | USD 42,500 | (2) (Note 4) | USD 24,921 | - | - | USD 24,921 | 66,798 | 100.00% | 100.00% | 66,413 | 1,059,490 | - |
| Shanghai Shanghua | Painting | USD 2,000 | (2) (Note 5) | USD 3,779 | - | - | USD 3,779 | 2,991 | 100.00% | 100.00% | 2,991 | 104,031 | USD 18,587 |
| Dongguan Megaforce | Plastic components and high precision tools | USD 6,525 | (1) | USD 6,526 | - | - | USD 6,526 | (40,771) | 100.00% | 100.00% | (36,291) | 258,374 | - |

Note: The above-mentioned transactions have been eliminated in the consolidated financial statements.

(Continued)

(ii) Limitation on investment in Mainland China:

| Accumulated Investment in Mainland China as of December 31, 2022 (Notes 3 and 7) | Investment Amounts Authorized by Investment Commission, MOEA (Note 3) | Upper Limit on Investment (Note 6) |
|---|---|---|
| 1,393,898<br>(USD 45,392 ) | 1,498,090<br>(USD 48,785 ) | 1,340,119 |

Note 1: There are three methods to invest:

(a) Direct investment in Mainland China.

(b) Investments in Mainland China through the 3rd region.

(c) Other methods.

Note 2: Investment profit (loss) is recognized based on the financial statements audited by the parent company’s external certified auditors.

Note 3: Exchange rate on the balance sheet date.

Note 4: The Company conducts reinvestment in Mainland China through Group and International-Samoa in the 3rd region.

Note 5: The Company conducts reinvestment in Mainland China through Group and Newforce in the 3rd region.

Note 6: The amount is limited to 60% of the net value.

Note 7: The amount includes USD641 of transferred equity interest in Mega Mobile (China) International Co., Ltd., USD4,249 remitted by the processing plant in Dongguan, and USD1,378 renutted by Dong Guan Shi Jian Light Electron Technology Co., Ltd.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in “Information on significant transactions”.

(Continued)

(d) Major shareholders:

| Shareholding<br>Shareholder's Name | Shares | Percentage |
|---|---|---|
| Ying Fan Investment Co., Ltd. | 38,483,802 | 29.15% |
| Hsien-Yu Kuo | 9,117,000 | 6.90% |

## (14) Segment information:

(a) General information

The Group's reportable segments comprise the electronics component segment, the biomedical device segment, and the opto-mechatronics segment, all of which are the Group's strategic business units (SBUs) that provide different products and services such as design, manufacture, and sale of plastic components, laser application products, and medical devices. The Group's chief operating decision maker reviews the internal management reports submitted by each SBU on a quarterly basis.

(b) Information about reportable segments and their measurement and reconciliations

There was no material inconsistency between the accounting policies adopted for operating segments and the significant accounting policies described in note 4. The Group uses post-tax profits (losses) as the measurement of segment profits (losses) and the basis of both resource allocation and performance assessment.

The Group's operating segment information and reconciliation are as follows:

| | 2022 | | | | |
|---|---|---|---|---|---|
| | **Electronics com** | **Opto-mechatronics segment** | **Biomed device segment** | **Reconciliation a** | **Total** |
| Revenue | | | | | |
| Revenue from external customers | $ 4,727,088 | 4,679 | 103,170 | - | 4,834,937 |
| Inter-group revenue | 1,194 | 6,217 | - | (7,411) | - |
| Total revenue | $ 4,728,282 | 10,896 | 103,170 | (7,411) | 4,834,937 |
| Segment profits (losses) | $ (68,732) | (61,740) | (31,336) | - | (161,808) |

| | 2021 | | | | |
|---|---|---|---|---|---|
| | **Electronics com** | **Opto-mechatronics segment** | **Biomed device segment** | **Reconciliation a** | **Total** |
| Revenue | | | | | |
| Revenue from external customers | $ 5,270,559 | 453 | 48,541 | - | 5,319,553 |
| Inter-group revenue | - | 16 | - | (16) | - |
| Total revenue | $ 5,270,559 | 469 | 48,541 | (16) | 5,319,553 |
| Segment profits (losses) | $ 141,448 | (71,805) | (45,737) | - | 23,906 |

(Continued)

Information about segment profits (losses), assets and liabilities was consistent with that disclosed in the financial statements; please refer to the consolidated balance sheet and statement of comprehensive income for details.

(c) Product information

Revenue from external customers of the Group was as follows:

| Product | | 2022 | 2021 |
|---|---|---|---|
| Plastic injections | $ | 4,453,129 | 5,034,219 |
| Tools | | 257,699 | 236,752 |
| Others | | 124,109 | 48,582 |
| | $ | 4,834,937 | 5,319,553 |

(d) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

Revenue from external customers:

| Geographic information | | 2022 | 2021 |
|---|---|---|---|
| Asia | $ | 4,478,058 | 4,983,980 |
| America | | 353,672 | 322,354 |
| Europe | | 3,207 | 13,219 |
| | $ | 4,834,937 | 5,319,553 |

Non-current assets:

| Geographic information | | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| Taiwan | $ | 563,730 | 577,253 |
| Mainland China | | 518,883 | 594,420 |
| Malaysia | | 41,025 | 48,822 |
| North America | | 138,204 | 122,518 |
| Japan | | 1,627 | 1,219 |
| Total | $ | 1,263,469 | 1,344,232 |

Non-current assets include property, plant, equipment, right-of-use assets, intangible assets, and other assets, excluding financial instruments and deferred income tax assets.

(e) Major customer

| | 2022 | | | 2021 | |
|---|---|---|---|---|---|
| | | Amount | Share of operating revenues (%) | Amount | Share of operating revenues (%) |
| Customer A | $ | 2,692,732 | 55.69 | 2,681,087 | 50.40 |

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# Independent Auditors' Report

To the Board of Directors

Megaforce Company Limited:

## Opinion

We have audited the parent-company-only financial statements of Megaforce Company Limited ("the Company"), which comprise the parent-company-only balance sheets as of December 31, 2022 and 2021, the parent-company-only statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent-company-only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent-company-only financial statements present fairly, in all material respects, the 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 Parent-company-only Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Account of Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent-company-only financial statements for the year 2022. These matters were addressed in the context of our audit of the parent-company-only financial statements taken as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters that should be communicated in our report.

Share of profit and loss of subsidiaries accounted for using the equity method

Please refer to note (4)(i) for the accounting policies of the investment in subsidiaries, the accounting policy on inventory subsequent valuation of subsidiaries is same with the Company, please refer to note (4)(g) "Inventories", and note (6)(f) for the related disclosures of investments accounted for using the equity method, respectively, of the notes to the parent-company-only financial statements.

Description of key audit matter:

Inventories are measured at the lower of costs and net realizable values. Due to fierce market competition or change in customer's demands, sales of related products might fluctuate significantly, which could possibly result in an obsolescence of products or no longer meet the market demand, and a significant fluctuation in the sales of the related products, wherein the carrying value of the inventories may exceed its net realizable value. Due to the valuation of inventories of subsidiaries might affect the Company's adoption of equity method to recognize its shares of profit and loss of subsidiaries, therefore, the adoption of the equity method to recognize the share of profit or loss of subsidiaries has been identified as key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included reviewing the lower of inventory and net realizable value assessments and inventory aging schedules provided by subsidiaries; analyzing the fluctuation of inventory aging; evaluating the most recent sales prices used by the management and reviewing subsequent inventory liquidation to assess the reasonableness of the net value of the subsidiary's inventories to verify the accuracy of the management's estimate of the inventory allowance for losses and adequacy of the disclosure.

**Responsibilities of Management and Those Charged with Governance for the Parent-Company-Only Financial Statements**

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

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

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

**Auditors' Responsibilities for the Audit of the Parent-Company-Only Financial Statements**

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

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

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the parent-company-only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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 parent-company-only financial statements, including the disclosures, and whether the parent-company-only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on the parent-company-only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent-company-only financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors’ report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors’ report are Mei-Yen Chen and Yu-Feng Hsu. KPMG.

KPMG

Taipei, Taiwan (Republic of China)
March 15, 2023

Notes to Readers

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

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

(English Translation of Parent-Company-Only Financial statements Originally Issued in Chinese)

# MEGAFORCE COMPANY LIMITED

## Parent-Company-Only Balance Sheets

## December 31, 2022 and 2021

## (Expressed in Thousands of New Taiwan Dollars)

| | Assets | December 31, 2022 Amount | % | December 31, 2021 Amount | % |
|---|---|---|---|---|---|
| | **Current assets:** | | | | |
| 1100 | Cash and cash equivalents (note (6)(a)) | $ 308,342 | 7 | 29,130 | 1 |
| 1170 | Notes and accounts receivable, net (notes (6)(c) and (q)) | 312,457 | 7 | 354,458 | 7 |
| 1180 | Receivables from related parties (notes (6)(c), (q) and (7)) | 26,380 | 1 | 14,632 | - |
| 1210 | Other receivables from related parties (notes (6)(d) and (7)) | 9,214 | - | 14,799 | - |
| 1310 | Inventories (note (6)(e)) | 112,334 | 2 | 143,529 | 3 |
| 1476 | Other financial assets－current (note (6)(d)) | 1,661 | - | 1,842 | - |
| 1479 | Other current assets (note (7)) | 17,461 | - | 9,752 | - |
| | **Total current assets** | 787,849 | 17 | 568,142 | 11 |
| | **Non-current assets:** | | | | |
| 1510 | Financial assets at fair value through profit or loss－non-current (note (6)(b)) | - | - | 44,262 | 1 |
| 1517 | Financial assets at fair value through other comprehensive income－non-current (note (6)(b)) | 21,460 | 1 | 7,119 | - |
| 1550 | Investments accounted for using equity method (note (6)(f)) | 3,177,408 | 71 | 3,784,505 | 76 |
| 1600 | Property, plant and equipment (notes (6)(g), (7) and (8)) | 460,553 | 10 | 473,493 | 10 |
| 1755 | Right-of-use assets (note (6)(h)) | 927 | - | 7,367 | - |
| 1780 | Intangible assets | 2,761 | - | 3,764 | - |
| 1840 | Deferred income tax assets (note (6)(n)) | 50,770 | 1 | 103,167 | 2 |
| 1990 | Other non-current assets | 456 | - | 108 | - |
| | **Total non-current assets** | 3,714,335 | 83 | 4,423,785 | 89 |
| | **Total assets** | $ 4,502,184 | 100 | 4,991,927 | 100 |

| | Liabilities and Equity | December 31, 2022 Amount | % | December 31, 2021 Amount | % |
|---|---|---|---|---|---|
| | **Current liabilities:** | | | | |
| 2100 | Short-term borrowings (note (6)(i)) | $ 1,020,000 | 23 | 1,120,000 | 22 |
| 2120 | Financial liabilities at fair value through profit or loss－current (notes (6)(b) and (k)) | 285 | - | - | - |
| 2130 | Contract liabilities－current (note (6)(q)) | 28,563 | 1 | 16,319 | - |
| 2170 | Notes and accounts payable | 35,937 | 1 | 79,074 | 2 |
| 2180 | Payables to related parties (note (7)) | 420,318 | 9 | 414,024 | 8 |
| 2200 | Other payables (notes (6)(r) and (7)) | 128,052 | 3 | 156,556 | 3 |
| 2230 | Current income tax liabilities | 415 | - | 2,466 | - |
| 2280 | Lease liabilities－current (notes (6)(l) and (7)) | 741 | - | 6,786 | - |
| 2321 | Current portion of bonds payable (note (6)(k)) | 28,907 | 1 | - | - |
| 2322 | Current portion of long-term debt (notes (6)(j) and (8)) | 114,764 | 2 | 81,857 | 2 |
| 2360 | Net defined benefit liability－current (note (6)(m)) | 6,000 | - | 12,252 | - |
| 2399 | Other current liabilities－other | 2,430 | - | 2,188 | - |
| | **Total current liabilities** | 1,786,412 | 40 | 1,891,522 | 37 |
| | **Non-current liabilities:** | | | | |
| 2500 | Financial liabilities at fair value through profit or loss－non-current (notes (6)(b) and (k)) | - | - | 240 | - |
| 2530 | Bonds payable (note (6)(k)) | - | - | 28,495 | 1 |
| 2540 | Long-term debt (notes (6)(j) and (8)) | 363,236 | 8 | 537,714 | 11 |
| 2570 | Deferred income tax liabilities (note (6)(n)) | 73,744 | 2 | 97,452 | 2 |
| 2580 | Lease liabilities－non-current (note (6)(l)) | 199 | - | 629 | - |
| 2640 | Net defined benefit liability－non-current (note (6)(m)) | 45,055 | 1 | 64,034 | 1 |
| 2670 | Other non-current liabilities | 6 | - | - | - |
| | **Total non-current liabilities** | 482,240 | 11 | 728,564 | 15 |
| | **Total liabilities** | 2,268,652 | 51 | 2,620,086 | 52 |
| | **Equity (notes (6)(k) and (o)):** | | | | |
| 3100 | Common stock | 1,320,159 | 29 | 1,320,159 | 26 |
| 3200 | Capital surplus | 830,582 | 19 | 830,637 | 17 |
| 3300 | Retained earnings | 107,321 | 2 | 284,718 | 6 |
| 3400 | Other equity | 20,375 | - | (63,673) | (1) |
| 3500 | Treasury shares | (44,905) | (1) | - | - |
| | **Total equity** | 2,233,532 | 49 | 2,371,841 | 48 |
| | **Total liabilities and equity** | $ 4,502,184 | 100 | 4,991,927 | 100 |

See accompanying notes to parent-company-only financial statements.

(English Translation of Parent-Company-Only Financial statements Originally Issued in Chinese)

# MEGAFORCE COMPANY LIMITED

## Parent-Company-Only Statements of Comprehensive Income

## For the years ended December 31, 2022 and 2021

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

| | | 2022 | | 2021 | |
|---|---|---|---|---|---|
| | | Amount | % | Amount | % |
| 4000 | **Operating revenues (notes (6)(q) and (7))** | $ 1,019,369 | 100 | 1,161,025 | 100 |
| 5000 | **Operating costs (notes (6)(e), (g), (h), (l), (m), (7) and (12))** | 941,139 | 92 | 1,102,766 | 95 |
| | **Gross profit** | 78,230 | 8 | 58,259 | 5 |
| | **Operating expenses (notes (6)(c), (d), (g), (h), (l), (m), (r), (7) and (12)):** | | | | |
| 6100 | Selling expenses | 22,920 | 2 | 20,686 | 1 |
| 6200 | Administrative expenses | 176,761 | 17 | 180,463 | 16 |
| 6300 | Research and development expenses | 77,540 | 8 | 79,372 | 7 |
| 6450 | Recognized (reversal of) expected credit losses | 1,541 | - | (322) | - |
| | **Total operating expenses** | 278,762 | 27 | 280,199 | 24 |
| | **Net operating loss** | (200,532) | (19) | (221,940) | (19) |
| | **Non-operating income and expenses (notes (6)(f), (k), (l), (s), (t) and (7)):** | | | | |
| 7100 | Interest income | 2,612 | - | 56 | - |
| 7020 | Other gains and losses, net | (2,505) | - | 24,832 | 2 |
| 7050 | Finance costs | (24,720) | (2) | (19,355) | (1) |
| 7070 | Share of profit of subsidiaries and associates accounted for using equity method | 187,960 | 18 | 246,795 | 21 |
| | **Total non-operating income and expenses** | 163,347 | 16 | 252,328 | 22 |
| 7900 | **Profit (loss) before tax** | (37,185) | (3) | 30,388 | 3 |
| 7950 | Less: Income tax expenses (note (6)(n)) | 119,382 | 12 | 6,394 | 1 |
| | **Profit (loss)** | (156,567) | (15) | 23,994 | 2 |
| 8300 | **Other comprehensive income (loss) (notes (6)(f), (m), (n), (o) and (t)):** | | | | |
| 8310 | **Items that will not be reclassified subsequently to profit or loss** | | | | |
| 8311 | Remeasurements of defined benefit plans | 15,217 | 1 | (7,156) | (1) |
| 8316 | Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income | (1,139) | - | (1,520) | - |
| 8349 | Income tax related to items that will not be reclassified subsequently to profit or loss | 3,043 | - | - | - |
| | Items that will not be reclassified subsequently to profit or loss | 11,035 | 1 | (8,676) | (1) |
| 8360 | **Items that will be reclassified subsequently to profit or loss** | | | | |
| 8361 | Exchange differences on translation of foreign operations | 85,187 | 8 | (16,201) | (1) |
| 8399 | Income tax related to items that will be reclassified subsequently to profit or loss | - | - | - | - |
| | Items that will be reclassified subsequently to profit or loss | 85,187 | 8 | (16,201) | (1) |
| 8300 | **Other comprehensive income (loss), net** | 96,222 | 9 | (24,877) | (2) |
| 8500 | **Total comprehensive income (loss)** | $ (60,345) | (6) | (883) | - |
| | **Earnings per share (in New Taiwan dollars) (note (6)(p))** | | | | |
| 9710 | Basic earnings (loss) per share | $ (1.20) | | 0.18 | |
| 9810 | Diluted earnings (loss) per share | $ (1.20) | | 0.18 | |

See accompanying notes to parent-company-only financial statements.

(English Translation of Parent-Company-Only Financial statements Originally Issued in Chinese)

# MEGAFORCE COMPANY LIMITED

## Parent-Company-Only Statements of Changes in Equity

## For the years ended December 31, 2022 and 2021

## (Expressed in Thousands of New Taiwan Dollars)

| | | | Retained earnings | | | | Other equity | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Common stock | Capital surplus | Legal reserve | Special reserve | Unappropriated retained earnings (accumulated deficit) | Total retained earnings | Exchange differences on translation of foreign financial statements | Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income | Treasury shares | Total equity |
| **Balance at January 1, 2021** | $ 1,320,159 | 831,284 | 44,366 | 73,815 | 215,707 | 333,888 | (36,419) | (9,533) | - | 2,439,379 |
| Net profit | - | - | - | - | 23,994 | 23,994 | - | - | - | 23,994 |
| Other comprehensive income | - | - | - | - | (7,156) | (7,156) | (16,201) | (1,520) | - | (24,877) |
| Total comprehensive income | - | - | - | - | 16,838 | 16,838 | (16,201) | (1,520) | - | (883) |
| Appropriation and distribution of retained earnings: | | | | | | | | | | |
| Legal reserve appropriated | - | - | 11,256 | - | (11,256) | - | - | - | - | - |
| Special reserve appropriated | - | - | - | (27,863) | 27,863 | - | - | - | - | - |
| Cash dividends to shareholders | - | - | - | - | (66,008) | (66,008) | - | - | - | (66,008) |
| Change in ownership interest in subsidiaries | - | (647) | - | - | - | - | - | - | - | (647) |
| Balance at December 31, 2021 | 1,320,159 | 830,637 | 55,622 | 45,952 | 183,144 | 284,718 | (52,620) | (11,053) | - | 2,371,841 |
| Net loss | - | - | - | - | (156,567) | (156,567) | - | - | - | (156,567) |
| Other comprehensive income | - | - | - | - | 12,174 | 12,174 | 85,187 | (1,139) | - | 96,222 |
| Total comprehensive income | - | - | - | - | (144,393) | (144,393) | 85,187 | (1,139) | - | (60,345) |
| Appropriation and distribution of retained earnings: | | | | | | | | | | |
| Legal reserve appropriated | - | - | 1,684 | - | (1,684) | - | - | - | - | - |
| Special reserve appropriated | - | - | - | 17,721 | (17,721) | - | - | - | - | - |
| Cash dividends to shareholders | - | - | - | - | (33,004) | (33,004) | - | - | - | (33,004) |
| Purchase of treasury share | - | - | - | - | - | - | - | - | (44,905) | (44,905) |
| Change in ownership interest in subsidiaries | - | (55) | - | - | - | - | - | - | - | (55) |
| **Balance at December 31, 2022** | **$ 1,320,159** | **830,582** | **57,306** | **63,673** | **(13,658)** | **107,321** | **32,567** | **(12,192)** | **(44,905)** | **2,233,532** |

See accompanying notes to parent-company-only financial statements.

(English Translation of Parent-Company-Only Financial statements Originally Issued in Chinese)

# MEGAFORCE COMPANY LIMITED

## Parent-Company-Only Statements of Cash Flows

## For the years ended December 31, 2022 and 2021

## (Expressed in Thousands of New Taiwan Dollars)

| | | 2022 | 2021 |
|---|---|---|---|
| **Cash flows from (used in) operating activities:** | | | |
| **Profit (loss) before tax** | $ | (37,185) | 30,388 |
| **Adjustments:** | | | |
| **Adjustments to reconcile profit (loss):** | | | |
| Depreciation expense | | 43,223 | 34,862 |
| Amortization expense | | 2,719 | 5,934 |
| Recognized (reversal of) expected credit loss | | 1,541 | (322) |
| Net loss (gain) on financial assets or liabilities at fair value through profit or loss | | 14,307 | (14,367) |
| Interest expense | | 24,720 | 19,355 |
| Interest income | | (2,612) | (56) |
| Share of profit of subsidiaries and associates accounted for using equity method | | (187,960) | (246,795) |
| Gain on disposal of property, plan and equipment | | (7) | - |
| Gain on disposal of investments accounted for using equity method | | - | (6,501) |
| **Total adjustments to reconcile profit (loss)** | | (104,069) | (207,890) |
| **Changes in operating assets and liabilities:** | | | |
| **Changes in operating assets:** | | | |
| Notes and accounts receivable | | 41,972 | 35,295 |
| Receivables from related parties | | (13,259) | 8,774 |
| Other receivables from related parties | | 5,585 | 1,520 |
| Inventories | | 31,195 | (30,477) |
| Other current assets | | (7,459) | (4,824) |
| Other financial assets－current | | 203 | (356) |
| **Net changes in operating assets** | | 58,237 | 9,932 |
| **Changes in operating liabilities:** | | | |
| Contract liabilities | | 12,244 | 7,757 |
| Notes and accounts payable | | (43,137) | 20,159 |
| Payables to related parties | | 6,294 | (69,450) |
| Other payables | | (21,186) | 18,997 |
| Other current liabilities | | 242 | 220 |
| Net defined benefit liability | | (10,014) | (11,694) |
| **Net changes in operating liabilities** | | (55,557) | (34,011) |
| **Total changes in operating assets and liabilities** | | 2,680 | (24,079) |
| **Total adjustments** | | (101,389) | (231,969) |
| Cash inflow (outflow) generated from operations | | (138,574) | (201,581) |
| Income taxes paid | | (96,038) | (39,432) |
| **Net cash flows used in operating activities** | | (234,612) | (241,013) |
| **Cash flows from (used in) investing activities:** | | | |
| Acquisition of financial assets at fair value through other comprehensive income | | (15,480) | (500) |
| Proceeds from disposal of financial assets designated at fair value through profit or loss | | 30,000 | - |
| Acquisition of investments accounted for using equity method | | (50,000) | (162,596) |
| Acquisition of property, plant and equipment | | (31,536) | (79,855) |
| Proceeds from disposal of property, plant and equipment | | 153 | - |
| Acquisition of intangible assets | | (1,716) | (2,945) |
| Decrease (increase) in other non-current assets | | 11 | (15) |
| Interest received | | 2,589 | 56 |
| Dividends received | | 930,189 | 430,478 |
| **Net cash flows from investing activities** | | 864,210 | 184,623 |
| **Cash flows from (used in) financing activities:** | | | |
| Increase in short-term borrowings | | 6,895,000 | 5,588,992 |
| Repayments of short-term borrowings | | (6,995,000) | (5,426,462) |
| Increase in long-term debt | | 180,000 | 510,000 |
| Repayments of long-term debt | | (321,571) | (547,429) |
| Payments of lease liabilities | | (7,094) | (6,422) |
| Increase (decrease) in other non-current liabilities | | 6 | (400) |
| Cash dividends paid | | (33,004) | (66,008) |
| Payments to acquire treasury shares | | (44,905) | - |
| Interest paid | | (23,818) | (18,522) |
| **Net cash flows from (used in) financing activities** | | (350,386) | 33,749 |
| **Net increase (decrease) in cash and cash equivalents** | | 279,212 | (22,641) |
| **Cash and cash equivalents at beginning of period** | | 29,130 | 51,771 |
| **Cash and cash equivalents at end of period** | $ | 308,342 | 29,130 |

See accompanying notes to parent-company-only financial statements.

**(1) Company history**

Megaforce Company Limited (the "Company"). was incorporated on October 15, 1991, as a company limited by shares and registered under the Ministry of Economic Affairs, R.O.C. The address of Company's registered office is 1F., No.5, Ziqiang St., Tucheng Dist., New Taipei City 236, Taiwan. The Company is engaged in the manufacture and sales of plastic injection mold, tooling manufacturing and general import and export trade.

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

The parent-company-only financial statements were authorized for issue by the Board of Directors on March 15, 2023.

**(3) New standards, amendments and interpretations adopted:**

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

The Company has initially adopted the following new amendments, which do not have a significant impact on its parent-company-only financial statements, from January 1, 2022:

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

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

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

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

(Continued)

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

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

| Standards or Interpretations | Content of amendment | Effective date per IASB |
|---|---|---|
| Amendments to IAS 1 “Classification of Liabilities as Current or Non-current” | Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance.<br>The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt. | January 1, 2024 |
| Amendments to IAS 1 “Non-current Liabilities with Covenants” | After reconsidering certain aspects of the 2020 amendments1, new IAS 1 amendments clarify that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current.<br>Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability’s classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date. | January 1, 2024 |

The Company is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its parent-company-only financial position and financial performance. The results thereof will be disclosed when the Company completes its evaluation.

(Continued)

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

- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"
- IFRS 17 " Insurance Contracts" and amendments to IFRS 17
- Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 – Comparative Information "
- IFRS16 "Requirements for Sale and Leaseback Transactions"

**(4) Summary of significant accounting policies:**

The significant accounting policies presented in the parent-company-only financial statements are summarized below. The following accounting policies were applied consistently throughout the periods presented in these financial statements.

(a) Statement of compliance

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

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the parent-company-only financial statements have been prepared on a historical cost basis:

1) Financial instruments at fair value through profit or loss;

2) Financial assets at fair value through other comprehensive income; and

3) The defined benefit liabilities is recognized as the present value of the defined benefit obligation less the fair value of the plan assets and the effect of the asset ceiling mentioned in note (4)(p).

(ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the Company operates. The Company's parent-company-only financial statements are presented in New Taiwan Dollars, which is the Company's functional currency. Except when otherwise indicate, all financial information presented in New Taiwan Dollars has been rounded to the nearest thousand.

(c) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the functional currencies of the Company at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period ( “the reporting date” ), monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction. Exchange differences are generally recognized in profit or loss.

(ii) Foreign operations

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

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Company disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

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

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

(i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting period; or

(iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

(Continued)

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

(i) It is expected to be settled in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is due to be settled within twelve months after the reporting period; or

(iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

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

(f) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset not at fair value through profit or loss (FVTPL) (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – equity investment and fair value through profit or loss (FVTPL). Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

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

Subsequent to initial recognition, these assets are measured at amortized cost, which equals to carrying amount determined by the effective interest less any impairment loss. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Financial assets measured at fair value through other comprehensive income (FVOCI )

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment' s fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company' s right to receive payment is established (usually the ex-dividend date).

3) Financial assets measured at fair value through profit or loss (FVTPL)

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

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

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

4) Assessment whether contractual cash flows are solely payments of principal and interest on the principal amount outstanding

For the purposes of this assessment, 'principal' is defined as the fair value of the financial assets on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

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In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features)

5) Impairment of financial assets

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

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

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

Loss allowance for trade receivables are always measured at an amount equal to lifetime ECL.

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

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

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

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

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ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

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

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

6) Derecognition of financial assets

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

3) Compound financial instruments

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

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

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

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

4) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

5) Derecognition of financial liabilities

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

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

6) Offsetting of financial assets and liabilities

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

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(g) Inventories

The costs of inventories include all necessary expenditures and charges for bringing them to a condition and location wherein they are available to be sold or processed. Subsequently, inventories are evaluated at the lower of cost and net realizable value; net realizable value is the estimated selling price in the ordinary course of business, less, the estimated costs of completion and selling expenses. The Company's inventories are normally valued at standard costs that are reviewed periodically and revised to suit current conditions when necessary. When the standard costs approximate the actual costs, the differences are directly recognized as operating costs. At the end of the period, the differences between the costs are allocated to operating costs and inventories on an average basis.

(h) Investment in associates

Associates are those entities in which the Company has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The parent-company-only financial statements include the Company's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Company, from the date on which significant influence commences until the date on which significant influence ceases. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company's shareholding percentage of the associate, the Company recognizes change in ownership interests in the associate in "capital surplus" in proportion to its shareholding.

Unrealized gains and losses from transaction between the Company and an associate are recognized only to the extent of unrelated Company's interests in the associate.

When the Company's share of losses of an associate equals or exceeds its interests in an associate, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Company discontinues the use of the equity method and measures the retained interest at fair value from the date when its investment ceases to be an associate. The difference between the fair value of retained interest and proceeds from disposing, and the carrying amount of the investment at the date the equity method was discontinued is recognized in profit or loss. The Company accounts for all the amounts previously recognized in other comprehensive income in relation to that investment on the same basis as would have been required if the associates had directly disposed of the related assets or liabilities. If a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss (or retained earnings) on the disposal of the related assets or liabilities, the Company reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) (or retained earnings) when the equity method is discontinued.

(i) Investment in subsidiaries

When preparing the parent-company-only financial statements, investment in subsidiaries which are controlled by the Company is accounted for using the equity method. Under equity method, profit or loss, and other comprehensive income recognized in parent-company-only financial statements is in line with total comprehensive income attributable to the shareholders of the Company in the consolidated financial statements. In addition, changes in equity recognized in the parent-company-only financial statements is in line with the changes in equity attributable to shareholders of the Company in the consolidated financial statements.

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

(j) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

Land is not depreciated.

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

| | | |
|---|---|---|
| 1) | Buildings and construction | 20~55 years |
| 2) | Machinery and equipment | 5~10 years |
| 3) | Office and other equipment | 3~5 years |

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

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(k) Leases

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

(i) As a leasee

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

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

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

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

1) fixed payments;

2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

3) amounts expected to be payable under a residual value guarantee; and

4) payments for purchase or termination options that are reasonably certain to be exercised.

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

1) there is a change in future lease payments arising from the change in an index or rate; or

2) there is a change in the Company' s estimate of the amount expected to be payable under a residual value guarantee; or

3) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or

4) there is a change of its assessment on whether it will exercise a extension or termination option; or

5) there is any lease modifications

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

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

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

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

(ii) As a lessor

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

(l) Intangible assets

Goodwill arising on the acquisition of associates is included in the carrying amount of investment in associates. Goodwill is not amortized but is measured at cost, less accumulated impairment losses.

Other intangible assets, including computer software, that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses. Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for computer software is 2~3 years.

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

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(m) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

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

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

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(n) Treasury stock

Repurchased shares are recognized under treasury shares (a contra-equity account) based on its repurchase price (including all directly accountable costs). Gains on disposal of treasury shares should be recognized under capital reserve－treasury shares transaction; losses on disposal of treasury shares should be offset against existing capital reserve arising from similar types of treasury shares. If there are insufficient capital reserve to be offset against, then such losses should be accounted for under retained earnings. The carrying amount of treasury shares should be calculated using the weighted average different types of repurchase.

During the cancellation of treasury shares, capital reserve－share premiums and share capital should be debited proportionately. Gains on cancellation of treasury shares should be recognized under existing capital reserve arising from similar types of treasury shares; losses on cancellation of treasury shares should be offset against existing capital reserve arising from similar types of treasury shares. If there are insufficient capital reserve to be offset against, then such losses should be accounted for under retained earnings.

(Continued)

(o) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer.

(i) Sale of goods

The Company manufactures and sells plastic goods and molds to electronic product vender. The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer or accepted by the customer with supporting documents issued, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

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

(ii) Financing components

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

(p) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

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

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

(Continued)

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

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

(iii) Short-term employee benefits

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

(q) Income taxes

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

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

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

(i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

(ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(iii) taxable temporary differences arising on the initial recognition of goodwill.

(Continued)

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

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

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

(i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity; or

2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(r) Business combination

The Company accounts for business combinations using the acquisition method. The goodwill arising from an acquisition is measured as the excess of (i) the consideration transferred (which is generally measured at fair value) and (ii) the amount of non-controlling interest in the acquiree, both over the identifiable net assets acquired at the acquisition date. If the amount calculated above is a deficit balance, the Company recognized that amount as a gain on a bargain purchase in profit or loss immediately after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed.

All acquisition-related transaction costs are expensed as incurred, except for the issuance of debt or equity instruments.

For each business combination, the Company measures any non-controlling interests in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s identifiable net assets.

In a business combination achieved in stages, the Company remeasures its previously held equity interest in the acquiree at its acquisition-date fair value, and recognizes the resulting gain or loss, if any, in profit or loss. In prior reporting periods, the Company may have recognized changes in the value of its equity interest in the acquiree in other comprehensive income. If so, the amount that was recognized in other comprehensive income will be recognized on the same basis as would be required if the Company had disposed directly of the previously held equity interest. If the disposal of the equity interest required a reclassification to profit or loss, such an amount will be reclassified to profit or loss.

(Continued)

(s) Earnings per share

The Company discloses the basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as convertible bonds and employee compensation.

(t) Operating segments

The Company discloses the operating segment information in the consolidated financial statements. Therefore, the Company does not disclose the operating information in the parent-company-only financial statements.

**(5) Critical accounting judgments, estimates, and assumptions on uncertainty:**

The preparation of the parent-company-only financial statements in conformity with the Regulations Governing the Preparation of Financial Reports requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

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

There are no critical judgments in applying accounting policies that have significant effect on the amounts recognized in the parent-company-only financial statements.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the parent-company-only financial statements is share of profit and loss of subsidiaries accounted for using the equity method.

As inventories are stated at the lower of cost or net realizable value, the Company’s subsidiaries estimates the amount of obsolete and unmarketable inventories on the reporting date, and then writes down the cost of inventories to net realizable value. The valuation of the inventories is mainly determined based on assumptions as to future demand within a specific time horizon. Due to both rapid industrial transformation and fierce competition, there may be significant changes that will affect the Company's share of profit or loss of subsidiaries recognized using the equity method.

(Continued)

**(6) Explanation of significant accounts:**

(a) Cash and cash equivalents

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Cash on hand and petty cash | $ 75 | 145 |
| Demand and check deposits | 220,269 | 28,985 |
| Time deposits | 87,998 | - |
| | $ 308,342 | 29,130 |

Please refer to note (6)(t) for the exchange rate risk, and sensitivity analysis of the financial assets of the Company.

(b) Financial instruments

(i) Financial assets at fair value through profit or loss－non-current

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Stock unlisted in domestic markets | $ - | - |
| Private convertible bonds issued by domestic TPEx-listed entities | - | 44,262 |
| | $ - | 44,262 |

Based on the assessment of the Company’s management, the equity interests in domestic unlisted investees were fully recognized as impairment losses for prior years after the net value has already approximated $0.

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

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Convertible bonds with embedded derivatives | $ 285 | 240 |

(iii) Fair value through other comprehensive income –equity investment

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Stock unlisted in domestic markets | $ 21,460 | 7,119 |

The Company designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Company intends to hold for the long-term strategic purposes. There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments as of December 31, 2022 and 2021.

(iv) Please refer to note (6)(u) for credit risk and market risk.

(Continued)

(v) As of December 31, 2022 and 2021, none of the Company's financial assets mentioned above has been pledged as security.

(c) Notes and accounts receivable (including related parties)

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Notes receivable | $ - | 158 |
| Accounts receivable | 312,543 | 354,357 |
| Receivable from related parties | 27,891 | 14,632 |
| Less: loss allowance | (1,597) | (57) |
| | $ 338,837 | 369,090 |

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables (including related parties). Forward looking information is taken into consideration as well. Analysis of expected credit losses on notes and accounts receivable (including related parties) were as follows:

| | December 31, 2022 | | |
|---|---|---|---|
| | Gross carrying amount | Weighted-average loss rate | Loss allowance provision |
| Current | $ 333,755 | 0.01% | 31 |
| Past due 1~90 day | 6,527 | 1.1%~100% | 1,537 |
| Past due 91~180 day | 152 | 19% | 29 |
| | $ 340,434 | | 1,597 |

| | December 31, 2021 | | |
|---|---|---|---|
| | Gross carrying amount | Weighted-average loss rate | Loss allowance provision |
| Current | $ 365,230 | 0.01% | 14 |
| Past due 1~90 day | 3,917 | 1.1% | 43 |
| | $ 369,147 | | 57 |

The movements in the allowance for notes and accounts receivable (including related parties) were as follows:

| | 2022 | 2021 |
|---|---|---|
| Balance at January 1 | $ 57 | 378 |
| Impairment losses recognized (reversed) | 1,540 | (321) |
| Balance at December 31 | $ 1,597 | 57 |

As of December 31, 2022 and 2021, the notes and accounts receivable were not pledged as collateral.

(Continued)

(d) Other receivables (including related parties)

| | | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| Other receivables | $ | 1,639 | 1,842 |
| Other receivables from related parties | | 9,214 | 14,799 |
| Less: loss allowance | | (1) | - |
| | **$** | **10,852** | **16,641** |

The movements in the allowance for other receivables (including related parties) were as follows:

| | | 2022 | 2021 |
|---|---|---|---|
| Balance at January 1 | $ | - | 1 |
| Impairment losses recognized (reversed) | | 1 | (1) |
| Balance at December 31 | **$** | **1** | **-** |

(e) Inventories

| | | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| Raw materials | $ | 10,907 | 27,501 |
| Work in progress and semi-finished products | | 32,310 | 33,597 |
| Projects in progress | | 17,452 | 5,066 |
| Finished goods | | 13,855 | 10,031 |
| Merchandise | | 37,810 | 67,334 |
| | **$** | **112,334** | **143,529** |

The details of the cost of sales were as follows:

| | | 2022 | 2021 |
|---|---|---|---|
| Inventory that has been sold and others | $ | 933,198 | 1,098,322 |
| Write-down of inventories | | 7,471 | 4,474 |
| Loss on disposal of inventories | | 553 | - |
| Income from sale of scraps | | (9) | (23) |
| Gain on physical inventory count | | (74) | (7) |
| | **$** | **941,139** | **1,102,766** |

The write-downs arose from the write-down of inventories to net realizable value.

As of December 31, 2022 and 2021, the Company did not provide any inventories as collateral for its loans.

(Continued)

(f) Investments accounted for using equity method

A summary of the Company's investments accounted for using the equity method at the reporting date is as follows:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Subsidiaries | $ 3,177,408 | 3,784,505 |

(i) Subsidiaries

Please refer to the consolidated financial statements for the year ended December 31, 2022.

(ii) Acquisition of subsidiaries

1) The cost of acquisition

On November 30, 2022 (the acquisition date), the Company obtained control of Barintec Co., Ltd. (Barintec) by investing the amount of $18,850 to acquire additional 15.81% of the shares and voting interests in the company. As a result, the Company's equity interest in Barintec increased from 48.98% to 64.79% and Barintec has been included in the Company's consolidated entities since the date of acquisition. Barintec is principally engaged in developing AR modules and optical technology as well as selling related products. By acquiring Barintec, the Company mainly aimed to pursue market share with its optical technology development.

2) Identifiable net assets acquired in a business combination

The fair value of identifiable assets acquired and liabilities assumed from the acquisition was as follows:

Consideration transferred:

| | | |
|---|---|---|
| Cash | | $ 18,850 |
| Add: Fair value of pre-existing interest in the acquiree | | 20,563 |
| Non-controlling interests (measured at non-controlling interest's proportionate share of the fair value of identifiable net assets) | | 7,564 |
| Less: Fair value of identifiable net assets acquired | | |
| Cash and cash equivalents | 19,752 | |
| Accounts receivable | 904 | |
| Inventories | 228 | |
| Prepayments and other current assets | 2,294 | |
| Property, plant and equipment | 470 | |
| Other non-current assets | 737 | |
| Accounts payable | (2,383) | |
| Other payables | (281) | |
| Other current liabilities | (239) | (21,482) |
| Goodwill | | $ 25,495 |

(Continued)

Goodwill arising from the acquisition are included in the carrying amount of investment accounted for using the equity method.

The Company’ s previously held 48.98% ownership of Barintec is remeasured to fair value at the acquisition date, and recognized a gain on disposal of $6,501 in other gains and losses, net.

(iii) Associate

The Company’ s former associate – Baintec has become a subsidiary in the Company’ s consolidated entities on November 30, 2021. During 2021, the Company’ s financial information for investments accounted for using the equity method that are individually insignificant was as follows. The financial information was included in the Company’ s parent-company-only financial statements.

| | | 2021 |
|---|---|---|
| Profit or loss attributable to the Company | $ | (4,830) |
| Other comprehensive income (loss) | | (795) |
| Total comprehensive income (loss) | $ | (5,625) |

(g) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended 2022 and 2021, were as follows:

| | | Land | Buildings and construction | Machinery and equipment | Office and other equipment | Construction in progress/ equipment to be tested | Total |
|---|---|---|---|---|---|---|---|
| Cost: | | | | | | | |
| Balance at January 1, 2022 | $ | 308,196 | 91,867 | 70,226 | 101,601 | 208 | 572,098 |
| Additions | | - | - | 17,907 | 5,550 | - | 23,457 |
| Reclassification | | - | - | - | 208 | (208) | - |
| Disposals | | - | - | (659) | (815) | - | (1,474) |
| Balance at December 31, 2022 | $ | 308,196 | 91,867 | 87,474 | 106,544 | - | 594,081 |
| Balance at January 1, 2021 | $ | 294,374 | 87,562 | 49,691 | 55,416 | - | 487,043 |
| Additions | | 13,822 | 4,305 | 20,535 | 47,570 | 208 | 86,440 |
| Reclassification | | - | - | - | 123 | - | 123 |
| Disposals | | - | - | - | (1,508) | - | (1,508) |
| Balance at December 31, 2021 | $ | 308,196 | 91,867 | 70,226 | 101,601 | 208 | 572,098 |
| Accumulated depreciation and impairments loss: | | | | | | | |
| Balance at January 1, 2022 | $ | - | 27,749 | 35,176 | 35,680 | - | 98,605 |
| Depreciation | | - | 5,379 | 9,303 | 21,569 | - | 36,251 |
| Disposals | | - | - | (513) | (815) | - | (1,328) |
| Balance at December 31, 2022 | $ | - | 33,128 | 43,966 | 56,434 | - | 133,528 |
| Balance at January 1,2021 | $ | - | 22,509 | 26,645 | 22,428 | - | 71,582 |
| Depreciation | | - | 5,240 | 8,531 | 14,760 | - | 28,531 |
| Disposals | | - | - | - | (1,508) | - | (1,508) |
| Balance at December 31, 2021 | $ | - | 27,749 | 35,176 | 35,680 | - | 98,605 |
| Carrying amount: | | | | | | | |
| Balance at December 31, 2022 | $ | 308,196 | 58,739 | 43,508 | 50,110 | - | 460,553 |
| Balance at December 31, 2021 | $ | 308,196 | 64,118 | 35,050 | 65,921 | 208 | 473,493 |

(Continued)

Please refer to note (8) for the Company's property, plant and equipment pledged as collateral for long-term debt and credit lines as of December 31, 2022 and 2021.

(h) Right-of-use assets

The Company leases many assets including buildings and vehicles. Information about leases for which the Company is a lessee was presented below:

| | | Buildings | Vehicles | Total |
|---|---|---|---|---|
| Cost: | | | | |
| Balance at January 1, 2022 | $ | 14,663 | 2,672 | 17,335 |
| Additions | | 532 | - | 532 |
| Deductions | | (5,320) | (1,123) | (6,443) |
| Balance at December 31, 2022 | **$** | **9,875** | **1,549** | **11,424** |
| Balance at January 1, 2021 | $ | 3,322 | 1,652 | 4,974 |
| Additions | | 11,341 | 1,217 | 12,558 |
| Deductions | | - | (197) | (197) |
| Balance at December 31, 2021 | **$** | **14,663** | **2,672** | **17,335** |
| Accumulated depreciation: | | | | |
| Balance at January 1, 2022 | $ | 8,466 | 1,502 | 9,968 |
| Depreciation | | 6,419 | 553 | 6,972 |
| Deductions | | (5,320) | (1,123) | (6,443) |
| Balance at December 31, 2022 | **$** | **9,565** | **932** | **10,497** |
| Balance at January 1, 2021 | $ | 2,707 | 995 | 3,702 |
| Depreciation | | 5,759 | 572 | 6,331 |
| Deductions | | - | (65) | (65) |
| Balance at December 31, 2021 | **$** | **8,466** | **1,502** | **9,968** |
| Carrying amount: | | | | |
| Balance at December 31, 2022 | **$** | **310** | **617** | **927** |
| Balance at December 31, 2021 | **$** | **6,197** | **1,170** | **7,367** |

(i) Short term borrowings

| | | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| Unsecured bank loans | **$** | **1,020,000** | **1,120,000** |
| Unused credit lines | **$** | **610,000** | **420,000** |
| Range of interest rates | | **1.64%~1.93%** | **0.99%~1.12%** |

Issue and repayment of loans

For the years ended 2022 and 2021, the amounts, which were due in June 2023 and April 2022, increased by $6,895,000 and $5,588,992, respectively; and the amounts repaid were $6,995,000 and $5,426,462, respectively.

(Continued)

Please refer to note (6)(s) for interest expense.

(j) Long-term debt

The details of long-term debt were as follows:

| | December 31, 2022 | | | | |
|---|---|---|---|---|---|
| | **Currency** | **Range of interest rate** | **Maturity year** | | **Amount** |
| Unsecured bank loans | NTD | 1.71%~1.88% | 2023 | $ | 75,000 |
| Secured bank loans | NTD | 1.84%~1.944% | 2026~2035 | | 403,000 |
| Less: current portion of long-term debt | | | | | (114,764) |
| Total | | | | $ | **363,236** |
| Unused credit lines | | | | $ | **-** |

| | December 31, 2021 | | | | |
|---|---|---|---|---|---|
| | **Currency** | **Range of interest rate** | **Maturity year** | | **Amount** |
| Unsecured bank loans | NTD | 1.25%~1.35% | 2023~2024 | $ | 243,321 |
| Secured bank loans | NTD | 1.1746%~1.215% | 2025~2035 | | 376,250 |
| Less: current portion of long-term debt | | | | | (81,857) |
| Total | | | | $ | **537,714** |
| Unused credit lines | | | | $ | **-** |

(i) Issue and repayment of loans

For the years ended 2022 and 2021, the borrowings, which are due in October 2026 and September 2025, increased by $180,000 and $510,000 respectively; and the amounts repaid were $321,571 and $547,429, respectively. Please refer to note (6)(s) for interest expense.

(ii) Collateral for bank loans

Refer to note 8 for a description of the Company’ s assets pledged as collateral to secure the bank loans.

(k) Bonds payables

The details of unsecured convertible bonds were as follows:

| | | **December 31, 2022** | **December 31, 2021** |
|---|---|---|---|
| Total convertible bonds issued | $ | 30,000 | 30,000 |
| Less: unamortized discounted corporate bonds payable | | (1,093) | (1,505) |
| Less: current portion of bonds payables | | (28,907) | - |
| | $ | **-** | **28,495** |
| Embedded derivatives–put options (included in financial liabilities at fair value through profit or loss) | $ | **285** | **240** |

(Continued)

| | 2022 | 2021 |
|---|---|---|
| Embedded derivatives–gains or losses on put options remeasured at fair value (included in other gains and losses) | $ 45 | (105) |
| Interest expenses | $ 563 | 563 |

On March 13, 2020, the Company' s Board of Directors resolved to issue domestic unsecured convertible bonds under private placement, so as to repay bank loans and improve the financial structure. On June 5, 2020, the shareholders' meeting resolved to issue the bonds twice within 1 year from the date of the resolution, with the aggregate amount of the issue being capped at $100,000.

On August 7, 2020, the Company' s Board of Directors resolved to issue the 1st domestic unsecured convertible bonds under a private placement, which has been carried out on August 26, 2020. The amount of the issue totaled $30,000, which has been received.

In accordance with IFRS 9, the Company separated the conversion option from bonds, and recognized as equity and liabilities. The related information was as follows:

| | |
|---|---|
| The fair value of convertible bonds at issuance | $ 27,939 |
| The embedded derivatives at issuance (i.e., put options) | 585 |
| The equity components at issuance (i.e., conversion right) | 1,476 |
| | $ 30,000 |

The major terms of the aforementioned first private unsecured convertible bond were as follows:

(i) Issue period: 5 years (August 26, 2020 ~ August 25, 2025)

(ii) Terms of repayment: Unless the bondholders request the Company to repurchase the bonds or the bonds are converted into ordinary shares of the Company in accordance with the regulations, the Company shall redeem the bonds in cash at par value of the bonds upon maturity.

(iii) Conversion period: The bondholders have the right to ask for conversion of the bonds into common shares of the Company at any time during the period from the date after three months of the bonds issued to the maturity date by notifying to the Company, with the exceptions of the following: (1) the book closure period of the ordinary shares according to law; (2) from the 15 business days prior to the closure date of the Company' s stock dividends, the closure date of cash dividends, or the closure date of cash capital increase subscription, to the ex-dividend date; (3) from the capital reduction base date to the day before the trading day of producing the new stock certificates due to the capital reduction.

(iv) Put option of bond-holders: The Company shall set the date after 3 years (August 26, 2023) and the date after 4 years (August 26, 2024) from the issue date of the convertible bond as the record dates for the early exercise of put option. The bondholders are entitled to request the Company to redeem the private placement convertible bond at par value plus an indemnity to cover the interest rate, which amounted to 101.5075% of the par value after 3 years (0.5% yield rate) and 102.0151% of the par value after 4 years (0.5% yield rate), respectively. After accepting the redemption request, the Company should redeem the bonds by cash within 5 business days after the redemption date.

(Continued)

(v) Conversion price: Determined on August 7, 2020, the conversion price of the convertible bond shall be the higher of the following two calculations, multiplied by 110% (rounded to the nearest dime of NTD):

- The simple average closing price of the common shares of the Company for either the 1, 3, or 5 business days before the price determination date, after adjustment for any distribution of share dividends, cash dividends or capital reduction.
- The simple average closing price of the common shares of the Company for the 30 business days before the price determination date, after adjustment for any distribution of stock dividends, cash dividends, or capital reduction.

Under the above-mentioned method, the conversion price was set at $15.2 per share.

(l) Lease liabilities

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

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Current | $ 741 | 6,786 |
| Non-current | $ 199 | 629 |

Please refer to note (6)(t) for the maturity analysis.

The amounts recognized in profit or loss was as follows:

| | 2022 | 2021 |
|---|---|---|
| Interest expense on lease liabilities | $ 88 | 121 |
| Expense relating to short-term lease | $ 236 | 815 |
| Expenses related to leases of low-value assets (excluding short-term leases of low-value assets) | $ 599 | 380 |

The amounts recognized in the statement of cash flows by the Company were as follows:

| | 2022 | 2021 |
|---|---|---|
| Total cash outflow for leases | $ 8,017 | 7,738 |

(i) Leases of buildings and structures

The Company leases buildings for its office space. The leases of office space typically run for a period of 1 to 3 years. Leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

(ii) Other leases

The Company leases transportation equipment with contract terms of 2 to 3 years. In addition, the Company leases dormitories, miscellaneous equipment and parking spaces, with contract terms of 6 months to 1 year. These leases are short-term and/or of leases of low-value items, for which the Company elected not to recognized right-of-use assets and lease liabilities for these leases.

(m) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value was as follows:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Present value of defined benefit obligations | $ 110,592 | 123,820 |
| Fair value of plan assets | (59,537) | (47,534) |
| Net defined benefit liabilities | **$ 51,055** | **76,286** |

The amounts recognized as net defined benefit liabilities were as follows:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Current | $ 6,000 | 12,252 |
| Non-current | 45,055 | 64,034 |
| | **$ 51,055** | **76,286** |

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

As of December 31, 2022, the balances of the labor pension reserve account and the Company’s Bank of Taiwan labor pension reserve account amounted to $59,537. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movements in present value of defined benefit obligations for the Company were as follows:

| | 2022 | 2021 |
|---|---|---|
| Defined benefit obligations on January 1 | $ 123,820 | 132,889 |
| Current service cost and interest | 2,570 | 2,885 |
| Remeasurement of net defined benefit liabilities | | |
| －Actuarial losses (gains) arising from experience adjustments | (69) | 4,951 |
| －Actuarial gains (losses) arising from changes in financial assumptions | (11,607) | 2,807 |
| Benefits paid | (4,122) | (19,712) |
| Defined benefit obligations on December 31 | **$ 110,592** | **123,820** |

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Company were as follows:

| | 2022 | 2021 |
|---|---|---|
| Fair value of plan assets on January 1 | $ 47,534 | 52,065 |
| Interest income | 332 | 327 |
| Remeasurements loss (gain): | | |
| －Return on plan assets (excluding interest income) | 3,541 | 602 |
| Contribution of pension fund | 12,252 | 14,252 |
| Benefits paid | (4,122) | (19,712) |
| Fair value of plan assets on December 31 | **$ 59,537** | **47,534** |

4) For 2022 and 2021, there was no effect of asset ceiling of defined benefit plan.

5) Expenses recognized in profit or loss:

| | 2022 | 2021 |
|---|---|---|
| Current service costs | $ 1,800 | 2,097 |
| Net interest on the net defined benefit liabilities | 438 | 461 |
| | **$ 2,238** | **2,558** |
| Operating costs | $ 300 | 384 |
| Administrative expenses | 1,698 | 1,958 |
| Research and development expenses | 240 | 216 |
| | **$ 2,238** | **2,558** |

(Continued)

6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

| | 2022.12.31 | 2021.12.31 |
|---|---|---|
| Discount rate | 1.750% | 0.625% |
| Future salary increase rate | 1.000% | 1.000% |

The Company expects to make contribution of $6,000 to the defined benefit plans in the year following December 31, 2022.

The weighted average lifetime of the defined benefits plans is 11.16 years.

7) Sensitivity analysis

The following table summarizes the impact of a change in the assumptions on the present value of the defined benefit obligation on December 31, 2022 and 2021:

| | Impact on the defined benefit obligations | |
|---|---|---|
| | 0.25% increase | 0.25% decrease |
| December 31, 2022 | | |
| Discount rate | $ (1,812) | 1,868 |
| Future salary increase rate | 1,839 | (1,793) |
| December 31, 2021 | | |
| Discount rate | (2,382) | 2,467 |
| Future salary increase rate | 2,406 | (2,336) |

The sensitivity analysis above was based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2022 and 2021.

(ii) Defined contribution plans

The Company allocates 6% of each employee’ s monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to $13,511 and $12,626 for the years ended December 31, 2022 and 2021, respectively.

(Continued)

(n) Income tax

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

| | 2022 | 2021 |
|---|---|---|
| Current tax expenses | $ 93,736 | 41,105 |
| Deferred income tax expenses (benefits) | 25,646 | (34,711) |
| Income tax expenses | $ 119,382 | 6,394 |

The amount of income tax recognized in other comprehensive income for 2022 and 2021 was as follows:

| | 2022 | 2021 |
|---|---|---|
| Items that will not be reclassified subsequently to profit or loss: | | |
| Remeasurement from defined benefit plans | $ 3,043 | - |

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

| | 2022 | 2021 |
|---|---|---|
| Profit (loss) before tax | $ (37,185) | 30,388 |
| Income tax using the Company's statutory tax rate | (7,437) | 6,078 |
| Permanent difference and others | 2,164 | (783) |
| Income added pursuant to the Income Tax Act | 21 | 18 |
| Withholding tax in foreign jurisdiction | 2,022 | 2,703 |
| Additional taxes on undistributed earnings | - | 1,764 |
| Changes in unrecognized temporary differences | 122,612 | (3,386) |
| Income tax expenses | $ 119,382 | 6,394 |

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

Deferred tax liabilities have not been recognized in respect of the following items:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Investment income recognized under equity method (Note) | $ 300,481 | 322,090 |

(Note) The Company is able to control and assure the amount will not be remitted back in the foreseeable future; therefore, such temporary differences are not recognized as deferred tax liabilities.

(Continued)

2) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Deductible temporary differences | $ 182,168 | 85,749 |

3) Recognized deferred tax assets and liabilities

Change in the amounts of deferred income tax assets and liabilities for 2022 and 2021 were as follows:

| | Loss on inventory valuation | Unrealized loss on equity method investments | Defined benefit plans | Tax losses carry forwards | Others | Total |
|---|---|---|---|---|---|---|
| **Deferred income tax assets:** | | | | | | |
| Balance on January 1, 2022 | $ 1,688 | - | 15,257 | 82,389 | 3,833 | 103,167 |
| Recognized in profit or loss | 1,494 | 4,800 | (2,003) | (54,002) | 357 | (49,354) |
| Recognized in other comprehensive income | - | - | (3,043) | - | - | (3,043) |
| Balance on December 31, 2022 | $ 3,182 | 4,800 | 10,211 | 28,387 | 4,190 | 50,770 |
| Balance on January 1, 2021 | $ - | - | - | 83,021 | - | 83,021 |
| Recognized in profit or loss | 1,688 | - | 15,257 | (632) | 3,833 | 20,146 |
| Balance on December 31, 2021 | $ 1,688 | - | 15,257 | 82,389 | 3,833 | 103,167 |

| | Unrealized gain on equity-method investments | Others | Total |
|---|---|---|---|
| **Deferred income tax liabilities:** | | | |
| Balance on January 1, 2022 | $ 94,553 | 2,899 | 97,452 |
| Recognized in profit or loss | (21,033) | (2,675) | (23,708) |
| Balance on December 31, 2022 | $ 73,520 | 224 | 73,744 |
| Balance on January 1, 2021 | $ 112,017 | - | 112,017 |
| Recognized in profit or loss | (17,464) | 2,899 | (14,565) |
| Balance on December 31, 2021 | $ 94,553 | 2,899 | 97,452 |

(iii) The Company’s tax returns through 2020 were assessed and approved by the Tax Authority.

(o) Capital and other equity

As of December 31, 2022 and 2021 the Company’s authorized share capital consisted of 200,000 thousand shares, with a par value of $10 per share, amounting to $2,000,000, of which 132,016 thousand shares were issued. All issued shares were paid up upon issuance. In addition, the Company has reserved $200,000 for employee stock options.

(Continued)

Reconciliation of shares outstanding for 2022 and 2021 was as follows (expressed in thousands shares):

| | Ordinary shares | |
|---|---|---|
| | **2022** | **2021** |
| Balance at January 1 | 132,016 | 132,016 |
| Repurchase of treasury stock | (2,000) | - |
| Balance at December 31 | 130,016 | 132,016 |

(i) Capital surplus

The balances of capital surplus as of December 31, 2022 and 2021, were as follows:

| | | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| Additional paid-in capital | $ | 734,511 | 734,511 |
| Treasury share transactions | | 41,683 | 41,683 |
| Lapsed stock options | | 52,798 | 52,798 |
| Changes in equity of subsidiaries for using the equity method | | 109 | 164 |
| Equity component of issuance for convertible bonds | | 1,476 | 1,476 |
| Dividends not claimed by shareholders within time limit | | 5 | 5 |
| | $ | 830,582 | 830,637 |

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received.

According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(ii) Retained earnings

According to the Company’s Articles of Incorporation, the Company’s annual net profit shall first be used to offset accumulated losses in previous years, and then set aside the legal reserve at 10% of net profit, until the accumulated legal reserve equals to the Company’s capital and any special reserve pursuant to relevant regulations or as requested by the authorities. The remainder, plus the undistributed prior-year earnings, shall be distributed as dividends or retained based on business operation conditions after the earnings distribution plan proposed by the Board of Directors and approved during the stockholders’ meeting. Dividends shall be distributed by way of cash or stock; however, cash dividends shall not be less than 30% of the total dividends.

(Continued)

1) Legal reserve

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

2) Special reserve

In accordance with the requirements issued by the FSC, a portion of earnings shall be allocated as special reserve during earnings distribution. If the Company has already reclassified a portion of earnings to special reserve under the preceding subparagraph, it shall make supplemental allocation of special reserve for any difference between the amount it has already allocated and the amount of the current-period total net reduction of other shareholders' equity. An equivalent amount of special reserve shall be allocated from the after-tax net profit in the period, plus items other than after-tax net profit in the period, that are included in the undistributed current-period earnings and the undistributed prior-period earnings. When the Company distributes its 2020 earnings in 2021, a portion of its current-period earnings and undistributed prior-period earnings shall be reclassified to special earnings reserve. When the Company distributes its 2021 earnings in 2022, the after-tax net profit in the period, plus items other than the after-tax net profit in the period, that are included in the undistributed current-period earnings and undistributed prior-period earnings, shall be reclassified to special earnings reserve. A portion of undistributed prior-period earnings shall be reclassified to special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to the net reduction of other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

The appropriations of earning for 2021 and 2020 had been approved by the shareholder's meeting held on June 8, 2022 and July 27, 2021, respectively. The relevant dividend distributions to shareholders were as follows:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | **Dividends per share (in dollars)** | **Amount** | **Dividends per share (in dollars)** | **Amount** |
| Dividends distributed to ordinary shareholders: | | | | |
| Cash | $ 0.25 | 33,004 | 0.50 | 66,008 |

(Continued)

(iii) Treasury shares

In accordance with the requirements under Article 28-2 of the Securities and Exchange Act and Regulation Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies, the Company' s board of directors decided on March 18, 2022 to repurchase 2,000 thousand shares of the Company in order to motivate employees and enhance internal cohesion in the company. The number of the above-mentioned repurchase shares will not over 1.51% of the total number of issued of the Company. The shares purchased for the purpose of transferring to employees shall be transferred within three years from the date of share repurchase. Those not transferred within the said limit shall be deemed as not issued by the Company and it should be cancelled. As of December 31, 2022, the Company has repurchased its 2,000 thousand ordinary shares, at a total cost of $44,905.

In accordance with the requirements of Securities and Exchange Act, treasury shares held by the Company should not be pledged, and do not hold any shareholder rights before their transfer.

(iv) Other equity interests (net of tax)

| | | Exchange differences on translation of foreign financial statements | Unrealized gains (losses) on financial assets at fair value through other comprehensive income | Total |
|---|---|---|---|---|
| Balance at January 1, 2022 | $ | (52,620) | (11,053) | (63,673) |
| Exchange differences arising from translation of foreign operations | | 85,187 | - | 85,187 |
| Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income | | - | (1,139) | (1,139) |
| Balance at December 31, 2022 | $ | 32,567 | (12,192) | 20,375 |
| Balance at January 1, 2021 | $ | (36,419) | (9,533) | (45,952) |
| Exchange differences arising from translation of foreign operations | | (16,201) | - | (16,201) |
| Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income | | - | (1,520) | (1,520) |
| Balance at December 31, 2021 | $ | (52,620) | (11,053) | (63,673) |

(p) Earnings per share

The Company's basic and diluted earnings per share were calculated as follows:

| | | 2022 | 2021 |
|---|---|---|---|
| **Basic earnings per share** | | | |
| Profit/(loss) attributable to ordinary shareholders of the Company | $ | (156,567) | 23,994 |
| Weighted-average number of ordinary shares outstanding (in thousands) | | 130,646 | 132,016 |
| Basic earnings per share (in dollars) | $ | (1.20) | 0.18 |

| | | 2021 |
|---|---|---|
| **Diluted earnings per share** | | |
| Profit attributable to ordinary shareholders of the Company | $ | 23,994 |
| Interest expense on convertible bonds, net of tax | | 450 |
| | $ | 24,444 |
| Weighted-average number of ordinary shares outstanding | | 132,016 |
| Effect of dilutive potential ordinary shares | | |
| Convertible bonds | | 1,974 |
| Employee's remuneration | | 82 |
| Weighted average number of ordinary shares (after adjustments of potential diluted ordinary shares) | | 134,072 |
| Diluted earnings per share (in dollars) | $ | 0.18 |

The Company incurred a net loss for the year ended December 31, 2022, the potential ordinary shares had an anti-dilutive effect, therefore, there is no need to calculate the diluted earnings per share.

(q) Revenue from contracts with customers

(i) Details of revenue

| | | 2022 | 2021 |
|---|---|---|---|
| Primary geographical markets: | | | |
| Asia | $ | 728,205 | 910,323 |
| America | | 288,065 | 249,668 |
| Europe | | 3,099 | 1,034 |
| | $ | 1,019,369 | 1,161,025 |
| Major products lines: | | | |
| Plastic injection | $ | 799,942 | 1,025,006 |
| Tools | | 81,716 | 75,923 |
| Others | | 137,711 | 60,096 |
| | $ | 1,019,369 | 1,161,025 |

(Continued)

(ii) Contract balances

| | | December 31, 2022 | December 31, 2021 | January 1, 2021 |
|---|---|---|---|---|
| Notes and accounts receivable (including related parties) | $ | 340,434 | 369,147 | 413,215 |
| Less: loss allowance | | (1,597) | (57) | (378) |
| Total | $ | 338,837 | 369,090 | 412,837 |
| Contract liabilities - sale of plastic injection | $ | 4,274 | 3,181 | 314 |
| Contract liabilities - sale of tools | | 7,626 | 7,310 | 6,828 |
| Other | | 16,663 | 5,828 | 1,420 |
| Total | $ | 28,563 | 16,319 | 8,562 |

Please refer to note (6)(c) for details on notes and accounts receivable and allowance for impairment.

The amount of revenue recognized for the years ended December 31, 2022 and 2021 that was included in the contract liability balance at the beginning of the period were $8,835 and $7,797, respectively.

The contract liabilities were primary related to the advance received from customers due to sales of plastic injections and tools; for which revenue is recognized when products have been delivered to or accepted by customers.

The changes in the contract liability balances primarily result from the timing difference between the satisfaction of performance obligation and the customer's payment.

(r) Remuneration to employees and directors

In accordance with the Articles of Incorporation, if the Company incur profit for the year (prior to deduction of compensations to employees and directors), the profit shall first to be offset against any deficit, then, the Company shall contribute no less than 1% of the profit as employee remuneration and no more than 5% as directors remunerations. The aforementioned employee compensation shall be paid in shares or cash, and the recipients may include the employees of the subsidiaries of the Company who meet the certain conditions determined by the Board of Directors.

The Company incurred a net loss for year 2022, therefore, no remuneration was accrued. For the years ended December 31, 2021, the Company accrued and recognized its employee's and director's remuneration amounting to $1,200 and $1,080, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period, multiplied by the percentage of remuneration to employees and directors as specified in the Company's articles. These remunerations were expensed under operating expenses during 2021.

There was no difference between the actual distributed amounts as determined by the board of directors and those recognized in the Company's parent-company-only financial statements of the years ended December 31, 2021. Related information is available at the Market Observation Post System website.

(Continued)

(s) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

| | | 2022 | 2021 |
|---|---|---|---|
| Interest income from bank deposits | $ | 2,612 | 56 |

(ii) Other gains and losses

The details of other gains and losses were as follows:

| | | 2022 | 2021 |
|---|---|---|---|
| Gains on disposals of property, plant and equipment | $ | 7 | - |
| Foreign exchange gains (losses) | | 2,891 | (1,607) |
| Gains (losses) on financial assets (liabilities) at fair value through profit or loss | | (14,307) | 14,367 |
| Gains on disposals of investments | | - | 6,501 |
| Government grant income | | 5,353 | 145 |
| Others | | 3,551 | 5,426 |
| | $ | (2,505) | 24,832 |

(iii) Finance costs

The details of finance costs were as follows:

| | | 2022 | 2021 |
|---|---|---|---|
| Interest expense from bank loans | $ | 24,069 | 18,671 |
| Interest expenses on lease liabilities | | 88 | 121 |
| Interest expense from bonds payable | | 563 | 563 |
| | $ | 24,720 | 19,355 |

(t) Financial instruments

(i) Credit risk

1) Credit risk exposure

Credit risk is the risk of financial loss to the Company if a customer or counterparty of a financial instrument fail to meet its contractual obligations, and arises principally from the Company's cash and cash equivalents, financial assets at fair value through profit or loss, notes and accounts receivable and other receivables, etc. The carrying amount of the Company's financial assets represents the maximum amount exposed to credit risk.

(Continued)

2) Concentration of credit risk

To minimize credit risk, the Company continuously evaluates it customer’ s financial positions and periodically monitors and reviews the recoverable amount of the accounts receivable to ensure the uncollectible amount are recognized appropriately as impairment loss. As of December 31, 2022 and 2021, 72.22% and 81.91% of the Company’ s accounts receivable were concentrated on 2 and 4 specific customers, respectively. Therefore, credit risk is significantly centralized.

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

| | Carrying amount | Contractual cash flows | Within 6 months | 6-12 months | 1 to 2 years | 2 to 5 years | Over 5 years |
|---|---|---|---|---|---|---|---|
| **December 31, 2022** | | | | | | | |
| Non-derivative financial liabilities | | | | | | | |
| Short-term borrowings | $ 1,020,000 | 1,024,627 | 1,024,627 | - | - | - | - |
| Account and other payables (including related parties) | 500,791 | 500,791 | 500,791 | - | - | - | - |
| Lease liabilities (including current portion) | 940 | 951 | 535 | 216 | 200 | - | - |
| Long-term debt (including current portion) | 478,000 | 515,434 | 40,063 | 82,807 | 49,467 | 197,965 | 145,132 |
| Bonds payable | 28,907 | 30,452 | - | 30,452 | - | - | - |
| Total | $ 2,028,638 | 2,072,255 | 1,566,016 | 113,475 | 49,667 | 197,965 | 145,132 |
| **December 31, 2021** | | | | | | | |
| Non-derivative financial liabilities | | | | | | | |
| Short-term borrowings | $ 1,120,000 | 1,121,825 | 1,121,825 | - | - | - | - |
| Account and other payables (including related parties) | 548,026 | 548,026 | 548,026 | - | - | - | - |
| Lease liabilities (including current portion) | 7,415 | 7,508 | 3,542 | 3,328 | 438 | 200 | - |
| Long-term debt (including current portion) | 619,571 | 648,318 | 44,280 | 44,364 | 206,160 | 191,538 | 161,976 |
| Bonds payable | 28,495 | 30,452 | - | - | 30,452 | - | - |
| Total | $ 2,323,507 | 2,356,129 | 1,717,673 | 47,692 | 237,050 | 191,738 | 161,976 |

The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(Continued)

(iii) Exchange rate risk

1) Foreign currency risk

The Company's significant exposure to foreign currency risk on financial assets and liabilities was as follows:

| | December 31, 2022 | | | December 31, 2021 | | |
|---|---|---|---|---|---|---|
| | Foreign currency | Exchange rate | NTD | Foreign currency | Exchange rate | NTD |
| Financial assets | | | | | | |
| Monetary items | | | | | | |
| USD | 11,237 | 30.708 | 345,066 | 14,207 | 27.69 | 393,392 |
| RMB | 66,202 | 4.3999 | 291,282 | 29 | 4.3431 | 126 |
| Non-monetary items | | | | | | |
| RMB | 663,286 | 4.3999 | 2,918,391 | 809,172 | 4.3431 | 3,514,315 |
| Financial liabilities | | | | | | |
| Monetary items | | | | | | |
| USD | 13,737 | 30.708 | 421,836 | 15,282 | 27.69 | 423,159 |

2) Sensitivity analysis

The Company's foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, and accounts payable that are denominated in foreign currency. Assuming all other variables remaining constant, a strengthening (weakening) of 1% of NTD against USD and RMB as of December 31, 2022 and 2021, would have increased or (decreased) the net profits before taxes by $2,145 and $296, respectively.

3) Foreign exchange gain and loss on monetary items

Information related to gains and losses (included unrealized and realized ) by the fluctuation of foreign exchange rate is as follows:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Exchange (losses) gains | Average exchange rate | Exchange (losses) gains | Average exchange rate |
| NTD | $ 2,891 | - | (1,607) | - |

(iv) Interest rate analysis

The interest risk exposure from financial liabilities has been disclosed in the note of liquidity risk management.

The following sensitivity analysis is based on the exposure to the interest rate risk of non-derivative financial instruments on the reporting date. Regarding liabilities with variable interest rates, the analysis is based on the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.25% when reporting to management internally, which also represents the Company management's assessment of the reasonably possible interest rate change.

(Continued)

If the interest rate had increased or decreased by 0.25%, with all other variable factors remaining constant, the Company's profit before tax would have decreased or increased by $3,745 and $4,349 for the years ended December 31, 2022 and 2021, respectively, which was mainly resulted from the borrowings with floating interest rate.

(v) Fair value information

1) Financial instruments not measured at fair value

The Company's management considers the carrying amounts of financial assets and financial liabilities measured at amortized cost approximate of their fair values.

2) Financial instruments measured at fair value

The Company's accounting policies and disclosures include measuring financial and non financial assets and liabilities at fair value through profit or loss. The Company's financial and accounting department is responsible for the assessment of fair value by striving to use market observable inputs when measuring assets and liabilities. In addition, necessary adjustments of fair value are made to ensure that the evaluation results are reasonable.

The financial instruments at fair value through profit and loss and financial assets at fair value through other comprehensive income are measured at fair value on a recurring basis. The table below analyzes financial instruments that are measured at fair value subsequent to initial recognition and grouped into Levels 1 to 3 based on the degree to which the fair value is observable. Fair value levels have been defined as follows:

A. Level 1: quoted process (unadjusted) in active markets for identified assets or liabilities.

B. Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

C. Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

| | December 31, 2022 | | | | |
|---|---|---|---|---|---|
| | | Fair value | | | |
| | Carrying amounts | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets at fair value through other comprehensive income－non-current** | $ 21,460 | - | - | 21,460 | 21,460 |
| **Financial assets measured at amortized cost** | | | | | |
| Cash and cash equivalents | 308,342 | - | - | - | - |
| Notes and accounts receivable (including related parties), net | 338,837 | - | - | - | - |
| Other financial assets－current | 1,661 | - | - | - | - |
| Other financial assets－non-current | 456 | - | - | - | - |
| Subtotal | 649,296 | - | - | - | - |
| Total | **$ 670,756** | **-** | **-** | **21,460** | **21,460** |

(Continued)

# MEGAFORCE COMPANY LIMITED

## Notes to the Parent-Company-Only Financial Statements

| | December 31, 2022 | | | | |
|---|---|---|---|---|---|
| | | Fair value | | | |
| | Carrying amounts | Level 1 | Level 2 | Level 3 | Total |
| **Financial liabilities at fair value through profit or loss** | | | | | |
| Put option of domestic convertible bond | $ 285 | - | 285 | - | 285 |
| **Financial liabilities at amortized cost** | | | | | |
| Bank loans | 1,498,000 | - | - | - | - |
| Notes and accounts payable (including related parties) | 456,255 | - | - | - | - |
| Other payables (including related parties) | 44,536 | - | - | - | - |
| Lease liabilities | 940 | - | - | - | - |
| Bonds payable | 28,907 | - | - | - | - |
| Subtotal | 2,028,638 | - | - | - | - |
| Total | **$ 2,028,923** | **-** | **285** | **-** | **285** |

| | December 31, 2021 | | | | |
|---|---|---|---|---|---|
| | | Fair value | | | |
| | Carrying amounts | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets at fair value through profit or loss** | | | | | |
| Convertible bonds | $ 44,262 | - | 44,262 | - | 44,262 |
| **Financial assets at fair value through other comprehensive income- non-current** | 7,119 | - | - | 7,119 | 7,119 |
| **Financial assets measured at amortized cost** | | | | | |
| Cash and cash equivalents | 29,130 | - | - | - | - |
| Notes and accounts receivable (including related parties), net | 369,090 | - | - | - | - |
| Other financial assets－current | 1,842 | - | - | - | - |
| Other financial assets－non-current | 108 | - | - | - | - |
| Subtotal | 400,170 | - | - | - | - |
| Total | **$ 451,551** | **-** | **44,262** | **7,119** | **51,381** |
| **Financial liabilities at fair value through profit or loss** | | | | | |
| Put option of domestic convertible bond | $ 240 | - | 240 | - | 240 |
| **Financial liabilities at amortized cost** | | | | | |
| Bank loans | 1,739,571 | - | - | - | - |
| Notes and accounts payable (including related parties) | 493,098 | - | - | - | - |
| Other payables (including related parties) | 54,928 | - | - | - | - |
| Lease liabilities | 7,415 | - | - | - | - |
| Bonds payable | 28,495 | - | - | - | - |
| Subtotal | 2,323,507 | - | - | - | - |
| Total | **$ 2,323,747** | **-** | **240** | **-** | **240** |

(Continued)

3) Valuation techniques for financial instruments measured at fair value

A. Non-derivative financial instruments

When the financial instruments of the Company are not traded in an active market, their fair values are illustrated by the category and nature as follows:

- Equity instruments without an active market price: Measurements of fair value of financial instruments without an active market price are calculated using the comparable market approach, with the use of key assumptions based on the ratio of the net value per share of the investee to the net value of the shares derived from the quoted market prices of comparable listed companies. These assumptions have been adjusted for the effect of discount on the lack of the marketability of the equity securities.

- Private convertible bonds issued by TPEx-listed entities: Using the Discounted Cash Flow (DCF) Method, future cash flow is not only estimated based on observable share prices on the balance sheet date and the effect of liquidity discount, and the conversion price specified in the contract but also discounted at rates that reflect the credit risk of each counterparty.

B. Derivative financial instruments

For the conversion and put options of bonds payable, the fair values are estimated based on appraisal reports by external experts. The evaluation model is a binary tree model for convertible bond pricing that uses market observable inputs including share price volatility, risk-free interest rate, risk discount rate, and liquidity risk, so as to reflect the fair value of the option.

4) Transfers between levels of fair value hierarchy

There were no transfer among fair value hierarchies for the years ended December 31, 2022 and 2021.

5) Reconciliation of Level 3 fair values

| | **Financial assets at fair value through other comprehensive income** |
|---|---|
| Opening balance, January 1, 2022 | $ 7,119 |
| Total gains and losses | |
| Recognized in other comprehensive income | (1,139) |
| Purchased | 15,480 |
| Ending Balance, December 31, 2022 | **$ 21,460** |

(Continued)

| | | Financial assets at fair value through other comprehensive income |
|---|---|---|
| Opening balance, January 1, 2021 | $ | 8,139 |
| Total gains and losses | | |
| Recognized in other comprehensive income | | (1,520) |
| Purchased | | 500 |
| Ending Balance, December 31, 2021 | $ | 7,119 |

For the years ended December 31, 2022 and 2021, total gains and losses that were included in "unrealized gains and losses on financial assets at fair value through other comprehensive income" were as follows:

| | 2022 | 2021 |
|---|---|---|
| Total gains and losses recognized: | | |
| In other comprehensive income, and presented in "unrealized gains and losses on financial assets at fair value through other comprehensive income" | $ (1,139) | (1,520) |

6) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Company's financial instruments that use Level 3 inputs to measure fair value include "financial assets measured at fair value through profit or loss – equity investments" and "fair value through other comprehensive income – equity investments".

Most of fair value measurements of the Company which are categorized as equity investment into level 3 have several significant unobservable inputs. Significant unobservable inputs of equity investments without quoted price are independent of each other.

Quantified information of significant unobservable inputs was as follows:

| Item | Valuation technique | Significant unobservable inputs | Interrelationship between significant unobservable inputs and fair value measurement |
|---|---|---|---|
| Financial assets at fair value through profit or loss, financial assets at fair value through comprehensive income–equity investment | Comparable market approach | • Price-Book ratio multiples (1.67~4.58 and 2.80~5.55, respectively on December 31, 2022 and 2021)<br>• Lack of marketability discount rate (50%~70% as of December 31, 2022 and 2021) | • The higher the multiple is, the higher the fair value will be.<br>• The higher the lack of marketability discount rate, the lower the fair value will be. |

7) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

The Company's fair value measurement on financial instruments is reasonable. However, the measurement would be different if different valuation models or inputs are used. For financial instruments using level 3 inputs, if the inputs changed, the impact on other comprehensive income or loss are as follows:

| | | | Changes in other comprehensive income arising from changes in fair value | | | |
|---|---|---|---|---|---|---|
| | | Upward or | December 31, 2022 | | December 31, 2021 | |
| | Input | downward | Favorable | Unfavorable | Favorable | Unfavorable |
| Financial assets at fair value through comprehensive income–equity investment | Price-Book ratio multiples | 3% | $ 644 | (644) | 214 | (214) |

The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

As for financial assets at fair value through profit or loss, the Company's investments of unlisted shares in domestic markets incurred losses for a few consecutive years, causing the net value of equity interest to approximate $0. In 2017, the Company's management decided to fully recognize impairment losses after assessment; therefore, it did not conduct sensitivity analysis for these underlying subjects.

(Continued)

(u) Financial risk management

(i) Overview

The Company have exposures to the following risks from its financial instruments:

1) credit risk

2) liquidity risk

3) market risk

The following likewise discusses the Company's objectives, policies and processes for measuring and managing the above mentioned risks.

(ii) Structure of risk management

With the Board of Directors as the highest guiding unit, a risk management framework with 3 levels of different duties has been established, and the lower level reports to the immediately higher level. In addition, risk management policies and procedures are formulated to maintain the effectiveness of their operation and reduce various risk costs. Through appropriate risk management education training, the Company equips its employees with the ability to perform risk management tasks, and makes them aware of their roles and obligations.

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company Audit Committee is assisted in its oversight role by internal auditors. Internal auditors undertake both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

1) Accounts and other receivables

To maintain the quality of accounts and other receivables, the Company has established procedures for customer risk assessment. In addition to granting credit lines according to credit ratings, the Company also periodically reviews the payments made through customers' accounts, so as to control the level of credit risk.

The above-mentioned financial assets are measured using lifetime expected loss provision and forward looking information is taken into consideration as well.

In addition, the Company will review the recoverable amounts of receivables on each balance sheet date to ensure that appropriate impairment loss has been appropriated for the uncollectible receivables.

(Continued)

2) Cash and investments

The exposure to credit risk for the bank deposits and other financial instruments is measured and monitored by the Company's finance department. The Company only deals with banks and corporate organizations with good credit rating. The Company does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

3) Guarantees

As of December 31, 2022 and 2021, the Company has not provided any endorsement and guarantees for other than subsidiaries wherein the Company held more than 50% equity interests.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company's financial department monitors cash flow requirements and optimizing its cash return on investments. The Company aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash flows on financial liabilities over the succeeding 60 days. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. As of December 31, 2022 and 2021, the Company's unused credit line were amounted to $610,000 and $420,000, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currency of the Company. However, the net positions of foreign currency assets and liabilities are normally immaterial; therefore, the net exposure to foreign currencies was continuously controlled under acceptable level by the management that considered the currency risk to be immaterial.

(Continued)

(v) Capital management

In consideration of industry dynamics and future developments, as well as external environment factors, the Company maintains an optimal structure to enhance long-term shareholder value by managing its capital in a manner to ensure that it has sufficient and necessary financial resources to find its working capital needs, dividend payments, and other business requirements for continuing operations and to reward shareholders and take into consideration the interests of other stockholders.

The Company's debt-to-equity ratio at the end of the reporting period as of December 31, 2022 and 2021, are as follows:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Total liabilities | $ 2,268,652 | 2,620,086 |
| Less: cash and cash equivalents | 308,342 | 29,130 |
| Net debts | **$ 1,960,310** | **2,590,956** |
| Total equity | **$ 2,233,532** | **2,371,841** |
| Debt-to-equity ratio | 87.77% | 109.24% |

The decrease in the debt-to-equity ratio as of December 31, 2022, was mainly due to the decrease in net debt as the Company increased the repatriation of earnings from subsidiaries and reduced bank loans in response to future capital utilization planning and demand.

(w) Financing activities not affecting current cash flow

The Company's investing and financing activities which did not affect the current cash flow in the years ended December 31, 2022 and 2021, were as follow:

(i) For right-of-use assets under leases, please refer to note (6)(h).

(ii) Reconciliation of liabilities arising from financing activities were as follows:

| | | | Non-cash changes | | | |
|---|---|---|---|---|---|---|
| | January 1, 2022 | Cash flows | Additions | Foreign exchange movements and others | Interest expense arising from lease liabilities | December 31, 2022 |
| Long-term debt | $ 619,571 | (141,571) | - | - | - | 478,000 |
| Short-term borrowings | 1,120,000 | (100,000) | - | - | - | 1,020,000 |
| Lease liabilities | 7,415 | (7,094) | 532 | (1) | 88 | 940 |
| Bonds payable | 28,495 | - | - | 412 | - | 28,907 |
| Total liabilities arising from financing activities | **$ 1,775,481** | **(248,665)** | **532** | **411** | **88** | **1,527,847** |

(Continued)

| | January 1, 2021 | Cash flows | Non-cash changes: Additions | Non-cash changes: Foreign exchange movements and others | Non-cash changes: Interest expense arising from lease liabilities | December 31, 2021 |
|---|---|---|---|---|---|---|
| Long-term debt | $ 657,000 | (37,429) | - | - | - | 619,571 |
| Short-term borrowings | 957,470 | 162,530 | - | - | - | 1,120,000 |
| Lease liabilities | 1,290 | (6,422) | 12,558 | (132) | 121 | 7,415 |
| Bonds payable | 28,083 | - | - | 412 | - | 28,495 |
| Total liabilities arising from financing activities | $ 1,643,843 | 118,679 | 12,558 | 280 | 121 | 1,775,481 |

## (7) Related-party transactions

(a) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the parent-company-only financial statements.

| Name of related party | Relationship with the Group |
|---|---|
| Megaforce Group Co., Ltd. (Group) | The Company' s subsidiary |
| Megachamp Investment Company Limited (Megachamp) | The Company' s subsidiary |
| Dongguan Megaforce Electronic Technology Co., Ltd. (Dongguan Megaforce) | The Company' s subsidiary |
| Megaforcemx, S. de R. L. de C.V. (MegaforceMX) | The Company' s subsidiary |
| Megaforce SDN. BHD. (MegaforceMY) | The Company' s subsidiary |
| Megal Company Limited (Megal) | The Company' s subsidiary |
| Barintec Co., Ltd. (Barintec)(Note) | The Company' s subsidiary |
| Megaforce International Corporation (International-US) | The Company' s subsidiary |
| Megaforce International Co., Ltd. (International-Samoa) | The Company' s subsidiary |
| Newforce Global Ltd. (Newforce) | The Company' s subsidiary |
| Shanghai Yingji Electronic Plastic Co., Ltd. (Shanghai Yingji ) | The Company' s subsidiary |
| Suzhou Intentech Co., Ltd. (Suzhou Intentech) | The Company' s subsidiary |
| Shanghai AB Megaforce Co., Ltd. (Shanghai AB) | The Company' s subsidiary |
| Shanghai Shanghua Painting Co.,Ltd. (Shanghai Shanghua) | The Company' s subsidiary |
| Liefco Optical Inc. (Liefco) | The Company represented as a director of Liefco |
| CEREC Asia Inc. (CEREC) | The Company represented as a director of CEREC |
| Tairone Energy Saving Tech. Co., Ltd (Tairone) | The Company represented as a director of Tairone |

(Note) Starting from November 30, 2021, the Company' s former associate became a subsidiary.

(Continued)

(b) Significant transactions with related parties

(i) Sales

The amounts of significant sales by the Company to related parties were as follows:

| | | 2022 | 2021 |
|---|---|---|---|
| Subsidiaries | | | |
| International-US | $ | 50,001 | 16,001 |
| Other | | 7,632 | 10,436 |
| Other related parties | | 1,906 | 623 |
| | $ | 59,539 | 27,060 |

The selling prices and credit terms for the sales to related parties above are not significantly different from those third-party customers, and the normal credit term with the related party above is 45~140 days. There is no collateral received among related parties of accounts receivable.

(ii) Purchases

The amounts of purchases from related parties and the relevant processing fees were as follows:

| | | 2022 | 2021 |
|---|---|---|---|
| Subsidiaries: | | | |
| Suzhou Intentech | $ | 362,397 | 481,430 |
| Dongguan Megaforce | | 179,078 | 246,251 |
| Others | | 8,696 | 5,049 |
| | $ | 550,171 | 732,730 |

The purchase prices and payment terms of accounts payables to related parties were based on varies economic environment and market forms and there is not significantly different from those with third-party venders.

(iii) Receivables from related parties

The details of the Company’ s receivables from related parties were as follows:

| Account | Relationship | | December 31, 2022 | December 31, 2021 |
|---|---|---|---|---|
| Accounts receivable from related parties | Subsidiaries | $ | 26,171 | 14,632 |
| Accounts receivable from related parties | Other related parties | | 209 | - |
| | | $ | 26,380 | 14,632 |

(Continued)

(iv) Payables to related parties

The details of the Company's payables to related parties were as follows:

| Account | Relationship | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| Accounts payable to related parties | Subsidiary: | | |
| | Suzhou Intentech | $ 311,428 | 324,214 |
| | Dongguan Megaforce | 106,167 | 87,933 |
| | Others | 2,723 | 1,877 |
| | | $ 420,318 | 414,024 |

(v) Prepayments

The details of the Company's prepayments to related parties were as follows:

| Account | Relationship | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| Other current assets | Subsidiary | $ 3,218 | - |

(vi) Service income

The Company provided support to related parties and charged the related fees, which were classified as a deduction from operating expenses and other gains and losses. The related charges were as follows:

| | Transaction amount | |
|---|---|---|
| | 2022 | 2021 |
| Subsidiary: | | |
| Shanghai Yingji | $ 32,595 | 36,224 |
| Shanghai AB | 1,809 | 1,940 |
| Shanghai Shanghua | 1,455 | 1,792 |
| Suzhou Intentech | 16,864 | 17,035 |
| | $ 52,723 | 56,991 |
| Account: | | |
| Deduction from operating expenses | $ 49,810 | 53,251 |
| Other gains and losses | 2,913 | 3,740 |
| | $ 52,723 | 56,991 |

(Continued)

Other receivables from related parties arising from the above-mentioned transactions were as follows:

| | Other receivables from related parties | |
|---|---|---|
| | **December 31, 2022** | **December 31, 2021** |
| Subsidiary: | | |
| Shanghai Yingji | $ 6,698 | 8,866 |
| Shanghai AB | 694 | 950 |
| Shanghai Shanghua | 703 | 856 |
| Suzhou Intentech | - | 3,943 |
| | $ 8,095 | 14,615 |

(vii) Other income and others

| | Transaction amount | | Other receivables from related parties | |
|---|---|---|---|---|
| | **2022** | **2021** | **December 31, 2022** | **December 31, 2021** |
| Subsidiary: | | | | |
| Sale of sample and consumable supplies (Note 1) | $ 2,460 | 121 | 869 | - |
| Receipts and payments on behalf of others | - | - | 250 | 184 |
| Other related parties: | | | | |
| Sale of samples | 4 | - | - | - |
| | $ 2,464 | 121 | 1,119 | 184 |

(Note 1) The amount is recognized as a deduction from manufacturing/operating expenses.

(viii) Operating costs and expenses

| | Transaction amount | | Other payables to related parties | |
|---|---|---|---|---|
| | **2022** | **2021** | **December 31, 2022** | **December 31, 2021** |
| Subsidiaries: | | | | |
| Rent expenses | $ - | 47 | - | - |
| Miscellaneous purchases/consumption tools | 506 | 33 | 532 | 8 |
| Other related parties: | | | | |
| Rent expenses | 110 | - | 69 | - |
| Processing fee | 679 | 2,223 | 247 | - |
| Advertisement and sample fee | 95 | - | - | - |
| | $ 1,390 | 2,303 | 848 | 8 |

(Continued)

(ix) Property transactions

The price of property, plant and equipment acquired by the Company from related parties were as follows:

| | Transaction amount | | Other payables to related parties | |
|---|---|---|---|---|
| | **2022** | **2021** | **December 31, 2022** | **December 31, 2021** |
| Subsidiaries | $ - | 3,775 | - | 3,751 |

(x) Guarantee

As of December 31, 2022 and 2021, the guarantees for loans provided to subsidiaries were $114,124 and $103,070, respectively.

(xi) Leases

In June 2021, the Company rented a part of the office building from Megal Company Limited and a one-year lease contract was signed. The total value of the contract was $9,343. For the years ended December 31, 2022 and 2021, the Company recognized the amount of $64 and $101 as interest expense. As of December 31, 2022 and 2021, the balances of lease liabilities amounted to $0 and $5,936, respectively.

(c) Key management personnel compensation

Key management personnel compensation comprised:

| | **2022** | **2021** |
|---|---|---|
| Short-term employee benefits | $ 42,326 | 47,377 |
| Post-employment benefits | 2,370 | 2,302 |
| | $ 44,696 | 49,679 |

## (8) Pledged assets:

The carrying values of assets pledged as security were as follows:

| **Pledged assets** | **Pledged to secure** | **December 31, 2022** | **December 31, 2021** |
|---|---|---|---|
| Property and plant | Long-term debt | $ 366,934 | 372,314 |

## (9) Significant commitments and contingencies:None

## (10) Losses Due to Major Disasters:None

## (11) Subsequent Events:None

(Continued)

**(12) Other:**

A summary of employee benefits, depreciation, and amortization, by function, is as follows:

| By function / By item | For the year ended December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | | 2021 | | |
| | Operating Cost | Operating Expense | Total | Operating Cost | Operating Expense | Total |
| Employee benefits | | | | | | |
| Salary | 87,061 | 211,272 | 298,333 | 82,228 | 208,850 | 291,078 |
| Labor and health insurance | 8,827 | 19,511 | 28,338 | 7,480 | 18,727 | 26,207 |
| Pension | 4,129 | 11,620 | 15,749 | 3,415 | 11,769 | 15,184 |
| Remuneration of directors | - | 798 | 798 | - | 1,935 | 1,935 |
| Others | 5,466 | 7,313 | 12,779 | 6,421 | 7,111 | 13,532 |
| Depreciation | 27,506 | 15,717 | 43,223 | 22,429 | 12,433 | 34,862 |
| Amortization | - | 2,719 | 2,719 | - | 5,934 | 5,934 |

The number of the Company’s employees and the additional information of employee benefits were as follows:

| | 2022 | 2021 |
|---|---|---|
| Number of employees | 360 | 328 |
| Number of non-employee directors | 4 | 5 |
| Average benefit expenses of employees | $ 998 | 1,071 |
| Average salary expense of employees | $ 838 | 901 |
| Percentage of change in average salary expense of employees | (6.99)% | (20.41)% |
| Supervisors’ remuneration | $ - | - |

The Company’s remuneration policies (for directors, managers, and employees) are as follows:

Director remuneration is determined taking into account the overall operation of the Company, future operating risks associated with the industry, and the percentage of directors’ remuneration stipulated by the Articles of Incorporation; the performance assessment and reasonableness have been reviewed and approved by both the Remuneration Committee and the Board of Directors. In addition, the remuneration system is timely reviewed based on the actual operating conditions as well as relevant laws and regulations.

The salaries of managers and employees are paid not only in accordance with related personnel rules and regulations but also with reference to the industry and market averages. The amount of employee remuneration is determined by the Board of Directors in accordance with earnings distribution and the percentage of employee remuneration stipulated by the Articles of Incorporation, taking into account individual performance and contribution of individuals, and assessing the performance of employees' remuneration and managers' related remuneration. In addition, all recommendations regarding remuneration and performance, made by the Remuneration Committee, shall be submitted to the Board of Directors for approval.

(Continued)

# MEGAFORCE COMPANY LIMITED
## Notes to the Parent-Company-Only Financial Statements

**(13) Other disclosures:**

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company:

(i) Loans to other parties:

(In Thousands of NTD)

| Number | Name of lender | Name of borrower | Account name | Related party | Highest balance of financing to other parties during the period | Ending balance (Note 1) | Actual usage amount during the period | Range of interest rates | Nature of financing | Transaction amounts | Reasons for short-term financing | Loss allowance | Collateral | | Financing limit for each borrowing company | Maximum financing limit for the lender |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | Item | Value | | |
| 1 | Shanghai Yingji | Suzhou Intentech | Accounts receivable from related parties | Yes | 450,870 | - | - | - | 2 | - | Operating requirement | - | - | - | Net equity * 100% 1,373,803 | Net equity * 100% 1,373,803 |
| 2 | Shanghai Yingji | Dongguan Megaforce | Accounts receivable from related parties | Yes | 45,087 | 43,999 | 43,999 | - | 2 | - | Operating requirement | - | - | - | Net equity * 100% 1,373,803 | Net equity * 100% 1,373,803 |
| 3 | Suzhou Intentech | The Company | Accounts receivable from related parties | Yes | 154,510 | 153,540 | 40,566 | - | 2 | - | Operating requirement | - | - | - | Net equity * 100% 1,059,895 | Net equity * 100% 1,059,895 |

Note 1: The amount approved by the Board of Directors as of December 31, 2022.

Note 2: Nature of financing were as follows:

(i) Business transaction

(ii) Short-term financing.

(Continued)

# MEGAFORCE COMPANY LIMITED
## Notes to the Parent-Company-Only Financial Statements

(ii) Guarantees and endorsements for other parties:

(In Thousands of NTD)

| No. | Name of guarantor | Counter-party of guarantee and endorsement | | Limitation on amount of guarantees and endorsements for a specific enterprise | Highest balance for guarantees and endorsements during the period | Balance of guarantees and endorsements as of reporting date | Actual usage amount during the period | Property pledged for guarantees and endorsements (Amount) | Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements | Maximum amount for guarantees and endorsements | Parent company endorsements/ guarantees to third parties on behalf of subsidiary | Subsidiary endorsements/ guarantees to third parties on behalf of parent company | Endorsements/ guarantees to third parties on behalf of companies in Mainland China |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Name | Relationship with the Company | | | | | | | | | | |
| 0 | The Company | MEGA1 | 2 | 2,233,532 | 20,000 | - | - | - | - % | Net equity * 200% 4,467,064 | Y | N | N |
| 0 | The Company | Shanghai Yingji | 2 | 2,233,532 | 179,628 | 92,124 | 21,064 | - | 4.12% | Net equity * 200% 4,467,064 | Y | N | Y |
| 0 | The Company | Dongguan Megaforce | 2 | 2,233,532 | 22,441 | 22,000 | - | - | 0.98% | Net equity * 200% 4,467,064 | Y | N | Y |
| 1 | Shanghai Shanghua | Shanghai Yingji | 4 | 104,030 | 270,522 | - | - | - | - % | Net equity * 200% 208,060 | N | N | Y |
| 2 | Suzhou Intentech | Shanghai Yingji | 4 | 1,059,895 | 263,994 | 263,994 | - | - | 24.91% | Net equity * 200% 2,119,790 | N | N | Y |

Note 1: Relationship between the guarantee and the guarantor were as follows:

1. For entities the guarantor has business transaction with.
2. The Company directly or indirectly, owned more than 50% of their shares.

(Continued)

3. For entities who owned, directly or indirectly, more than 50% in total of the guarantor’ s shares.
4. The Company and subsidiaries directly or indirectly, owned more than 90% of their shares.
5. Fulfillment of contractual obligation by providing mutual endorsements and guarantees for peer or joint builders in order to undertake a construction project.
6. For entities who are guaranteed and endorsed by all capital contributing shareholders in proportion to each of their shareholder’ s percentage.
7. Performance guarantee in which entities within the same industry provide among themselves joint and several securities by entering into sales agreement with each other for pre-construction project pursuant to Company Protection Act.

(iii) Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of NTD)

| Name of holder | Category and name of security | Relationship with securities issuer | Account title | Ending balance | | | | Note |
|---|---|---|---|---|---|---|---|---|
| | | | | Shares/Units (thousands) | Carrying value | Percentage of ownership (%) | Fair value | |
| The Company | Liefco Optical Inc. | Related party | Financial assets at fair value through profit or loss－non-current | 2,107 | - | 9.50% | - | |
| The Company | Tairone Energy Saving Tech. Co., Ltd | Related party | Financial assets at fair value through profit or loss－non-current | 1,099 | - | 10.25% | - | |
| The Company | Opus Microsystem Inc. | - | Financial assets at fair value through profit or loss－non-current | 1 | - | 7.27% | - | |
| The Company | CEREC Asia Inc. | Related party | Financial assets at fair value through other comprehensive income－non-current | 769 | - | 11.15% | - | |
| The Company | Super Bravo Bio Co., Ltd. | Related party | Financial assets at fair value through other comprehensive income－non-current | 2,232 | 21,460 | 6.97% | 21,460 | |

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock:None

(Continued)

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock:None

(vi) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock:None

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

(In Thousands of NTD/RMB)

| | | | Transaction details | | | | Transactions with terms different from others | | Notes/Accounts receivable (payable) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Name of company | Related party | Nature of relationship | Purchase/Sale | Amount | Percentage of total purchases/sales | Payment terms (Note) | Unit price | Payment terms | Ending balance | Percentage of total notes/accounts receivable (payable) | Note |
| Shanghai Yingji | Shanghai Shanghua | Affiliates | Processing fee | RMB 38,644 | 16.47% | 140 days | - | | RMB (20,347) | (26.84)% | |
| Shanghai Shanghua | Shanghai Yingji | Affiliates | Sales | RMB 38,644 | 100.00% | 140 days | - | | RMB 20,347 | 100.00% | |
| Shanghai Yingji | Suzhou Intentech | Affiliates | Processing fee | RMB 23,949 | 10.21% | 140 days | - | | RMB (7,804) | (7.29)% | |
| Suzhou Intentech | Shanghai Yingji | Affiliates | Sales | RMB 23,949 | 11.63% | 140 days | - | | RMB 7,804 | 19.39% | |
| The Company | Suzhou Intentech | Parent/subsidiary | Purchase | NTD 362,397 | 49.42% | 140 days | - | | NTD (311,428) | (68.26)% | |
| Suzhou Intentech | The Company | Parent/subsidiary | Sales | RMB 81,433 | 39.55% | 140 days | - | | RMB 70,781 | 62.29% | |
| The Company | Dongguan Megaforce | Parent/subsidiary | Purchase | NTD 179,078 | 24.42% | 140 days | - | | NTD (106,167) | (23.27)% | |
| Dongguan Megaforce | The Company | Parent/subsidiary | Sales | RMB 40,346 | 39.72% | 140 days | - | | RMB 24,130 | 56.18% | |

Note: In consideration of the Group’s capital utilization, the Company adjusts timely the credit terms granted to related parties.

(Continued)

# MEGAFORCE COMPANY LIMITED

## Notes to the Parent-Company-Only Financial Statements

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

(In Thousands of RMB)

| Name of company | Counter-party | Nature of relationship | Ending balance | Turnover rate | Overdue | | Amounts received in subsequent period | Allowance for bad debts |
|---|---|---|---|---|---|---|---|---|
| | | | | | Amount | Action taken | | |
| Dongguan Megaforce | The Company | Parent/subsidiary | RMB 24,130 | - | - | | RMB 13,898 | - |
| Suzhou Intentech | The Company | Parent/subsidiary | RMB 70,781 | - | - | | RMB 8,931 | - |

(ix) Trading in derivative instruments:Please refer to notes (6)(b).

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2022 (excluding information on investees in Mainland China):

(In Thousands of USD/NTD/JPY)

| Name of investor | Name of investee | Location | Main businesses and products | Original investment amount | | Balance as of December 31, 2022 | | | Net income (losses) of investee | Share of profits/losses of investee | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | December 31, 2022 | December 31, 2021 | Shares (thousands) | Percentage of ownership | Carrying value | | | |
| The Company | Group | The British Virgin Islands | Investment and holding | 1,294,793<br>USD 40,088 | 1,294,793<br>USD 40,088 | 24 | 100.00% | 2,633,308 | 315,630 | 315,630 | |
| The Company | Megachamp | Taiwan | Investment and holding | 5,000 | 5,000 | 500 | 100.00% | 2,084 | (143) | (143) | |
| The Company | MegaforceMX | Mexico | Plastic components and precision tools | 424,751<br>USD 13,970 | 424,751<br>USD 13,970 | - | 99.79% | 135,700 | (33,115) | (33,045) | |
| The Company | MegaforceMY | Malaysia | Plastic components | 85,215<br>USD 3,064 | 85,215<br>USD 3,064 | 16,386 | 100.00% | 67,292 | (12,229) | (12,229) | |
| The Company | MEGA1 | Taiwan | Manufacturing of optical components | 587,061 | 537,061 | 23,972 | 99.88% | 49,437 | (36,603) | (37,601) | |
| The Company | Barintec | Japan | Developing AR modules and optical technology, and selling related products | 162,000 | 43,409<br>JPY 162,000 | 9 | 64.79% | 29,159 | (12,577) | (8,148) | |
| The Company | International-US | USA | Trading of merchandise | 9,233<br>USD 300 | 9,233<br>USD 300 | - | 100.00% | 2,054 | (213) | (213) | |
| Group | International-Samoa | Samoa | Investment and holding | USD 51,932 | USD 51,932 | 6,700 | 100.00% | 2,488,027 | 314,979 | Note | |

(Continued)

| Name of investor | Name of investee | Location | Main businesses and products | Original investment amount: December 31, 2022 | Original investment amount: December 31, 2021 | Balance as of December 31, 2022: Shares (thousands) | Balance as of December 31, 2022: Percentage of ownership | Balance as of December 31, 2022: Carrying value | Net income (losses) of investee | Share of profits/losses of investee | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Group | Newforce | The British Virgin Islands | Investment and holding | USD 7,929 | USD 7,929 | 20 | 100.00% | 143,294 | (174) | Note | |
| Megachamp | MegaforceMX | Mexico | Plastic components and precision tools | 916<br>USD 30 | 916<br>USD 30 | - | 0.21% | 286 | (33,115) | Note | |

Note: To prevent confusion, profits (losses) of investees, which have already been included in those of the investor, are not presented separately herein.

(c) Information on investment in Mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of NTD/USD)

| Name of investee | Main businesses and products | Total amount of paid-in capital | Method of investment (Note 1) | Accumulated outflow of investment from Taiwan as of January 1, 2021 | Investment flows: Outflow | Investment flows: Inflow | Accumulated outflow of investment from Taiwan as of December 31, 2022 | Net income (losses) of the investee | Percentage of ownership | Investment income (losses) (Note 2) | Book value | Accumulated remittance of earnings in current period |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Shanghai Yingji | Plastic components | USD 15,500 | (2) (Note 4) | USD 2,698 | - | - | USD 2,698 | 253,683 | 100.00% | 257,336 | 1,371,945 | USD 53,342 |
| Shanghai AB | High-precision tools | USD 3,700 | (2) (Note 4) | USD 1,200 | - | - | USD 1,200 | (7,644) | 90.00% | (6,880) | 124,551 | - |
| Suzhou Intentech | Plastic components | USD 42,500 | (2) (Note 4) | USD 24,921 | - | - | USD 24,921 | 66,798 | 100.00% | 66,413 | 1,059,490 | - |
| Shanghai Shanghua | Painting | USD 2,000 | (2) (Note 5) | USD 3,779 | - | - | USD 3,779 | 2,991 | 100.00% | 2,991 | 104,031 | USD 18,587 |
| Dongguan Megaforce | Plastic components and high-precision tools | USD 6,525 | (1) | USD 6,526 | - | - | USD 6,526 | (40,771) | 100.00% | (36,291) | 258,374 | - |

(Continued)

# MEGAFORCE COMPANY LIMITED
## Notes to the Parent-Company-Only Financial Statements

(ii) Limitation on investment in Mainland China:

| Accumulated Investment in Mainland China as of December 31, 2022 (Notes 3 and 7) | Investment Amounts Authorized by Investment Commission, MOEA (Note 3) | Upper Limit on Investment (Note 6) |
|---|---|---|
| 1,393,898<br>(USD 45,392 ) | 1,498,090<br>(USD 48,785 ) | 1,340,119 |

Note 1: There are three methods to invest:

(a) Direct investment in Mainland China.

(b) Investments in Mainland China through the 3rd region.

(c) Other methods.

Note 2: Investment profit (loss) is recognized based on the financial statements audited by the parent company’s external certified auditors.

Note 3: Exchange rate on the balance sheet date.

Note 4: The Company conducts reinvestment in Mainland China through Group and International-Samoa in the 3rd region.

Note 5: The Company conducts reinvestment in Mainland China through Group and Newforce in the 3rd region.

Note 6: The amount is limited to 60% of the net value.

Note 7: The amount includes USD641 of transferred equity interest in Mega Mobile (China) International Co., Ltd., USD4,249 remitted by the processing plant in Dongguan, and USD1,378 remitted by Dong Guan Shi Jian Light Electron Technology Co. Ltd.

(Continued)

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China are disclosed in “Information on significant transactions”.

(d) Major shareholders:

| Shareholding<br>Shareholder’s Name | Shares | Percentage |
|---|---|---|
| Ying Fan Investment Co., Ltd. | 38,483,802 | 29.15% |
| Hsien-Yu Kuo | 9,117,000 | 6.90% |

**(14) Segment information:**

Please refer to the Company’s consolidated financial statements for the year ended Decemer 31, 2022 for details.

Megaforce Company Limited

Chairman: Wen-Lin, Hsu