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增你強股份有限公司

Zenitron Corporation

2022

Annual Report
(Translation)

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Company Website: <http://www.zenitron.com.tw>

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Table of Contents

	Page
I. Letter to Shareholders	
(I) 2022 Business Report	1
(II) 2023 Business Plan Overview	2
II. Introduction to Company	
(I) Date of Establishment	7
(II) History	7
III. Corporate Governance Report	
(I) Organization Structure	13
(II) Directors, (Including independent directors), President, Vice Presidents, Associates, Departments and Branches Officer Information	16
(III) Implementation of Corporate Governance	30
(IV) Information on CPA Professional Fees	78
(V) Information on Replacement of Certified Public Accountants	78
(VI) If the chairman, president, or manager in charge of financial or accounting matters of the Company has worked in the firm of the certified public accountant or its affiliates within the last year, the name, title, and period of employment in the firm of the certified public accountant or its affiliates should be disclosed	78
(VII) Any Transfer of Equity Interests and/or Pledge of or Change in Equity Interests by A Director, Supervisor, Managerial Officer, or Shareholder with a Stake of More than 10 Percent during the Most Recent Year or During the Current Year up to the Date of Publication of the Annual Report	79
(VIII) Information on the Relationship between any of the top Ten Shareholders (Related Party, Spouse, or Kinship within the Second Degree)	80
(IX) The number of shares held by the Company, its directors, supervisors, managers and businesses directly or indirectly controlled by the Company in the same re-invested business and the consolidated percentage of shareholding are calculated as follows	83
IV. Capital Overview	
(I) Capital and Shares	84
(1) Source of Capital	84
(2) Relevant Information for Shelf Registration Form	88
(3) Status of Shareholders	88
(4) Shareholding Distribution Status	89
(5) Major Shareholders	89
(6) Market Price, Net Worth, Earnings, and Dividends per Share for the past two years	90
(7) Dividend Policy and Implementation Status	90
(8) The effect of the proposed gratis stock allotment at the shareholders' meeting on the Company's operating results and earnings per share	92
(9) Remuneration of Employees, Directors	92
(10) Buyback of Treasury Stock	92
(II) Corporate Bond	93
(III) Preferred Shares	94
(IV) Issuance of Overseas Depositary Receipts	94

(V) Employ Stock Warrants	94
(VI) New Restricted Employee Shares	94
(VII) Issuance of New Shares for Acquisition or Exchange of Other Companies' Shares	94
(VIII) Implementation of capital utilization plan	94
V. Operations Profile	
(I) Business Content	95
(II) Market and Production and Sales Overview	111
(III) The number of workers, average years of service, average age and education distribution of employees in the industry for the last two years and as of the printing date of the annual report	118
(IV) Environmental Expenditure Information	118
(V) Labor relations	119
(VI) Information Security Management	121
(VII) Important Contracts	122
VI. Financial Information	
(I) Condensed Balance Sheet and Income Statement in the Past Five Years	123
(II) Financial analysis for the past five years	127
(III) Supervisors' /Audit Committee's Report for the Most Recent Year	130
(IV) Recent Annual Financial Statement	131
(V) Individual Financial Statement Audited and Certified by Accountants during Recent Year	196
(VI) If the Company and Its Affiliates Encounter Any Financial Difficulties in the Past Year and as of the Date of Publication of the Annual Report, the Impact on the Company's Financial Status Shall Be Listed	265
VII. Review of Financial Conditions, Financial Performance, and Risk Management	
(I) Financial Status	266
(II) Financial Performance	267
(III) Cash flow	268
(IV) The impact of major capital expenditure in the last year on the financial business	268
(V) Re-investment policy, major reason for profit/loss of the last year, improvement plan and the investment plan for the coming year	269
(VI) Analysis and Assessment on Risk Matters	269
(VII) Other Important Matters	270
VIII. Special Disclosure	
(I) Summary of Affiliated Companies	271
(II) Private Placement Securities during the most recent fiscal year as well as the current fiscal year up to the date of publication of the annual report	276
(III) Holding or Disposal of the Company's Shares by Affiliated Companies during the most recent fiscal year as well as the current fiscal year up to the date of publication of the annual report	276
(IV) Other Necessary Supplementary Notes	276
IX. In the event of any matter which has had a significant impact on shareholders rights or the price for the securities referred to Article 36, paragraph 2, subparagraph 2 of the Securities and Exchange Act during the most recent fiscal year as well as the current fiscal year up to the date of publication of the annual report	276

I. Letter to Shareholders

(I) The 2022 Business report

1. Implementation results of business plan

The revenue of 2022 was NT\$19,452,860 thousand, a decrease of NT\$2,083,730 thousand and a decay rate of 9.68% over NT\$21,536,590 thousand in 2021. Net income before tax in 2022 was NT\$821,806 thousand, a decrease of NT\$132,800 thousand and a decay rate of 13.91% over NT\$954,606 thousand in 2021.

Consolidated revenue has reached NT\$40,022,922 thousand in 2022, a decrease of NT\$2,021,804 thousand and a decay rate of 4.81% over NT\$42,044,726 thousand in 2021. Net income before tax in 2022 was NT\$906,679 thousand, a decrease of NT\$174,096 thousand and a decay rate of 16.11% over NT\$1,080,775 thousand in 2021.

2. Budget execution status

Financial forecast for 2022 is undisclosed so there is no budget execution status available.

3. Analysis of financial income and expenditure and profitability :

(Parent Company Only)			
Items of analysis		Financial Analysis	
		2021	2022
Financial Structure (%)	Debt to assets ratio	68.21	67.23
	The ratio of long-term funds to property, plant and equipment	1,642.28	1,678.92
Profitability	Return on asset (%)	5.91	5.03
	Return on equity (%)	17.39	13.21
	Ratio of Pre-tax Profit to Paid-in capital (%)	44.64	37.61
	Profit ratio (%)	4.07	3.67
	Earnings per share (NT\$)	4.10	3.30

(Consolidated)			
Items of analysis		Financial Analysis	
		2021	2022
Financial Structure (%)	Debt to assets ratio	75.70	74.59
	The ratio of long-term funds to property, plant and equipment	1,427.35	1,467.75
Profitability	Return on asset (%)	4.72	4.46
	Return on equity (%)	17.39	13.21
	Ratio of Pre-tax Profit to Paid-in capital (%)	50.54	41.49
	Profit ratio (%)	2.08	1.78
	Earnings per share (NT\$)	4.10	3.30

(II.) 2023 Business Plan Overview

1. Operating policies

- (1) To plan the mid/long-term development strategy, aiming for continuous growth of company profit and sustainability of operation.
- (2) To create the maximum value of semiconductor component distributors in the supply chain and establish and operate long-term customer-supplier relationships.
- (3) To build a harmonious labor-management relationship and create a win-win situation for employees and the company.

2. Expected sales volume and its basis:

Due to the quantitative easing of monetary policy during the pandemic era, in addition to the Russia-Ukraine war broke out in the beginning of the year, many key countries worldwide have been sunk in inflation crisis, leading global central banks, led by the U.S. Federal Reserve, to respond in a rush pace of rate hikes. While trying to stabilize commodity prices, fluctuations in global stock and exchange markets have also been triggered. It is foreseeable that the campaign of inflation and interest rate hikes will continue in 2023 and become a major uncertainty factor for the global economy. Despite Taiwan's consumer price index (CPI) was relatively stable in 2022, however, the unexpected increase ratio in industrial electricity in the middle of the year and the continuous increase in basic wages for many years, coupled with the concern of imported inflation caused by the weakening New Taiwan dollar exchange rate shall bear root for uncertainty for price fluctuations in 2023. The CIER and TIER predicts the Taiwan economic growth rate in 2023 stands at 2.81% and 2.91% respectively, not as robust as 3.2% and 3.45% in 2022.

In 2023, Taiwan's high-tech industry will face dual challenges from geopolitics and the market. As global economic growth is slowing down, conservative consumer spending has caused the demand for electronic terminals declined. Under the pressure of inventory dematerialization, the booming expansion investment is expected to turn conservative in the short term, and high-tech enterprises shall reorganize their strategies. The scientific and technological campaign among major countries has not slowed down the pace of technological investment. Taking semiconductors as an example, demand of advanced process exceeds supply with the development of metaverse and high-performance computing, Taiwan and other countries have introduced semiconductor laws and tax incentives one after another. Leading foundry OEMs have never stopped their plans to expand overseas production capacity, even during heated Taiwan Strait conflict, the pace of de-sinicization has even accelerated. From a long-term perspective, the development of metaverse and high-performance computing will boost momentum for growth into the high-tech industry.

Inflation, talent shortage and sustainability transformation, the traditional manufacturing industry is accelerating the adjustment and reform.

The outburst of Russia-Ukraine war in the beginning of 2022 intensified the cost pressure brought by inflation on Taiwan's traditional manufacturing industry. As mainland China's policy shifts from economic development to security focus, the progress of foreign businessmen withdrawing from mainland China have accelerated. Southeast Asia and Central and South America also attract manufacturing industries for investment with competitive labor force and industrial preferential policies, so the short chain restructuring of the supply chain shall continue in 2023. Nevertheless, due to the economy recession, corporate investment and risk management will be more prudent.

In addition, Taiwanese small and medium enterprises, under the requirements of downstream customers in 2022, also face the sustainability transformation and urgency of achieving net zero goals by 2050. For Taiwan SMEs, this is also an opportunity to lay the foundation for future development through sustainability transformation. As the market's emphasis on sustainability continues to increase without any fall, Taiwan's small and medium-sized manufacturing industries must engage in sustainability transformation in all aspects to improve net-zero efficiency, and the sooner deployment can be creating the advantage to entrants.

The consumer industry is one of the industries most affected by inflation. The impact of the inflation is much higher than expected due to the spread of the Ukrainian-Russian War, and it is expected to continue until 2023. In addition to the cost increase caused directly by the rising raw material prices, the general increase in wages and high energy prices are all factors that diminish corporate profits. The depreciation of the Taiwan dollar and foreign exchange fluctuations caused by the continuous strong U.S. dollar will also affect companies that rely on imported raw materials. Although consumer demand is gradually recovering after the pandemic lockdown ease, the consumer industry is still struggling getting rid of the enormous cost pressure.

Crisis is also a turning point. Taiwan's consumer industry has laid the foundation for the changes in the retail sector caused by cross-industry mergers and acquisitions in recent years. In 2023, while the demand is recovering, the omni-channel integration and sustainable wave that consumer companies have cultivated in the past few years will start a new growth momentum. Through the integration of cross-channel cash flow and information flow, vendors may connect different channels to accurately analyze consumer profiles, deepen consumer experience, and seamlessly provide personalized diverse services. When building a high wall of diversification and differentiation, the development trend of winner-take-all is also established in Taiwan's retail industry in the future.

Facing changes of buying habit from consumers in recent years, traditional car manufacturers have also started to expand and develop diverse services to meet consumers' demand for cars, such as the rise of leasing or sharing platforms, which has also driven the auto industry to reconsider business models, develop ecosystems, expand the need of automotive electronics, and also bring new business opportunities to Taiwan's automotive supply chain.

In addition, facing the rapid rise of electric automobiles in the past few years, as traditional car manufacturers have successively launched electric vehicle models, the market has gradually jump out of monopoly scope. However, Taiwan's current charging stations are still under deployment, and the specifications of each charging stations are different, so the mileage anxiety of car owners has not yet been satisfied. The deployment speed of basic facilities such as charging stations and the degree of service integration will be the key to promoting the development of Taiwan's electric automobiles market.

Facing the gloomy economic outlook and the unclear interest rate situation in 2023, the operating environment of the financial industry will be even more critical. Even though the rise in interest rates is conducive to the increase in lending income of financial companies, the return on investment in asset portfolios held by insurance companies and funds has increased. However, from another perspective, consumers and businesses will also reduce non-essential capital needs at the same time. With the overall economic recession, and the financial industry will be more cautious in financial risk control in 2023.

Problems such as external geopolitics, challenges of the global economic outlook, and internal talent shortage have made 2023 a relatively unstable start for Taiwan's industry. Along with

inflation and economic downturn, costs remain high, and the recovery speed of the terminal market is not as fast as expected, so the profit margin of enterprises is under considerable pressure. In response to inflation and geopolitical uncertainties, the market in 2023 is more unpredictable. In addition, the challenges brought about by talent shortage and sustainability transformation, many Taiwanese companies have accelerated the introduction of digital tools during the pandemic. A variety of data accumulated over the past few years, enterprises can use this to adjust their own business nature and refocus on the core strategy of the enterprise in the current economic downturn, so as to ensure that the action direction in digital transformation, net zero strategy and even talent development is consistent with the long-term development strategy of the enterprise. Taiwanese enterprises may also make good use of tools such as cooperation and mergers and acquisitions to find undervalued targets, accelerate exit from high-risk areas, deploy key resources for future growth, and prepare in advance for the next wave of market reversal opportunities. Problems such as external geopolitics, challenges of the global economic outlook, and internal talent shortage have made 2023 a relatively unstable start for Taiwan's industry. Along with inflation and economic downturn, costs remain high, and the recovery speed of the terminal market is not as fast as expected, so the profit margin of enterprises is under considerable pressure. In response to inflation and geopolitical uncertainties, the market in 2023 is more unpredictable. In addition, the challenges brought about by talent shortage and sustainability transformation, many Taiwanese companies have accelerated the introduction of digital tools during the pandemic. A variety of data accumulated over the past few years, enterprises can use this to adjust their own business nature and refocus on the core strategy of the enterprise in the current economic downturn, so as to ensure that the action direction in digital transformation, net zero strategy and even talent development is consistent with the long-term development strategy of the enterprise. Taiwanese enterprises may also make good use of tools such as cooperation and mergers and acquisitions to find undervalued targets, accelerate exit from high-risk areas, deploy key resources for future growth, and prepare in advance for the next wave of market reversal opportunities.

3. Significant Marketing Policies

(1) Focus on application areas of seven major products

Facing the increasingly fierce competition in the electronics industry, Zenitron is committed to becoming a "value-added supplier of application design solutions." We strengthen our own research and development capabilities, break away from the trading of traditional components, provide customers with overall solutions, speed up the time for customers to launch their products, and create irreplaceable value. In order to match the solution-oriented marketing mode, the Company integrated the existing marketing team and also commit to training FAE and R&D designers. Currently effectiveness through hard work of application design solutions has gradually shown, and specific solutions in seven areas such as, "handheld devices", "computers and peripherals", "power management", "consumer electronics", "communication and network", "industrial power supply", and "automotive electronics". In addition to focusing on the integration of existing agency line products, we also set up a market development department to actively seek new agency lines to strengthen the competitiveness of various solutions.

(2) Continue to expand product line

In response to the epidemic, the reduction of personnel flow and contact needs will further catalyze the development of IoT technology. Within this technology, related IoT devices used for manufacturing, medical monitoring, and service reception are the main growth drivers. Related IoT devices will integrate AI computing, image recognition, high-speed transmission

and other hardware collocations based on requirement of users and environments; related functions to the processing performance of related semiconductors, Netcom integration, and power consumption are with higher requirements. Therefore, no matter from the upstream chip to the downstream end product, automotive electronics, industrial control, cloud big data, 5G/6G transmission, data center and artificial intelligence will be the focus of future development. The company also focuses on key applications and expands its agent product line to provide better services.

- (3) Strengthen FAE technical support and capabilities of design and development, and focus on solution and marketing strategies

It is the company's business strategy to become a "value-added distributor with leading technology". Therefore, mastering new technologies, training professional R&D talents, and developing high-quality application design solutions are important goals for the company's talent cultivation. By providing solutions, customers' research and development costs and time can be reduced, also customers' loyalty can be cultivated so as to widen the gap with competitors. On the other hand, the development of its own technology will help the company strive for new product agency rights and strengthen the competitiveness of its product line.

- (4) Cooperate with IC Design House to develop new products

Semiconductor component distributors are the bridge between the upstream IC Design House and the downstream system factories. They grasp first-hand market information and can provide reference for upstream suppliers in product development and marketing. The company has established further partnerships with IC Design House at home and abroad, actively participated in the development of new products, and sold through the company's channels to create a win-win situation.

- (5) Establish strategic alliances to increase product agency opportunities

The company is also constantly seeking business opportunities in new markets to increase its competitive advantage. In the long run, the main core of the focus of company's development will still be the semiconductor component channel. In the future, Company will focus on its own business and extend its investment in electronic channel-related businesses, and master technology and semiconductor industry through investment in upstream IC Design House or strategic alliances with peers. Zenitron increases product agency opportunities, creates revenue growth and profit sources, and expands the service depth of the component channel industry for upstream, midstream, and downstream related manufacturers.

4. Future development strategy

Facing the increasingly fierce competition in the electronics industry, Zenitron is committed to becoming a "value-added supplier of application design solutions". To create irreplaceable value of the Company, we strengthen own R&D capabilities, break away from the trading of traditional components, provide customers with overall solutions, and accelerate customers' product launches time schedule. To align with the solution-oriented marketing mode, the company not only integrates the existing marketing team but also strives to train FAE and R&D design personnel. The current efforts in application design solutions have gradually shown results in seven major fields including "Handheld Devices", "Computers and Peripherals", "Consumer Electronics", "Communications and Networks", "Industrial Power", and "Automotive Electronics", all with specific program content. In addition to focusing on the integration of existing agency line products, we also set up a market development department to actively seek new agency lines to strengthen the competitiveness of various solutions.

5. The influence of the external competition environment, the legal environment and the overall operation environment

Changes in the global economic climate, exchange rate fluctuations, interest rate adjustments, updates in relevant policies and regulations, and the international situation uncertainty all affect company financial business; therefore, in response to the possibility and impact of various risk factors, the company conducts risk control and management in the scope of market, environment, finance and operation.

COVID-19 pandemic has prompted enterprises to accelerate the pace of digital transformation, and important IT infrastructure, such as Netcom and computing industries, is taking advantage of the situation and thriving. Products services such as the Internet of Things, Cloud computing, and industrial computers focus on technologies and scenarios of smart medical care, edge computing, and long-distance non-contact that enhance enterprise resilience and survival flexibility. Constant growth of demand for more types and quantities of semiconductor components will be driven by AI combined with emerging technologies and applications such as the Internet of Things, automotive electronics, and compound semiconductors, and so becoming the main driving force to the growth of the semiconductor industry in the post-epidemic era.

Looking forward to the international political and economic situation in 2023, the global economic outlook still faces many downside risks. For example, major central banks in the United States and Europe have simultaneously implemented drastic interest rates hikes, the funding environment has recessed, and the strong US dollar has made economies with a large number of US dollar-denominated liabilities more vulnerable, directly endangering the stability of financial institutions, and the widening debt crises in these economies will drag on global growth. In particular, the U.S.-China dispute impacts the development of globalization. The United States imposes chip export controls on mainland China and is actively allying with international allies against China. In March 2022, the US proposed a Chip 4 Alliance, aiming for enhancement of “safety” and “resilience” of semiconductor supply chain, including lessening the world's dependence on chips manufactured in mainland China. Affected by rising global geopolitical risks, major countries continue to promote the localization and regionalization of key material supply chains. Countries such as the US and Europe have successively introduced chips Act to consolidate the security of the semiconductor supply chains, and this may reform the division of labor in the global supply chain.

The company set the goal of becoming an international semiconductor component distributor. The management team shall adhere to stable and conservative operation principles, build a thorough service network by a dense business marketing system, proactively accelerate market share and expand revenue scales, and improve profit level to face the severe challenges in the future.

II. Introduction to Company

(I) Date of Establishment: October 6, 1982

(II) History:

October 1982	Established in Taipei City with a capital of NT\$2.5 Million.
January 1983	Acted as the agent of semiconductor electronic components for JP ROHM CO.,LTD.
May 1983	Acted as the agent of TOWA ELECTRON CO.,LTD for electronic components; the company was the subsidiary invested by subsidiary of Fujitsu Limited in Japan, renamed as FUJITSU MEDIA DEVICES LTD currently, specialized in Tantalum capacitors and electrolytic capacitors.
July 1984	Office was established in Kaohsiung.
March 1985	Acted as the agent of FUJI ELECTRIC CO., LTD for semiconductor electronic components.
September 1985	Proceeds from New Issues to NTD5 Million.
March 1986	Acquired position of General Agent in Taiwan with INTERNATIONAL RECTIFIER (the company is the largest manufacturer of POWER MOSFET globally), the company merged with INFINEON today.
September 1987	Acted as the agent for semiconductor electronical components of LINFINITY MICROELECTRONICS and now this company has merged with Microsemi today.
July 1988	Proceeds from New Issues to NTD12 Million and was reorganized to be ZENITRON CORPORATION.
March 1989	Purchased an office in Ruixing Building, 11F-2, No. 112, Sec. 2, Chongshan N. Rd., Taipei City, Taiwan, R.O.C.
July 1991	Proceeds from New Issues to NT\$15 Million.
October 1993	Capital increase in cash to NT\$25 Million and annual sales income NT\$410 Million.
November 1995	Capital increase in cash to NT\$28 Million and annual sales income NT\$930 Million.
June 1997	Proceeds from New Issues to NT\$58 Million.
November 1997	Proceeds from New Issues of NT\$50 Million and capitalization of retained earnings NT\$29 Million; capital reached NT\$137 Million and annual sales turnover reached NT\$1,550 Million, a growth of 70%.
March 1998	Xinchu office was established.
June 1998	ZENITRON (H.K.) LIMITED was established with 100% shares holding.
August 1998	Proceeds from New issues to NT\$197 Million.
November 1998	Reinvested in Zenicom Corporation holding 93.75% shares and 100% shares today.

April 1999	Proceeds from New Issues to NT\$139 Million and capitalization of retained earnings NT\$59.1 Million, where capital reached NT\$360 Million with shares issued in public.
November 1999	Proceeds from New Issues to NT\$40 Million, where capital reached NT\$400 Million and total sales turnover reached NT\$3,500 Million.
February 2000	Procured a land in Neihu (1,520.760 square meters approx) for construction of plant & office buildings.
April 2000	Procured a land in Neihu (1216.608 square meter approx) for construction of plant & office buildings.
May 2000	Capitalization of retained earnings NT\$120 Million and capitalization of employee bonus NT\$10 Million, where capital reached NT\$530 Million.
October 2000	Listed in Taipei Exchange for trades.
April 2001	Proceeds from New Issues to NT\$100 Million, where capital reached NT\$630 Million.
July 2001	Capitalization of retained earnings NT\$159 Million and Capitalization of bonus for employee NT\$11 Million, Capital reached NT\$800 Million.
August 2001	Reinvested in SUPERTRONIC INTERNATIONAL CORP. with 100% shares holdings.
March 2002	The Board of Directors passed a resolution of merging and acquisition with ARTEC INTERNATIONAL CO., LTD.
March 2002	The Board of Directors passed a resolution of issuing the first unsecured convertible bonds domestically on March 21.
April 2002	Acted as the agent of products for CSR and PIXELWORKS.
June 2002	Entered into a memorandum of construction of Neihu Technology Building.
August 2002	Proceeds from issue of new shares due to merger to NT\$13,306,660.00, Capital reached NT\$813,306,660.00. Company stock was converted to Taiwan Stock Exchange for trades.
October 2002	Capitalization of retained earnings NT\$97,596,800.00 and capitalization of bonus for employee NT\$11,000,000.00, Capital reached NT\$921,903,460.00.
December 2002	Reinvested in Cordial Investment Corporation with 100% shares of holdings.
May 2003	The Board of Directors passed a resolution of issuing the second domestic unsecured convertible bonds.
June 2003	With capital increase, reinvestment in SUPERTRONIC INTERNATIONAL CORP. with a total of HKD2.4 Million.
August 2003	Capitalization of retained earnings NT\$73,752,240.00 and Capitalization of bonus for employee NT\$12,000,000.00, Capital reached NT\$1,007,655,700.00.

September 2003	With capital increase, reinvestment in SUPERTRONIC INTERNATIONAL CORP. with a total of USD3 Million.
March 2004	Completion of ZENITRON NEIHU Technology Building.
September 2004	Capital increase by earnings, NT\$55,977,530 and by employee bonus, NT\$18,000,000; share capital reached NT\$1,089,836,640.
January 2005	Reinvested in NU Inc. with NT\$20 Million.
September 2005	The M&A proposal passed in the Extraordinary Shareholders' Meeting and the base date was December 31, 2005.
September 2005	Capitalization of retained earnings NT\$53,513,700.00 and capitalization of bonus for employee NT\$14,000,000.00, Capital reached NT\$1,227,661,520.00.
April 2006	Employee stock option certificates converted to new proceeds from issue of NT\$2,475,000.00, Company bonds converted to new proceeds from issue of 62,524,950.00, merger for new proceeds from issue of NT\$420,358,820.00, Capital reached NT\$1,713,020,290.00.
April 2006	Employee stock option certificates converted to new proceeds from issue of NT\$950,000.00, Company bonds converted to new proceeds from issue of NT\$71,436,950.00, Capital reached NT\$1,785,407,240.00.
April 2006	The Board of Directors passed a resolution of issuing domestic third unsecured convertible company bonds.
July 2006	Employee stock option certificates converted to new proceeds from issue of NT\$1,420,000.00, Company bonds converted to new proceeds from issue of NT\$30,598,750.00, proceeds from New Issues of NT\$200 Million, Capital reached NT\$2,017,425,990.00.
August 2006	Capitalization of retained earnings NT\$60,600,000.00 and capitalization of bonus for employee NT\$24,000,000.00; capital reached NT\$2,102,025,990.00.
October 2006	Employee stock option certificates converted to new proceeds from issue of NT\$3,550,000.00, company bonds converted to new proceeds from issue of NT\$2,695,000.00, capital reached NT\$2,108,270,990.00.
January 2007	Employee stock option certificates converted to new proceeds from issue of NT\$1,350,000.00, Company bonds converted to new proceeds from issue of NT\$2,364,860.00, Capital reached NT\$2,111,985,850.00.
April 2007	Employee stock option certificates converted to new proceeds from issue of NT\$1,550,000.00, Capital reached NT\$2,113,535,850.00.
May 2007	Passed cancellation proposal of the 5th treasury stock with 2,000,000 shares, Capital reached NT\$2,093,535,850.00.
July 2007	Employee stock option certificates converted to new proceeds from issue of NT\$ 2,550,000.00, Capital reached NT\$2,096,085,850.00.
October 2007	Employee stock option certificates converted to new proceeds from issue

	of NT\$ 950,000.00, Company bonds converted to new proceeds from issue of NT\$ 36,145,530.00, Capital reached NT\$2,133,181,380.00.
January 2008	Employee stock option certificates converted to new proceeds from issue of NT\$9,575,000.00, Company bonds converted to new proceeds from issue of NT\$2,436,350.00, Capital reached NT\$2,145,192,730.00.
April 2008	Employee stock option certificates converted to new proceeds from issue of NT\$2,850,000.00; cancelled the 6th treasury stock with 4,000,000 shares, Capital reached NT\$2,108,042,730.00.
July 2008	Employee stock option certificates converted to new proceeds from issue of NT\$ 3,300,000.00, Capital reached NT\$2,111,342,730.00
October 2008	Employee stock option certificates converted to new proceeds from issue of NT\$275,000.00, Capital reached NT\$2,111,617,730.00.
December 2008	Cancelled the 7th treasury stock with 5,000,000 shares, Capital reached NT\$2,061,617,730.00.
August 2009	Employee stock option certificates converted to NT\$1,050,000.00, Capital reached NT\$2,062,667,730.00.
October 2009	Employee stock option certificates converted to NT\$2,787,500.00, Capital reached NT\$2,065,455,230.00.
January 2010	Employee stock option certificates converted to NT\$15,450,000.00, Company bonds converted to be 14,456,280.00 Capital reached NT\$2,095,361,510.00.
April 2010	Employee stock option certificates converted to NT\$3,545,000.00, Company bonds converted to be NT\$7,662,960.00 Capital reached NT\$2,106,569,470.00.
July 2010	Employee stock option certificates converted to NT\$3,000,000.00, Company bonds converted to be NT\$3,260,860.00 Capital reached NT\$2,112,830,330.00.
October 2010	Employee stock option certificates converted to NT\$1,075,000.00, Company bonds converted to be 4 NT\$89,130.00 Capital reached NT\$2,114,394,460.00.
December 2010	ZENITRON SHANGHAI procured office building with RMB 12,720,794.00.
January 2011	Employee stock option certificates converted to 3,400,000.00, Company bonds converted to be NT\$1,141,270.00 Capital reached NT\$2,118,935,730.00.
April 2011	Employee stock option certificates converted to NT\$1,075,000.00, Company bonds converted to be NT\$4,565,210.00 Capital reached NT\$2,124,575,940.00.
July 2011	Employee stock option certificates converted to NT\$2,095,000.00, Company bonds converted to be 2,065,200.00

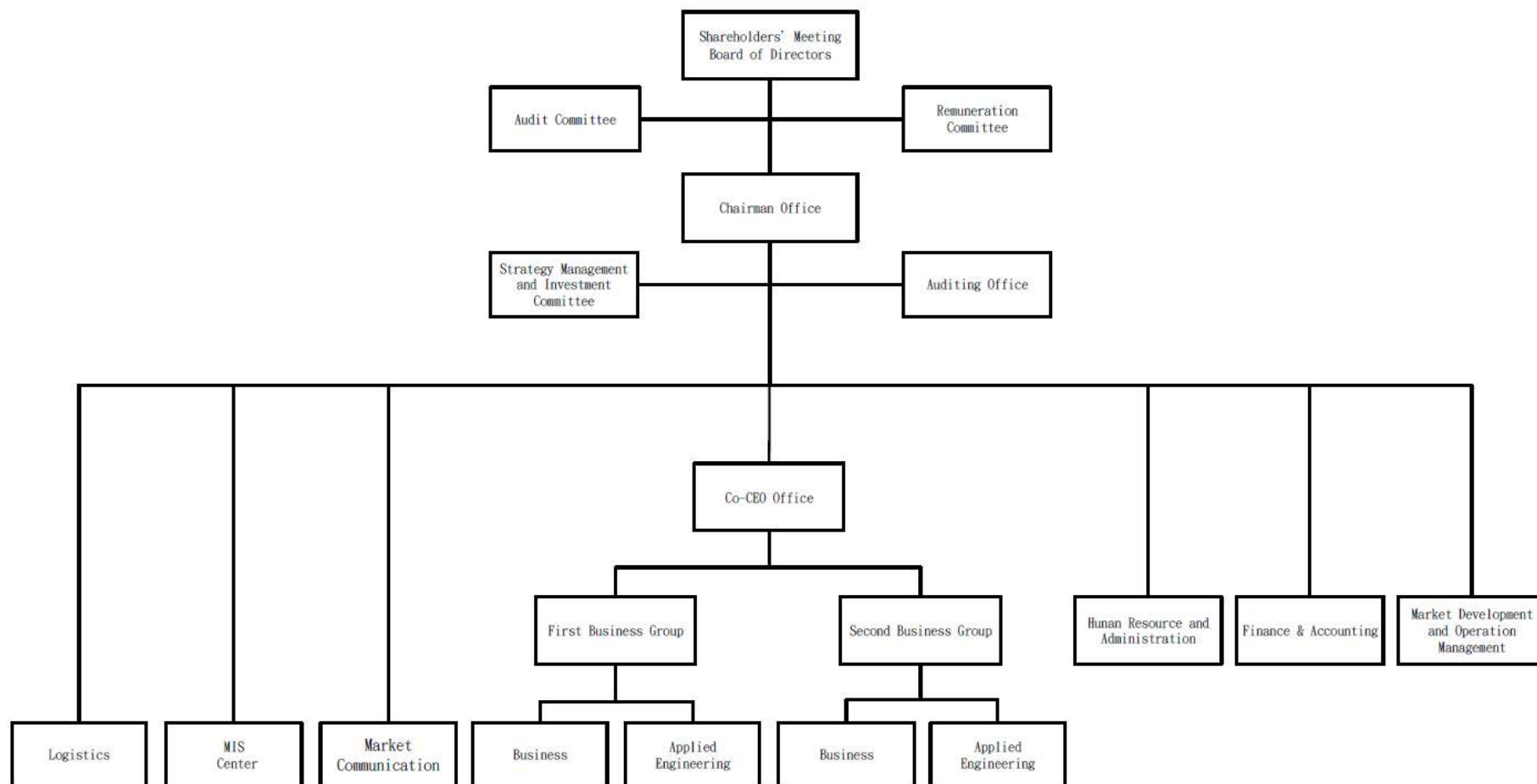
	Capital reached NT\$2,128,736,140.00.
October 2011	Employee stock option certificates converted to NT\$2,492,500.00, Capital reached NT\$2,131,228,640.00.
January 2012	Employee stock option certificates converted to NT\$475,000.00, Capital reached NT\$2,131,703,640.00.
April 2012	Employee stock option certificates converted to NT\$1,070,000.00, Capital reached NT\$2,132,773,640.00.
August 2012	Employee stock option certificates converted to NT\$750,000.00, Capital reached NT\$2,133,523,640.00.
November 2012	Employee stock option certificates converted to NT\$510,000.00, Capital reached NT\$2,134,033,640.00.
January 2013	Employee stock option certificates converted to NT\$200,000.00, Capital reached NT\$2,134,233,640.00.
April 2013	Employee stock option certificates converted to NT\$592,500.00, Capital reached NT\$2,134,826,140.00.
October 2013	Employee stock option certificates converted to NT\$557,500.00, Capital reached NT\$2,135,383,640.00.
January 2014	Employee stock option certificates converted to NT\$455,000.00, Capital reached NT\$2,135,838,640.00.
April 2014	Employee stock option certificates converted to NT\$1,205,000.00, Capital reached NT\$2,137,043,640.00.
July 2014	Employee stock option certificates converted to 380,000.00, Capital reached NT\$2,137,423,640.00.
October 2014	Employee stock option certificates converted to NT\$162,500.00, Capital reached NT\$2,137,586,140.00.
March 2015	Employee stock option certificates converted to NT\$412,500.00, Capital reached NT\$2,137,998,640.00.
July 2015	Acted as the agent of semiconductor electronic components for PARADE TECHNOLOGY, LTD.
August 2015	Employee stock option certificates converted to NT\$250,000.00, Capital reached NT\$2,138,248,640.00.
May 2016	CommonWealth Magazine<2015 Top 2000 Company Survey> listed ZENITRON Top 61.
May 2017	CommonWealth Magazine<2016 Top 2000 Company Survey> listed ZENITRON Top 69.
July 2017	Reinvested in ZeniCom (HK) Limited, holding 60% shares; as of now, holding 100% shares.
May 2018	CommonWealth Magazine<2017 Top 2000 Company Survey> listed ZENITRON Top 57.
May 2019	CommonWealth Magazine<2018 Top 2000 Company Survey> listed

	ZENITRON Top 54.
May 2020	CommonWealth Magazine<2019 Top 2000 Company Survey> listed ZENITRON Top 60.
November 2020	Awarded <TOP 5 Technology Support Distributors> in 2020 Global Distributors Excellence Award by electric industry media, AspenCore.
May, 2021	CommonWealth Magazine<2020 Top 2000 Company Survey> listed ZENITRON Top 52.
May, 2021	The Board of Directors passed a resolution of issuing domestic fourth unsecured convertible company bonds.
November 2021	Awarded <TOP 5 Technology Support Distributors> in 2021 Global Distributors Excellence Award by electric industry media, AspenCore.
May, 2022	CommonWealth Magazine<2021 Top 2000 Company Survey> listed ZENITRON Top 43.
May, 2022	CommonWealth Magazine< The 'Prosperous 100' leading Taiwan's semiconductor industry into a decade of success > listed ZENITRON Top 29.
June, 2022	Company bonds converted to be NT\$20,689,550.00 Capital reached NT\$2,158,938,190.00.
September, 2022	Reinvested in Shanghai Zenicom Industrial Co., Ltd.
September, 2022	Company bonds converted to be NT\$17,620,590.00 Capital reached NT\$2,176,558,780.00.
December, 2022	Company bonds converted to be NT\$7,495,150.00 Capital reached NT\$2,184,053,930.00.
March, 2023	Company bonds converted to be NT\$841,280.00 Capital reached NT\$2,184,895,210.00.

III. Corporate Governance Report

(I) Organization Structure

1. Organization Chart



2. Major Corporate Functions

Department	Major Responsibilities
Co-CEO Office	(1) Organize development, execution, communication and coordination of the Company's financial structure and sales target. (2) Be responsible for mid/long-term business target planning and development of marketing strategy. (3) Be responsible for planning of all sales of products by agent, material preparatory plan, pricing policy, customer service, sales analysis and assessment, product education and sales business support etc.
Market Development and Operation Management	(1) Responsible for the review of new agents and new market development, and the formulation of new business policies. (2) Operation strategy planning and improvement suggestions. (3) Integration of technical support.
Finance & Accounting	(1) Be responsible for the Company's analysis, planning and utilization of treasury. (2) Be responsible for money cashier, deployment and transactions with banks. (3) Investment evaluation/execution/analysis. (4) Operation of derivatives. (5) Overseas reinvestment and financial management. (6) Stock management. (7) Data analysis of operational management. (8) Be responsible for accounting, calculation of profit/loss, taxation and operating costs. (9) Be responsible for subsidiaries' financial management & accounting. (11) Management, development, review and affixing seals on diversified contracts for the Company. (12) Execute diversified lawsuit-related affairs for the Company.
Human Resource and Administration	(1) Talent management such as recruitment, education and retainment. (2) Formulation and update of the Company's Human resources and general affairs management system, rules and measures. (3) Equipment and asset management throughout the Company. (4) General administration, routines, receipt/forward, employee catering service and healthcare.
Auditing Office	(1) Be responsible for audit, coordinatnig with staffs throughout departments duties and confirming job accuracy. (2) Be responsible for audit, maintenance, improvement, suggestion for internal control system and assist in troubleshooting at all levels, improvement and efficiency. (3) Urge on rationalization of every process. (4) Performance assessment at all levels of sectors in the Company.
MIS Center	(1) Be responsible for planning the Company's information system and features, computer and equipment management, as well as hardware, software design, development, maintenance and data report processing.
Market Communication	(1) Be responsible for planning, legal person and public relationship etc.
Logistics Center	(1) Be responsible for managment of exported/imported cargo and warehouse. (2) Be responsible for assisting sales department in shipment and after-sales services. (3) Import/export details.
Business	(1) Integrate marketing plan, material preparatory plan and pricing policy etc. for all products via agent. (2) Set business units for business as follows: A. Be responsible for sales of motherboard and notebook. B. Be responsible for sales of computer peripherals, telecommunication appliance

Department	Major Responsibilities
	<p>and consumers electronic products.</p> <p>C. Be responsible for sales promotion of monitor, power supply, UPS etc.</p> <p>D. Be responsible for liaison with domestic distributors, export trade and overseas subsidiaries.</p> <p>E. Kaohsiung Office is responsible for sales to all customers in Tainan, Kaohsiung to Pingtung.</p> <p>F. Hsinchu Office: Be responsible for sales to all customers in Hsinchu.</p> <p>G. Taichung Office: Be responsible for sales to all customers in Taichung.</p>
Applied Engineering	<p>(1) Be responsible for technologic bridging, test and related report making as well as analysis for all products via agent.</p> <p>(2) Application programming increased product compatiability and help customer on technology troubleshooting.</p>

(II) Directors, (Including Independent Director) President, Vice Presidents, Associates, Departments and Branches Officer Information:

(1) Information on Directors (Including Independent Directors)

Apr. 11, 2023; Unit: shares; %

Title	Nationality or Place of registration	Name	Gender Age	Elected (appointed) Date	Term	First Elected Date Elected	Shareholding when elected		Current shareholdings		Spouse, minor shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position in the Company and other companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio			Title	Name	Relation
Chairman	Taiwan	CHOU, YEOU-YIH	Male 71-80	2021.07.05	3	1982.09.13	5,192,074	2.43	5,192,074	2.35	9,552	0.00	-	-	Completed MDP class in Asia University College of Management Department of Electrical Engineering, College of Engineering, Tatung University Director of Electronic Design, Tatung Co.	Chairman Chairman of ZENITRON (H.K) LIMITED - Corporate Representative of ZENITRON Chairman of SUPERTRONIC - Corporate Representative of ZENITRON Chairman of ZENIBOSS CORPORATION Director of NU INC. - Corporate Representative of ZENITRON Director of JOYRICH INVESTMENT HOLDING GROUP CO., LIMITED - Corporate Representative of SUPERTRONIC Director of ADLink Technology Inc., I-SHENG ELECTRIC WIRE & CABLE CO., LTD., Yutseng Investment Co., Ltd. Supervisor of Zenitex Investment Co., Ltd.	Co-CEO and President Co-CEO and President	CHOU, CHUN-KUANG CHOU, CHUN-HSIEN	Father and Son Father and Son
Vice Chairman	Taiwan	CHEN, HSIN-YI	Male 60-70	2021.07.05	3	1984.7.1	2,674,390	1.25	2,674,390	1.21	1,092,122	0.49	-	-	Department of Electrical Engineering, College of Engineering, Tatung University Deputy Manager of Business of BELLMART INDUSTRIAL CO., LTD.	Vice Chairman Director of ZENITRON (H.K) LIMITED - Corporate Representative of ZENITRON Director of ZENITRON (Shenzhen) - Corporate Representative of ZENITRON (H.K) LIMITED Supervisor of ZTHC (Shanghai) - Corporate Representative of ZENITRON (H.K) LIMITED Director of Zenitron (Shanghai) International Trading Co., Ltd.- Corporate representative of ZENITRON (H.K) LIMITED	-	-	-
Director	Taiwan	Yutseng Investment Co., Ltd.	-	2021.07.05	3	2001.4.9	6,090,840	2.85	6,090,840	2.75	-	-	-	-	M.B.A., National Taiwan University Master of Business Administration for Senior Management, Fudan University Master of Communication, University of Melbourne	Co-CEO and President of the Group Chairman of Yutseng Investment Co., Ltd. Director of Zenitex Investment Co., Ltd. Director of Zenicom Corporation - Corporate representative of ZENITRON Director of Zenicom (HK) Limited - Corporate representative of Zenicom Corporation Supervisor of ZENIBOSS CORPORATION	Chairman Co-CEO and President	CHOU, YEOU-YIH CHOU, CHUN-HSIEN	Father and Son Brothers
	Taiwan	Representative: CHOU, CHUN-KUANG	Male 41-50	2021.07.05					3,430,502	1.55	977,883	0.44							

Title	Nationality or Place of registration	Name	Gender Age	Elected (appointed) Date	Term	First Elected Date Elected	Shareholding when elected		Current shareholdings		Spouse, minor shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position in the Company and other companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio			Title	Name	Relation
																Director of ZTHC (Shanghai) Co.,Ltd. - Corporate representative of ZENITRON (H.K) LIMITED Supervisor of Zenitron (Shanghai) International Trade - Corporate representative of ZENITRON (H.K) LIMITED Director of Shanghai Zenicom Industrial Co., Ltd.- Corporate representative of Zenicom Corporation			
Director	Taiwan	Zenitex Investment Co., Ltd.	-	2021.07.05	3	2006.6.14	9,862,828	4.61	9,862,828	4.46	-	-	-	-	Department of Computer Science and Electrical Engineering, Monash University	Co-CEO and President of the Group Chairman of Zenitex Investment Co., Ltd. Supervisor of Yutseng Investment Co., Ltd.	Chairman Co-CEO and President	CHOU, YEOU-YIH CHOU, CHUN-KUANG	Father and Son Brothers
	Taiwan	Representative: CHOU, CHUN-HSIEN	Male 41-50	2021.07.05					3,557,925	1.61	5,000	0.00	-	-	MS in Telecommunications Engineering, University of Melbourne Entrepreneurial Management Course, National Chengchi University				
Director	Taiwan	YEH, LU-CHANG (Note)	Male 51-60	2021.07.05	3	2021.07.05	700,000	0.33	-	-	-	-	-	-	Master of Business Administration M.B.A., National Taiwan University Senior Auditor of PricewaterhouseCoopers Taiwan Special Assistant for Chairman of the Board of Directors of Les enphants Co., Ltd.	Not applicable	-	-	-
Director	Taiwan	HSIEH, SHIH-FU	Male 81-90	2021.07.05	3	1995.11.15	1,770,802	0.83	1,770,802	0.80	144,746	0.07	-	-	Provincial Taipei Institute of Technology Director of Tatung's TV factory General Manager of Tatung Fuji Electrochemical	Director of AUSTIN TECHNOLOGY CO., LTD.	-	-	-
Director	Taiwan	FANG, YI-HSIUNG	Male 71-80	2021.07.05	3	2012.06.15	71,867	0.03	71,867	0.03	106,004	0.05	-	-	Ibiza College of Australia Engineering Management Section	Director of DRAGONJET CORPORATION and Yisheng Electric Wire Plastic (Kunshan) Co., Ltd. General Manager of I-SHENG ELECTRIC WIRE & CABLE CO., LTD.	-	-	-
Independent Director	Taiwan	HSU, JUI-MAO	Male 61-70	2021.07.05	3	2018.06.12	-	-	-	-	-	-	-	-	EMBA, National Taiwan University Master of Business Administration, Fudan University Master of Business Administration, University of Missouri, USA General Manager, IBT Securities Co., Ltd. Senior Deputy General	-	-	-	-

Title	Nationality or Place of registration	Name	Gender Age	Elected (appointed) Date	Term	First Elected Date Elected	Shareholding when elected		Current shareholdings		Spouse, minor shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position in the Company and other companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio			Title	Name	Relation
															Manager, Industrial Bank of Taiwan Deputy General Manager, CTBC Securities Co., Ltd.				
Independent Director	Taiwan	LIU, CHUN	Male 51-60	2021.07.05	3	2015.06.10	-	-	-	-	-	-	-	-	Master of Computer Management Decision Research Institute, National Tsing Hua University Institute for Information Industry	CEO of ADLINK Technology Limited Director of LINK WOW INTERNATIONAL CO., LTD. - Corporation Representative of ADLINK Technology Limited Director of ADLINK Technology Limited (Hong Kong) - Corporation Representative of LINK WOW INTERNATIONAL CO., LTD. Director of ADLINK Technology Limited - Corporate representative of ADLINK Technology Limited (Hong Kong) Director of Dongguan Lingyao Electronic Technology Co., Ltd. - Corporate representative of ADLINK Technology Limited (China) Director of ADLINK Technology Japan Co. Director of Ampro ADLINK Technology Inc. - Corporate representative of ADLINK TECHNOLOGY INC Director of ADLINK Technology holding GmbH - Corporate representative of ADLINK TECHNOLOGY INC Director of ADLINK Technology GmbH Director of ADLINK Technology Korea Ltd. - Corporate representative of ADLINK TECHNOLOGY INC Director of ZettaScale Technology Cayman Limited - Corporate representative of ADLINK TECHNOLOGY INC Director of ZettaScale Technology Limited Director of ADLINK Edge Computing Limited Director of Autonomous Mobility Ltd - Corporate representative of ADLINK TECHNOLOGY INC	-	-	-
Independent Director	Taiwan	LIAO, FU-LONG	Male 61-70	2021.07.05	3	2021.07.05	-	-	-	-	-	-	-	-	Department of Accounting, National Taipei University of Business Senior Manager, E.SUN COMMERCIAL BANK, LTD.	Independent Director of Well Shin Technology Co., Ltd.	-	-	-

Note: Director YEH,LU-CHANG has resigned on March 15, 2023.

Major shareholders of the juristic persons

Apr. 11, 2023

Name of Institutional Shareholders	Major shareholders of the juristic persons
Yutseng Investment Co., Ltd.	CHOU,CHUN-KUANG (40.7%), CHOU,CHUN-HSIEN (41%), CHOU,YEOU-YIH (9%), CHOU,LI-MEI-CHEN (9%), FENG,CHIUNG-HUA (0.3%)
Zenitex Investment Co., Ltd.	CHOU,LI-MEI-CHEN (32.5%), CHOU,YEOU-YIH (32.5%), CHOU,CHUN-KUANG (17.5%), CHOU,CHUN-HSIEN (17.5%)

(2) Information on Directors (Including Independent Directors)

I. Professional qualifications of directors (including independent directors) and the independence of independent directors:

Name (Note 1)		Criteria	Professional Qualification and Work Experience(Note 2)	Independence	The number of independent directors in other listed companies concurrently
Chairman	CHOU, YEOU-YIH		Have At Least Five Years' Work Experience in Business Administration, Legal Affairs, Finance, Bank Business	-	-
Vice Chairman	CHEN, HSIN-YI		Have At Least Five Years' Work Experience in Business Administration, Legal Affairs, Finance, Bank Business	-	-
Director	YEH, LU-CHANG (Note 4)		Have At Least Five Years' Work Experience in Business Administration, Legal Affairs, Finance, Bank Business	-	-
Director	CHOU, CHUN-KUANG		Have At Least Five Years' Work Experience in Business Administration, Legal Affairs, Finance, Bank Business	-	-
Director	CHOU, CHUN-HSIEN		Have At Least Five Years' Work Experience in Business Administration, Legal Affairs, Finance, Bank Business	-	-
Director	HSIEH, SHIH-FU		Have At Least Five Years' Work Experience in Business Administration, Legal Affairs, Finance, Bank Business	-	-
Director	FANG, YI-HSIUNG		Have At Least Five Years' Work Experience in Business Administration, Legal Affairs, Finance, Bank Business	-	-
Independent Director	LIU, CHUN		Have At Least Five Years' Work Experience in Business Administration, Legal Affairs, Finance, Bank Business	(Note 3)	0

Name (Note 1)		Criteria	Professional Qualification and Work Experience(Note 2)	Independence	The number of independent directors in other listed companies concurrently
Independent Director		HSU, JUI-MAO	Have At Least Five Years' Work Experience in Business Administration, Legal Affairs, Finance, Bank Business Work Experience: General Manager of IBT Securities Co., Ltd., Senior Deputy General Manager of Industrial Bank of Taiwan, Deputy General Manager of CITIC Securities Company Limited	(Note 3)	0
Independent Director		LIAO, FU-LONG	Have At Least Five Years' Work Experience in Business Administration, Legal Affairs, Finance, Bank Business Work Experience: Senior Manager of E.SUN COMMERCIAL BANK, LTD.	(Note 3)	1

Note 1: None of the Directors has any of the circumstances set forth in Article 30 of the Company Act.

Note 2: Please refer to the relevant content of the information (1) of directors (including independent directors) on page 21 for the relevant experience of directors.

Note 3: The independence of the Independent Directors of the Company shall comply with the provisions in "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies".

Note 4: Director YEH,LU-CHANG has resigned on March 15, 2023.

II. Board diversity and independence:

(1) Board diversity:

The Company has adopted the candidate nomination system for the election of all directors starting from June 2020. In accordance with the provisions in “Corporate Governance Best Practice Principles” of the Company to structuring its board of directors, the Company shall determine the appropriate number of at least 5 directors with reference to the scale of corporate development and operations and the shareholdings of the major shareholders, while taking into account practical operational needs. Each board member shall have the necessary knowledge, skill, and experience to perform their duties. To realize the ideal of corporate governance, the Board of Directors as a whole shall possess the following abilities:

1. The ability to make judgements about operations. 2. Accounting and financial analysis ability. 3. Business management ability. 4. Crisis management ability. 5. Knowledge of the industry. 6. International market perspective. 7. Leadership ability. 8. Decision-making ability.

The Company's Board of Directors is composed of diverse backgrounds, sufficient professional knowledge, extensive operating experience and expertise in different industries. Please refer to the information of directors (including independent directors) for the relevant experience of Directors. The diversity of the Board of Directors is shown below:

Title	Name	Gender	Age				Nationality	Other Position in the Company s	Job Tenure			Major Expertise							
			41-50	51-60	61-70	71-85			Less than 3 years	3 years to 9 years	Over 9 Years	The ability to make judgments about operations	Accounting and financial analysis ability	Business management ability	Crisis management ability	Knowledge of the industry	International market perspective	Leadership ability	Decision-making ability
Chairman	CHOU, YEOU-YIH	Male				✓	R.O.C.	✓			✓	✓		✓	✓	✓	✓	✓	✓
Vice Chairman	CHEN, HSIN-YI	Male			✓		R.O.C.			✓			✓			✓	✓	✓	
Director	HSIEH, SHIH-FU	Male				✓	R.O.C.			✓						✓	✓		
Director	FANG, YI-HSIUNG	Male			✓		R.O.C.			✓	✓		✓			✓	✓	✓	✓
Director	CHOU, CHUN-KUANG	Male	✓				R.O.C.	✓			✓	✓		✓	✓	✓	✓	✓	
Director	CHOU, CHUN-HSIEN	Male	✓				R.O.C.	✓			✓	✓		✓	✓	✓	✓	✓	
Director	YEH, LU-CHANG	Male		✓			R.O.C.	✓	✓			✓	✓					✓	
Independent Director	LIU, CHUN	Male		✓			R.O.C.			✓		✓		✓	✓	✓	✓	✓	✓
Independent Director	HSU, JUI-MAO	Male			✓		R.O.C.			✓			✓		✓		✓		
Independent Director	LIAO, FU-LONG	Male			✓		R.O.C.		✓				✓		✓		✓		

Note: Director YEH, LU-CHANG has resigned on March 15, 2023.

(2) Independence of the Board of Directors:

Among the 9 current directors of the Company, there are 3 independent directors (33%) and 6 non-independent directors (67%), of which the number of directors who are employees/managers does not exceed one-third of the total number of directors, and the number of directors who are related to each other by spouse or second degree of kinship does not exceed half of the total number of directors. The composition is in compliance with Paragraph 3 and Paragraph 4 of Article 26-3 of the Securities and Exchange Act.

(3) President, Vice Presidents, Associates, Departments and Branches Officer:

Apr. 11, 2023; Unit: shares; %

Title	Nationality	Gender	Name	Date Appointed	Shareholdings		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position in other Companies	Managers who are spouses or within two degrees of kinship		
					Number of Shares	Shareholding percentage	Number of Shares	Shareholding percentage	Number of Shares	Shareholding percentage			Title	Name	Relation
Co-CEO and President (Note)	Taiwan	Male	CHOU, CHUN-KUANG	2020.09.01	3,430,502	1.55	977,883	0.44	-	-	M.B.A., National Taiwan University Master of Business Administration for Senior Management, Fudan University Master of Communication, University of Melbourne	Chairman of Yutseng Investment Co., Ltd. Director of Zenitex Investment Co., Ltd. Director of Zenicom Corporation - Corporate representative of ZENITRON Director of Zenicom (HK) Limited - Corporate representative of Zenicom Corporation Supervisor of ZENIBOSS CORPORATION Director of ZTHC (Shanghai) Co.,Ltd. - Corporate representative of ZENITRON (H.K) LIMITED Supervisor of Zenitron (Shanghai) International Trade – Corporate representative of ZENITRON (H.K)LIMITED Director of Shanghai Zenicom Industrial Co., Ltd.- Corporate representative of Zenicom Corporation	Chairman Co-CEO and President	CHOU, YEOU-YIH CHOU, CHUN-HSIEN	Father and Son Brothers
Co-CEO and President (Note)	Taiwan	Male	CHOU, CHUN-HSIEN	2020.09.01	3,557,925	1.61	5,000	0.00	-	-	Department of Computer Science and Electrical Engineering, Monash University MS in Telecommunications Engineering, University of Melbourne Entrepreneurial Management Course, National Chengchi University	Chairman of Zenitex Investment Co., Ltd. Supervisor of Yutseng Investment Co., Ltd.	Chairman Co-CEO and President	CHOU, YEOU-YIH CHOU, CHUN-KUANG	Father and Son Brothers
President (Note)	Taiwan	Male	YEH, LUCHANG	2020.09.01	-	-	-	-	-	-	Master of Business Administration M.B.A., National Taiwan University Senior Auditor PricewaterhouseCoopers Taiwan Special Assistant for Chairman of the Board of Directors of Les enphants Co.,Ltd.				
Senior Vice President	Taiwan	Male	ZHANG, CHANG-FU	2020.09.01	24,050	0.01	2,950	0.00	-	-	M.S., Graduate Institute of Business Administration, National Taiwan University of Science and Technology Sales Supervisor of Intech Electronics Corp.	None	-	-	-
Senior Vice President	Taiwan	Male	HONG, QI-GONG	2021.09.01	-	-	-	-	-	-	Department of Business Administration, University of Western Ontario Senior Manager of Mobiletron Co.,Ltd. General Manager of Mobiletron Co.,Ltd., West Coast Branch General Manager of Chia Fha Enterprise Co., Ltd.	Director of Chia Fha Enterprise Co., Ltd	-	-	-
Senior Vice President	Taiwan	Male	CHEN, TING-HUANG	2018.09.10	-	-	-	-	-	-	Department of Mechanical Engineering, Tamkang University M.S. in Technology Management, Fu Jen Catholic University	None	-	-	-
Vice President	Taiwan	Male	LIU, YING-TSO	2018.09.10	-	-	-	-	-	-	St. John's and St. Mary's Institute of Technology Sales Supervisor of Pacific Realtor Co., Ltd. Sales Manager of Farglory Land Development Co., Ltd.	None	-	-	-
Vice President	Taiwan	Male	CHEN, YU-ZHANG	2021.09.01	-	-	6,000	0.00	-	-	Department of Electrical Engineering, Tamkang University Fairchild Account Manager Infineon Account Manager	None	-	-	-

Title	Nationality	Gender	Name	Date Appointed	Shareholdings		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position in other Companies	Managers who are spouses or within two degrees of kinship		
					Number of Shares	Shareholding percentage	Number of Shares	Shareholding percentage	Number of Shares	Shareholding percentage			Title	Name	Relation
Vice President	Taiwan	Male	SU, ZHONG-BANG	2021.09.01	-	-	-	-	-	-	Department of Electronics, China University of Science and Technology Sales Representative, Well Strong Corporation	None	-	-	-
Vice President	Taiwan	Male	YOU, SHENG-YUAN	2021.09.01	-	-	-	-	-	-	Department of International Trade, Chinese Culture University Business Manager, Jaga International Ltd.	None	-	-	-
Chief Financial Officer	Taiwan	Female	YOU, SHU-YI	2021.03.22	-	-	-	-	-	-	Master of Economics, National Tsing Hua University Senior Manager, Finance Department, Taiwan Cement Corporation Manager, Finance Department, HTC Corporation	None	-	-	-

Note : Chou, Chun-Kaung and Chou, Chun-Hsien were appointed as president on March 15, 2023, as co-chief executive officers and president; Yeh, Lu-Chang has resigned on March 15, 2023.

(4) Remuneration of Director(Directors, Supervisors, President, and Vice President in recent years:

(1) Remuneration of Directors and Independent Directors

2022 Unit: NT\$1,000; %

Title	Name	Directors' Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income		Compensation Paid to Directors from an Invested Company Other than the Subsidiaries or Parent Company
		Base Compensation (A)		Severance Pay (B)		Bonus to Directors (C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F) (Note 1)		Profit Sharing- Employee Bonus (G)						
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in the consolidated financial statements		The Company	Companies in the consolidated financial statements	
																Cash Amount	Stock Amount	Cash Amount	Stock Amount			
Chairman	CHOU,YEOU-YIH	-	-	-	-	23,000	23,000	280	280	3.26%	3.26%	37,140	37,140	324	324	-	-	-	-	8.50%	8.50%	None
Vice Chairman	CHEN,HSIN-YI																					
Directors	YEH, LU-CHANG (Note 3)																					
Directors	HSIEH,SHIH-FU																					
Directors	FANG,YI-HSIUNG																					
Directors	Yutseng Representative: CHOU,CHUN-KUANG																					
Directors	Zenitex Representative: CHOU,CHUN-HSIEN																					
Independent Director	LIU,CHUN	-	-	-	-	3,000	3,000	110	110	0.44%	0.44%	-	-	-	-	-	-	-	-	0.44%	0.44%	None
Independent Director	HSIAO,MIN-CHIH (Note 3)																					
Independent Director	LIAO, FU-LONG (Note 3)																					
Independent Director	HSU,JUI-MAO																					

Note 1: Retirement pension is an expense-based contribution to the pension fund.

Note 2: In accordance with the Company's Articles of Incorporation, the compensation of the Company's directors is based on their participation in the Company's operations, the value of their contributions, and the level of the industry, and the Board of Directors is authorized to determine the compensation based on the evaluation of the Compensation Committee, and the Company's Articles of Incorporation specify that the compensation of directors shall not exceed 3% of annual earnings.

* Except as disclosed in the table above, the remuneration received by the directors of the Company for services rendered to all companies in the financial statements (e.g., as consultants to non-employees) in the most recent year: 0

Note 3: Director Yeh, Lu-Chang has resigned on March 15, 2023.

Range of Remuneration

2022

Range of remuneration paid to each of the Company's directors	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements
Under NT\$ 1,000,000	Hsieh, Shih-Fu, Fang, Yi-Hsiung, Yeh, Lu-Chang,	Hsieh, Shih-Fu, Fang, Yi-Hsiung, Yeh, Lu-Chang	Hsieh, Shih-Fu, Fang, Yi-Hsiung,	Hsieh, Shih-Fu, Fang, Yi-Hsiung,
NT\$1,000,000 (inclusive) ~ NT\$2,000,000 (exclusive)	Liu Jun, Hsu, Jui-Mao, Liao, Fu-Long	Liu Jun, Hsu, Jui-Mao, Liao, Fu-Long	Liu Jun, Hsu, Jui-Mao, Liao, Fu-Long	Liu Jun, Hsu, Jui-Mao, Liao, Fu-Long
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)	Chen, Hsin-Yi	Chen, Hsin-Yi	Chen, Hsin-Yi	Chen, Hsin-Yi
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)	-	-	-	-
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)	Chou, Yeou-Yih, Zenitex Investment (Co.,) Ltd., Yutseng Investment (Co.,) Ltd.	Chou, Yeou-Yih, Zenitex Investment (Co.,) Ltd., Yutseng Investment (Co.,) Ltd.	Yeh, Lu-Chang	Yeh, Lu-Chang
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)	-	-	Chou, Yeou-Yih , the Representative of Yutseng Investment (Co.,) Ltd.: Chou, Chun-Kuang, the Representative of Zenitex Investment (Co.,) Ltd.: Chou, Chun-Hsien	Chou, Yeou-Yih , the Representative of Yutseng Investment (Co.,) Ltd.: Chou, Chun-Kuang, the Representative of Zenitex Investment (Co.,) Ltd.: Chou, Chun-Hsien
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)	-	-	-	-
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive)	-	-	-	-
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (exclusive)	-	-	-	-
NT\$100,000,000 or over	-	-	-	-
Total	10	10	10	10

(2) Supervisors' Remuneration

In order to promote corporate governance, the Company has established an Audit Committee to replace the Supervisors on 2015.06.10 in accordance with the Securities and Exchange Act.

(3) Remuneration of President, and Vice President

2022 Unit: NT\$1,000; %

Title	Name	Salary (A)		Severance Pay (B)		Bonus and special allowance, etc. (C)		Employee bonus (D)				Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Compensati on Paid to Directors from an Invested Company Other than the Subsidiaries or Parent Company
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in the consolidated financial statements		The Company	Companies in the consolidated financial statements	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
Co-CEO and President (Note)	CHOU, CHUN-KUANG	26,214	26,214	1,188	1,188	18,931	18,931	0	0	0	0	6.48%	6.48%	None
Co-CEO and President (Note)	CHOU, CHUN-HSIEN													
President (Note)	YEH,LU-CHANG													
Senior Vice President	CHANG,CHANG-FU													
Senior Vice President	HONG, QI-GONG													
Senior Vice President	CHEN,TING-HUANG													
Vice President	LIU,YING-TSO													
Vice President	CHEN, YU-ZHANG													
Vice President	SU, ZHONG-BANG													
Vice President	YOU, SHENG-YUAN													
Chief Financial Officer	YOU,SHU-YI													

Note : Chou, Chun-Kaung and Chou, Chun-Hsien were appointed as president on March 15, 2023, as co-chief executive officers and president; Yeh, Lu-Chang has resigned on March 15, 2023.

Range of Remuneration

Range of remuneration paid to each of the Company's President and Vice President	Name of President, and Vice President	
	The Company	Companies in the consolidated financial statements
Under NT\$ 1,000,000	-	-
NT\$1,000,000 (inclusive) ~ NT\$2,000,000 (exclusive)	-	-
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)	Hong, Qi-Gong, Chen, Ting-Huang, Liu, Ying-Tso, Chen, Yu-Zhang, Su, Zhong-Bang, You, Sheng-Yuan, You, Shu-Yi	Hong, Qi-Gong, Chen, Ting-Huang, Liu, Ying-Tso, Chen, Yu-Zhang, Su, Zhong-Bang, You, Sheng-Yuan, You, Shu-Yi
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)	-	-
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)	Chou, Chun-Kaung, Chou, Chun-Hsien, Yeh, Lu-Chang, Chang, Chang-Fu	Chou, Chun-Kaung, Chou, Chun-Hsien, Yeh, Lu-Chang, Chang, Chang-Fu
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)	-	-
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)	-	-
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive)	-	-
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (exclusive)	-	-
NT\$100,000,000 or over	-	-
Total	11	11

(4) The names of the manager received the distribution of employee's remuneration and the distribution status

2022

Unit: NT\$1,000; %

Title		Name	Stock Amount	Cash Amount	Total	Total amount as a percentage of net income after tax (%)
Managers	Co-CEO and President (Note)	CHOU, CHUN-KUANG	-	-	-	-
	Co-CEO and President (Note)	CHOU, CHUN-HSIEN				
	President (Note)	YEH, LU-CHANG				
	Senior Vice President	CHANG, CHANG-FU				
	Senior Vice President	HONG, QI-GONG				
	Senior Vice President	CHEN, TING-HUANG				
	Vice President	LIU, YING-TSO				
	Vice President	CHEN, YU-ZHANG				
	Vice President	SU, ZHONG-BANG				
	Vice President	YOU, SHENG-YUAN				
	Chief Financial Officer	YOU, SHU-YI				

Note : Chou, Chun-Kuang and Chou, Chun-Hsien were appointed as president on March 15, 2023, as co-chief executive officers and president; Yeh, Lu-Chang has resigned on March 15, 2023.

(5) An analysis of the total compensation paid to the Company's directors, president and vice president percentage of net income after tax for the most recent two-year period for the Company and all consolidated companies, respectively, and a description of the policy, standard and combination of compensation payments, the process for setting compensation, and the relationship to operating performance and future risks:

Unit: NT\$1,000; %

Title	Year	2021				2022			
		The Company		Companies in the consolidated financial statements		The Company		Companies in the consolidated financial statements	
		Total remuneration	Total amount as a percentage of net income after tax	Total remuneration	Total amount as a percentage of net income after tax	Total remuneration	Total amount as a percentage of net income after tax	Total remuneration	Total amount as a percentage of net income after tax
Directors		55,364	6.31%	55,364	6.31%	63,854	8.94%	63,854	8.94%
President and Vice President		32,968	3.76%	32,968	3.76%	46,333	6.48%	46,333	6.48%

The policy, criteria and composition of compensation payments, the procedures for setting compensation, and the correlation with operating performance and future risks.

1. The remuneration for the Company's directors and managers is subject to less than 3% of annual profit pursuant to the Articles of Incorporation; in case of profit, its 3%~12% shall be appropriated as the salary to employee; remuneration for directors and managers is calculated by its depth involved with operation, personal contribution and other criteria such as: whether any events imposing moral risks or causing adverse effect on corporate image occurred to them, improper internal management, staff malpractice, target achievement rate, profitability

and others for integrative consideration, referring to peer industry standard and including them into a proposal by Remuneration Committee Member for discussion and resolution by the Board of Directors.

2. In addition, the Company has purchased liability insurance for all directors and managers in the amount of US\$5,000,000 to mitigate the unknown risks borne by the Company and to pass on possible damages to directors and key employees and the Company in the performance of their duties through directors' and managers' liability insurance.

(III) Implementation of Corporate Governance:

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

A total of 4 meetings of the Board of Directors were held in 2022. The attendance of directors was as follows:

Title	Name	Attendance in person B	Attendance by proxy	Attendance Rate (%)	Remark
Chairman	CHOU, YEOU-YIH	4	0	100.00%	
Vice Chairman	CHEN, HSIN-YI	4	0	100.00%	
Director	Representative of Yutseng: CHOU, CHUN-KUANG	4	0	100.00%	
Director	Representative of Zenitex: CHOU, CHUN-HSIEN	4	0	100.00%	
Director	YEH, LU-CHANG	4	0	100.00%	Resigned on 2023.03.15
Director	HSIEH, SHIH-FU	4	0	100.00%	
Director	FANG, YI-HSIUNG	4	0	100.00%	
Independent Director	HSU, JUI-MAO	4	0	100.00%	
Independent Director	LIU, CHUN	3	1	75.00%	
Independent Director	LIAO, FU-LONG	4	0	100.00%	

Other mentionable items:

I. (1) Matters listed in Article 14-3 of the Securities and Exchange Act.

Meeting Date (Period)	Resolutions	All Independent Directors' Opinions and the Company's Handling of Independent Directors' Opinions
March 21 (2022 1st Board Meeting)	Approval of the amendment to the Company's "Regulations governing the acquisition and disposal of assets"	All Independent Directors Approved
May 13 (2022 2nd Board Meeting)	Approval of our company to provide endorsement guarantee and lending of funds to others Approval of changes in Certified Public Accountant of Financial Statements	
August 12 (2022 3rd Board Meeting)	Approval of our company to provide endorsement guarantee and lending of funds to others	
November 11 (2022 4th Board Meeting)	Approval of our company to provide endorsement guarantee and lending of funds to others	

(2) Other resolutions of the Board of Directors that are opposed or qualified by the independent directors and for which records or written statements are available: None

II. Status of implementation on recusal of directors from proposals related to their interests: None

III. Objectives of strengthening the functions of the Board of Directors for the current and most recent years:
The Board of Directors has established an Audit Committee and a Compensation Committee to assist the Board of Directors in performing its supervisory duties and to report its activities and resolutions to the Board of Directors on a regular basis, respectively.

(2) Status of implementation on the evaluation of the Board of Directors

1. Board Performance Self-Evaluation of the Board of Directors

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation methods	Evaluation contents
Executed once a year	2022.01.01-2022.12.31	1. The Board of Directors 2. Individual Board Members 3. Functional Committee	The board of directors, individual board members and functional committees complete their own performance evaluation self-assessment questionnaires	Self-evaluation by the Board 1. Participation in the Company's operation 2. Enhancement of the decision quality of the functional committee 3. Composition of the functional committee and the election of committee members 4. Election and continuous learning of directors 5. Internal Control Self-evaluation by the members of the Board 1. Understanding of the Company goals and missions 2. Director's understanding of their duties and responsibilities 3. Participation in the Company's operation 4. Internal relation maintenance and communications 5. Election and continuous learning of directors 6. Internal Control Self-evaluation by Audit Committee 1. Participation in the Company's operation 2. Understanding of the Functional Committee's duties and responsibilities 3. Enhancement of the decision quality of the functional committee 4. Establishment of the Functional Committee and election of its members 5. Internal Control Self-evaluation by Compensation Committee 1. Participation in the Company's operation

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation methods	Evaluation contents
				2. Understanding of the Functional Committee's duties and responsibilities 3. Enhancement of the decision quality of the functional committee 4. Establishment of the Functional Committee and election of its members The results of the overall board evaluation for the year 2022, with an average score of 4.53-4.73, indicating that the operation for the Board of Directors was good and the result was reported to the Board on March 15, 2023. The Company will continue to enhance the effectiveness of corporate governance based on the results of the 2022 Board of Directors' evaluation.

2. Performance External Evaluation of the Board of Directors

The performance evaluation of the board of directors should be conducted by an external professional institution at least every three years in accordance with the Company's "Board of Directors' Performance Evaluation Method". The Company entrusts Taiwan Institute of Ethical Business (TIEB) to conduct the external board performance evaluations in 2022.

The association and the executive committee have no business relationship with the Company and are independent, and provided an evaluation report on January 6, 2023. The Company has submitted the evaluation results of the report and the expected measures to be taken to the Board of Directors on March 15, 2023.

Evaluation methods: Evaluation interviews are conducted by means of relevant internal company norms and records, evaluation questionnaires, interviews with directors, etc.

Evaluation content and items: Review the operation of the Company's Board of Directors from four aspects which includes "professional functions of the Board of Directors", "decision-making capability of the Board of Directors", "the emphasis and supervision of the Board of Directors on internal control", and "the attitude of the Board of Directors to sustainable management".

Conclusions and Suggestions:

Based on the board meeting minutes and corporate governance-related internal regulations provided by the evaluated company, and with reference to the written questionnaire responses of the evaluated company's directors and the interviews with

individual directors, the observations and conclusions and optimization suggestions regarding the operation of the evaluated company's Board of Directors are as follows:

Item	Evaluation Report Recommendations	Future improvement plan
1	<p>Enhancing the diversity of directors</p> <p>The evaluated company currently has ten directors, three of whom are directors who also serve as managers, and there are no female directors. The evaluated company may consider increasing the number of independent directors to reduce the proportion of directors who also serve as managers, and diversifying the gender and professional composition of board members can help introduce different evaluation perspectives.</p>	<p>In the future, the selection of directors will be based on the operation of the Board of Directors, the type of operation and the development needs, and actively consider the gender and professionalism of the members to enhance the diversity of the company's directors.</p>
2	<p>Strengthen the recording of directors' speeches in the minutes of board meetings</p> <p>In order to make it easier for the Board of Directors to review the past decision-making experience and facilitate the subsequent application of past experience to future decision-making evaluation, we recommended that the opinions and discussion process raised during the meeting can be fully recorded in the minutes of the meeting in a timely manner.</p>	<p>The speeches and opinions of the directors at the meeting will be appropriately recorded in the minutes.</p>
3	<p>Self-manage advanced courses related to industry trends for the industry</p> <p>The evaluated company has already taken courses related to law, taxation, and corporate governance as advanced training courses for directors.</p> <p>We suggested that the evaluated enterprises can further self-manage courses related to domestic and foreign industrial trends or foreign supervision system trends based on the plan of operation direction and industrial development trend in the future or seek advice from external consultants on developing a diversified business model and cultivating diverse talents to promote the directors with different industrial backgrounds to understand their industries and enhance the grasp of all members of the Board of Directors on industry competition and industry trends.</p>	<p>The Company plans to include topics related to industry trends in the future advanced training courses for directors</p>

4	<p>Strengthen the independence of the complaint department and set up an external complaint hotline</p> <p>The complaint system of the evaluated company shall strengthen the independence of the responsible department. The Company may further or may consider replacing a dedicated e-mail address or hotline with the audit committee or the auditing department as the dedicated responsible department to strengthen its independence. The Company may further or may consider entrusting an independent external institution to provide a dedicated email address or hotline for complaints which can help the Company obtain professional assistance in the handling of complaints, and at the same time, the corporate image of integrity and anti-fraud can be strengthened.</p>	<p>In order to strengthen the independence of the complaint department, the Company plans to set up the auditing department as the responsible department in the future, and regularly report to the audit committee/Board of Directors every quarter.</p>
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(3) Supervisors' participation in the operation of the Board of Directors:

In order to promote corporate governance, the Company has established an audit committee to replace the supervisors in accordance with the Securities and Exchange Act, and re-elected three independent directors on June 10, 2015. Therefore, there is no supervisor participation in the operation of the board of directors.

(4) Information on the implementation status of the audit committee:

1. The Audit Committee of the Company consists of three independent directors. The purpose of the Audit Committee is to assist the Board of Directors in fulfilling its role of overseeing the quality and integrity of the Company in performing accounting, auditing, financial reporting processes and financial controls.
2. The annual work highlights of the Audit Committee are as follows.

- Financial Statement Review
- Review of audit and accounting policies and procedures
- Appraisal of internal control system and related policies and procedures
- Significant asset or derivative transactions
- Significant lending, endorsement or guarantee of funds
- Supervision of regulatory compliance
- Management Information Security
- Company's risk management:
- Qualifications, Independence and Performance Evaluation of Certified Public Accountants
- Appointment, Dismissal or Compensation of Certified Public Accountants
- Appointment and removal of finance, accounting or internal audit supervisors

2. A total of 4 meetings (A) of the Audit Committee member were held in 2022. The attendance were as follows:

Title	Name	Attendance in person (B)	Attendance by proxy	Attendance rate (%) (B/A) (Note)	Remark
Convener	HSU, JUI-MAO	4	0	100.00%	
Committee Member	LIU, CHUN	3	1	75.00%	
Committee Member	LIAO, FU-LONG	4	0	100.00%	

Note:

Other mentionable items:

I. (1) Matters listed in Article 14-5 of the Securities and Exchange Act:

Meeting Date (Period)	Resolutions	All Independent Directors' Opinions and the Company's Handling of Independent Directors' Opinions
March 21, 2022 (3rd Committee 3rd Meeting)	Approval of the 2021 Financial Statements Approval of Self-evaluation of the Internal Control System and the Statement of Internal Control for the year 2021 Approval of the amendment to the Company's "Regulations governing the acquisition and disposal of assets" Approval of our Company to provide endorsement guarantee	All Independent Directors Approved
May 13, 2022 (3rd Committee 4th Meeting)	Approval of Financial Statements for the 2022 Q1 Approval of our company to provide endorsement guarantee and lending of funds to others Approval of changes in Certified Public Accountant of Financial Statements	
August 12, 2022 (3rd Committee 5th Meeting)	Approval of Financial Statements for the 2022 Q2 Approval of our company to provide endorsement guarantee and lending of funds to others	
November 11, 2022 (3rd Committee 6th Meeting)	Approval of Financial Statements for the 2022 Q3 Approval of our company to provide endorsement guarantee and lending of funds to others	
March 15, 2023 (3rd Committee 7th Meeting)	Approval of the 2022 Financial Statements Approval of Self-evaluation of the Internal Control System and the Statement of Internal Control for the year 2022 Approval of the amendment to the Company's "Regulations governing the acquisition and disposal of assets" Approval of our company to provide endorsement guarantee and lending of funds to others	

- (2) Other resolutions of the Audit Committee that are opposed or qualified by the more than two-thirds of directors and for which records or written statements are available: None

II. Status of implementation on recusal of independent directors from proposals related to their interests: None.

III. Communications among independent directors, supervisors and internal audit supervisors and the CPAs:

- (1) The head of internal audit of the Company regularly communicates with the Audit Committee on the results of audit reports and makes internal audit reports at the Audit Committee meetings on a quarterly basis, and reports to the Audit Committee members immediately if there are special circumstances. There were no such special conditions in the year 2022. The Company's Audit Committee has good communication with the Head of Internal Audit.

- (2) The Company's certified public accountants report the results of their audits or reviews of the financial statements and other communications required by the relevant laws and regulations at each quarterly meeting

of the Audit Committee, and report to the members of the Audit Committee immediately if there are any special circumstances. There were no such special conditions in the year 2022. The Company's Audit Committee has good communication with the certified public accountants.

Meeting Date (Period)	Communication with internal audit supervisor	Communications with CPAs
March 21, 2022 (3rd Committee 3rd Meeting)	Review of internal audit reports Approval of the Company's 2021 Self-Evaluation of Internal Control and Statement of Internal Control System	Discussion on the auditing status of the financial statements for the year 2021 Review of the qualifications, performance and independence of the CPAs
May 13, 2022 (3rd Committee 4th Meeting)	Review of internal audit reports	Discussion on the reviewing status of financial statements for 2022 Q1
August 12, 2022 (3rd Committee 5th Meeting)	Review of internal audit reports	Discussion on the reviewing status of financial statements for 2022 Q2
November 11, 2022 (3rd Committee 6th Meeting)	Review of internal audit reports	Discussion on the reviewing status of financial statements for 2022 Q3
March 15, 2023 (3rd Committee 7th Meeting)	Review of internal audit reports Audit of the Self-Evaluation of Internal Control and Statement of Internal Control System for the year 2022	Discussion on the auditing status of the financial statements for the year 2022 Review of the qualifications, performance and independence of the CPAs Discussion on the CPAs and their firm and affiliated companies may provide non-certification services to the Company and its subsidiaries.

Results: The above matters were reviewed or approved by the Audit Committee and the independent directors had no objection.

(5) The Company and the Subsidiaries' Corporate Governance Status, Deviations from "the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best Practice Principles" and Reasons
	Yes	No	Abstract Illustration	
1. Does the Company establish and disclose the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"?	✓		The Company has established a Code of Corporate Governance Practices, which is disclosed on the Market Observation Post System and the Company's website.	None.
2. Shareholding structure & shareholders' rights (1) Has the Company established internal operating procedures to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedures? (2) Does the Company possess the list of its major shareholders as well as the ultimate owners of those shares?	✓ ✓		(1) The Code of Corporate Governance Practices has set forth the relevant contents and is handled by the Company's spokesperson and acting spokesperson. (2) The list of insiders' shareholdings is kept through a pre-post reporting system.	None.

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best Practice Principles” and Reasons
	Yes	No	Abstract Illustration	
(3) Has the Company established and implemented risk management and firewall mechanisms with its affiliates?	✓		(3) The Company's internal control system includes the "Supervision of Subsidiaries" and the "Written System for the Management of Related Party Transactions", and has clearly delineated and operated the authority and responsibility for the management of personnel and property of each company.	
(4) Has the Company established internal rules against insiders trading with undisclosed information?	✓		(4) The Company has established the "Procedures for Handling Material Internal Information" and the "Ethical Corporate Management Best Practice Principles" to prohibit insiders from engaging in insider trading using undisclosed information known to the Company.	
3. Composition and responsibilities of the Board of Directors (1) Whether the Board of Directors has formulated a diversity policy, specific management objectives and implemented them?	✓		(1) In accordance with Article 20 of the Corporate Governance Best Practice Principles, to realize the ideal of corporate governance, the members of the Board shall possess the following abilities: 1. The ability to make judgements about operations. 2. Accounting and financial analysis ability. 3. Business management ability. 4. Crisis management ability. 5. Knowledge of the industry. 6. International market perspective. 7. Leadership ability.	None.

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best Practice Principles” and Reasons									
	Yes	No	Abstract Illustration										
(2) Has the Company voluntarily established other functional committees in addition to the Remuneration Committee and the	✓		8. Decision-making ability.										
			The current board of directors of the Company consists of 9 directors, including 6 general directors and 3 independent directors, with 33% of the directors being independent.										
			The specific management objectives and achievement of the Board's composition diversity policy are as follows:										
			Diversity management goal		Progress	The number of directors who work concurrently as the managerial officers of the Company shall not exceed one-third of the number of directors	Completed	The term of office for independent directors may not exceed three terms	Completed	Adequate diversity of professional knowledge and skills and professional background	Completed	Add a new female director	To be added in the next reelection
			Diversity management goal		Progress								
			The number of directors who work concurrently as the managerial officers of the Company shall not exceed one-third of the number of directors		Completed								
			The term of office for independent directors may not exceed three terms		Completed								
			Adequate diversity of professional knowledge and skills and professional background		Completed								
			Add a new female director		To be added in the next reelection								
			For details of the implementation of its director diversity policy, please refer to Page 21 Board diversity and independence.										
(2) The Company has established a Remuneration Committee in accordance with the law and an Audit Committee on June 12, 2018. In the future, different functional committees will be established in accordance with the overall development to meet the actual needs.													

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best Practice Principles” and Reasons
	Yes	No	Abstract Illustration	
<p>Audit Committee?</p> <p>(3) Does the Company establish a standard to measure the performance of the Board, and implement it annual?</p>	✓		<p>(3) The Company’s Board of Directors resolved on March 20, 2020 to establish the "Board of Directors' Performance Evaluation Method", the scope of which is to evaluate the performance of the Board of Directors and the functional committees established by the Company.</p> <p>The performance evaluation may be conducted by the Board of Directors through internal self-evaluation, self-evaluation by Board members and performance evaluation by an external independent organization or a team of experts and scholars.</p> <p>1.Performance self-evaluation results and improvement actions of the Board of Directors and functional committees:</p> <p>(a) Evaluation period: January 1, 2022 to December 31, 2022</p> <p>(b) Performance self-evaluation result of board members: 4.78 points/5 points, the performance of directors is in line with expectations.</p> <p>(c) Self-evaluation of the operational performance of the Board of Directors and functional committees: 4.46-4.73 points/5 points, the overall performance of the Board of Directors, the Remuneration Committee and the Audit Committee are all in line with expectations.</p> <p>(d) The performance evaluation results of the Board of Directors, Remuneration Committee and Audit Committee have been reported to the Board of Directors on March 15, 2023. Please refer to page 31-34 for</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best Practice Principles” and Reasons
	Yes	No	Abstract Illustration	
(4) Does the Company regularly evaluate the independence of CPAs?	✓		<p>all evaluations</p> <p>2.Outsourced board performance evaluation:</p> <p>The company entrusts Taiwan Institute of Ethical Business (TIEB) to conduct the external board performance evaluation in 2022. The association and the executive committee have no business relationship with the company and are independent, and provided an evaluation report on January 6, 2023. The Company has submitted the evaluation results of the report and the expected measures to be taken to the Board of Directors on March 15, 2023.</p> <p>(4) The company evaluates the independence and suitability of the CPAs appointed every year and the results have been submitted to the audit committee and the Board of Directors for approval on March 15, 2023. The audit quality index (AQI) information provided by the Company's independent evaluation project and the certified accounting firm is included in the consideration of the appointment (renewal) of the 2023 certified accountant. For related information, please refer to the description on pages 52 (Note 1).</p> <p>After the evaluation, CPA Chen, Jin-Chang and Liao, Fu-Ming of Pricewaterhouse Coopers Taiwan both meet the Company's Independent Evaluation Standards and are qualified to serve as the Company's CPAs.</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best Practice Principles” and Reasons
	Yes	No	Abstract Illustration	
4. Has the TWSE/TPEX listed company set up a dedication (or concurrent) corporate governance unit or appointed personnel responsible for corporate governance related matters (including but not limited to providing the directors and supervisors with required information to carry out their business, handling corporate registration and change of corporate registration related matters and taking the minutes of meetings)?	✓		<p>In order to implement governance and enable the Board of Directors to perform its due functions to protect the rights and interests of investors, the Board of Directors resolved on March 22, 2021 to appoint the Chief of Finance, YOU,SHU-YI, as the Head of Corporate Governance, Chief Yu had more than 3 years of experiences in the position of a finance supervisor for listed companies and the Unit is responsible for reporting directly to her.</p> <p>The primary responsibility of the Head of Corporate Governance is to provide the directors with information necessary to carry out their business and to assist them in complying with the latest regulatory developments relating to operations. In addition to complying with the provisions of the Act, the stock unit shall conduct the meetings of the board of directors and shareholders, prepare the minutes of the board of directors' and shareholders' meetings in accordance with the law, and follow the following principles.</p> <ol style="list-style-type: none"> 1. The Company discloses material information in a timely manner to protect investors' trading information. 2. To maintain communication and exchange between the Board of Directors and the management team. 3. To enhance the efficiency of the Board's operations, an internal performance evaluation of the Board's overall operations for the previous year is conducted annually and the results are presented to the Board. 4. From time to time, we will provide information about the director's further education and complete the reporting of the required hours. 5. We review the achievement of corporate governance evaluation indicators on an annual basis and provide improvement plans and countermeasures for the 	None.

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best Practice Principles” and Reasons																
	Yes	No	Abstract Illustration																	
			<p>indicators that are not scored.</p> <p>6. To handle other matters stipulated in the company's articles of association or contract, etc.</p> <p>The status of the corporate governance supervisors attending the continued education courses during the year 2022:</p> <table> <tr> <th>Course Dates</th> <th>Organizer</th> <th>Course Name</th> <th>Hours</th> </tr> <tr> <td>2022/08/12</td> <td>Taiwan Corporate Governance Association</td> <td>How Companies and Board Members Can Avoid Inadvertent Insider Trading</td> <td>3 hours</td> </tr> <tr> <td>2022/11/08</td> <td>Accounting Research and Development Foundation</td> <td>Using "Intellectual Property Management" to Improve Corporate Governance and Internal Control Compliance</td> <td>6 hours</td> </tr> <tr> <td>2022/11/11</td> <td>Taiwan Corporate Governance Association</td> <td>Protection of Business Secrets and Practice of Fraud Detection and Prevention</td> <td>3 hours</td> </tr> </table>	Course Dates	Organizer	Course Name	Hours	2022/08/12	Taiwan Corporate Governance Association	How Companies and Board Members Can Avoid Inadvertent Insider Trading	3 hours	2022/11/08	Accounting Research and Development Foundation	Using "Intellectual Property Management" to Improve Corporate Governance and Internal Control Compliance	6 hours	2022/11/11	Taiwan Corporate Governance Association	Protection of Business Secrets and Practice of Fraud Detection and Prevention	3 hours	
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2022/11/11	Taiwan Corporate Governance Association	Protection of Business Secrets and Practice of Fraud Detection and Prevention	3 hours																	
5. Has the Company established communication channels and dedicated sections for	✓		The Company has an investor area on the Company's website with spokespersons and related business contact information, and interested parties can contact the Company by phone or e-mail.	None.																

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best Practice Principles” and Reasons
	Yes	No	Abstract Illustration	
stakeholder (including but not limited to the shareholders, employees, clients and suppliers) on its website to respond to important issues of corporate social responsibility concerns?				
6. Has the Company appointed a professional shareholder service agency to deal with shareholder affairs?	✓		The Company has appointed Taishin Securities Stock Agent Department as its stock agent to assist in the shareholders' meeting.	None.
7. Disclosure of information (1) Does the Company have a corporate website to disclose both financial standings and the status of corporate governance? (2) Does the Company have other information disclosure channels (e.g. building an English website,	✓ ✓		(1)The Company maintains a corporate website (http://www.zenitron.com.tw/), which discloses financial operations and corporate governance information and is updated from time to time for investors' review. (2) The Company has a spokesperson and an acting spokesperson. In addition to the Chinese version, the website is also available in English and Simplified Chinese. Important information about the corporate presentation, if any, is also available on the Company's website and on the Market Observation Post System.	None.

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best Practice Principles” and Reasons
	Yes	No	Abstract Illustration	
<p>appointing designated people to handle information on collection and disclosure, creating a spokesperson system, webcasting investor conferences)?</p> <p>(3) Did the Company announce and declare the annual financial statement within two months at the end of the accounting year and announce and declare the Q1, Q2 and Q3 financial statement and monthly operational status prior to the deadline in the regulation?</p>		✓	(1) The Company's financial reports and operations for each month were announced and reported within the statutory deadlines.	
8. Is there any other important information to facilitate a better understanding of the Company's corporate	✓		(1) Employee benefits: We have established various employee welfare measures, training and retirement systems to protect the rights and interests of employees, and have established employee handbooks for daily management in accordance with the law.	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best Practice Principles” and Reasons
	Yes	No	Abstract Illustration	
governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?			<p>(2) Employee Care: The Company establishes direct communication and care with employees through labor-management meetings and the operation of the Employee Welfare Committee.</p> <p>(3) Investor Relations: The Company has a spokesperson and a proxy spokesperson to provide a bridge between the Company and its investors. The Company has also set up investor contact information and information notification services on the Company's website, and provides appropriate and reasonable answers to incoming inquiries in order to maintain communication with the investing public.</p> <p>(4) Supplier relations: The Company maintains smooth communication channels with its suppliers and upholds the principle of honesty and trust in its dealings with them.</p> <p>(5) Stakeholders' rights: The Company is committed to technological innovation and improved services to customers, creating a working environment for employees to grow, seeking a stable return on investment for shareholders through revenue and profit growth, and pursuing the maximum value for shareholders, employees and society as a whole. We also set up contact information and email notification service on the company’s website, and provide appropriate and reasonable answers to incoming inquiries in order to maintain communication.</p> <p>(6) Directors (including independent directors): All directors (including independent directors) of the Company have a background in finance, business, accounting, information, etc., and their education has been entered into the Market Observation Post System in accordance with the regulations. The accountants and legal advisors appointed by the Company also provide appropriate legal advice to</p>	

Evaluation Item	Implementation Status						Deviations from “the Corporate Governance Best Practice Principles” and Reasons																																																																
	Yes	No	Abstract Illustration																																																																				
			help enhance their legal literacy and avoid the possibility of violating the law. Directors (including independent directors) who wish to pursue further education: In accordance with the provisions of the "Important Points for Further Education for Directors and Supervisors of Listed Companies". <table><tr><th rowspan="2">Title</th><th rowspan="2">Name</th><th rowspan="2">Date Appointed</th><th colspan="2">Date of the continued education courses</th><th rowspan="2">Organizer</th><th rowspan="2">Course Name</th><th rowspan="2">Hours</th></tr><tr><th>Start</th><th>End</th></tr><tr><td rowspan="2">Director</td><td rowspan="2">CHOU, YEOU- YIH</td><td rowspan="2">2021/07/05</td><td>2022/11/11</td><td>2022/11/11</td><td>Taiwan Corporate Governance Association</td><td>Protection of Business Secrets and Practice of Fraud Detection and Prevention</td><td>3.0</td></tr><tr><td>2022/08/12</td><td>2022/08/12</td><td>Taiwan Corporate Governance Association</td><td>How Companies and Board Members Can Avoid Inadvertent Insider Trading</td><td>3.0</td></tr><tr><td rowspan="2">Director</td><td rowspan="2">CHEN, HSIN-YI</td><td rowspan="2">2021/07/05</td><td>2022/11/11</td><td>2022/11/11</td><td>Taiwan Corporate Governance Association</td><td>Protection of Business Secrets and Practice of Fraud Detection and Prevention</td><td>3.0</td></tr><tr><td>2022/08/12</td><td>2022/08/12</td><td>Taiwan Corporate Governance Association</td><td>How Companies and Board Members Can Avoid Inadvertent Insider Trading</td><td>3.0</td></tr><tr><td rowspan="2">Representati ve of a juristic person</td><td rowspan="2">CHOU, CHUN- KUANG</td><td rowspan="2">2021/07/05</td><td>2022/11/11</td><td>2022/11/11</td><td>Taiwan Corporate Governance Association</td><td>Protection of Business Secrets and Practice of Fraud Detection and Prevention</td><td>3.0</td></tr><tr><td>2022/08/12</td><td>2022/08/12</td><td>Taiwan Corporate Governance Association</td><td>How Companies and Board Members Can Avoid Inadvertent Insider Trading</td><td>3.0</td></tr><tr><td rowspan="2">Representati ve of a juristic person</td><td rowspan="2">CHOU, CHUN- HSIEN</td><td rowspan="2">2021/07/05</td><td>2022/11/11</td><td>2022/11/11</td><td>Taiwan Corporate Governance Association</td><td>Protection of Business Secrets and Practice of Fraud Detection and Prevention</td><td>3.0</td></tr><tr><td>2022/08/12</td><td>2022/08/12</td><td>Taiwan Corporate Governance</td><td>How Companies and Board Members Can</td><td>3.0</td></tr></table>					Title	Name	Date Appointed	Date of the continued education courses		Organizer	Course Name	Hours	Start	End	Director	CHOU, YEOU- YIH	2021/07/05	2022/11/11	2022/11/11	Taiwan Corporate Governance Association	Protection of Business Secrets and Practice of Fraud Detection and Prevention	3.0	2022/08/12	2022/08/12	Taiwan Corporate Governance Association	How Companies and Board Members Can Avoid Inadvertent Insider Trading	3.0	Director	CHEN, HSIN-YI	2021/07/05	2022/11/11	2022/11/11	Taiwan Corporate Governance Association	Protection of Business Secrets and Practice of Fraud Detection and Prevention	3.0	2022/08/12	2022/08/12	Taiwan Corporate Governance Association	How Companies and Board Members Can Avoid Inadvertent Insider Trading	3.0	Representati ve of a juristic person	CHOU, CHUN- KUANG	2021/07/05	2022/11/11	2022/11/11	Taiwan Corporate Governance Association	Protection of Business Secrets and Practice of Fraud Detection and Prevention	3.0	2022/08/12	2022/08/12	Taiwan Corporate Governance Association	How Companies and Board Members Can Avoid Inadvertent Insider Trading	3.0	Representati ve of a juristic person	CHOU, CHUN- HSIEN	2021/07/05	2022/11/11	2022/11/11	Taiwan Corporate Governance Association	Protection of Business Secrets and Practice of Fraud Detection and Prevention	3.0	2022/08/12	2022/08/12	Taiwan Corporate Governance	How Companies and Board Members Can	3.0		
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Evaluation Item	Implementation Status										Deviations from “the Corporate Governance Best Practice Principles” and Reasons	
	Yes	No	Abstract Illustration									
									Association	Avoid Inadvertent Insider Trading		
				Director	YEH, LU- CHANG	2021/07/05	2022/11/11	2022/11/11	Taiwan Corporate Governance Association	Protection of Business Secrets and Practice of Fraud Detection and Prevention	3.0	
							2022/08/12	2022/08/12	Taiwan Corporate Governance Association	How Companies and Board Members Can Avoid Inadvertent Insider Trading	3.0	
				Director	FANG, YI- HSIUNG	2021/07/05	2022/11/11	2022/11/11	Taiwan Corporate Governance Association	Protection of Business Secrets and Practice of Fraud Detection and Prevention	3.0	
							2022/08/12	2022/08/12	Taiwan Corporate Governance Association	How Companies and Board Members Can Avoid Inadvertent Insider Trading	3.0	
				Director	HSIEH, SHIH-FU	2021/07/05	2022/11/11	2022/11/11	Taiwan Corporate Governance Association	Protection of Business Secrets and Practice of Fraud Detection and Prevention	3.0	
							2022/08/12	2022/08/12	Taiwan Corporate Governance Association	How Companies and Board Members Can Avoid Inadvertent Insider Trading	3.0	
				Independent Director	HSU, JUI-MAO	2021/07/05	2022/11/11	2022/11/11	Taiwan Corporate Governance Association	Protection of Business Secrets and Practice of Fraud Detection and Prevention	3.0	
							2022/08/12	2022/08/12	Taiwan Corporate Governance Association	How Companies and Board Members Can Avoid Inadvertent Insider Trading	3.0	
				Independent Director	LIAO, FU- LONG	2021/07/05	2022/11/11	2022/11/11	Taiwan Corporate Governance Association	Protection of Business Secrets and Practice of Fraud Detection and Prevention	3.0	
							2022/10/05	2022/10/05	Securities and Futures Institute	Legal Compliance Promotion on Insider	3.0	

Evaluation Item	Implementation Status										Deviations from “the Corporate Governance Best Practice Principles” and Reasons		
	Yes	No	Abstract Illustration										
										Trading in 2022			
							2022/09/29	2022/09/29	TWSE	Announcement and Promotion of Guidelines for Independent Directors and Audit Committee Members to Exercise Their Powers.	3.0		
							2022/08/12	2022/08/12	Taiwan Corporate Governance Association	How Companies and Board Members Can Avoid Inadvertent Insider Trading	3.0		
				Independent Director	LIU, CHUN	2021/07/05	2022/11/11	2022/11/11	Taiwan Corporate Governance Association	Protection of Business Secrets and Practice of Fraud Detection and Prevention	3.0		
							2022/08/12	2022/08/12	Taiwan Corporate Governance Association	How Companies and Board Members Can Avoid Inadvertent Insider Trading	3.0		
				(7) Implementation of risk management policies and risk measurement standards: The President acts as the convener to coordinate and direct the promotion and operation of the risk management plan, and the management personnel of the functional units under the president jointly participate in the implementation. Please refer to the “Analysis and Assessment on Risk Matters” (pages 271-272) in this annual report for the relevant implementation.									
				(8) Implementation of customer policies: The Company has established systems for employees to follow in accordance with relevant laws and regulations in its daily operations, and has a legal unit to assist in handling business or customer rights and interests complaints, and an audit unit to check and disclose them in accordance with procedures.									

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best Practice Principles” and Reasons
	Yes	No	Abstract Illustration	
			<p>(9) The Company purchases liability insurance for all directors and managers: During their term of office, the directors and managers of the Company have authorized the Board of Directors to purchase liability insurance for the scope of their business to the extent that they are legally liable.</p> <p>(10) The Company has established internal procedures for handling material information and keeps the latest information on the Company's website for stakeholders to understand the operation of corporate governance.</p> <p>(11) Succession planning for the Company's board of directors and middle and senior management:</p> <ol style="list-style-type: none"> 1. The Company adopts a candidate nomination system for the election of directors, and the shareholders elect the directors from the list of director candidates. Currently, the directors are nominated by major shareholders and elected by the shareholders' meeting. Each director is equipped with professional competencies in management, industry knowledge and international perspective. During their term of office, annual refresher courses at least 6 hours are arranged to assist directors in acquiring the necessary professional knowledge to perform their duties. 2. In order to meet the needs of sustainable management and to ensure the smooth succession of middle and senior management talents, our company has divided the selected training model into four modules: management ability, professional ability, personal development and job rotation, which include human resources, financial risk, overseas dispatch, EMBA and language learning. The achievement of the annual work objectives of the foster care candidates will be included in the regular work appraisal in accordance with the "Appraisal 	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best Practice Principles” and Reasons
	Yes	No	Abstract Illustration	
			Regulations" and the regular work appraisal will be used as the basis for assessing the year-end performance.	

(IX) According to the latest result of the Corporate Governance Evaluation System by the Corporate Governance Center of TWSE, explain the amendments or propose the priority measurements to the unimproved items.

The results of the “Corporate Governance Review” for the year 2022 were 36%-50%. For the following items not scored items, the description is as follows.

Prioritized items for improvement as noticed from the 8th Corporate Governance Evaluation Indicators		
No.	Indicators	Matters and measures prioritized for improvement
3.20	Has the company been invited (on its own) to hold at least two corporate meetings with an interval of at least three months between the first and last corporate meetings of the year under review?	To provide the corporation with a clearer understanding of the company's current operations and future development strategies, we intend to hold two corporate meetings in 2023.
4.2	Has the company set up a special (concurrent) unit for the promotion of corporate integrity management, responsible for the formulation and supervision of the implementation of the integrity management policy and prevention plan, and explain the operation and implementation of the unit on the company's website and annual report, and report to the board of directors at least once a year?	The Company intended to establish a concurrent unit in 2023 to promote the operation of honest management and prevention of insider trading and related education and training, and to report to the Board of Directors on a regular basis.

Note 1: Independence criteria of accountant

Independence	Yes	No
1.Does the accountant not serve as a director or independent director of the Company or its affiliates?	✓	
2.Is the accountant not a shareholder of the Company or a related company?	✓	
3.Is the accountant not on the payroll of the Company or a related company?	✓	
4.Has the accountant not provided audit services to the Company for more than seven consecutive years?	✓	
5.Does the accountant confirm that his or her joint accounting firm has complied with the relevant independence standards?	✓	
6.Has the CPA's co-practicing accountant not held any position as a director or manager of the Company or had any significant influence on the audit within one year after he/she left the office of the CPA's co-practicing accountant?	✓	
7.Whether the non-audit service fees and services provided by the CPA firm during the financial reporting period did not violate the relevant independence standards.	✓	

(6) If the Company has a compensation committee, it shall disclose its composition and operations.

1. The Company currently has a compensation committee in accordance with the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”.

2. Three members of the Committee shall serve as members of the fifth term of the Committee.

The list/resume is as follows

3. The duties of the Committee are to establish and regularly review policies, systems, standards and structures for the evaluation of the performance and compensation of directors and managers, and to regularly evaluate and set the compensation of directors and managers. The proposal will be submitted to the Board of Directors for discussion.

(1) Information on Members of Compensation Committee

Apr. 11, 2023

Identity Name		Criteria	Professional Qualification and Work Experience (Note 1)	Independence	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member
Independent Director	LIU, CHUN (Convener)		Have at least five years of experience in business and corporate requirements and serve as the convener of the Remuneration Committee of the Company	(Note 2)	0
Independent Director	HSU, JUI-MAO		At least five years of working experience in banking, securities, finance and risk management, and experience as a member of the remuneration committee of other listed companies	(Note 2)	0
Independent Director	LIAO, FU-LONG		At least five years of working experience in banking, insurance, finance and risk management, and experience as a member of the remuneration committee of other listed companies	(Note 2)	1

Note 1: Please refer to pages 16-18 Information on directors (including independent directors) for related content.

Note 2: Each member shall meet the following conditions for the two years prior to election and during the term of office.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a Director or Supervisor of the Company or its affiliates, (however, this does not apply, in case where the person is concurrently working as an Independent Director of the Company or its parent company, subsidiary or subsidiary of the same parent company established according to this Act or local country ordinances).
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company, or ranking in the top 10 in holdings.
- (4) Not a spouse, second-degree relative or third-degree relative of the managers in (1) or persons in (2) or (3)..
- (5) Not a director, supervisor, or employees of a corporate shareholder that directly holds five percent or

more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings or is the representative being assigned as the director or supervisor of the Company by in accordance with Article 27, Paragraph 1 or 2 of the Company Act, (However, this does not apply, in case where the person is concurrently working as an Independent Director of the Company or its parent company, subsidiary or subsidiary of the same parent company established according to this Act or local country ordinances).

- (6) Not a director, supervisor or employee of other company which has over half of the number of directors' seats or shares with voting rights of the Company and is controlled by the same person (however, this does not apply, in case where the person is concurrently working as an Independent Director of the Company or its parent company, subsidiary or subsidiary of the same parent company established according to this Act or local country ordinances).
- (7) Not a director, supervisor or employee of other companies or institution which concurrently works as or in a spouse relationship to the chairman, president or personnel of relative duties of the Company (however, this does not apply, in case where the person is concurrently working as an Independent Director of the Company or its parent company, subsidiary or subsidiary of the same parent company established according to this Act or local country ordinances).
- (8) Not a director, supervisor, manager or a shareholder holding five percent or more of the shares of a company or institution that has a business or financial relationship with the Company, (however, this does not apply, in case where the specific company or institution holds over 20% but less than 50% of the total number of issued shares of the Company and the person is concurrently working as an Independent Director of the Company or its parent company, subsidiary or subsidiary of the same parent company established according to this Act or local country ordinances).
- (9) Not a professional who provides auditing, nor a professional who provides commercial legal, financial, accounting, or consulting services to the Company or its affiliates with the cumulated remuneration within the last two years less than NT\$500,000, nor is an owner, partner, director, supervisor, or manager, or the spouse of any of the above, of a sole proprietorship, partnership, company, or organization that provides such service to the Company or its affiliates, however, this does not apply for members of compensation committee, public acquisition audit committee or special committee for merger who exercise power in accordance with relevant laws and regulations in Securities and Exchange Act or Business Mergers and Acquisitions Act.

(2) Information on the Implementation Status of the Remuneration Committee

1. There are 3 members in the Remuneration Committee.
2. Terms of Office of the current members: from July 05, 2021 to July 04, 2024. A total of 2 Remuneration Committee meetings (A) were held in the recent period. The qualification and attendance record of the Remuneration Committee members was as follows:

Title	Name	Attendance in person (B)	Attendance by proxy	Attendance rate (%) (B/A) (Note)	Remark																
Convener	LIU, CHUN	1	1	50																	
Independent Director	HSU, JUI-MAO	2	0	100																	
Independent Director	LIAO, FU-LONG	2	0	100																	
Other matters required to be recorded:																					
<div>1. If the Board does not adopt or amend the recommendations of the Remuneration Committee: None</div> <div>2. Resolutions of the remuneration committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, content of the motion, all members’ opinions and the response to members’ opinion should be specified: In the most recent year, no member of the Remuneration Committee had any objection or reservation to the resolution of the Remuneration Committee: None.</div> <div>3. Duties of Compensation Committee:<div>(1) The Compensation Committee of the Company regularly reviews the policies, systems, standards and structures of performance and compensation of the Company's directors and managers on an annual basis.</div><div>(2) Periodically review the Company's compensation practices and propose amendments.</div><div>(3) Periodically evaluate the compensation of directors and managers of the Company.</div></div> <div>4. The reasons for the discussion of the Compensation Committee, the results of the resolution and the Company's handling of the opinions of the members</div>																					
<table><tr><td>Meeting Date (Period)</td><td>Content of the proposal and follow-up handling</td><td>Resolutions</td><td>The Company’s response to the Compensation Committee’s opinions</td></tr><tr><td>March 21, 2022 (5th Committee 2nd Meeting)</td><td>2021 Employees' and Directors' Compensation Distribution</td><td>All Compensation Members All compensation committee members agreed to approve</td><td>Submitted to the board of directors and approved by all directors present</td></tr><tr><td>August 12, 2022 (5th Committee 3rd Meeting)</td><td>Review of the Company's 2022 managerial salary increase</td><td>All Compensation Members All compensation committee members agreed to approve</td><td>Submitted to the board of directors and approved by all directors present</td></tr><tr><td>March 15, 2023 (5th Committee 4th Meeting)</td><td>2022 Employees' and Directors' Compensation Distribution</td><td>All Compensation Members All compensation committee members agreed to approve</td><td>Submitted to the board of directors and approved by all directors present</td></tr></table>						Meeting Date (Period)	Content of the proposal and follow-up handling	Resolutions	The Company’s response to the Compensation Committee’s opinions	March 21, 2022 (5th Committee 2nd Meeting)	2021 Employees' and Directors' Compensation Distribution	All Compensation Members All compensation committee members agreed to approve	Submitted to the board of directors and approved by all directors present	August 12, 2022 (5th Committee 3rd Meeting)	Review of the Company's 2022 managerial salary increase	All Compensation Members All compensation committee members agreed to approve	Submitted to the board of directors and approved by all directors present	March 15, 2023 (5th Committee 4th Meeting)	2022 Employees' and Directors' Compensation Distribution	All Compensation Members All compensation committee members agreed to approve	Submitted to the board of directors and approved by all directors present
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Note:

- (1) The Board of Directors of the Company appointed Liu, Chun, Hsu, Jui-Mao and Liao, Fu-

long as members of the 5th Remuneration Committee, with Liu, Chun as the convener on July 5, 2021,.

- (2) The actual attendance rate (%) is calculated based on the number of meetings of the Compensation Committee and their actual attendance during their employment.
- (3) If there is a re-election of the Compensation Committee before the end of the year, both the new and old members of the Compensation Committee should be listed and indicated in the Remarks column. The actual attendance rate (%) is calculated based on the number of meetings of the Compensation Committee and their actual attendance during their employment.

(7) The Implementation of Sustainable Development and deviations from “the Sustainable Development Practice Principles” and Reasons.

Evaluation Item	Implementation Status			Deviations from “the Sustainable Development Practice Principles” and Reasons
	Yes	No	Abstract Illustration	
1. Has the company established a governance structure to promote sustainable development and set up a special (concurrent) unit to promote sustainable development, which is authorized by the board of directors to be handled by senior management, and is supervised by the board of directors?	✓		The Company has established a code of corporate social responsibility practices, The director of corporate governance serves as the general convener to review and promote the goals and plans of sustainable development of the company with a number of senior executives in different fields and reports to the Board of Directors on its implementation. The Board of Directors will evaluate the possibility and feasibility of the proposed goals and plans, and will urge the management team to make adjustments if necessary.	None.
2. The Company has conducted risk assessment on environmental, social and corporate governance issues related to its operations in accordance with the principle of materiality, and established relevant risk management policies or strategies?	✓		In order to implement the Company's risk management mechanism and strengthen corporate governance to ensure the sound operation of the Company and achieve the goal of sustainable operation, the "Risk Management Policy and Procedures" was approved by the Board of Directors on August 13, 2021 as the highest guiding principle for risk management of each unit. Each unit reported to the board of directors on the operation of risk management in 2022 on November 11, 2022. The President of the Company is the convener of the risk response organization, who will be in charge of the promotion and operation of the risk management plan, with the management of each functional unit participates in the promotion and execution. The risks	None.

Evaluation Item	Implementation Status			Deviations from “the Sustainable Development Practice Principles” and Reasons
	Yes	No	Abstract Illustration	
			faced by the Company can be classified as: financial risks, environmental and climate change risks, supply chain and raw material risks, legal risks, human resource risks...etc. We monitored the risks of the business through appropriate measurement and management criteria for each functional unit. When the level of exposure exceeds its limit, we prepare and report to the President of the Company the relevant response policies, review the risk management policies and procedures on a regular basis, and report the relevant implementation status to the Board of Directors.	
3. Environment issues (1) Has the Company established an appropriate environmental management system according to its industrial characteristics?	✓		The Company is committed to the goal of environmental sustainability by complying with environmental laws and regulations and the relevant international standards. (1) The Company is a professional semiconductor distributor with no manufacturing and production activities, and is not an energy-intensive and major energy-consuming industry, so there is no concern that the production process will pollute the environment. In recent years, due to energy shortage, man-made damage to the ecological environment and global warming, the Company has been promoting relevant energy-saving and carbon-reduction measures and targets in response to the impact of such environmental changes as	None.

Evaluation Item	Implementation Status			Deviations from “the Sustainable Development Practice Principles” and Reasons
	Yes	No	Abstract Illustration	
			<p>follows:</p> <ol style="list-style-type: none"> 1. Program Objective: To effectively achieve negative growth targets for electricity, water, oil and paper consumption; to regularly promote the importance of energy saving and carbon reduction to employees and to implement them in daily life. 2. Specific measures: <ol style="list-style-type: none"> (1) Electricity saving: <ul style="list-style-type: none"> ◆ Replace energy-consuming lamps: energy-saving LED applications are the main products. ◆ Summer air conditioning temperature setting: the temperature is set to 26-28 degrees, and pay attention to whether the doors and windows are closed. ◆ Advocating office lights off during lunch break to save 1 hour. ◆ Encourage colleagues to take the stairs more often and take the elevator less often. (2) Paper saving: <ul style="list-style-type: none"> ◆ Promote the electronicization of document forms and processes to reduce the use of paper. ◆ Promotes duplex printing and reuse of the back side of the paper. ◆ Waste paper is handed over to environmental recycling companies for reuse. (3) Water conservation and other: <ul style="list-style-type: none"> ◆ Promote the use of self-contained tableware to 	

Evaluation Item	Implementation Status			Deviations from “the Sustainable Development Practice Principles” and Reasons
	Yes	No	Abstract Illustration	
(2) The Company has committed to improving the efficiency of the various resources and using recycled materials which have a low impact on the environment?	✓		<p>colleagues and reduce the use of disposable cutlery.</p> <p>◆ Install water-saving devices in the pantry and mopping room faucets to reduce water output and avoid wasting water resources.</p> <p>◆ Promote and implement waste separation and recycling of recyclable resources to colleagues.</p> <p>(2) The Company has implemented waste separation and recycling of recyclable resources and entrusted professional waste removal organizations to collect waste to reduce the impact on the environment.</p>	
(3) Has the Company assessed the current and future potential risks and opportunities to the enterprise due to climate change and adopted countermeasures on issues related to the climate?	✓		<p>(3) The Company is not a manufacturing company and is exposed to potential environmental and operational risks, such as shortage of resources, increased costs of raw materials, instability in the transportation process, and extreme weather conditions that threaten the lives of employees, which may have a direct impact on the Company's operations and increase losses.</p>	
(4) Has the Company conducted statistics on the emission of greenhouse gas, water consumption volume and the total waste weight in the past two years and developed policies for reduction on greenhouse gas, water consumption volume	✓		<p>(4) Total greenhouse gas emissions, water consumption and waste for the last two years</p>	

Evaluation Item	Implementation Status				Deviations from “the Sustainable Development Practice Principles” and Reasons	
	Yes	No	Abstract Illustration			
or management of other wastes?			Greenhouse Gas Emissions		2022	2021
			Scope 2 (tons of CO2e) (Note 1)		581.73	578.69
			Total emissions (tons of CO2e)		581.73	578.69
			Emission intention (tons of CO2e/ revenue in NT\$ million)		0.0145	0.0138
			Note 1: The information covers the Taipei head office, Hsinchu and Taichung branch offices			
			Inventory Year	Water consumption (degrees)	Total waste (metric tons) (Note2)	
			2022	6,749	28.50	
			2021	6,826	26.30	
			Note 2: The company is not a manufacturer, therefore, only needs to disclose the total amount of waste, and there is no need to distinguish whether it is hazardous waste.			
			a. The calculation of the Company's greenhouse gas emissions is mainly based on Scope 2 (outsourced electricity). The company has implemented the improvement and replacement of relevant energy-saving and carbon-reduction equipment, but in the past two years, due to the impact of the pandemic, the total electricity consumption has increased slightly owing to electricity consumption time on some floors caused by the need for the split working. The Company actively promote energy conservation and carbon reduction and turn off unnecessary power supplies, hoping to achieve the goal of reducing greenhouse gas emissions by 1-2%			

Evaluation Item	Implementation Status			Deviations from “the Sustainable Development Practice Principles” and Reasons
	Yes	No	Abstract Illustration	
<p>4. Social issues</p> <p>(1) Has the Company formulated relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?</p>	✓		<p>compared with the previous year.</p> <p>b. The electronic waste to be scrapped will be handed over to certified resource recovery units for disposal, and the useful resources will be recycled and reused to reduce the impact on the overall environment.</p> <p>c. The company has installed water-saving devices on all faucets to save water output and avoid waste of water resources, and regularly promote water-saving actions for employees. The water consumption in 2022 has dropped by about 1% compared with the previous period, and it is expected to achieve the goal of negative growth of 1~2% next year.</p> <p>(1) Our Company adheres to the labor-related laws and regulations in the locations where we operate worldwide, protects the legal rights of our employees, and complies with the spirit and basic principles of human rights protection enshrined in international human rights conventions such as the United Nations Global Compact, the United Nations Universal Declaration of Human Rights, and the International Labor Organization Declaration on Fundamental Principles and Rights at Work, fully realizing our responsibility to respect and</p>	None.

Evaluation Item	Implementation Status			Deviations from “the Sustainable Development Practice Principles” and Reasons
	Yes	No	Abstract Illustration	
(2) Has the Company established and implemented reasonable employee welfare measures (including remuneration, vacations and other welfares, etc.) and reflected management performances or outcomes on employees’ remuneration?	✓		<p>protect human rights and treating all paid employees with dignity and respect. We will treat all employees, including contract employees and interns, with dignity and respect.</p> <p>(2) The Company provides various welfare measures for employees in accordance with the Labor Standards Law and related laws and regulations, and provides market competitive benefits to motivate employees, in addition to regular appraisals and performance bonuses to share the results of earnings with colleagues.</p> <p>◆The Company attaches great importance to the welfare of its employees and the protection of their rights and interests, and its related measures are as follows:</p> <p>1. Employee Welfare Committee: Implement various welfare measures, including wedding and funeral subsidies (e.g., wedding money, childbirth gifts, birthday gifts, funeral sympathy, etc.), travel subsidies, emergency relief, celebration activities, and club activity subsidies.</p> <p>2. Retirement system: In accordance with the law, starting from July 1, 2005, the Company make contributions of 6% of monthly wages to the employee's personal pension account for new employees and employees who choose to</p>	

Evaluation Item	Implementation Status			Deviations from “the Sustainable Development Practice Principles” and Reasons
	Yes	No	Abstract Illustration	
(3) Does the Company provide a safe and healthy working environment for employees and regularly carry out safety and health education for employees?	✓		<p>be covered by the Labor Pension Act (new retirement system). For employees who choose the old system and those who choose the new system and still retain their seniority in the old system, the Company still appoints professional actuaries to calculate the reserve rate of the old system pension fund and continues to transfer the old system pension fund to the Bank of Taiwan's special account.</p> <p>3. Workplace Diversity and Equality: In order to implement the concept of gender equality, we continue to build a gender-friendly workplace, with 52.30% of our employees being female and 32.5% of our supervisors being female during 2022.</p> <p>◆The correlation and reasonableness of the company's operating performance and employee compensation are explained as follows: In addition to the Company's Articles of Incorporation, the compensation of the Company's employees is estimated based on the profitability of the year and the performance of the employees for the purpose of salary adjustment and compensation.</p> <p>(3) The Company conducts annual employee health checks, regular workplace fire inspections, and access control with magnetic cards and electronic security to provide a safe and healthy work</p>	

Evaluation Item	Implementation Status			Deviations from “the Sustainable Development Practice Principles” and Reasons																					
	Yes	No	Abstract Illustration																						
			<p>environment for employees, and conducts the "Labor Safety and Health Education Series" education and training, and the specific implementation details for FY2022 are listed in the table below.</p> <table><tr><th>Items</th><th>Implementation Date</th><th>Remark</th></tr><tr><td>Working environment fire inspection</td><td>2022.05.10</td><td>Once a year</td></tr><tr><td>Building public safety inspection</td><td>2022.10.12</td><td>Once a year</td></tr><tr><td>Office environment disinfection</td><td>2022.01.16 2022.08.13 2022.11.26</td><td></td></tr><tr><td>Cleaning of water storage tower and water supply tower</td><td>2022.03.12 2022.09.24</td><td></td></tr><tr><td>Fire drill education training</td><td>2022.03.25 2022.09.30</td><td></td></tr><tr><td>Health examination for all employees</td><td>2022.08.13- 2022.09.24</td><td></td></tr></table> <p>◆Description on the situation of occupational disasters of our employees: The total number of commuting accidents was 1, 1 person (0.27% of the total number of employees at the end of 2022), which occurred during the employees' commute to and from work. We will continue to conduct health training and traffic safety promotion for our employees.</p>	Items	Implementation Date	Remark	Working environment fire inspection	2022.05.10	Once a year	Building public safety inspection	2022.10.12	Once a year	Office environment disinfection	2022.01.16 2022.08.13 2022.11.26		Cleaning of water storage tower and water supply tower	2022.03.12 2022.09.24		Fire drill education training	2022.03.25 2022.09.30		Health examination for all employees	2022.08.13- 2022.09.24		
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Evaluation Item	Implementation Status			Deviations from “the Sustainable Development Practice Principles” and Reasons			
	Yes	No	Abstract Illustration				
(4) Has the Company developed an effective training program for employees?	✓		(4) The Company has established training programs for all levels of staff, and set up courses according to the qualifications and job levels of employees to enhance their professional abilities and knowledge and skills. The orientation, scope and implementation of the relevant training programs are as follows.				
			Orientation		Scope	Implementation	Course content
			Newcomer Training		New colleagues	9 sessions held from February to November in 2022	General Knowledge Courses on Corporate Regulations, System Operation, Basic legal knowledge...etc.
			Supervisor Training		Supervisors at all levels	6 sessions held from February to October in 2022	Courses on Supervisory training, Recruitment interview skills, Labor laws about recruitment...etc.
			Courses on General Knowledge		All colleagues	3 sessions held from March to November in 2022	EXCEL course, outlook and presentation course...etc.

Evaluation Item	Implementation Status					Deviations from “the Sustainable Development Practice Principles” and Reasons
	Yes	No	Abstract Illustration			
			Professional Development	All colleagues	7 sessions held from March to December in 2022	Financial topics, Inventory Control, Electrical Outline...etc.
(5) Regarding the health and safety of products and services, customers’ privacy, marketing and labelling, has the Company complied with relevant regulations and international principles and developed relevant policy and compliant procedure to protect consumers’ rights and interests?	✓		(5) The Company has taken out product liability insurance to ensure consumers' rights and interests. Consumers can file complaints through the customer service hotline or customer service mailbox, and the Company also provides information on corporate governance and other related contents through the Company's website for the investment public's consideration, and has a dedicated email address to handle complaints about the Company and reply to related questions.			
(6) Has the Company established management policy for suppliers and asked the suppliers to comply with environmental friendly, occupational safety or labor rights and present its implementations?	✓		(6) As a professional semiconductor distributor, the Company evaluates the past background and corporate image of suppliers before acting as an agent for product lines to ensure that the supply of raw materials meets the requirements of environmental restricted substances management regulations and maintains good relationships with suppliers. No major social responsibility violations have occurred.			

Evaluation Item	Implementation Status			Deviations from “the Sustainable Development Practice Principles” and Reasons
	Yes	No	Abstract Illustration	
5. Has the Company referenced the international principles or guidelines for preparing generalized report to prepare its non-financial reports such as sustainability reports? Has the Company obtained confirmation or guarantee opinions from third-party verification agencies regarding the aforementioned report?	✓		The Company discloses information related to the fulfillment of social responsibility through the Company's website and the Market Observation Post System (MOPS), enhances the disclosure of relevant information, and explains the circumstances related to the promotion of CSR in the annual report, and discloses the relevant regulations on the Company's website and the MOPS.	None.
<p>6. If the Company has its own corporate sustainable development in accordance with the Corporate Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe the difference between its operational and prescribed code: No difference.</p> <p>The Company has established a Code of Corporate Social Responsibility, which was approved by the Board of Directors on March 23, 2015. Its operation is not materially different from the Code of Conduct, and the spirit of its operation and governance is in compliance with the Code of Conduct, and the relevant regulations are disclosed on the Company’s website and the Market Observation Post System.</p> <p>In addition, the Company actively practices corporate social responsibility in order to meet the international trend of balancing environmental, social and corporate governance development, and to enhance national economic contribution, improve the quality of life of employees, communities and society through corporate citizenship, and promote a competitive advantage based on corporate responsibility.</p>				
<p>7. Other important information about the Company that is useful in understanding the operation of sustainable development:</p> <p>The Company performs environmental protection, community participation, social contribution, social services, social welfare, consumer rights, human rights, safety and health, and other social responsibility activities in accordance with the Company's CSR Code of Practice and fulfills its corporate social responsibility in accordance with relevant laws and regulations.</p>				

(8) The and the Subsidiaries' Ethical Corporate Management Best-Practice, Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons:

The Company has always operated in accordance with the principle of integrity and has followed the relevant laws and regulations and internal control system to operate in good faith.

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
1. Establishment of ethical corporate management policies and programs				
(1) Does the company formulate its ethical corporate management policies approved by the Board of Directors and declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board and senior management to implement the policies?	✓		(1) The company has established Ethical Corporate Management Best Practice Principles. In addition, the Company has also revised the Code of Ethical Conduct, which was approved by the Board of Directors on March 23, 2015.	None.
(2) Does the company establish evaluation system for the risk of unethical conducts, regularly analyze and evaluate the operating activities with the risk of high-potential unethical conducts within its operating scope and formulate prevention programs and precaution measures against unethical conducts or listed activities stated in Article 2, Paragraph 7 of the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies"?	✓		(2) In the course of its operations, the Company has implemented the management policy of integrity and has been actively implementing the operational management requirements of the Board of Directors and the management.	None.

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(3) Does the company establish clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, and rules of appeal in its prevention programs against unethical conducts, ensure its implementation, and regularly review and revise the aforementioned programs?	✓		(3) The company regulates the newcomers to sign an employee commitment when reporting to the company, requiring all colleagues to comply with the principle of honesty, integrity and self-discipline work to avoid any illegal behavior	None.
2. Fulfill ethical management				
(1) Does the company evaluate business partners’ ethical records and include ethics-related clauses in business contracts?	✓		(1) The Company has agreed to the sunshine integrity and anti-bribery clauses in the form of commercial terms and conditions or pledges to our suppliers and customers to eliminate improper practices and establish a good cooperation relationship for coexistence and development.	None.
(2) Does the company establish an exclusively dedicated unit supervised by the Board to be in charge of the promotion of corporate ethical management, regularly (at least once a year) report its ethical management policies and prevention programs against unethical conducts, and supervise its	✓		(2) The Company has established Ethical Corporate Management Best Practice Principles, and the Finance Department is responsible for the promotion of ethical corporate governance and reports to the Board of Directors on its handling.	None.

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
implementations?				
(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	✓		(3) The Company's personnel shall recuse themselves from any conflict of interest in the execution of business, and the relevant regulations are set forth in the "Code of Ethical Conduct" as a policy to prevent conflicts of interest.	None.
(4) Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management? Does the company's internal audit unit prepare relevant audit plans based on the evaluation results of risk of the unethical conducts from the internal audit unit? Is the compliance of prevention program against unethical conducts audited by either internal auditors or CPAs?	✓		(4) The accounting and internal control systems established by the Company for the purpose of operating with integrity are in accordance with the relevant laws and regulations, and are operated effectively through the performance of internal and external audit functions.	None.
(5) Does the company regularly hold internal and external educational trainings on ethical management?	✓		(5) The Human Resources Department will hold internal and external education training regularly.	None.

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>3. Operation of the company’s complaint system</p> <p>(1) Does the company establish both a specific complaint and reward system and a convenient complaint channel? Can the accused be reached by an appropriate person for follow-up?</p> <p>(2) Does the company establish standard operating procedures for investigating accusation cases, and follow-up measures and relevant confidential system to be adopted after the completion of the investigation?</p> <p>(3) Does the company provide proper whistleblower protection?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>The Human Resources Department of the Company is responsible for establishing work rules and related personnel regulations, and establishing appropriate reporting channels. If an employee violates the rules of honest management, he or she will be disciplined according to the seriousness of the case, and the identity of the complainant will not be disclosed.</p>	None.
<p>4. Strengthening information disclosure</p> <p>(1) Does the company disclose its ethical corporate management policies and the results of its implementation on the company’s website and MOPS?</p>	<p>✓</p>		<p>The Company's website has a special area for investors, in which information about corporate governance-related organizations and important company regulations are disclosed on the Company's website for stakeholder inquiries. The information will be disclosed on the Company's website and on the Market Observation Post System.</p>	None.

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			The Company has a dedicated department responsible for maintaining the information content of the Company's website on a regular basis so that the website can fully disclose information related to the Company's integrity and corporate governance operations.	
<p>5. If the company has established the ethical corporate management policies based on the “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the policies and their implementation:</p> <p>On March 24, 2014 and March 23, 2015, the Company’s Board of Directors approved the “Ethical Corporate Management Best Practice Principles” and "Code of Ethical Conduct", respectively, and disclosed the related regulations on the Company's website and the Market Observation Post System. Based on the management philosophy of integrity, transparency and accountability, we have established an integrity-based policy and set out clearly and thoroughly in the Code of Conduct a program to prevent dishonest behavior, including operating procedures, behavioral guidelines and education and training, so as to establish a good corporate governance and risk control mechanism and create a sustainable business environment.</p>				
<p>6. Other important information to help understand the operation of the Company's integrity management (such as the Company's review and amendment of the Company's code of ethical conduct): The Company has established a code of ethical conduct and an additional code of ethical conduct, and keeps an eye on the development of domestic and international codes of ethical conduct and reviews and improves them in order to enhance the effectiveness of the Company's integrity management.</p>				

- (9) If the Company has established a code of corporate governance and related regulations, it should disclose its inquiry methods.
In the Investor Zone of the Company's website, a corporate governance section is set up and the articles of incorporation, the election of directors, and the rules and regulations of the shareholders' meeting are placed for investors to inquire.
- (10) Other Important Information for the Enhancing the Understanding of the Company's Corporate Governance Operations may be disclosed:
The Company will promptly disclose material information and corporate presentation information, and will post the relevant information on the Market Observation Post System and the Company's website.

(11) Implementation Status for Internal Control System

1. Statement of Internal Control

Zenitron . Corporation
Internal Control System Statement

Date: March 15, 2023

In 2022, the Company conducted an internal audit of its internal control system and hereby declares the following:

1. The Company acknowledges and understands that the establishment, enforcement and maintenance of the internal control system are the responsibility of the Board of Directors and management, and that the company has already established such a system. The aim of the system is to provide reasonable assurance of the achievement of objectives in the effectiveness and efficiency of operations (including profits, performance, and safeguard of asset security), reliability, timeliness, and transparency of reporting, and compliance with applicable laws and regulations.
2. There are inherent limitations to even the most well designed internal control system. As such an effective internal control system can only reasonably ensure the achievement of the aforementioned goals. Moreover, the operating environment and situation may change, impacting the effectiveness of the internal control system. However, self-supervision measures were implemented within the Company's internal control policies to facilitate immediate rectification once procedural flaws have been identified.
3. The Company judges the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (hereinafter referred to as the "Regulations"). The criteria introduced by the "Governing Regulations" cover the process of management control and consist of five major elements, each representing a different stage of internal control: 1. Control environment, 2. Risk assessment, 3. Control activities, 4. Information and communications, and 5. Monitoring activities. Each of the elements in turn contains certain audit items. Please refer to "Governing Regulations" for details.
4. The Company has adopted the aforementioned measures for an examination of the effectiveness of the design and implementation of the internal control system.
5. Based on the findings of the aforementioned examination, the Company believes it can reasonably assure that the design and implementation of its internal control system as of Thursday, December 31, 2022 (including supervision and management of subsidiaries), including the effectiveness and efficiency in operation, reliability in financial reporting and compliance with relevant regulatory requirements, have achieved the aforementioned objectives.
6. This declaration constitutes part of the Company's annual report and prospectus, and shall be disclosed to the public. If any fraudulent information, concealment or unlawful practices are discovered in the content of the aforementioned information, the Company shall be held liable under Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchange Act.
7. This statement was passed by the Board of Directors on March 21, 2023, with none of the ten attending Directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Zenitron . Corporation
Chairman: Chou, Yeoh-Yih
President: Yeh, Lu-Chang

2. In case that a CPA was engaged to conduct a Special Audit of Internal Control System. its audit report shall be provided: None.

(12) For the most recent year and up to the printing date of the annual report, the Company and its internal personnel have been punished by law, the consequence might have material impact on the equity or stock price, hence, please specify the punishment details, and the major deficiencies and improvements: None

(13) Significant resolutions of the shareholders' meeting and the board of directors for the most recent year and up to the date of printing of the annual report:

1. Important resolutions of the shareholders' meeting

Date	Important Resolutions
2022.06.08	<p>1. Adoption of the 2021 Business Report and Financial Statements. Execution: The resolution was passed.</p> <p>2. Adoption of the 2021 Earnings Allocation. Execution: The resolution was passed. Shareholders' cash dividend total amounts NT\$748,387,024, NT\$3.5 per share (The ex-dividend date is set as July 16, 2022 and the cash dividend payment date is July 29, 2022.)</p> <p>3. Amendment to "Articles of Incorporation." Execution: The resolution was passed.</p> <p>4. Amendment to the Company's Procedures for Acquisition and Disposal of Assets. Execution: The resolution was passed.</p>

2. Important resolutions of the Board of Directors

Date	Important Resolutions
2022.03.21	<p>1. Adoption of Employees' and Directors' Compensation Distribution for 2021.</p> <p>2. Adoption of the 2021 Business Report and Financial Reports</p> <p>3. Adoption of 2021 Profit Distribution</p> <p>4. Adoption of 2021 Profit Distribution and Cash Dividend</p> <p>5. Approval of Business Plans for 2022</p> <p>6. Approval of Self-Assessment of Internal Control and Statement of Internal Control System for the year 2021</p> <p>7. Approval of amendment to "Articles of Incorporation"</p> <p>8. Approval of amendment to the Company's Procedures for Acquisition and Disposal of Assets</p> <p>9. The Independence and Competence of CPAs</p> <p>10. Adoption of applying for or renewing credit lines from banks, derivative trading lines, providing endorsement guarantees and lending funds to others</p> <p>11. Approval of relevant matters for convening 2022 Shareholders' Meeting</p>
2022.05.13	<p>1. Approval of overseas structure adjustment</p> <p>2. Approval of setting the base date for issuing new shares by conversion of "the 4th domestic unsecured convertible corporate bond".</p> <p>3. Approval of the change for CPAs and the Independence and Competence evaluations of CPAs</p> <p>4. Adoption of applying for or renewing credit lines from banks, derivative trading lines, providing endorsement guarantees and lending funds to others</p>
2022.08.12	<p>1. Approval of the salary adjustment for managerial officers of the Company for 2022.</p> <p>2. Adoption of the Consolidated Financial Reports for First Half of the Year 2022.</p> <p>3. Approval of amendment to "Sustainable Development Best Practice Principles"</p> <p>4. Approval of setting the base date for issuing new shares by conversion of "the 4th domestic unsecured convertible corporate bond".</p>

Date	Important Resolutions
	5. Adoption of applying for or renewing credit lines from banks, derivative trading lines, providing endorsement guarantees and lending funds to others
2022.11.11	1. Approval of 2023 audit plans 2. Adoption of the Consolidated Financial Reports for 2022 Q3. 3. Approval of amendment to “Procedures for Handling Material Inside Information” 4. Approval of setting the base date for issuing new shares by conversion of “the 4 th domestic unsecured convertible corporate bond” 5. Approval of undertaking foreign exchange transactions for US dollars to New Taiwan dollars to reduce interest costs. 6. Adoption of applying for or renewing credit lines from banks, derivative trading lines, providing endorsement guarantees and lending funds to others
2023.03.15	1. Adoption of Employees' and Directors' Compensation Distribution for 2022. 2. Adoption of the 2022 Business Report and Financial Reports 3. Adoption of 2022 Profit Distribution 4. Adoption of 2022 Profit Distribution and Cash Dividend 5. Approval of Business Plans for 2023 6. Approval of Self-Assessment of Internal Control and Statement of Internal Control System for the year 2022 7. Approval of the Independence and Competence evaluations of CPAs 8. Approval of the pre-approval of the auditor, their firm, and affiliated companies to provide non-audit services to the Company and its subsidiaries 9. Approval of setting the base date for issuing new shares by conversion of “the 4 th domestic unsecured convertible corporate bond” 10. Adoption of applying for or renewing credit lines from banks, derivative trading lines, providing endorsement guarantees and lending funds to others 11. Approval of the managerial officer appointment 12. Approval of the election for additional Independent Director and nominations 13. Approval of the restriction lift on competition for the newly appointed Director 14. Approval of relevant matters for convening 2023 Regular Shareholders' Meeting

- (14) For the most recent year and as of the printing date of the annual report, if the directors or supervisors have dissenting opinions on important resolutions passed by the board of directors and there are records or written statements of such dissenting opinions, the main content of which: None.
- (15) Summary of the resignation and dismissal of the chairman, president, head of accounting, head of finance, head of internal audit, head of corporate governance, and head of research and development of the Company for the most recent year and as of the date of printing of the annual report:

Title	Name	Date of Taking Office	Date of Dismissal	Reasons for resignation or dismissal
President	Yeh, Lu-Chang	Sep. 01, 2020	Mar. 15, 2023	Retirement

(IV) Information on CPA Professional Fees:**(1) CPA Professional Fees**

Currency & Unit: NTD\$1,000

CPA Firm name	CPA Name	Audit by government sponsorship	Non-audit government sponsorship					Duration of CPA audit	Remark
			system design	Industrial registration	Human resources	Others	Subtotal		
PwC Taiwan	Chen, Chin-Chang	5,290					5,290	2022/01/01	
	Liao, Fu-Ming							2022/12/31	
						5,426	5,426	2022/01/01	Note
								2022/12/31	

Note: Other non-audit government sponsorship: It is for the research and analysis on group transfer pricing, NT\$768,000, Report by Country, NT\$260,000.

(2) If the accounting firm is changed and the audit fees paid in the year of the replacement is less than that of the previous year, the amount of the audit fees before and after the replacement and the causes shall be disclosed: None.

(3) If the audit fee is reduced by 10% or more from the previous year, the amount, percentage and reasons for the reduction shall be disclosed: None.

(V) Information on Replacement of Certified Public Accountants: None

(1) About the preceding accountant: Not applicable

(2) About the succeeding accountant: Not applicable

(3) Reply from the previous accountant on the matters set out in Article 10, Subparagraph 6 (1) and (2)-3 of the Principles: Not applicable

(VI) If the chairman, president, or manager in charge of financial or accounting matters of the Company has worked in the firm of the certified public accountant or its affiliates within the last year, the name, title, and period of employment in the firm of the certified public accountant or its affiliates should be disclosed: None.

(VII) Any Transfer of Equity Interests and/or Pledge of or Change in Equity Interests by A Director, Supervisor, Managerial Officer, or Shareholder with a Stake of More than 10 Percent during the Most Recent Year or During the Current Year up to the Date of Publication of the Annual Report:

(1) Changes in shareholdings of directors, supervisors, managers and majority shareholders:

Unit: shares

Title	Name	2022		As of April 10, 2023	
		Shareholdin gs increase (decrease)	Number of pledge shares increase (decrease)	Shareholdin gs increase (decrease)	Number of pledge shares increase (decrease)
Chairman	CHOU, YEOU-YIH	0	0	0	0
Director and Vice Chairman	CHEN, HSIN-YI	0	0	0	0
Director	FANG, YI-HSIUNG	0	0	0	0
Director	HSIEH, SHIH-FU	0	0	0	0
Director	Yutseng Investment Co., Ltd.	0	0	0	0
Representative of a Director and Chief Executive Officer	CHOU, CHUN-KUANG	0	0	0	0
Director	Zenitex Investment Co., Ltd.	0	0	0	0
Representative of a Director and Chief Executive Officer	CHOU, CHUN-HSIEN	0	0	0	0
Director and President	YEH, LU-CHANG(Note1)	0	0	N/A	N/A
Independent Director	LIU, CHUN	0	0	0	0
Independent Director	HSU, JUI-MAO	0	0	0	0
Independent Director	LIAO, FU-LONG	0	0	0	0
Senior Vice President	CHANG, CHANG-FU	(300,000)	0	(108,000)	0
Senior Vice President	HONG, QI-GONG	0	0	0	0
Senior Vice President	CHEN, TING-HUANG	(2,000)	0	0	0
Vice President	LIU, YING-TSO	0	0	0	0
Vice President	CHEN, YU-ZHANG	0	0	0	0
Vice President	SU, ZHONG-BANG	0	0	0	0
Vice President	YOU, SHENG-YUAN	0	0	0	0
Chief Financial Officer	YOU, SHUYI	0	0	0	0

Note 1: Director and President Yeh, Lu-Chang has resigned on March 15, 2023 on account of retirement.

(2) Information on the transfer of shares: The Company's directors, supervisors and 10% shareholders transfer their shares to the general investing public through the centralized securities market.

(3) Information on pledge of equity interest: None.

(VIII) Information on the Relationship between any of the top Ten Shareholders (Related Party, Spouse, or Kinship within the Second Degree)

Apr. 11, 2023; Unit: shares; %

NAME (NOTE 1)	OWN SHAREHOLDING		SPOUSE & MINOR SHAREHOLDING		SHAREHOLDING BY NOMINEE ARRANGEMENT		THE NAMES AND RELATIONSHIPS OF THE TOP TEN SHAREHOLDERS WHO ARE RELATED PARTIES OR WHO ARE RELATED TO EACH OTHER AS SPOUSES OR SECOND DEGREE RELATIVES (NOTE 3)		R E M A R K S
	Number of Shares	Shareholding ratio (Note 2)	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Name	Relation	
Zenitex Investment Co., Ltd.	9,862,828	4.46%	0	0.00%	0	0.00%	CHOU, CHUN-HSIEN	Chairman of the Company	
Representative: CHOU, CHUN-HSIEN	3,557,925	1.61%	5000	0.00%	0	0.00%	CHOU, L I-MEI-CHEN CHOU, CHUN-KUANG CHOU, YEOU-YIH	The director of the Company The director of the Company The supervisor of the Company	
Zeniboss Corporation	8,705,916	3.94%	0	0.00%	0	0.00%	CHOU, YEOU-YIH	Chairman of the Company	
Representative: CHOU, YEOU-YIH	5,192,074	2.35%	9,552	0.00%	0	0.00%	CHOU, CHUN-KUANG	The supervisor of the Company	
Yutseng Investment Co., Ltd.	6,090,840	2.75%	0	0.00%	0	0.00%	CHOU, CHUN-KUANG	Chairman of the Company	
Representative: CHOU, CHUN-KUANG	3,430,502	1.55%	977,883	0.45%	0	0.00%	CHOU, L I-MEI-CHEN CHOU, YEOU-YIH CHOU, CHUN-HSIEN	The director of the Company The director of the Company The supervisor of the Company	
CHOU, YEOU-YIH	5,192,074	2.35%	9,552	0.00%	0	0.00%	CHOU, L I-MEI-CHEN CHOU, CHUN-	Husband and Wife Father and Son	

NAME (NOTE 1)	OWN SHAREHOLDING		SPOUSE & MINOR SHAREHOLDING		SHAREHOLDING BY NOMINEE ARRANGEMENT		THE NAMES AND RELATIONSHIPS OF THE TOP TEN SHAREHOLDERS WHO ARE RELATED PARTIES OR WHO ARE RELATED TO EACH OTHER AS SPOUSES OR SECOND DEGREE RELATIVES (NOTE 3)		R E M A R K S
	Number of Shares	Shareholding ratio (Note 2)	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Name	Relation	
							KUANG CHOU, CHUN-HSIEN	Father and Son	
Taishin International Bank Trust Account - CHOU,LI-MEI-CHEN Trustee: CHOU,LI-MEI-CHEN	5,000,000	2.26%	0	0.00%	0	0.00%	CHOU, YEOU-YIH CHOU, CHUN-KUANG CHOU, CHUN-HSIEN	Husband and Wife Mother and son Mother and son	
YuanHan Materials Inc. Representative: CHEN, YONG-HENG	4,249,000	1.92%	0	0.00%	0	0.00%	None	None	
	0	0.00%	0	0.00%	0	0.00%	None	None	
Standard Chartered International Commercial Banking is entrusted with the custody of the SPDR Portfolio Emerging Markets of the SPDR(R) Index Share Fund	4,006,000	1.81%	0	0.00%	0	0.00%	None	None	
Tung Ho Steel Enterprise Co. Representative: HOU,CHIEH-TENG	3,825,000	1.73%	0	0.00%	0	0.00%	None	None	
	0	0.00%	0	0.00%	0	0.00%	None	None	
CHOU, CHUN-HSIEN	3,557,925	1.61%	5,000	0.00%	0	0.00%	CHOU, YEOU-YIH CHOU,LI-MEI-CHEN	Father and Son Mother and son Brothers	

NAME (NOTE 1)	OWN SHAREHOLDING		SPOUSE & MINOR SHAREHOLDING		SHAREHOLDING BY NOMINEE ARRANGEMENT		THE NAMES AND RELATIONSHIPS OF THE TOP TEN SHAREHOLDERS WHO ARE RELATED PARTIES OR WHO ARE RELATED TO EACH OTHER AS SPOUSES OR SECOND DEGREE RELATIVES (NOTE 3)		R E M A R K S
	Number of Shares	Shareholding ratio (Note 2)	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Name	Relation	
							CHOU, CHUN-KUANG		
CHOU, CHUN-KUANG	3,430,502	1.55%	977,883	0.44%	0	0.00%	CHOU, YEOU-YIH CHOU, L I-MEI-CHEN CHOU, CHUN-HSIEN	Father and Son Mother and son Brothers	

Note 1: All of the top ten shareholders should be listed, and the names of corporate shareholders and their representatives should be listed separately if they are corporate shareholders.

Note 2: The calculation of the percentage of shareholding refers to the calculation of the percentage of shareholding in the name of oneself, one's spouse, minor children or the use of others, respectively.

Note 3: The shareholders listed in the preceding paragraph include both legal and natural persons, and the relationships between them should be disclosed in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(IX) The number of shares held by the Company, its directors, supervisors, managers and businesses directly or indirectly controlled by the Company in the same re-invested business and the consolidated percentage of shareholding are calculated as follows

Dec. 31, 2022
Unit: shares; %

Re-invested businesses (Note 1)	The Company's investment		Directors, Supervisors, Managers and Investments in Direct or Indirectly Controlled Businesses		Total investment	
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio
Supertronic International Corp.	100,000	100.00%	-	-	100,000	100.00%
Zenicom Corporation	16,520,000	100.00%	-	-	16,520,000	100.00%
Zenitron (HK) Limited	22,372,872	100.00%			22,372,872	100.00%
Zenicom (HK) Limited			23,800,000	100.00%	23,800,000	100.00%
Zenitron (Shanghai) International Trading Co., Ltd.	-	-	-(Note1)	100.00%	-(Note1)	100.00%
ZTHC (Shanghai) Co., Ltd.	-	-	-(Note1)	100.00%	-(Note1)	100.00%
Zenitron (Shenzhen) Technology Co., Ltd.	-	-	-(Note1)	100.00%	-(Note1)	100.00%
Shanghai Zenitron Electronic Trading Co., Ltd.	-	-	-(Note1)	100.00%	-(Note1)	100.00%
Shanghai Zenicom Industrial Co., Ltd			-(Note1)	100.00%	-(Note1)	100.00%

Note 1 : The invested company has not issued shares, so there is no number of shares held.

IV. Capital Overview

(I) Capital and Shares

(1) Source of Capital

Year/Month	Par Value(NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Number of shares	Amount	Number of shares	Amount	Source of Share Capital	Capital Increased by Assets Other than Cash	Other
1997 06	10	5,800,000	58,000,000	5,800,000	58,000,000	Capital increase by cash NT\$30,000,000	None	□
1997 11	10	13,700,000	137,000,000	13,700,000	137,000,000	Capital increase by cash NT\$50,000,000 Capital increase from retained earnings NT\$29,000,000	None	□
1998 08	10	30,000,000	300,000,000	19,700,000	197,000,000	Capital increase by cash NT\$60,000,000	None	□
1999 06	12	50,000,000	500,000,000	36,000,000	360,000,000	Capital increase by cash NT\$103,900,000 Capital increase from retained earnings NT\$59,100,000	None	Note 1
1999 12	60	50,000,000	500,000,000	40,000,000	400,000,000	Capital increase by cash NT\$40,000,000	None	Note 2
2000 06	10	60,000,000	600,000,000	53,000,000	530,000,000	Capital increase from retained earnings NT\$120,000,000 Capital increase from employee bonus NT\$10,000,000	None	Note 3
2001 04	10	170,000,000	1,700,000,000	70,000,000	700,000,000	Capital increase from retained earnings NT\$159,000,000 Capital increase from employee bonus NT\$11,000,000	None	Note 4
2001 05	45	170,000,000	1,700,000,000	80,000,000	800,000,000	Capital increase by cash NT\$100,000,000	None	Note 5
2002 06	10	170,000,000	1,700,000,000	81,330,666	813,306,660	Issuance from Consolidated Capital Increase NT\$13,306,660	None	Note 6
2002 08	10	170,000,000	1,700,000,000	92,190,346	921,903,460	Capital increase from retained earnings NT\$97,596,800 Capital increase from employee bonus NT\$11,000,000	None	Note 7
2003 08	10	170,000,000	1,700,000,000	100,765,570	1,007,655,700	Capital increase from retained earnings NT\$73,752,240 Capital increase from employee bonus NT\$12,000,000	None	Note 8
2004 02	10	170,000,000	1,700,000,000	100,888,070	1,008,880,700	Conversion of Employee Stock Options NT\$1,225,000	None	Note 9
2004 03	10	170,000,000	1,700,000,000	101,155,070	1,011,550,700	Conversion of Employee Stock Options NT\$2,670,000	None	Note 10
2004 05	10	170,000,000	1,700,000,000	101,458,911	1,014,589,110	Conversion of Corporate Bond NT\$3,038,410	None	Note 11
2004 07	10	250,000,000	2,500,000,000	101,585,911	1,015,859,110	Conversion of Employee Stock Options NT\$1,270,000	None	Note 12
2004 09	10	250,000,000	2,500,000,000	108,983,664	1,089,836,640	Capital increase from retained earnings NT\$55,977,530 Capital increase from employee bonus NT\$18,000,000	None	Note 13
2004 11	10	250,000,000	2,500,000,000	109,018,664	1,090,186,640	Conversion of Employee Stock Options NT\$350,000	None	Note 14
2005 01	10	250,000,000	2,500,000,000	109,027,414	1,090,274,140	Conversion of Employee Stock Options NT\$87,500	None	Note 15

Year/Month	Par Value(NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Number of shares	Amount	Number of shares	Amount	Source of Share Capital	Capital Increased by Assets Other than Cash	Other
2005 09	10	250,000,000	2,500,000,000	115,862,534	1,158,625,340	Conversion of Employee Stock Options NT\$837,500 Capital increase from retained earnings NT\$53,513,700 Capital increase from employee bonus NT\$14,000,000	None	Note 16
2005 10	10	250,000,000	2,500,000,000	122,766,152	1,227,661,520	Conversion of Employee Stock Options NT\$465,000 Conversion of Corporate Bond NT\$68,571,180	None	Note 17
2006 04	10	250,000,000	2,500,000,000	171,302,029	1,713,020,290	Conversion of Employee Stock Options NT\$2,475,000 Conversion of Corporate Bond NT\$62,524,950 Issuance from Consolidated Capital Increase NT\$420,358,820	None	Note 18
2006 05	10	250,000,000	2,500,000,000	178,540,724	1,785,407,240	Conversion of Employee Stock Options NT\$950,000 Conversion of Corporate Bond NT\$71,436,950	None	Note 19
2006 07	22	350,000,000	3,500,000,000	201,742,599	2,017,425,990	Conversion of Employee Stock Options NT\$1,420,000 Conversion of Corporate Bond NT\$30,598,750 Capital increase by cash NT\$200,000,000	None	Note 20
2006 08	10	350,000,000	3,500,000,000	210,202,599	2,102,025,990	Capital increase from retained earnings NT\$84,600,000	None	Note 21
2006 10	10	350,000,000	3,500,000,000	210,827,099	2,108,270,990	Conversion of Employee Stock Options NT\$3,550,000 Conversion of Corporate Bond NT\$2,695,000	None	Note 22
2007 01	10	350,000,000	3,500,000,000	211,198,585	2,111,985,850	Conversion of Employee Stock Options NT\$1,350,000 Conversion of Corporate Bond NT\$2,364,860	None	Note 23
2007 04	10	350,000,000	3,500,000,000	211,353,585	2,113,535,850	Conversion of Employee Stock Options NT\$1,550,000	None	Note 24
2007 05	10	350,000,000	3,500,000,000	209,353,585	2,093,535,850	Capital reduction by Treasury Stock NT\$20,000,000	None	Note 25
2007 07	10	350,000,000	3,500,000,000	209,608,585	2,096,085,850	Conversion of Employee Stock Options NT\$2,550,000	None	Note 26
2007 10	10	350,000,000	3,500,000,000	213,318,138	2,133,181,380	Conversion of Employee Stock Options NT\$950,000 Conversion of Corporate Bond NT\$36,145,530	None	Note 27
2008 01	10	350,000,000	3,500,000,000	214,519,273	2,145,192,730	Conversion of Employee Stock Options NT\$9,575,000 Conversion of Corporate Bond NT\$2,436,350	None	Note 28
2008 04	10	350,000,000	3,500,000,000	210,804,273	2,108,042,730	Conversion of Employee Stock Options NT\$2,850,000 Capital Reduction by Treasury Stock NT\$ 40,000,000	None	Note 29
2008 07	10	350,000,000	3,500,000,000	211,134,273	2,111,342,730	Conversion of Employee Stock Options NT\$3,300,000	None	Note 30

Year/Month	Par Value(NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Number of shares	Amount	Number of shares	Amount	Source of Share Capital	Capital Increased by Assets Other than Cash	Other
2008 10	10	350,000,000	3,500,000,000	211,161,773	2,111,617,730	Conversion of Employee Stock Options NT\$275,000	None	Note 31
2008 12	10	350,000,000	3,500,000,000	206,161,773	2,061,617,730	Capital Reduction by Treasury Stock NT\$ 50,000,000	None	Note 32
2009 08	10	350,000,000	3,500,000,000	206,266,773	2,062,667,730	Conversion of Employee Stock Options NT\$1,050,000	None	Note 33
2009 10	10	350,000,000	3,500,000,000	206,545,523	2,065,455,230	Conversion of Employee Stock Options NT\$2,780,750	None	Note 34
2009 12	10	350,000,000	3,500,000,000	209,536,151	2,095,361,510	Conversion of Employee Stock Options NT\$15,450,000 Conversion of Corporate Bond NT\$14,456,280	None	Note 35
2010 04	10	350,000,000	3,500,000,000	210,656,947	2,106,569,470	Conversion of Employee Stock Options NT\$3,545,000 Conversion of Corporate Bond NT\$7,662,960	None	Note 36
2010 07	10	350,000,000	3,500,000,000	211,283,033	2,112,830,330	Conversion of Employee Stock Options NT\$3,000,000 Conversion of Corporate Bond NT\$3,260,860	None	Note 37
2010 10	10	350,000,000	3,500,000,000	211,439,446	2,114,394,460	Conversion of Employee Stock Options NT\$1,075,000 Conversion of Corporate Bond NT\$489,130	None	Note 38
2011 01	10	350,000,000	3,500,000,000	211,893,573	2,118,935,730	Conversion of Employee Stock Options NT\$3,400,000 Conversion of Corporate Bond NT\$1,141,270	None	Note 39
2011 04	10	350,000,000	3,500,000,000	212,457,594	2,124,575,940	Conversion of Employee Stock Options NT\$1,075,000 Conversion of Corporate Bond NT\$4,565,210	None	Note 40
2011 07	10	350,000,000	3,500,000,000	212,873,614	2,128,736,140	Conversion of Employee Stock Options NT\$2,065,200 Conversion of Corporate Bond NT\$2,065,200	None	Note 41
2011 10	10	350,000,000	3,500,000,000	213,122,864	2,131,228,640	Conversion of Employee Stock Options NT\$2,492,500	None	Note 42
2012 01	10	350,000,000	3,500,000,000	213,170,364	2,131,703,640	Conversion of Employee Stock Options NT\$475,000	None	Note 43
2012 04	10	350,000,000	3,500,000,000	213,277,364	2,132,773,640	Conversion of Employee Stock Options NT\$1,070,000	None	Note 44
2012 08	10	350,000,000	3,500,000,000	213,352,364	2,133,523,640	Conversion of Employee Stock Options NT\$750,000	None	Note 45
2012 11	10	350,000,000	3,500,000,000	213,403,364	2,134,033,640	Conversion of Employee Stock Options NT\$510,000	None	Note 46
2013 01	10	350,000,000	3,500,000,000	213,423,364	2,134,233,640	Conversion of Employee Stock Options NT\$200,000	None	Note 47
2013 04	10	350,000,000	3,500,000,000	213,482,614	2,134,826,140	Conversion of Employee Stock Options NT\$592,500	None	Note 48
2013 10	10	350,000,000	3,500,000,000	213,538,364	2,135,383,640	Conversion of Employee Stock Options NT\$557,500	None	Note 49
2014 01	10	350,000,000	3,500,000,000	213,583,864	2,135,838,640	Conversion of Employee Stock Options NT\$455,000	None	Note 50

Year/Month	Par Value(NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Number of shares	Amount	Number of shares	Amount	Source of Share Capital	Capital Increased by Assets Other than Cash	Other
2014 04	10	350,000,000	3,500,000,000	213,704,364	2,137,043,640	Conversion of Employee Stock Options NTS1,205,000	None	Note 51
2014 07	10	350,000,000	3,500,000,000	213,742,364	2,137,423,640	Conversion of Employee Stock Options NTS380,000	None	Note 52
2014 10	10	350,000,000	3,500,000,000	213,758,614	2,137,586,140	Conversion of Employee Stock Options NTS162,500	None	Note 53
2015 03	10	350,000,000	3,500,000,000	213,799,864	2,137,998,640	Conversion of Employee Stock Options NTS412,500	None	Note 54
2015 08	10	350,000,000	3,500,000,000	213,824,864	2,138,248,640	Conversion of Employee Stock Options NTS250,000	None	Note 55
2022 06	10	350,000,000	3,500,000,000	215,893,819	2,158,938,190	Conversion of Corporate Bond NTS20,689,550	None	Note 56
2022 09	10	350,000,000	3,500,000,000	217,655,878	2,176,558,780	Conversion of Corporate Bond NTS17,620,590	None	Note 57
2022 12	10	350,000,000	3,500,000,000	218,405,393	2,184,053,930	Conversion of Corporate Bond NTS7,495,150	None	Note 58
2023 03	10	350,000,000	3,500,000,000	218,489,521	2,184,895,210	Conversion of Corporate Bond NTS841,280	None	Note 59

Note 1: Approved by Letter (88) Tai-Tsai-Cheng (1) No. 32096 on Apr. 15, 1999

Note 2: Approved by Letter (88) Tai-Tsai-Cheng (1) No. 97993 on Nov. 9, 1999

Note 3: Approved by Letter (89) Tai-Tsai-Cheng (1) No. 43309 on May. 18, 2000

Note 4: Approved by Letter (90) Tai-Tsai-Cheng (1) No. 120516 on Apr. 23, 2001

Note 5: Approved by Letter (90) Tai-Tsai-Cheng (1) No. 123591 on May. 15, 2001

Note 6: Approved by Letter (91) Tai-Tsai-Cheng (1) No. 0910132378 on Jun. 21, 2002

Note 7: Approved by Letter (91) Tai-Tsai-Cheng (1) No. 0910145797 on Aug. 19, 2002

Note 8: Approved by Letter (92) Tai-Tsai-Cheng (1) No. 0920127502 on Jun. 20, 2003

Note 9: Approved by the Letter Ching-Shou-Shang-Tzu No. 09301014120 on Feb. 2, 2004.

Note 10: Approved by the Letter Ching-Shou-Shang-Tzu No. 09301052260 on Mar. 26, 2004.

Note 11: Approved by the Letter Ching-Shou-Shang-Tzu No. 09301079150 on May 10, 2004.

Note 12: Approved by the Letter Ching-Shou-Shang-Tzu No. 09301131840 on Jul. 29, 2004.

Note 13: Approved by the Letter Ching-Shou-Shang-Tzu No. 09301173580 on Sep. 14, 2004.

Note 14: Approved by the Letter Ching-Shou-Shang-Tzu No. 09301208340 on Nov. 3, 2004.

Note 15: Approved by the Letter Ching-Shou-Shang-Tzu No. 09401008660 on Jan. 24, 2005.

Note 16: Approved by the Letter Ching-Shou-Shang-Tzu No. 09401182450 on Sep. 29, 2005.

Note 17: Approved by the decree Ching-Shou-Shang-Tzu No. 09401205930 on Oct. 18, 2005.

Note 18: Approved by the Letter Ching-Shou-Shang-Tzu No. 09501063490 on Apr. 11, 2006.

Note 19: Approved by the Letter Ching-Shou-Shang-Tzu No. 09501096310 on May 25, 2006.

Note 20: Approved by the Letter Ching-Shou-Shang-Tzu No. 09501154950 on Jul. 24, 2006.

Note 21: Approved by the Letter Ching-Shou-Shang-Tzu No. 09501189080 on Aug. 25, 2006.

Note 22: Approved by the Letter Ching-Shou-Shang-Tzu No. 09501242180 on Oct. 25, 2006.

Note 23: Approved by the Letter Ching-Shou-Shang-Tzu No. 09601013870 on Jan. 18, 2007.

Note 24: Approved by the Letter Ching-Shou-Shang-Tzu No. 09601079950 on Apr. 16, 2007.

Note 25: Approved by the Letter Ching-Shou-Shang-Tzu No. 09601105580 on May 15, 2007.

Note 26: Approved by the Letter Ching-Shou-Shang-Tzu No. 09601172310 on Jul. 23, 2007.

Note 27: Approved by the Letter Ching-Shou-Shang-Tzu No. 09601254450 on Oct. 17, 2007.

Note 28: Approved by the Letter Ching-Shou-Shang-Tzu No. 09701012720 on Jan. 21, 2008.

Note 29: Approved by the Letter Ching-Shou-Shang-Tzu No. 09701093070 on Apr. 18, 2008.

Note 30: Approved by the Letter Ching-Shou-Shang-Tzu No. 09701177430 on Jul. 31, 2008.

Note 31: Approved by the Letter Ching-Shou-Shang-Tzu No. 09701265840 on Oct. 20, 2008.

Note 32: Approved by the Letter Ching-Shou-Shang-Tzu No. 09701317790 on Dec. 18, 2008.

Note 33: Approved by the Letter Ching-Shou-Shang-Tzu No. 09801172890 on Aug. 04, 2009.

Note 34: Approved by the Letter Ching-Shou-Shang-Tzu No. 09801241310 on Oct. 22, 2009.

Note 35: Approved by the Letter Ching-Shou-Shang-Tzu No. 09901012680 on Jan. 20, 2010.

Note 36: Approved by the Letter Ching-Shou-Shang-Tzu No. 09901078550 on Apr. 20, 2010.

Note 37: Approved by the Letter Ching-Shou-Shang-Tzu No. 09901161800 on Jul. 19, 2010.

Note 38: Approved by the Letter Ching-Shou-Shang-Tzu No. 09901235730 on Oct. 19, 2010.

Note 39: Approved by the Letter Ching-Shou-Shang-Tzu No. 10001013380 on Jan. 20, 2011.

Note 40: Approved by the Letter Ching-Shou-Shang-Tzu No. 10001081730 on Apr. 25, 2011.

Note 41: Approved by the Letter Ching-Shou-Shang-Tzu No. 10001162800 on Jul. 25, 2011.

Note 42: Approved by the Letter Ching-Shou-Shang-Tzu No. 10001239440 on Oct. 18, 2012.

Note 43: Approved by the Letter Ching-Shou-Shang-Tzu No. 10101014870 on Jan. 30, 2012.

Note 44: Approved by the Letter Ching-Shou-Shang-Tzu No. 10101070610 on Apr. 19, 2012
 Note 45: Approved by the Letter Ching-Shou-Shang-Tzu No. 10101160880 on Aug. 06, 2012.
 Note 46: Approved by the Letter Ching-Shou-Shang-Tzu No. 10101231870 on Nov. 08, 2012.
 Note 47: Approved by the Letter Ching-Shou-Shang-Tzu No. 10201011630 on Jan. 27, 2013.
 Note 48: Approved by the Letter Ching-Shou-Shang-Tzu No. 10201069480 on Apr. 17, 2013.
 Note 49: Approved by the Letter Ching-Shou-Shang-Tzu No. 10201213440 on Oct. 22, 2013.
 Note 50: Approved by the Letter Ching-Shou-Shang-Tzu No. 10301010670 on Jan. 20, 2014.
 Note 51: Approved by the Letter Ching-Shou-Shang-Tzu No. 10301069730 on Apr. 17, 2014.
 Note 52: Approved by the Letter Ching-Shou-Shang-Tzu No. 10301147750 on Jul. 17, 2014.
 Note 53: Approved by the Letter Ching-Shou-Shang-Tzu No. 10301218270 on Oct. 21, 2014.
 Note 54: Approved by the Letter Ching-Shou-Shang-Tzu No. 10401044550 on Mar. 13, 2015.
 Note 55: Approved by the Letter Ching-Shou-Shang-Tzu No. 10401156710 on Aug. 06, 2015.
 Note 56: Approved by the Letter Ching-Shou-Shang-Tzu No. 11101089480 on Jun. 01, 2022
 Note 57: Approved by the Letter Ching-Shou-Shang-Tzu No. 11101171100 on Sep. 02, 2022
 Note 58: Approved by the Letter Ching-Shou-Shang-Tzu No. 11101226200 on Dec. 05, 2022
 Note 59: Approved by the Letter Ching-Shou-Shang-Tzu No. 11230051140 on Mar. 27, 2023

Apr. 11, 2023

Type of Shares	Authorized Capital			Remarks
	Issued Shares(Note)	Unissued Shares	Total	
Registered Common Stock	221,105,173 shares	128,894,827 shares	350,000,000 shares	

(Note) 2,615,652 shares of common stock, including convertible bonds, are listed and have not yet been registered.

(2) Relevant Information for Shelf Registration Form: None

(3) Status of Shareholders

Apr. 11, 2023

Items \ Status of Shareholders	Government Agencies	Financial Institutions	Other Juridical Persons	Individual	Foreign Institutions & Natural Persons	Total
Number of employees	0	6	180	41,997	75	42,258
Shares	0	5,496,820	37,431,753	166,300,246	11,876,354	221,105,173
Shareholding ratio	0.00%	2.49%	16.93%	75.21%	5.37%	100.00%

(4) Shareholding Distribution Status

Apr. 11, 2023

Shareholding level	Number of shareholders	Shares	Shareholding ratio
1 ~ 999	17,718	947,592	0.43%
1,000 ~ 5,000	19,019	40,051,245	18.11%
5,001 ~ 10,000	3,003	23,904,120	10.81%
10,001 ~ 15,000	890	11,427,918	5.17%
15,001 ~ 20,000	548	10,176,344	4.60%
20,001 ~ 30,000	446	11,404,801	5.16%
30,001 ~ 40,000	196	7,105,834	3.21%
40,001 ~ 50,000	103	4,840,689	2.19%
50,001 ~ 100,000	208	14,883,596	6.73%
100,001 ~ 200,000	63	8,939,393	4.04%
200,001 ~ 400,000	26	6,527,586	2.95%
400,001 ~ 600,000	9	4,347,997	1.97%
600,001 ~ 800,000	5	3,376,409	1.53%
800,001 ~ 1,000,000	5	4,547,223	2.06%
1,000,001 or more	19	68,624,426	31.04%
Total	42,258	221,105,173	100.00%

(5) List of Major Shareholders

Apr. 11, 2023

Shareholding Shareholder's Name	Shares	Percentage
Zenitex Investment Co., Ltd.	9,862,828	4.46%
ZENIBOSS CORPORATION	8,705,916	3.94%
Yutseng Investment Co., Ltd.	6,090,840	2.75%
CHOU,YEOU-YIH	5,192,074	2.35%
Taishin International Bank Trust Account - CHOU,LI-MEI-CHEN	5,000,000	2.26%
YuanHan Materials Inc.	4,249,000	1.92%
Standard Chartered International Commercial Banking is entrusted with the custody of the SPDR Portfolio Emerging Markets of the SPDR(R) Index Share Fund.	4,006,000	1.81%
Tung Ho Steel Enterprise Corp.	3,825,000	1.73%
CHOU,CHUN-HSIEN	3,557,925	1.61%
CHOU,CHUN-KUANG	3,430,502	1.55%

(6) Market Price, Net Worth, Earnings, and Dividends per Share for the past two years
Unit: NT\$1

Item		Year	2021 (Distribution in 2022)	2022 (Distribution in 2023)
Market price per share	Maximum		35.35	40.95
	Minimum		21.80	25.00
	Average		27.96	32.22
Earnings per share	Before distribution		24.75	25.50
	After distribution		21.25	22.45(Note 1)
Earnings per share	Weighted Average Number of Shares		213,825 thousand shares	216,541 thousand shares
	Earnings per share		4.10	3.30
Dividends per Share	Cash dividend		3.50	3.00(Note 1)
	Bonus shares	Dividends from Retained Earnings	-	-(Note 1)
		Dividends from Capital Surplus	-	-(Note 1)
	Accumulated Undistributed Dividends		-	-
Investment return analysis	Price / Earnings Ratio (Note 2)		6.82	9.76
	Price / Dividend Ratio (Note 3)		7.99	10.74(Note 1)
	Cash Dividend Yield Rate (Note 4)		12.52%	9.31% (Note 1)

Note 1: The resolution on the distribution of the 2022 earnings has been approved by the board of directors and has not yet been recognized by the shareholders' meeting. The amount of cash dividends and bonus distribution has been approved by the board of directors and has not yet been submitted to the shareholders' meeting.

Note 2: The Price / Earnings Ratio = average closing price per share for the year / earnings per share.

Note 3: The Price / Dividend Ratio = average closing price per share for the year / cash dividend per share.

Note 4: The Cash Dividend Yield Rate = cash dividend per share / average closing price per share for the year.

(7) Dividend Policy and Implementation Status

1. Dividend Policy of the Company:

The Company's dividend policy, as set forth in the Company's Articles of Incorporation, is as follows: "The Company shall first make up prior years' deficits and pay all taxes and contributions in accordance with the law, and then set aside 10% of its legal reserve (except when the legal reserve has reached the total capitalization), and set aside or reverse the special reserve as required by law, and then set aside the remainder as distributable earnings for the year, and consolidate the undistributed earnings at the beginning of the period. The Board of Directors shall prepare a proposal for distribution and submit it to the shareholders for resolution.

Dividends are paid on the basis of at least 50% of the current year's distributable earnings, and cash and stock dividends are appropriately distributed in accordance with the Company's operating strategy and capital planning, with cash dividends paid each year being limited to no less than 20% of the actual amount of earnings distributed in that year.

The Board of Directors is authorized to distribute all or part of the dividends and bonuses payable in cash to the Company by the presence of at least two-thirds of the directors and by a resolution of a majority of the directors present at the latest shareholders' meeting.

When the Company has no deficit, the Board of Directors is authorized to distribute all or

part of the legal reserve (exceeding 25% of the paid-in capital) and the capital reserve in accordance with the Company Law in the form of cash when two-thirds or more of the directors are present and a majority of the directors present resolve to do so and submit it to the latest shareholders' meeting.

2. Status of Dividend Payments

On March 15, 2023, the Board of Directors resolved the appropriation of earnings for the year 2022. The appropriation of earnings has not yet been recognized by the shareholders' meeting.

3. Expected dividend policy: There were no significant changes in the Company's dividend policy.

- (8) The effect of the proposed gratis stock allotment at the shareholders' meeting on the Company's operating results and earnings per share:
The Company's 2022 earnings distribution proposal is not applicable because there is no gratis stock allotment.

(9) Remuneration of Employees and Directors:

1. The percentage or scope of remuneration for employees, directors and Director as set forth in the Articles of Incorporation:

The percentage or scope of remuneration for The Company employees, directors and Director as set forth in the Articles of Incorporation:

If the Company makes a profit in a year, 3% to 12% should be appropriated as compensation to employees and up to 3% as compensation to directors, but if the Company still has accumulated losses, the amount of compensation should be retained before the remaining balance is appropriated. Employee compensation may be in the form of stock or cash, and may be paid to employees of affiliated companies who meet certain criteria.

2. The basis for estimating the amount of compensation to employees and Directors, the basis for calculating the number of shares for employee compensation distributed in stock, and the accounting treatment if the actual amount of allotment differs from the estimated amount:
Compensation to employees and directors is estimated on the basis of the pre-tax net income for the year ended, taking into account the legal reserve and other factors, and is recognized as operating expenses for the year. In addition, the Company has not allotted stock dividends this year.

3. Information on allotment of employees' remuneration and directors' remuneration approved by the Board of Directors.

2022 ; Unit: NT\$1,000;

(1) Disclosure of information	Amount
Proposed Employee Compensation - Stock	0
Proposed Employee Compensation - Cash	32,000
Proposed allotment of directors' emoluments	26,000
The amount of the proposed employee stock bonus and its proportion to the aggregate amount of individual or individual financial report net income after tax and total employee compensation for the period.	None
(2) Earnings per share related information (Unit: NT\$)	
Original earnings per share	3.30
Estimated earnings per share	3.30

3-1 If there is any difference between the estimated amount of the expense and the amount recognized in the year of recognition, the amount of the difference, the reasons for the difference, and the circumstances under which the difference was handled should be disclosed.

The Company has no such circumstances

4. The actual allotment of employees', directors' and supervisors' remuneration in the previous year (including the number of shares allotted, the amount and the price of shares), the difference between the allotment and the recognition of employees' bonuses and directors' and supervisors' remuneration, and the amount of the difference, the reasons for the difference and the circumstances under which the difference was handled, should be stated:

The actual amount of directors' and supervisors' remuneration of NT\$30,000 thousand and employees' remuneration of NT\$36,000 thousand for 2021 is no different from the amount proposed by the board of directors on March 21, 2022.

- (10) Buyback of Treasury Stock: None.

(II) Corporate Bond:

Apr. 11, 2023

Types of Corporate Bonds		Fourth domestic unsecured convertible bond
Issue (Processing) Date		August 3, 2021
Denomination		NT\$100,000
Issue Price		Issued at 109.18% of par value
Total assets		NT\$655,077 thousand
Interest rate		0%
Maturity		3-year maturity date: August 3, 2024
Guarantee Agency		Not applicable
Trustees		Cathay United Bank Trust Department
Underwriting Institute		Capital Securities Corporation
Certified Lawyer		Not applicable
CPA		Not applicable
Repayment Method		Except for the conversion of the convertible bonds into common stock in accordance with Article 10 of this Regulation, the early redemption by the Company in accordance with Article 18 of this Regulation, or the cancellation by the Company through purchase from the securities dealer's office, the Company shall repay the convertible bonds held by the bondholders in cash at maturity in accordance with the face value of the bonds.
Outstanding principal		NT\$398,700 thousand (as of April 11, 2023)
Terms of Redemption or Advanced Settlement		Details of the fourth domestic unsecured convertible bond issuance and conversion
Restricted Terms		None
Name of credit rating agency, rating date, bond rating result		Not applicable
Other attached rights	Amount of ordinary shares, overseas depositary receipts or other marketable securities converted (exchanged or subscribed) as of the date of printing of the annual report	7,280,309 shares
	Issuance and Conversion (exchanged or subscribed) method	Details of the fourth domestic unsecured convertible bond issuance and conversion
The method of issuance and conversion, exchange or stock options, possible dilution of equity interests by the terms of the issue and the impact on current shareholders' equity		Based on the current conversion price (NT\$26.15), if all the shares are converted, the maximum number of common shares that can be converted is 15,247 thousand shares, which is 6.89% of total outstanding shares; with the conversion of bonds into common shares, not only will the liabilities be reduced, but also the shareholders' equity will be increased, which in turn will increase the net value per share. Therefore, the interests of existing shareholders are better protected in the long run.
Name of the custodian for the exchange of the subject		Not applicable

Information for Corporate Bond Conversion

Types of Corporate Bonds		Fourth unsecured convertible bonds		
Year		2021	2022	As of April 11, 2023
Item				
Market price for conversion of corporate bonds	Maximum	127.50	139.35	124.00
	Minimum	110.10	102.00	109.95
	Average	114.44	122.74	118.69
Conversion Price		NT\$29	NT\$29/ NT\$26.15(Note1)	NT\$26.15
Issue (processing) date and conversion price at issuance		August 3, 2021 NT\$29		
Fulfillment of conversion obligations		Issuance of new common stock		

Note1: The conversion price has been NT\$26.15 since July 16, 2022,

(III) Preferred Shares: None.

(IV) Issuance of Overseas Depositary Receipts: None.

(V) Employ Stock Warrants: None.

(VI) New Restricted Employee Shares: None.

(VII) Issuance of New Shares for Acquisition or Exchange of Other Companies' Shares: None.

(VIII) Implementation of capital utilization plan: None.

V. Operations Profile

(I) Business Content

(1) Scope of Business

1. Main business scope

- A. General import and export trade business (except licensing business)
- B. Import and export of various electronic parts and components (except controlled products)
- C. Domestic and foreign agent manufacturers of the product distribution tender quotation business (except futures)
- D. CC01050 Data Storage Media Manufacturing and Duplicating
- E. CC01070 Telecommunication Equipment and Apparatus Manufacturing
- F. CC01080 Electronic Parts and Components Manufacturing
- G. F401021 Restrained Telecom Radio Frequency Equipments and Materials Import
- H. F113070 Telecommunications equipment wholesale industry
- I. F213060 Retail Sale of Telecommunication Apparatus
- J. I301010 Software Design Services
- K. F113030 Wholesale of Precision Instruments
- L. F116010 Wholesale of Photographic Equipment
- M. F401010 International Trade
- N. F213040 Retail Sale of Precision Instruments
- O. F216010 Retail Sale of Camera Equipment
- P. E205010 Instrument and Meters Installation Engineering
- Q. CB01020 Office Machines Manufacturing
- R. CB01010 Machinery Manufacturing
- S. CC01030 Electrical Appliances Manufacturing
- T. CC01040 Lighting Equipment Manufacturing
- U. CC01060 Wired Communication Equipment and Apparatus Manufacturing
- V. CC01090 Manufacture of Batteries and Accumulators
- W. CE01010 Precision Instruments Manufacturing
- X. CE01030 Optical Instruments Manufacturing
- Y. CC01990 Other Electrical Engineering and Electronic Machinery Equipment Manufacturing (electrical switches optoelectronic converters, optical fiber electro-coupling connector)
- Z. CG01010 Jewelry and Precious Metals Products Manufacturing
- AA. E701010 Telecommunications Construction
- AB. E701030 Controlled Telecommunications Radio-Frequency Devices Installation Engineering
- AC. F113020 Wholesale of Electrical Appliances
- AD. F113050 Wholesale of Office Machinery and Equipment
- AE. F118010 Wholesale of Computer Software
- AF. F119010 Wholesale of Electronic Materials
- AG. F213010 Retail Sale of Household Appliance
- AH. F213110 Retail Sale of Batteries
- AI. F214010 Retail Sale of Motor Vehicles
- AJ. F208050 Retail Sale of Over-the-counter drugs class B
- AK. C199990 Other Food Manufacturing Not Elsewhere Classified (Ganoderma lucidum powder, Ganoderma lucidum tablets, Ganoderma lucidum capsules)
- AL. F203010 Retail Sale of Food, Grocery and Beverage
- AM. F102160 Wholesale of Assist Food Products
- AN. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

2. Percentage of Operation

Unit: NT\$ 1,000.00

Type of Products	Year	2022	
		Amount	Percentage of Operation
Digital Integrated Circuits		2,556,357	6.39%
Linear integrated circuits		9,084,739	22.70%
Logic and specific applications Integrated Circuits		5,908,172	14.76%
Diodes		1,473,707	3.68%
Power field effect transistors		4,944,015	12.35%
Transistors		493,690	1.23%
Passive components		580,307	1.45%
Memory Card		9,440,228	23.59%
Modules and others		5,541,707	13.85%
Total		40,022,922	100.00%

Note : Filled in with consolidated financial information.

3. Main distributorship of semiconductor brands:

The brands distributed by the group are BIWIN, CYNTEC, CINTERION, DIODES, DOSILICON, FUJI, GIANTEC, INFINEON, INVENSENSE, MICROCHIP, NICHICON, PARADE, POWER FOREST, ROHM, SENSORTEK, SKYHIGH, SOUTHCHIP, TAIYO YUDEN, VISHAY ,WESTERN DIGITAL, etc.

4. Main distributorship of semiconductor products:

- A. STORAGE PRODUCT (MEMORY CARD, SSD, eMMC)
- B. IC (LINEAR, LOGIC, DIGITAL, ASSP)
- C. TRANSISTOR
- D. POWER MOSFET
- E. DIODE (Small Signal, SCHOTTKY, Fast Rectifier Diode)
- F. LED
- G. POWER MODULE, GSM/MODEM
- H. RESISTOR
- I. CAPACITOR (Laminated Capacitor, Tantalum Capacitor, Functional Polymer Capacitor)
- J. CAMERA MODULE
- K. MCU SOLUTION
- L. G SENSOR/GYRO SENSOR
- M. T-CON
- N. IoT module

5. Act as agent and distribute new products planned to be developed

We continue to cultivate the PC and peripheral, power supply, and consumer product markets, and maintain the IT industry's momentum by continuously introducing new products to meet the ever-evolving needs of applications.

In response to the new normal life caused by the epidemic, causing the reduction in the movement of people and contact needs, this will further catalyze the technology development of Internet of Things, which is used in production, medical monitoring and service reception of related Internet of Things devices as the main growth momentum. Depending on the user

and the environment, relevant IoT devices integrate the required AI computing, image recognition, high-speed transmission and other hardware. The related functions will require higher processing performance of related semiconductors, network integration, and power consumption. Therefore, from the upstream chip to the downstream end product, automotive electronics, industrial control, cloud big data, 5G/6G transmission, data center and artificial intelligence will be the focus of future development. We are also focusing on the application of our key points and expanding our agency product line so that we can provide better service.

(2) Industry Overview

1. Industry Status and Development

The current vertical division of labor in the global information industry has highlighted the increasing importance of electronic component distributors. For upstream suppliers, distributors can replace a dense and complete marketing channel network; for downstream manufacturers, the distributors have complete logistics and inventory management, and can achieve order confirmation, goods preparation and delivery services in the shortest time. In addition, distributors can provide customers with information about new products and new industry development areas to assist customers in designing and planning new products as well as transmitting downstream market information to the original manufacturers. Thus, the electronic components distributor has become an indispensable part of the global information electronics industry system. Under the consideration of global electronics manufacturers to reduce marketing costs and improve technical support for engineering applications, the role of distributors in the supply chain of the electronics industry will become increasingly important. For upstream suppliers, distributors provide marketing development, product integration and customer service; for the downstream customers, the distributors have the function of supplying them with sufficient goods and technical support, etc.

At present, direct sales from semiconductor manufacturers to customers account for more than 60% of their revenue, while sales through distributors account for 30-40%, making semiconductor manufacturers highly dominant. Although the original manufacturer itself has the right to decide whether to adopt the direct sales or distribution model, the customer side also has the right to take the lead, and the customer has the right to choose the distributors they want to meet their needs. Therefore, distributors must continue to improve their own service value and strive for support from the original manufacturers and customers in order to win.

With the booming electronics industry and the increase in the number of semiconductor manufacturers, Taiwan's role in Asia has gradually emerged. Domestic semiconductor parts distributors are striving to transform themselves into global component handling professionals, with some investing in the .00 component channel market and others cultivating the strength of professional design consultants. They are moving toward the concept of professional division of "service" and "integrated marketing. The industrial characteristics of the semiconductor component distributor are mainly "agency model" and "channel establishment". Due to the nature of the agent business, the distributors have to sign an agent contract with the original manufacturer to protect its own agency. Generally speaking, an agent contract is usually signed once a year and can be renewed or automatically effective if both parties do not disagree at the end of the contract. Marketing strategy, contract time, sales performance and other factors may cause changes in product distribution rights, so there may be uncertainty and risk of cooperation with the original manufacturer. Hence, the marketing channels and customer relationships held by the distributor are the guarantee of continuous cooperation between the two parties. For large professional semiconductor component distributors, their continuous cooperation with the original manufacturers should be maintained, and can even help them obtain more product lines from the suppliers for distribution.

In terms of "channel establishment", customer satisfaction has become an important indicator of revenue, especially in the marketing-oriented industry. Hence, the key to success

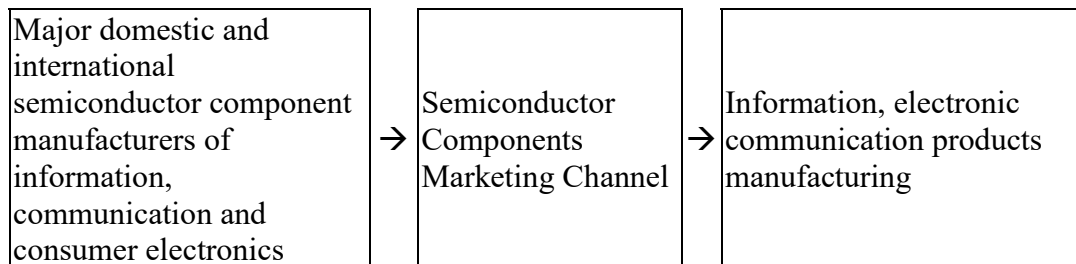
in the parts and components distribution industry is to pick up products for their customers in the shortest possible time. As mastering the channel means mastering the market, all enterprises are striving to increase their sales outlets to form a dense network of marketing channels to provide the best service to their customers. As the development in semiconductor industry accelerates, the lifecycle of electronic components has shortened. Channel operators have to keep up by expanding the market, serving customers, as well as sharing inventory costs and reducing the pressure. Therefore, the value of a professional semiconductor component distributor is to create the best value for the product by taking into consideration the product characteristics, market conditions and appropriate channels.

2. Upstream, midstream and downstream industrial linkages

A. The Company is a professional distributor of semiconductor components, and its upstream, midstream and downstream connections are described as follows:

In the production and distribution structure of the information electronics industry, semiconductor component distributors play an important role as a bridge between upstream component suppliers and downstream production manufacturers, with the upstream being mainly domestic and foreign manufacturers of various information, communication, and consumer electronics products, and the downstream being manufacturers of information, communication, and consumer electronics products. The midstream channel providers a complete sales network to upstream manufacturers, and provide downstream manufacturers with professional technical skills and extensive knowledge of semiconductor parts and components to provide integration and application consulting services to downstream manufacturers, and channel providers can integrate the needs of downstream manufacturers to purchase from upstream manufacturers to obtain the greatest price advantage, and with systematic warehouse management and diversified distribution In addition, the channel can integrate the needs of downstream manufacturers to purchase from upstream manufacturers to obtain the greatest price advantage, and with systematic warehousing and diversified distribution brands, the products are sold to the downstream industry.

B. Upstream, midstream and downstream linkage diagram



Upstream semiconductor component suppliers can be divided into two major categories, the first category of semiconductor component suppliers is the international integrated design manufacturer (IDM factory), which has a high degree of vertical integration, that is, in addition to designing ICs, they also produce their own. For example, Intl, Samsung Semiconductor, Texas Instruments, etc. all belong to this category. The second category of semiconductor component suppliers are Fabless IC design companies such as Qualcomm and MediaTek. Fabless IC companies focus on designing ICs, while production is left to foundries such as TSMC and UMC. These two major categories of semiconductor component suppliers are the main upstream suppliers in the semiconductor channel industry, and each semiconductor channel vendor obtains the sales rights of its semiconductor parts and components through distribution or agency mode.

Semiconductor component agents: Most of them do not have manufacturing plants, and their main business is to distribute semiconductor products such as integrated circuits, distributed components, linear components, memory, CPUs, software, electronic components, etc. from major international manufacturers, and through their professional

value-added services, they sell the semiconductor components they represent and distribute to downstream EMS, ODM and OBM manufacturers of electronic products.

Downstream manufacturers of finished products: Downstream manufacturers of finished products can be divided into three major categories: OEM (mainly manufacturing, such as Hon Hai and Flextronics), ODM (in addition to manufacturing capabilities, they also have the ability to accept commissioned designs, such as Quanta, Hon Hai, Compal, Wistron, and Pegatron), and OBM (in addition to design and manufacturing capabilities, they also have the ability to market their own brands, such as ASUS, Sony, and Lenovo).

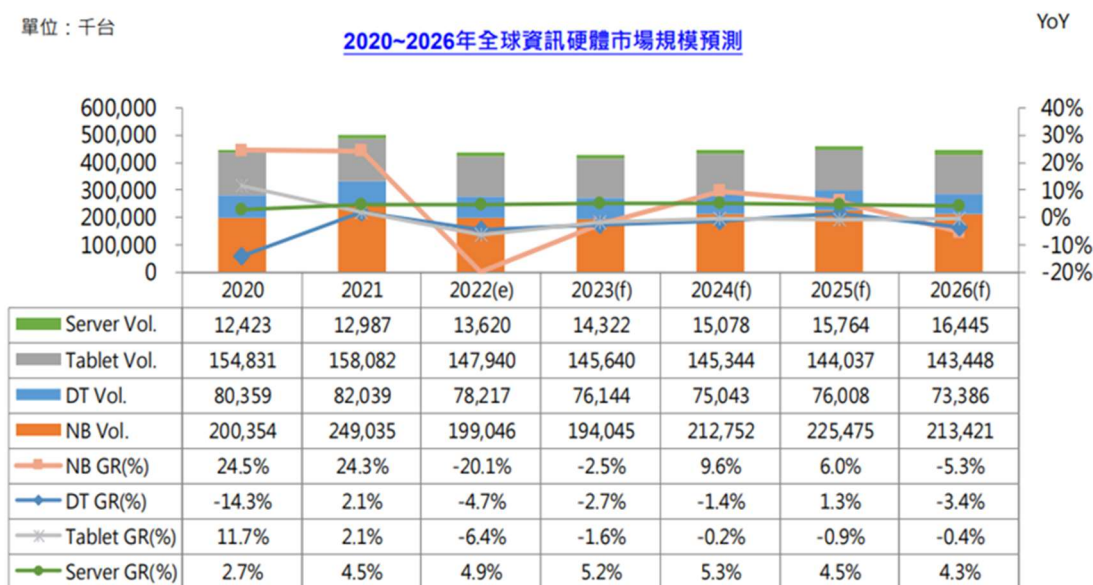
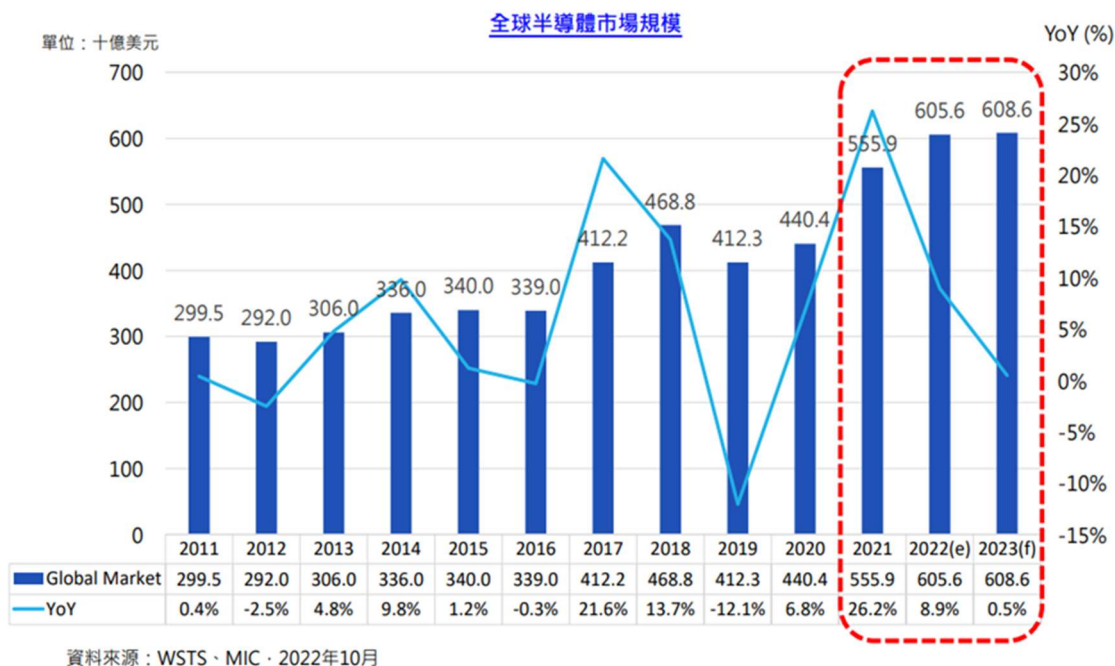
Semiconductor component distributors play a two-way communication role between OEMs and customers, providing diverse professional services such as market information collection, business marketing, product promotion, logistics/inventory management, technical support, and financial leverage, as well as careful maintenance of their own operations and profitability in order to sustain in the ever-changing electronics industry. As a result, the value of the channel's presence in the industry is increasing day by day, and it is regarded as a strategic business partner by both the original manufacturer and the customer.

3. Various development trends and competition of products

A. Product development trends

In the next 5 years, high growth categories of semiconductor applications will be dominated by automotive, storage and industrial semiconductors as estimated by terminal products. Wireless communication is expected to become a major semiconductor application in 2022, with automotive semiconductors taking over in 2023, surpassing industrial semiconductors and consumer semiconductors in 2024. The second is Intel's neurocomputing chip, which uses 7nm EUV technology to create a new function of "touch and taste". Lastly, the electronicization of vehicles is driving the demand for automotive high-performance computing (HPC) chips. From 2021 to 2025, the average annual compound growth rate of automotive HPC semiconductors is 212.4%, showing explosive growth.

Taiwan's semiconductor industry has been developing for more than 40 years and has achieved a key position in the world. It has taken advantage of its technology and production capacity to shield the country and its people as a "protector of the nation" and will ride on the momentum and exert its influence in the future.



The Company is a distributor of semiconductors focusing in the fields, such as handheld devices, computers and peripherals (IT/Computing), consumer electronics, telecommunications & communications, industrial electronics, and automotive applications. Industrial Electronics), Automotive (Automotive), etc. Uncertainty and fears generated by the COVID-19 epidemic are growing, but upstream technology providers must continue to focus their long-term investments, maintain interactions with partners and potential customers, and seek stability in specific markets, while emerging technologies such as 5G, data centers, AI and the Internet of Things (IoT), high-performance computing, and smart edges will underpin the economic recovery.

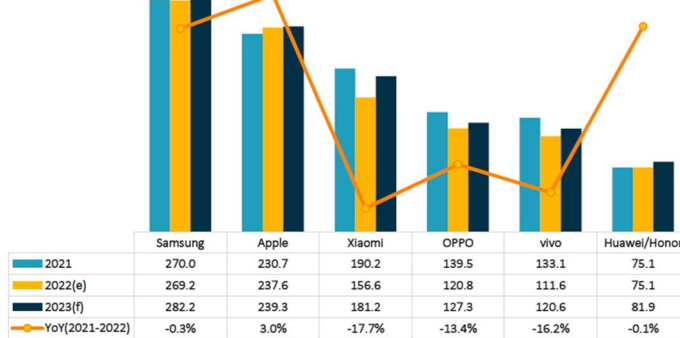
The following are highlights by client application area:

a. Handheld devices

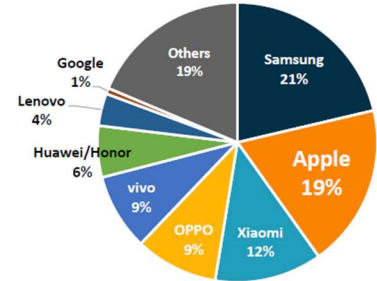
Demand in the mobile phone market is sluggish, and shipments of Chinese brands have declined severely in 2022

2021~2023年全球主要品牌智慧型手機出貨量預測

單位：百萬台



2022年智慧型手機品牌市占率



資料來源：MIC，2022年10月

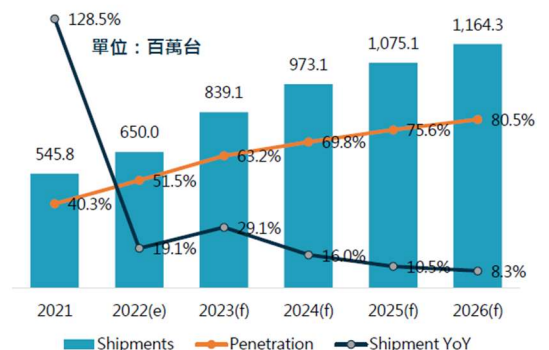
In 2022, the shipment momentum of the Android group is not good and the supply chain is affected by cancellation of the order from the brand side. This situation of three Chinese brands Xiaomi, OPPO, and VIVO is particularly serious and cancellations of the order for Samsung, Huawei, and Honor are relatively small. With high inventories and intensified market competition, and the fact that inventory control in overseas markets is more challenging than in mainland China, it is not ruled out that Chinese brands may delay the release of some new products to control inventory. However, the specifications and pricing of the new iPhone 14 are somewhat attractive. The annual iPhone shipments are expected to increase by 3% % (273.6 million units) in 2022, which is better than the situation of global shipments decreasing by 6.8% annually. In the second half of 2022, the iPhone shipments are expected to increase by about 30% compared with the first half of the year.

Global smartphones shipments are expected to reach 1.33 billion units and 5G mobile phone shipments are expected to reach 840 million units in 2023

2021~2026年
全球智慧型手機市場五年預測



2021~2026年
全球5G智慧型手機市場五年預測

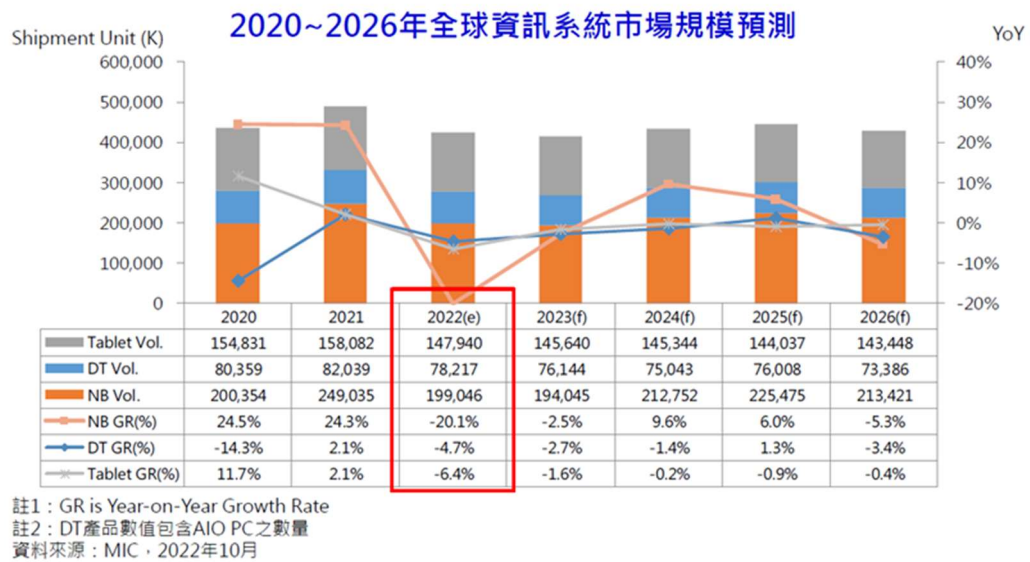


The estimate for global smartphone shipments in 2022 has been revised downwards due to the impact of the bleak global economic outlook, rising inflation and consumer price index and interest rate rise. We expected that global smartphone market will reach 1.26 billion in 2022, an annual decrease of 6.8%. Although the annual growth rate is estimated at 5.2%,

global mobile phone shipments are expected to reach 1.327 billion units which were mainly attributed to the low base period in 2022. The outlook for next year is conservative, and shipments may still be lower than in 2021 and have not yet returned to pre-pandemic levels; in addition, the forecast for 5G mobile phone shipments in 2022 was revised downwards from 710 million units to 650 million units. Although the downward revision rate reached 8.4%, the penetration rate of 5G mobile phones remained above 50% (51.5 %). Looking forward to 2023, global 5G mobile phone shipments are expected to be about 840 million units and the 5G penetration rate will exceed 60%, with an annual growth rate of nearly 30%.

b. Computer and its surrounding IT&Computing

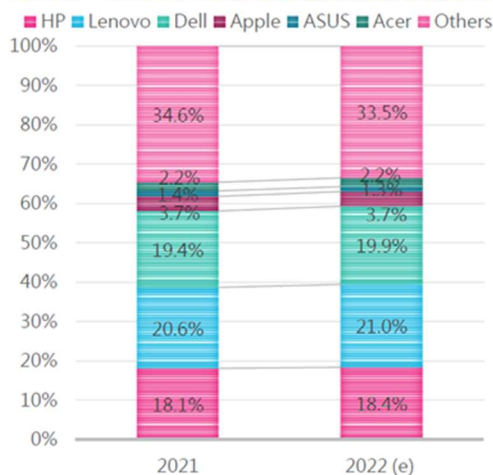
Global PC market headwinds will continue until 2023



Affected by factors such as geopolitics and rising global inflationary pressures, not only the consumer demand has decreased, but also the purchase of IT equipment by enterprises has been suspended. In addition, the high inventory pressure on the supply side has affected the willingness of brand manufacturers to place orders, resulting in the performance of the global PC market in the second half of 2022 and even 2023 will face headwinds.

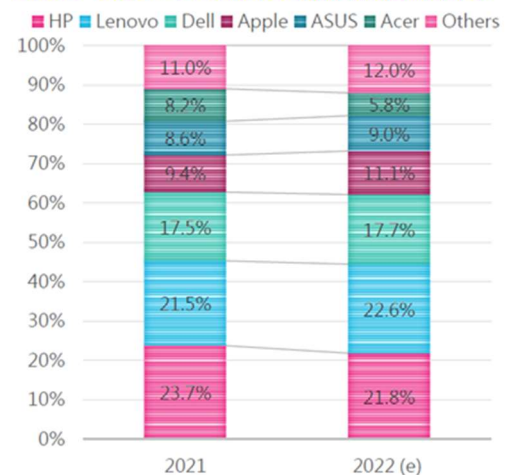
Product portfolio affects the proportion of brand factories in 2022

2021~2022年全球桌機品牌廠商市占率



資料來源：MIC，2022年10月

2021~2022年全球筆電品牌廠商市占率

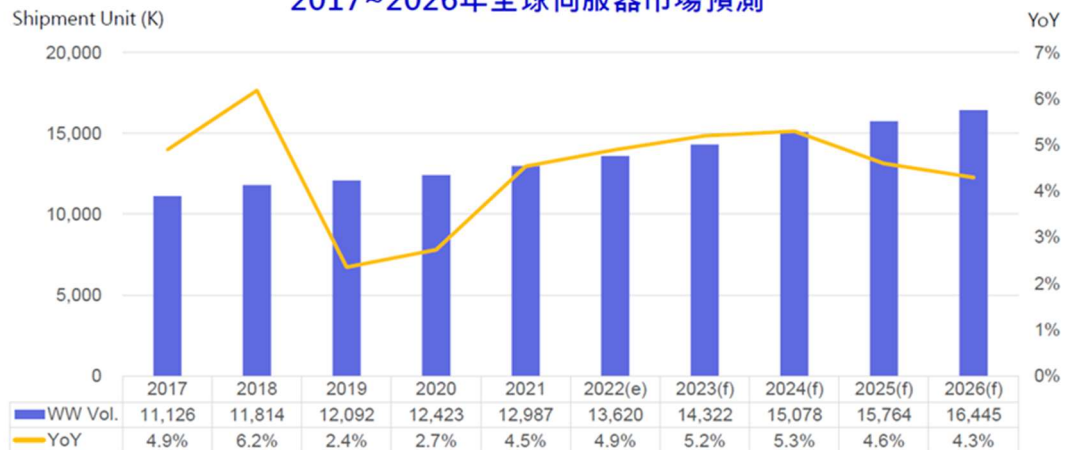


Inflationary pressure hit market demand, while the sales enthusiasm for high-end commercial and e-sports models remained relatively stable which made the brand manufacturers with a high proportion of commercial and e-sports relatively less affected.

Apple has gained relatively excellent market demand momentum due to its self-made processors, and the relatively low inventory pressure has also enabled Apple to continue to purchase goods, and its market share in 2022 has increased compared with 2021.

Cloud service providers build data centers to boot server market demand

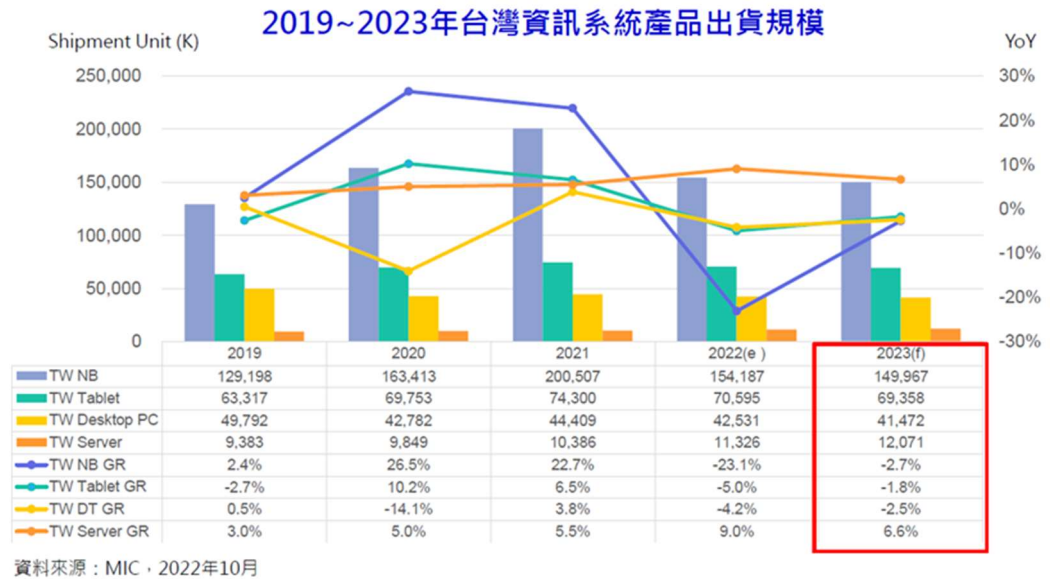
2017~2026年全球伺服器市場預測



資料來源：MIC，2022年10月

In the short to medium term, the global server market will be driven by the continued construction of data centers by cloud service providers, the launch of new server processor products, and smart data centers, and the overall market will continue to grow. However, although the risk of global inflation and economic recession has limited impact on the server market in the third quarter of 2022 in the short-term, but for 2023, it may cause server brands and cloud service providers to reduce orders.

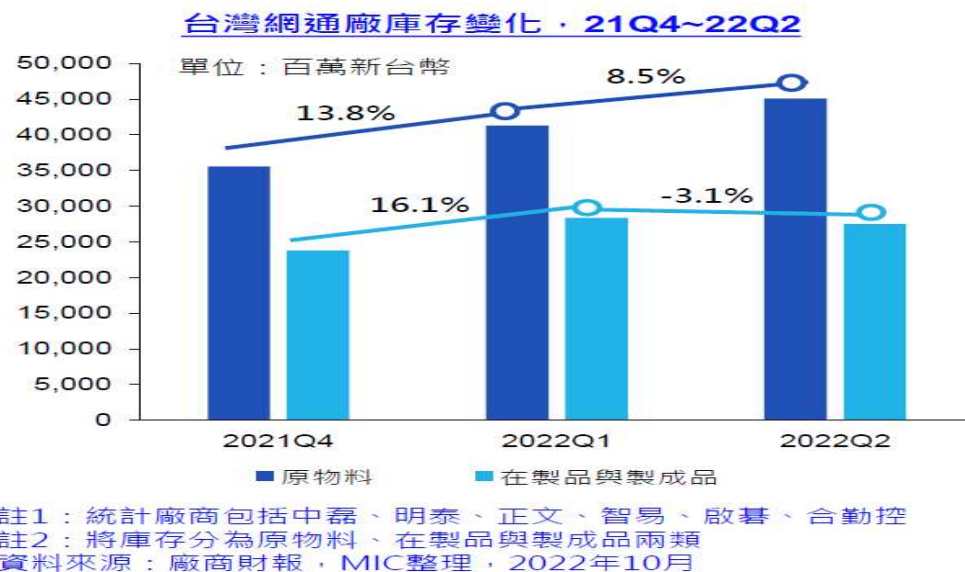
Server and PC terminal product shipments performed differently



Brand manufacturers reduce their orders due to the impact of the terminal purchasing willingness are affected by the overall economic environment, resulting in a simultaneous decline in shipments of PC terminal products in Taiwan; while in the server industry, orders and shipments have grown as the expansion of data centers by cloud service providers.

c.Telecom&Communication

In the second half of 2022, supply and demand variables will test the inventory management of Netcom operators



Netcom industry inventory forecast in 2023:

Demand side (client side):

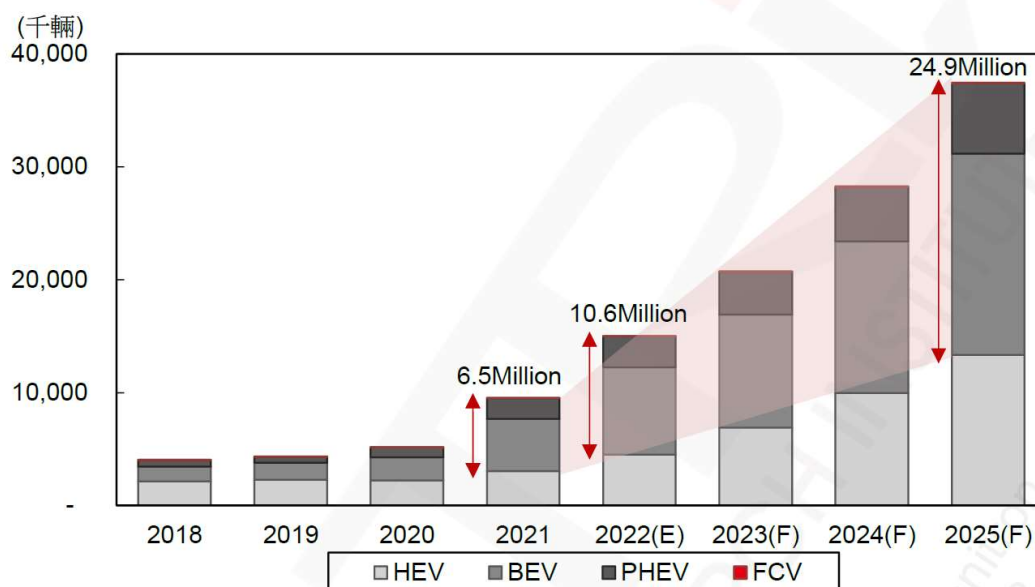
Netcom equipment is a rigid demand. Bids continue to pour in in countries where broadband subsidy funds are proposed; the needs of some telecom customers have been met through urgent orders in the first half of 2022, and the pace of new cases will slow down, which may cause inventory pressure in 2023.

Supply side (component side):

Although the lead time of major foreign chip manufacturers (such as Wi-Fi) is still as long as 30 weeks, but the lead time of Taiwan's main chip manufacturers has been reduced to less than 10 weeks, and the lead time of chips has been significantly improved; whether OEM prices will continue to rise remains to be seen; the long-term and short-term material situation has eased, but the inventory of Taiwan's major Netcom factories continues to rise which was mainly attributed to the high demand in the international telecommunications market, prompting manufacturers to stock up.

d. Automotive

圖二 2018~2025 年全球電動車市場規模



Source : 拓璞產業研究院，2022/09

新趨勢下關鍵車用零組件



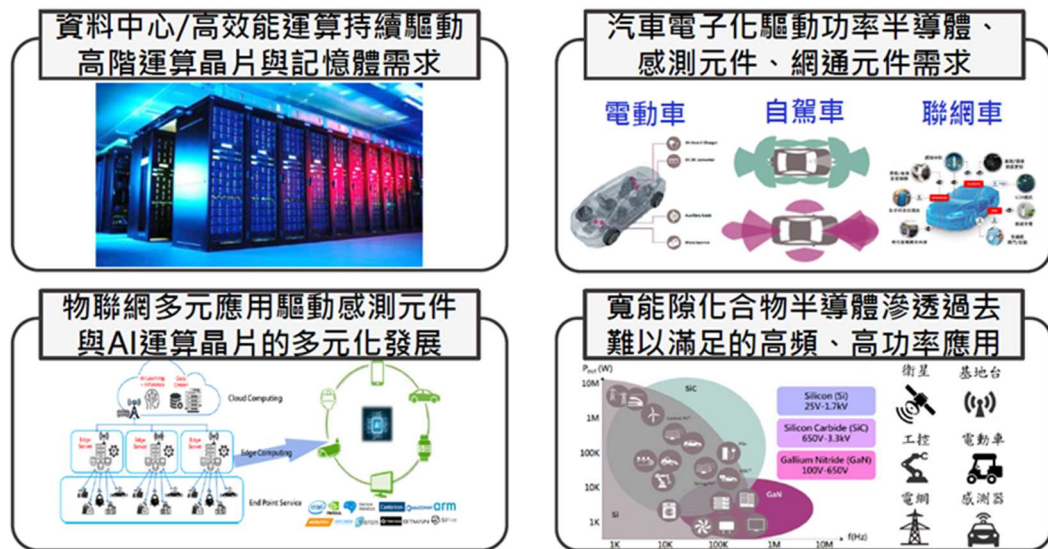
Source：拓璞產業研究院，2022/09

Expansion of AIoT and automotive semiconductor demand is expected to help destock inventory.

Analog ICs can be divided into PMICs and signal chain chips. The signal chain chips can be further divided into converter products represented by ADCs and DACs, and linear products represented by amplifiers and comparators. Analog IC has a longer life cycle and is widely used in various applications, making it driven by downstream applications such as AIoT and automotive electronics, leading to a steady expansion of the market size. The former is an effective channel for the intelligent upgrade of traditional industries, and the explosion of the number of 5G smart terminal device connections is expected to drive the demand for Analog ICs such as charging management chips, DC/DC converters, charging protection chips, amplifiers, and comparators. The latter, on the other hand, is driven by the continuous advancement of the "three transformations (electrification, intelligence, networking)" in the automotive industry. The value and volume of automotive-grade semiconductors continue to increase, driving the industry's growth rate to exceed that of vehicle sales. Therefore, Analog IC, as an important category of automotive chips, is expected to have further market shares as the penetration rate of new energy vehicles continues to increase. This is expected to create a supply and demand resonance in the automotive-grade semiconductor industry, thus easing inventory pressure.

e.HPC

HPC and Emerging Applications Drive Semiconductor Demand



資料來源：MIC，2022年10月

Data center/high-performance computing applications and emerging applications such as AIoT, automotive electronics, wide band gap semiconductors, etc. will continue to increase the demand for semiconductor components

B. Competition situation

In the past, the revenue of the products distributed by Taiwan's distributors was concentrated on components for notebook computers, memory, and motherboards, and this concentration was due to the fact that most of the customers in Taiwan's system business were concentrated in this area. With the advent of the post-PC era and IA products, notebook computers and their peripherals have been reduced to single-digit growth, and the key to success for semiconductor distributors lies in their ability to continue to identify the killer applications with market potential and then distribute the necessary key components for them. Such emerging applications include smartphones, LED lighting, industrial control, intelligence, automotive electronics, IOT, networking and other related product groups.

In terms of the structure of semiconductor distributors, large distributors usually have strong operational resources and represent a large number of products. If the product price fluctuations come from these high-volume products, the risk is naturally very high. The other category of small and medium-sized channel operators have relatively fewer operating resources, and most of the products they represent are for special applications and more technical support, and the specifications and markets are not fixed, so the competition in the industry is relatively less intense. The risk is also from wrong product development direction.

Semiconductor distributors who demonstrate familiarity with the local market and customer base, as well as the ability to provide technical support, will have the opportunity to secure distributorship with leading semiconductor companies. Our company is one of the most extensive semiconductor component agents in Taiwan. We are currently the agent of linear ICs, diodes, power field effect transistors, transistors, passive ICs, specific ICs,

memory ICs, digital ICs and control ICs, memory cards, panels, etc. We have a wide range of products to provide customers with the convenience of purchasing them all at once. We offer a wide range of products to provide customers with the convenience of one-time purchase. Skilled application engineers (FAE) can help customers to shorten product design time and increase market competitiveness; marketing staff keep an eye on industry dynamics and add new brands and products for distribution in a timely manner so that our new product development can be ahead of the industry. As the Company provides value-added services to the market as a whole, it will continue to grow in the competitive market in the future.

At present, most of the agency granted by major international semiconductor companies are compound distributorship contracts, not exclusive contracts, resulting in dozens of companies playing the role of midstream semiconductor distributor in the domestic semiconductor industry. In addition to the company, the main distributors include WPG Holdings, WT, WEIKENG, EDOM, and Alltek, etc.

In recent years, under the promotion of the Market Development Division and business units, the Company has successfully acquired the distribution rights of key components of wireless communication products, optoelectronics products and video multimedia, and continues to cooperate with downstream system manufacturers to develop products, so as to quickly raise the level of technical support and development and achieve the effect of product integration.

(3) Technology and R&D profile:

Research and development expenses and technologies or products successfully developed in the most recent year and as of the date of publication of the annual report: The Company is a semiconductor distributor and not a manufacturer, so it is not applicable.

The company believes that professional semiconductor parts and components marketing and distribution channels for sustainable management, so the company established "Market Development Division". In addition to market research and new product market development, the company also explores new products and new applications through its existing agent system to keep abreast of market trends and introduce new products from time to time to achieve product integration effects.

In addition to providing the best service, we also provide different solutions to help our customers reduce the time to market. We have developed application design solutions in various fields such as power management (Server power/Industrial and 5G, optoelectronics, peripherals/HMI, communication, video, multimedia devices, MCU, etc.). In addition to continuing its efforts to develop new markets based on its existing product lines and marketing, the Company expects to strengthen its distribution or agency development of products and markets related to IOT, automotive electronics, smart home and other related opportunities in the future.

Classification by Properties	Product Application Areas	Solution Description
Handheld devices	Wearing device	Integration of wireless communication modules, etc.
Computers and their peripherals	PC (personal computer), NB (laptop), Tablet (Tablet), Server (server)	After the launch of USB4 and the upgrade of PC specifications, PC peripheral related accessories such as Docking/HUB/Cable related solutions. Take and control the ReDriver/ReTimer in Type-C and MUX solution.
Telecom and Communication	Telecom for 5G base stations, switches, XPON	5G base station deployment and terminal device modulation and security solutions POE+ENT in Switch Market Solution
Industrial Electronics	Security monitoring, instruments, etc.	Wireless communication solutions, new energy devices, and grid management systems.
Automotive Electronics	Charging Pile and OBC Car AV, ADAS	Electric vehicle charging pile with OBC, BMS and self-driving system. In-car audio-visual entertainment system solutions.
Consumer Electronics	Home Appliance Board, Smart Home	Home appliance boards in motor drive applications, smart lighting solutions, home appliance/small home appliance motor drive solutions. Home security, smart doorbell, smart lock and other solutions

(4) Long- and short-term business development plans

(1) Short-term development plan

A. Strengthen marketing and product planning capabilities.

- a. Strengthen the market planning ability of the Product Division, fully grasp the market pulse, and analyze the future market trend and scale, respond to the market dynamics to the original suppliers and assist the sales department to promote products.
- b. To adjust the product mix of the agent's products in line with the product development trend of the agent's product line, and develop its derivative products to expand the added value of the agent's distribution.
- c. Continuously plan to introduce products that meet new market applications, with special emphasis on the 3C market and emerging applications and industries (such as smart grid, Internet of Things, industrial control applications, automotive electronics, smart home, and energy-saving industries).

B. Continuously strengthen the R&D and application engineering process capabilities

- a. Integrate the company's overall product and technology resources, so as to provide TURNKEY SOLUTION as a whole technology to recommend the products we represent to our customers.
- b. Actively cultivate software, firmware and hardware talents, cooperate with the Market Development Division to plan the introduction of technology-oriented products, and extend upstream and downstream the agency of new key components, to achieve the purpose of providing complete technology.

C. Strengthen operational and financial management

- a. Emphasis on internal talent training will be combined with internal resources and external professionals to arrange close courses to improve the overall professionalism of employees; in addition, in order to improve the quality of customer service, we emphasize the implementation of target management to comprehensively improve the operating performance of each business unit.
- b. To obtain long-term, low-cost capital in the capital market in response to future operational growth at an appropriate time, and to assist the Company in completing its development plans and financial improvement through a sound internal control system and operating procedures.
- c. Strengthen management to improve the efficiency of the company's manpower and capital utilization, reduce unnecessary processes and waste of human resources, so that the company can maintain good growth and profitability in the competitive market.

(2) Long-term development plan

A. Focus on seven major product applications

In the face of increasingly fierce competition in the electronics industry, Zenitron strives to become a "value-added application design solution provider" by strengthening its own R&D capabilities, moving beyond traditional component trading to provide customers with total solutions that accelerate their time-to-market and create irreplaceable value for Zenitron. To match the solution-oriented sales model, the company not only integrates the existing marketing business team, but also devotes itself to training FAE and R&D design personnel. We have been working on application design solutions for seven major areas, including "handheld devices", "computers and peripherals", "power management", "consumer electronics", "communication and networking", "industrial power", and "automotive electronics". In addition to focusing on the integration of existing agency lines, we have also established a market development office to actively seek new agency lines to strengthen the competitiveness of each solution.

B. Strengthen FAE technical support and design development capabilities to focus on solution sales strategy

Becoming a "technology-leading value-added channel provider" is the company's business strategy. Therefore, mastering new technologies and cultivating professional R&D talents to develop high quality application design solutions are important goals for the company's human resources development. The provision of solutions not only reduces the

R&D cost and time for customers, but also cultivates customer loyalty and widens the gap with competitors. On the other hand, the cultivation of our own technology will help the company to obtain new product distribution rights and strengthen the competitiveness of our product lines.

C. Invest in related electronic access-related businesses to expand the depth of service in the parts and components industry

In addition, the company is also constantly seeking new market opportunities to increase its competitiveness. In the long term, the Company will continue to focus on the semiconductor component channel as its core business. In the future, the Company will focus on its own business and extend its investment in electronic channel-related businesses by investing in upstream IC design houses or strategic alliances with the industry. By investing in upstream IC design houses or strategic alliances with peers, we will be able to grasp the pulse of the technology and semiconductor industries, increase product distribution opportunities, create revenue growth and profit streams, and expand the depth of services provided by the component channel industry to upstream, midstream and downstream related companies.

(II) Market and Production and Sales Overview

(I) Market Analysis

1. Major products (services) sold (provided) in the region

Unit: NT\$ 1,000.00

Sales Area \ Year	2021		2022	
	Sales amount	%	Sales amount	%
China	37,044,902	88.11	33,989,327	84.92
Taiwan	3,912,426	9.30	4,638,366	11.59
Other	1,087,398	2.59	1,395,229	3.49
Total	42,044,726	100	40,022,922	100

2. Market share

The Company's 2022 revenue was NT\$40,022,922, which is approx. 2% market share of revenue of major publicly traded semiconductor component specialty marketers. We are not only a key distributor/distributor for WD, PARADE, ROHM, DIODES, INFINEON, MICROCHIP, etc. in Asia Pacific region, but also continue to plan and introduce new products to meet new markets and applications. The professional technology and services provided to downstream electronic information manufacturers are also highly valued and recognized by the industry.

3. Future market supply and demand and growth

COVID-19 pandemic has prompted enterprises to accelerate the pace of digital transformation, and important IT infrastructure, such as Netcom and computing industries, is taking advantage of the situation and thriving. Products services such as the Internet of Things, Cloud computing, and industrial computers focus on technologies and scenarios of smart medical care, edge computing, and long-distance non-contact that enhance enterprise resilience and survival flexibility. Constant growth of demand for more types and quantities of semiconductor components will be driven by AI combined with emerging technologies and applications such as the Internet of Things, automotive electronics, and compound semiconductors, and so becoming the main driving force to the growth of the semiconductor industry in the post-epidemic era.

Looking forward to the international political and economic situation in 2023, the global economic outlook still faces many downside risks. For example, major central banks in the United States and Europe have simultaneously implemented drastic interest rates hikes, the funding environment has recessed, and the strong US dollar has made economies with a large number of US dollar-denominated liabilities more vulnerable, directly endangering the stability of financial institutions, and the widening debt crises in these economies will drag

on global growth. In particular, the U.S.-China dispute impacts the development of globalization. The United States imposes chip export controls on mainland China and is actively allying with international allies against China. In March 2022, the US proposed a Chip 4 Alliance, aiming for enhancement of “safety” and “resilience” of semiconductor supply chain, including lessening the world's dependence on chips manufactured in mainland China. Affected by rising global geopolitical risks, major countries continue to promote the localization and regionalization of key material supply chains. Countries such as the US and Europe have successively introduced chips Act to consolidate the security of the semiconductor supply chains, and this may reform the division of labor in the global supply chain.

Global Semiconductor Revenue Forecast from 2021 to 2023

Year	2021	2022	2023
Income	595.0	676.0	700.5
Growth (%)	26.3	13.6	3.6

Unit: US\$ Billion

Source: Gartner

There have been different views on the future direction of the semiconductor industry from manufacturers and analysts. The research institute Future Horizons showed that the semiconductor market in 2023 will be impacted by factors including overproduction capacity, high inflation, and a decline in the terminal technology industry, which would reverse the outlook of the semiconductor market.

According to the Gartner's projection, the revenue growth of the global semiconductor market would reach 13.6%. However, Future Horizons noted that growth projections vary among institutions and suppliers since it was made based on the current market conditions, ranging from a potential growth of 6%, 10+%, or a conservative estimate of just 4%. As uncertainties continue to grow over time, the optimistic estimates may potentially be adjusted downward.

In early May 2022, Intel's CEO projected that the semiconductor shortage would persist from 2023 into 2024. Other semiconductor equipment manufacturers, wafer foundries, IC design houses, and end-product manufacturers have also acknowledged that the supply shortage may last longer than previously anticipated.

However, as inflation continues to worsen, the US FED was forced to raise interest rates twice in May, causing a lot of noise in the market. According to Future Horizons' bold prediction, as the new production capacity gradually solves the current chip shortage problem, by the end of 2022, the global economy will begin to stagnate, the chip market will begin to collapse, and the semiconductor industry will enter its 17th downward cycle. Now, some chip makers are already preparing for a slowdown. Future Horizons believes that inflation is a big problem for now, as the evil genie is out of the bottle. The only cure for fighting inflation is to raise interest rates, however, it cannot solve the global supply chain problem.

If global central banks cannot curb inflation, it is highly likely that a global economic recession crisis will fall any minute from now. This key factor is something that many technology companies have not encountered before, which is why semiconductor shortages are expected to persist until 2023 or even 2024.

With the new production capacity going online in the coming period, particularly in the second half of 2022, there will be a double shock for the market if the demand at the back end decreases despite the increase in production capacity. SEMI has indicated that the economic downturn will reduce capital expenditures in 2023 and beyond, which will ease the pressure on semiconductor equipment manufacturers. After all, the sales of semiconductor equipment manufacturers grew by 44% in 2021, reaching a record high of

US\$102 billion.

According to Future Horizons' predictions, if their view is correct, chip sales will drop by 10% in the first quarter of 2023, followed by an 8% drop in the second quarter, a 4% drop in the third quarter, and a 2.5% drop in the fourth quarter. This will result in a 22% decline in 2023.

Future Horizons believes that the imbalance between supply and demand is cyclical due to a lack of collaborative relationships between suppliers and customers. The inaccurate demand forecasts of end customers always lead to unstable predictions from both sides of the industry, resulting in continuous imbalances between demand and supply. The probability of this situation occurring in 2023 is increasing.

4. Competitive Niche

(1) Solid management team

The company's main management team has more than years of experience at the managerial level, and the management team has a good business philosophy and cooperation tacit understanding, in addition to a complete training program to enable employees to quickly complete the new knowledge of the industry and work mastery, but also to establish a full staff marketing service consciousness, in order to provide customers with and time and professional services. In addition, through monthly management meetings, the company effectively grasps the industry environment and market trends, and constantly conceives business strategies for semiconductor component distributors in order to create market value for distributors.

(2) Clear product and market positioning

With years of experience in marketing semiconductor components, we have developed into a professional distributor of semiconductor components. Our original product lines are based on linear ICs, analog ICs and discrete .00 devices, especially in the power conversion/power management and consumer electronics related product markets.

(3) Professional product service capability

As the global information industry is gradually moving toward international division of labor and integration, professional semiconductor component distributors need to play an active role in industry integration in the promotion of product marketing. Due to the global production model, the value provided by professional semiconductor component distributors to their customers is no longer limited to product and price, but extends to logistic support. We also have a team of Application Engineers (FAE) who not only support the sales staff to introduce products to customers, but also actively assist customers in solving various engineering problems so that the new products developed by customers can be launched in the market ahead of others to enhance the overall efficiency and increase the satisfaction of the end market.

(4) Highly recognized channel value by suppliers

Our company has established a professional market value as a semiconductor component distributor in our professional marketing organization, and has been cooperating with suppliers for more than 30 years in our original product lines. With our professional marketing ability and complete distribution network, we have been able to increase the number of new product lines, and domestic and foreign IC design

companies also highly recognize our agency sales ability and are willing to cooperate with us to develop and sell products, showing that we have successfully established the value of a professional semiconductor parts distributor.

(5) Accurate and efficient inventory management

The company uses computerized import and export system to closely monitor the purchase and inventory of various products, in order to grasp the market trends, the supply and demand status between customers and suppliers, and effectively improve the efficiency of material import and export and streamline inventory management costs to meet the needs of customers and time-to-order (BTO/JIT) purchase of materials.

5. Favorable and unfavorable factors of development prospect and countermeasures

(1) Favorable factors

A. Distributorship of brands and completeness of supply of a wide variety of components:

The Company is the distributor of WD, ROHM, FUJI, INFINEON, MICROCHIP, CYPRESS, and other major brands, providing the semiconductor components required by the electronic information industry to meet the convenience of customers' one-time purchase. WD is a global leader in flash memory technology research, development, manufacturing, product design, consumer branding and retail distribution, and INFINEON is the technology leader in power field-effect transistors (MOSFETs) and the world's largest manufacturer of these products. The brands we represent continue to develop new products to create new market needs and maintain a competitive advantage.

B. Continue to plan for non-3C niche markets and develop new product line.

Negotiate and cultivate new agent lines to develop new products and new markets that meet future market trends. Energy saving industry, industrial control, white goods, automotive electronics (new energy vehicles), smart home, IOT, wearable devices, unmanned aerial vehicles, etc. are the markets to focus and cultivate.

C. Complete marketing organization and industry professionalism oriented market development office/business unit.

The product department is responsible for planning the overall marketing plan for each agent's products and analyzing the future market trend and scale. The Business Unit specializes in its specific industries and regions, providing specialized services and long-term customer relationship development, including PC and peripheral markets, power supplies, consumer electronics, network communications, and other favorable markets. Our head office in Taiwan is located in Taipei, and we have set up business units in Hsinchu, Taichung and Kaohsiung to serve our customers in close proximity. In the highly growing Mainland China market, Zengqi has sales and logistics centers in Hong Kong, Southern China, Eastern China, Northern China, and Southwest China.

D. Professional technical support team to provide customers with immediate solutions:

The company quickly grasps the latest technology market trends, communicates the latest product solutions to customers and provides immediate services, and holds seminars with suppliers on related industries and product information to discuss with customers to grasp the latest information. The Company provides total solution for our products and responds to customers' technical questions about components quickly, save R&D cost and shorten time to market for new products.

(2) Adverse factors and countermeasures:

A. General electronic products continue to low price fermentation profit space is constantly compressed

Countermeasures:

- a. Enhance employee education and training, stimulate self-learning awareness among employees, and implement overall marketing management to improve the company's production and competitiveness.
- b. To instruct the product manager to reflect the overall market competition to the suppliers in a timely and strict manner, and to actively seek the suppliers' price support in order to expand the business performance and increase the profit.
- c. Develop high margin markets, such as industrial computers, servers, etc. Increase the distribution line of components for special applications, which are irreplaceable and have relatively higher gross margins.
- d. Set up R&D application engineering team to assist customers to use our products to complete the design more quickly to grasp the market opportunities and ensure higher profits and market, and timely introduction of new agent products to grasp the market out of the old and replace the new business opportunities.
- e. In response to reduced consumer demand and high inventory and capital costs caused by inflation, the Company is making every effort to adjust our PO and inventory management.

B. Deteriorating competition and increased risk of bad debts

Countermeasures:

- a. Strengthen the management of credit and account recovery, and instruct the Customer Service Department, the Business Department and the Finance Department to gain an in-depth understanding of customers' operating conditions and implement customer credit and credit evaluation. The finance department collates the accounts receivable collection situation on a monthly basis and forwards it to the head of the business department to urge the business colleagues to collect the accounts receivable on time.

C. Short product life cycle

Countermeasures:

- a. Weekly meeting of each sales department to review the status of parts and components used by customers for production and development of models and import/sales regularly and occasionally.
- b. Standardize sales forecast, ordering (stocking) / purchasing process, use computerized information management system to clearly obtain inventory aging analysis, and instruct product managers to set up handling methods and preventive measures to be taken.
- c. Actively seek investment in related electronic channel business to expand the depth of the component channel industry's services to upstream, midstream and downstream related manufacturers and customers.

D. Industry consolidation, the larger the better

Countermeasures:

- a. Strengthen staff education and training, fully familiar with the products and related application technology of each distribution brand, fully exploit the value of professional semiconductor distribution channels, and provide customers with the convenience of one-time purchase.
- b. Strengthen the cultivation of niche markets, provide a more flexible and long-term cooperative approach to customer management, and strengthen the company's overall team service standards to gain customer recognition and consolidate and develop better customer-supplier relationships.

(2) Significant uses of major products and production processes

1. Important applications of the main products

Main Product Categories	Product Name and Usage
Linear integrated circuit (LINEAR)	Operational amplifiers, comparators, voltage stabilized ICs, bandwidth regulation, digital/analog converters, audio ICs, image processing, sound processing, video processing, DC motor drivers, integrated circuits for telephones and communications, etc.

Main Product Categories	Product Name and Usage
Logic and application-specific integrated circuits	Logic processing, microcontroller (MCU), USB chip digital signal processor (DSP), optical disk drive products, computer motherboards, satellite positioning systems, LCD monitors/TVs, digital cameras, and other uses.
Embedded Flash/Memory Card, Solid State Drive (NAND FLASH MEMORY IC/CARD & SSD), SRAM	NAND flash memory ICs/memory cards and solid state drives for tablet PCs, notebooks, digital cameras, cell phones, GPS, Gaming, etc.
Distributed semiconductor component (including transistors, power field effect transistors, diodes, light emitting diodes, etc.)	It is used for signal amplification, signal switching, signal control, signal display and voltage stabilization, rectification, and circuit driving of electronic circuits.
Passive components	Wafer and array resistors, tantalum capacitors, laminated capacitors, functional polymer capacitors, voltage control oscillators for mobile phones, SAW FILTER, etc.
Modules and others	Power modules, camera modules for cell phones, SENSOR, FLASH Memory, etc.

2. Production process: The Company is a semiconductor distributor and not a manufacturer, so it is not applicable.

(3) Supply of major raw materials: The Company is a semiconductor distributor, not a manufacturer, so it is not applicable.

(4) The names of customers who have accounted for more than 10% of the total purchase (sales) and the amount and proportion of purchase (sales) in any of the last two years

1. Name of suppliers who have accounted for more than 10% of total imports in any year of the last two years

Unit: NT\$ 1,000.00

Item	2021 (Note1)				2022 (Note1)			
	Name	Amount	Percent (%)	Relation with Issuer	Name	Amount	Percent (%)	Relation with Issuer
1	Supplier A	7,777,889	18.59	None	Supplier B	8,181,973	20.59	None
2	Supplier B	7,339,110	17.54	None	Supplier C	4,806,602	12.10	None
3					Supplier A	4,583,100	11.53	None
4	Others	26,719,078	63.87	None	Others	22,165,860	55.78	None
	Net Total Supplies	41,836,077	100.00	-	Net Total Supplies	39,737,535	100.00	-

Note1: From 2021 to 2022 the Company adopted IFRSs and presented the consolidated financial information.

The main suppliers of our products are memory cards, power field transistors, integrated circuits, and diodes, etc. Our main suppliers include Rohm, WD, INFINEON, MICROCHIP, and PARADE, etc. Since we have maintained long term relationships with our former suppliers, we have been among the top ten suppliers over the years because of our stable distribution rights.

2. Information on customers who have accounted for more than 10% of total sales in any of the last two years

Unit: NT\$ 1,000.00

Item	2021 - Consolidated (Note 1)				2022 - Consolidated (Note 1)			
	Name	Amount	Percent	Relation with Issuer	Name	Amount	Percent	Relation with Issuer
1	Customer A	6,208,635	14.77	None	Customer A	5,610,352	14.02	None
2	Other	35,836,091	85.23	None	Other	34,412,570	85.98	None
	Net sales	42,044,726	100.00		Net sales	40,022,922	100.00	

Note 1: From 2021 to 2022, the Company adopted International Financial Reporting Standards (IFRSs) and presented the consolidated financial information.

We are mainly engaged in the sales of semiconductor components, and our main customers are well-known domestic electronic product manufacturers, such as Xiaomi for smart phones, BOE, AUO for LCD panel manufacturer, ASUS, Gigabyte, and MICRO STAR for motherboard manufacturers; INVENTEC, TECH-FRONT, TECH-COM, and Compal for notebook computer manufacturers; OPTOTECH, Delta, and Hon Hai for power supply and communication peripherals. In addition, the Company established Zengqiang (Hong Kong) subsidiary in 1998 in order to strengthen the demand for parts and components for manufacturers relocated to Hong Kong and Mainland China, and the business scale of the Hong Kong subsidiary grew rapidly due to the accelerated westward expansion of domestic manufacturers. Overall, the amount and proportion of sales to each of the Company's major customers may increase or decrease depending on the industry trend, business conditions or strategic adjustments of the customer.

(5) Production volume for the last two years: omitted (Not applicable to the Company as a semiconductor distributor and non-manufacturer)

(6) Sales volume for the last two years:

Year	2021				2022			
	Domestic Sales		Foreign Sales		Domestic Sales		Foreign Sales	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Sales Volume								
Main Products								
Digital Integrated Circuits	23,881	332,547	230,268	2,501,076	20,533	393,273	137,485	2,163,084
Linear integrated circuits	262,079	814,200	684,334	8,570,474	238,913	907,042	580,338	8,177,697
Logic and specific applications Integrated circuits	14,337	390,077	230,880	4,921,745	25,078	778,275	171,245	5,129,897
Diodes	181,143	153,924	1,758,454	1,271,954	160,161	152,394	1,615,784	1,321,313
Power Field Effect Transistors	101,045	433,263	1,327,360	4,267,933	98,413	509,759	1,097,315	4,434,256
Transistors	78,585	56,257	596,672	411,210	75,474	55,936	490,969	437,754
Passive components	4,579	6,074	959,402	624,433	10,640	10,324	502,401	569,983
Memory Card	6,060	1,323,865	59,713	10,718,507	5,185	1,407,034	38,479	8,033,194
Modules and others	49,893	402,219	1,173,308	4,844,968	45,248	424,329	800,535	5,117,378
Total	721,602	3,912,426	7,020,391	38,132,300	679,645	4,638,366	5,434,551	35,384,556

(III) The number of workers, average years of service, average age and education distribution of employees in the industry for the last two years and as of the printing date of the annual report:

Year		2021	2022	As of 2023 March 31
Number of employees	Business Technology of Products	547	568	563
	Administration and Management	206	204	197
	Total	753	772	760
Average age		36.86	36.82	39.19
Average Length of Service		6.60	6.04	7.31
Education Distribution	PhD	0	0	0
	Master	45	50	51
	College	618	633	620
	High School	86	89	89
	Below high school	4	0	0

(IV) Environmental Expenditure Information

1. In accordance with the provisions of the law, those who should apply for a pollution facility installation permit or a pollution discharge permit, or those who should pay pollution prevention and control fees, or those who should establish a special unit for environmental protection, the application, payment or establishment of the situation: The Company is not a manufacturing industry, so it is not applicable.
2. The Company's investment in major equipment for environmental pollution control and its use and potential benefits: The Company is not a manufacturing industry, so it is not applicable.
3. In the latest fiscal year and as of the day that annual report is printed, the company has improved the environmental pollution, and if there is a pollution dispute, the company should explain the handling process: The company is a professional technology integration marketing distributor, so there is no pollution in our business scope.
4. In the latest fiscal year and as of the day that annual report is printed, all losses caused to the Company due to environmental pollution (included liability and the environmental protection assessment result showed violation of laws and regulations; punishment date, punishment document No., Article No. with violation, clause details with violation and punishment details shall be specified, and current and future potential amount forecast and countermeasures shall be disclosed; in case of failure of reasonable forecast, facts which failed to be forecasted shall be specified): None
5. The current pollution status and the impact of its improvement on the company's earnings, competitive position and capital expenditure and its expected significant environmental capital expenditure in the next two years: None.
6. In response to the EU Restriction of Hazardous Substances Directive (RoHS):
 - (1) We are a distributor of semiconductors and electronic components (we do not manufacture any products ourselves) and serve as an agent for the sale of semiconductors and electronic components from international semiconductor companies in Europe, the United States and Japan, as well as domestic IC design companies. Our main sales customers include domestic and foreign manufacturers of electronic information, network communications and consumer electronics products.
 - (2) We do not sell our products directly to Europe, but mainly to domestic and foreign manufacturers of electronic information products.

- (3) Our main agent suppliers have all completed the development of new products and related production processes in accordance with the EU Environmental Directive (RoHS), and according to the customer's new product model development schedule requirements (whether RoHS certification is required), we provide products that comply with environmental certification for system manufacturers to use in production.
- (4) In order to meet the different material production requirements of leaded and unleaded materials, our company has planned the related material and storage operations and has completed all the related operations.

(V) Labor relations

- (1) Employee welfare measures, training, training, retirement system and its implementation status, and the agreement between labor and management and various employee rights and interests protection measures:

1. Employee Benefit Measures

- A. In addition to general benefits such as labor insurance, health insurance, group insurance, and pension benefits, our employees are provided with a complete system of education and training, annual bonuses, and employee compensation.
- B. On April 9, 1999, the Company obtained approval from the competent authorities to set up the Employee Welfare Committee under the letter No. 129635 of Labor 4, 1988, which is responsible for handling various employee benefits, including birthday parties, birthday gifts, holiday gifts, employee travel activities, annual employee health check-ups, wedding and funeral subsidies, emergency relief and educational training subsidies.
- C. Praise for senior and outstanding employees.

2. Further education and training.

Our company attaches great importance to the learning and development of our employees, and training is planned in two parts: internal training and external training.

(1) Internal training

Our internal training is divided into three categories: management courses, newcomer training courses and professional training courses, all of which are taught by internal professional colleagues, or by external professional instructors.

①Management Course: Training for supervisors to improve their management skills and strategic abilities.

②Newcomer Training

Training for new recruits includes:

a.Introduction and explanation for Company policy: Group profile, company business philosophy, introduction to personnel regulation and system, sexual harassment prevention and sexual equality advocacy and corporate resource website introduction, etc.

b.Courses and discussions related to laws and regulations: ISO certification and precautions, occupational safety and health education and training, personal information and information security courses...etc.

c. Instructions and implementation of the company's commonly used information systems.

③Professional Training

Each department conducts professional training and product training from time to time according to work progress and professional needs.

Based on the total of the three types of courses mentioned above, the participation of the Company's employees' internal training in 2022 is as follows:

Total Training Attendance	Total Training Hours	Total Training Expenses
429 people-time	1,139 hours	40,500

(2) External Training

Our employees can apply for external professional training courses according to their work and personal learning needs, or be assigned by their supervisors. Employees' participation in external professional training in 2022 is as follows:

Total Number of Trainees	Total Training Hours	Total Training Expenses
15 people	143hours	45,457

3. Retirement System

In accordance with the official letter Pei-Shi-Lau-Er-Zhi No. 09832095900 dated April 13, 2009 from the Bureau of Labor Affairs of Taipei City Government, it is approved that the Labor Standards Law shall be applied to the industry to which the Company belongs from March 1, 1998 in accordance with the official letter Tai-Lau-Dong-I-Zhi No. 037287 dated September 1, 1997 from the Labor Affairs Commission of the Executive Yuan.

In order to establish long-term harmonious labor relations, the Company established the Employees' Retirement Reserve Fund Supervisory Committee in December 1998 and obtained the approval of the Taipei County Labor Bureau for registration in the letter Pei-Fu-Lau-Er-Zhi No. 396072 dated December 16, 1998, and regularly contributes 2% of the total amount paid to the retirement reserve fund:

(1) Seniority prior to March 1, 1998 is recognized, but the pension base is not calculated.

(2) For the first fifteen years of service after March 1, 1998, two basis points will be granted for each year of service; for the sixteenth year of service, one basis point will be granted for each year of service, up to a maximum of forty-five basis points. If it is less than six months, it will be counted as six months; if it is more than six months, it will be counted as one year.

(3) Starting from July 1, 2005, in accordance with the Labor Pension Act, monthly contributions of 6% of employees' salaries are made to the Labor Insurance Bureau's individual labor pension accounts.

4. Agreement between the Labor and the Management

All regulations and measures of the Company regarding labor relations are in accordance with the relevant laws and regulations and are therefore well implemented. Any new or amended measures regarding labor relations are fully agreed and communicated between employers and employees and sent to the labor-management meeting for approval before being finalized.

The Company has implemented the above benefits and retirement system.

(2) For the most recent year and as of the printing date of the annual report, the losses suffered by the Company as a result of labor disputes, and disclose the estimated amount of current and potential future losses and the measures to be taken, and if the amount cannot be reasonably estimated, the facts that cannot be reasonably estimated.

(1) Up to now, the Company has not had any significant labor disputes, and the employees and employers are in harmony with each other, and there are no losses arising from labor disputes.

(2) Current and possible future measures in response.

A. To fully comply with labor laws and regulations and to enhance welfare measures.

B. Establish open and honest communication and grievance channels between employers and employees.

C. Establish an operation management system with full participation of all employees.

(3) Current and potential future losses: The Company has always adhered to the management policy of harmony and honesty, and if there are no other external changes, labor relations should become more normal and harmonious, and no losses will occur.

(VI) Information Security Management:

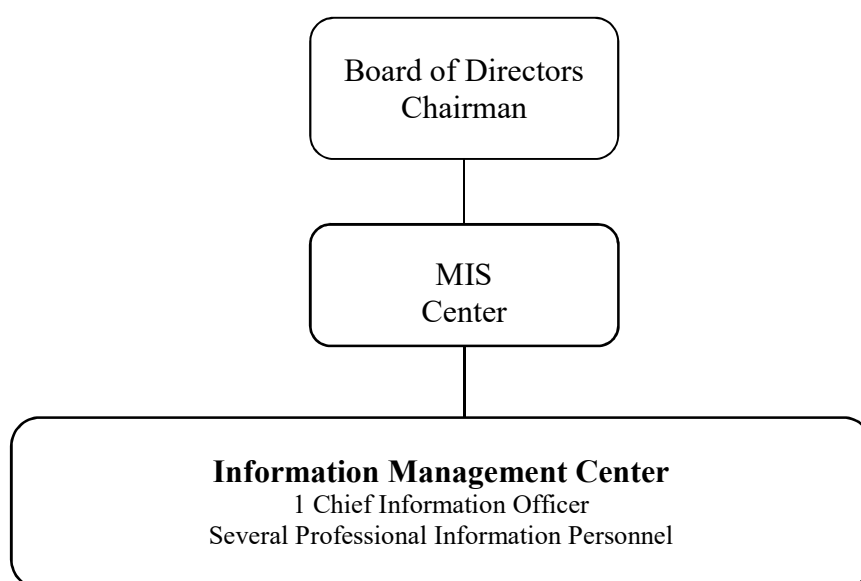
- (1) Information security risk management framework, information security policies, specific management plans and resources devoted to information security management:

1. Information security risk management framework

The company's information security authority is MIS Center, administered by the Chairman, which is responsible for coordinating and implementing information security policies, disseminating information security information, raising employees' awareness of information security, and collecting and improving technologies, products or procedures for the performance and effectiveness of the organization's information security management system.

In addition, the accounting firm conducts annual information environment risk assessment and necessary control test based on the company's current information operation method and risk management to evaluate the effectiveness of the company's internal controls over information operations.

The information security policy and its implementation are reviewed and reported to the Board of Directors on an annual basis.



2. Information security policy objectives

- (1) Establish relevant information security procedures to ensure the confidentiality, integrity and availability of information assets
- (2) Protect the Company's business activity information from unauthorized access and modification, and ensure its accuracy and completeness.
- (3) Ensure the continuous operation of the Company's information operations
- (4) Regularly perform information security audit operations to ensure the implementation of information security.

3. Specific management programs for information security

(1) Network information security control

- Establishment of next-generation firewall
- Regular virus scanning of computer systems and data storage media
- The use of each network service shall be carried out in accordance with the information security policy.
- Regularly review the System Log of each network service item to track irregularities.
- Occasional vulnerability scans, social engineering exercises, and protection system effectiveness checks

(2) Information access control

- Computer equipment should be kept by dedicated people with account and password created.
- Different access rights according to the function.
- Cancellation of original authority for transferred personnel
- Remove or overwrite confidential, sensitive information and copyrighted software before disposing of equipment
- Remote access to the management information system should be properly approved

(3) Response and recovery mechanism

- Regular review of emergency response plans
- Regular annual rehearsals for system recovery
- Establish system backup mechanism and implement off-site backup
- Regular review of computer network security controls

(4) Promotion and inspection

- Promote information security information at all times to raise employees' awareness of information security
- Regularly perform annual information security inspections and report to the Board of Directors

4. The resources devoted in information security management

(1) Drill practice for information personnel was conducted on October 15, 2022.

(2) We have conducted 6 information security educational trainings this year with a total of 77people-time and a total of 38.5 person-hours.

(2) Please specify the losses, possible impacts and responses to major information security incidents suffered in the most recent year and up to the publication date of the annual report, and if it is not reasonably estimable, please state the fact why it cannot be reasonably estimated: None.

(VII) Important Contracts:

Supply and sales contracts, technical cooperation contracts, construction contracts, long-term loan contracts and other contracts of significance to investors' interests that are still in effect in the recent year

Nature of Contract	Agent Firm	Date of commencement of agency contract	Main content	Restrictions
Agent Contract	Western Digital Technologies, Inc.	2018.7.12~2021.7.11 Annual automatic renewal	Sales agent for semiconductor parts	None
	Parade Technology, Ltd	2015.7.1 to termination	Sales agent for semiconductor parts	None
	Infineon Technologies Asia Pacific Pte Ltd	2015.08.01 - Agreement terminated	Sales agent for semiconductor parts	None
	ROHM SEMICONDUCTOR TAIWAN CO., LTD.	2017.04.01-2018.03.31 Annual automatic renewal	Sales agent for semiconductor parts	None
	Microchip Technology Ireland Limited	2018.11.8 to termination	Sales agent for semiconductor parts	None
	FUJI ELECTRIC TAIWAN CO., LTD.	2020.4.1~2022.3.31 Automatic renewal for one year	Sales agent for semiconductor parts	None
	Diodes Taiwan, Inc.	2014.12.15 -Agreement terminated	Sales agent for semiconductor parts	None
	Vishay Intertechnology Asia PTE LTD	2008.04.01 -Agreement terminated	Sales agent for semiconductor parts	None

VI. Financial Information

(I) Condensed Balance Sheet and Income Statement in the Past Five Years

(1) Condensed Balance Sheet and Statement of Comprehensive Income - Adopt International Financial Reporting Standards:

1. Condensed Balance Sheet - Based on IFRS: (consolidated)

Unit: NT\$1,000

<div style="display: flex; align-items: center;"> <div style="flex: 1; text-align: center;">Year</div> <div style="flex: 1; text-align: center;">Item</div> </div>		Financial analysis for the past five years (Note 1~Note 2)				
		2018	2019	2020	2021	2022
Current assets		15,973,739	13,493,379	18,490,142	20,139,637	20,404,759
Property, Plant and Equipment		460,307	449,200	440,004	426,533	420,424
Intangible assets		–	–	–	–	–
Other assets		280,147	284,521	360,031	1,220,342	907,532
Total assets		16,714,193	14,227,100	19,290,177	21,786,512	21,732,715
Current liabilities	Before distribution	12,166,280	9,633,359	14,243,165	15,698,366	15,561,922
	After distribution	12,529,780	9,847,259	14,649,465	16,446,753	16,222,312 (Note 3)
Non-current liabilities		181,561	188,033	245,454	795,914	649,230
Total liabilities	Before distribution	12,347,841	9,821,392	14,488,619	16,494,280	16,211,152
	After distribution	12,711,341	10,035,292	14,894,919	17,242,667	16,871,542 (Note 3)
Equity attributable to shareholders of the parent company		4,366,352	4,405,708	4,801,558	5,292,232	5,521,563
Capital stock		2,138,249	2,138,249	2,138,249	2,138,249	2,184,895
Capital surplus		965,034	965,034	958,734	1,036,486	1,118,544
Retained earnings	Before distribution	1,218,257	1,085,221	1,361,862	1,833,149	1,959,783
	After distribution	854,757	877,621	955,562	1,084,762	1,299,393 (Note 3)
Other interests		44,812	217,204	342,713	284,348	258,341
Treasury stock		–	–	–	–	–
Non-controlling interests		–	–	–	–	–
Total shareholders' equity	Before distribution	4,366,352	4,405,708	4,801,558	5,292,232	5,521,563
	After distribution	4,002,852	4,191,808	4,395,258	4,543,845	4,861,173 (Note 3)

Note 1: The financial statements for the years from 2018 to 2022 were audited and approved by CPAs.

Note 2: The Company has no asset revaluation.

Note 3: The resolution on the distribution of the 2022 earnings has been approved by the board of directors and has not yet been recognized by the shareholders' meeting. The amount of cash dividends and bonus distribution has been approved by the board of directors and has not yet been submitted to the shareholders' meeting.

2. Condensed Statement of Comprehensive Income - Based on IFRS (consolidated)

Unit: NT\$1,000

Year Item	Financial analysis for the past five years (Note 1)				
	2018	2019	2020	2021	2022
Operating revenue	31,079,867	26,992,869	34,401,169	42,044,726	40,022,922
Gross profit	1,813,109	1,483,789	1,621,186	2,486,846	2,725,200
Operating profit (loss)	694,040	385,569	426,977	1,064,179	1,214,788
Non-operating income and expenses	(154,615)	(78,142)	128,079	16,596	(308,109)
Net income before income tax	539,425	307,427	555,056	1,080,775	906,679
Continuing business units	409,036	230,581	472,025	877,710	714,572
Loss of suspended business unit	—	—	—	—	—
Net income (loss)	409,036	230,581	472,025	877,710	714,572
Other comprehensive income(Income after tax)	(412,163)	172,275	137,725	(58,488)	134,442
Total comprehensive income	(3,127)	402,856	609,750	819,222	849,014
Equity attributable to shareholders of the parent company	406,646	230,581	472,025	877,710	714,572
Net income attributable to non-controlling interests	2,390	—	—	—	—
Comprehensive income attributable to shareholders of the parent company	(6,844)	402,856	609,750	819,222	849,014
Comprehensive income attributable to non-controlling interests	3,717	—	—	—	—
Earnings per share	1.90	1.08	2.21	4.10	3.30

Note 1: The financial statements for the years from 2018 to 2022 were audited and approved by CPAs.

3. Condensed Balance Sheet (individual)- Based on IFRS:

Unit: NT\$1,000

Item \ Year		Financial analysis for the past five years (Note 1~Note 2)				
		2018	2019	2020	2021	2022
Current assets		10,628,977	8,101,683	11,638,694	12,260,111	12,022,351
Property, Plant and Equipment		386,569	382,711	376,212	369,344	367,295
Intangible assets		–	–	–	–	–
Other assets		2,448,605	2,526,420	2,719,063	4,021,546	4,463,290
Total assets		13,464,151	11,010,814	14,733,969	16,651,001	16,852,936
Current liabilities	Before distribution	8,918,289	6,424,930	9,747,597	10,585,314	10,686,337
	After distribution	9,281,789	6,638,830	10,153,897	11,333,701	11,346,727 (Note 3)
Non-current liabilities		179,510	180,176	184,814	773,455	645,036
Total liabilities	Before distribution	9,097,799	6,605,106	9,932,411	11,358,769	11,331,373
	After distribution	9,461,299	6,819,006	10,338,711	12,107,156	11,991,763 (Note 3)
Equity attributable to shareholders of the parent company		4,366,352	4,405,708	4,801,558	5,292,232	5,521,563
Capital stock		2,138,249	2,138,249	2,138,249	2,138,249	2,184,895
Capital surplus		965,034	965,034	958,734	1,036,486	1,118,544
Retained earnings	Before distribution	1,218,257	1,085,221	1,361,862	1,833,149	1,959,783
	After distribution	854,757	877,621	955,562	1,084,762	1,299,393 (Note 3)
Other interests		44,812	217,204	342,713	284,348	258,341
Treasury stock		–	–	–	–	–
Non-controlling interests		–	–	–	–	–
Total shareholders' equity	Before distribution	4,366,352	4,405,708	4,801,558	5,292,232	5,521,563
	After distribution	4,002,852	4,198,108	4,395,258	4,543,845	4,861,173 (Note 3)

Note 1: The financial statements for the years from 2018 to 2022 were audited and approved by CPAs.

Note 2: The Company has no asset revaluation.

Note 3: The resolution on the distribution of the 2022 earnings has been approved by the board of directors and has not yet been recognized by the shareholders' meeting. The amount of cash dividends and bonus distribution has been approved by the board of directors and has not yet been submitted to the shareholders' meeting.

4. Condensed Statement of Comprehensive Income (individual)- Based on IFRS:

Unit: NT\$1,000

Item \ Year	Financial analysis for the past five years (Note 1)				
	2018	2019	2020	2021	2022
Operating revenue	19,875,551	15,469,871	20,128,205	21,536,590	19,452,860
Gross profit	794,545	692,791	648,480	1,065,128	1,313,321
Operating profit (loss)	272,576	179,599	22,321	388,120	571,779
Non-operating income and expenses	200,543	99,340	455,433	566,486	250,027
Net income before income tax	473,119	278,939	477,754	954,606	821,806
Continuing business units	473,119	278,939	477,754	954,606	821,806
Loss of suspended business unit	-	-	-	-	-
Net income (loss)	406,646	230,581	472,025	877,710	714,572
Other comprehensive income(Income after tax)	(413,490)	172,275	137,725	(58,488)	134,442
Total comprehensive income	(6,844)	402,856	609,750	819,222	849,014
Equity attributable to shareholders of the parent company	-	-	-	-	-
Net income attributable to non-controlling interests	-	-	-	-	-
Comprehensive income attributable to shareholders of the parent company	-	-	-	-	-
Comprehensive income attributable to non-controlling interests	-	-	-	-	-
Earnings per share	1.90	1.08	2.21	4.10	3.30

Note 1: The financial statements for the years from 2018 to 2022 were audited and approved by CPAs.

(2) Name of the accountants and their audit opinion for the last five years

Year	Accounting firm	CPAs	Audit opinion
2022	PricewaterhouseCoopers Taiwan	CHEN,CHIN-CHANG, LIAO, FU-MING	Unqualified opinion
2021	PricewaterhouseCoopers Taiwan	CHEN,CHIN-CHANG, LIN,YI-FAN	Unqualified opinion
2020	PricewaterhouseCoopers Taiwan	CHEN,CHIN-CHANG, LIN,YI-FAN	Unqualified opinion
2019	PricewaterhouseCoopers Taiwan	CHEN,CHIN-CHANG, LIN,YI-FAN	Unqualified opinion
2018	PricewaterhouseCoopers Taiwan	CHEN,CHIN-CHANG, LIN,YI-FAN	Unqualified opinion

II. Financial analysis for the past five years:

(I) Financial analysis (consolidated)-Adopt International Financial Reporting Standards:

Analysis Items	Year	Financial analysis for the past five years (Note 1)				
		2018	2019	2020	2021	2022
Financial structure (%)	Debt to asset ratio	73.87	69.03	75.10	75.70	74.59
	Long term capital to property, plant and equipment ratio	988.01	1,022.64	1,147.03	1,427.35	1,467.75
Solvency (%)	Current ratio	131.29	139.77	129.81	128.29	131.11
	Quick ratio	82.48	95.13	84.44	72.21	58.30
	Interest coverage ratio	362.20	259.10	554.36	1,029.14	382.16
Operating capacity	Receivables turnover (times)(Note 2)	4.24	3.48	4.11	4.39	4.61
	Average cash recovery day	86.08	104.88	88.80	83.14	79.17
	Inventory turnover (times)(Note 2)	4.96	4.83	5.79	4.93	3.48
	Accounts payables turnover (times)	7.79	7.52	8.63	8.76	10.38
	Average days in sales	73.58	75.56	63.03	74.03	104.88
	Property, plant and equipment turnover (times)	66.49	59.35	77.37	97.04	94.50
	Total asset turnover (times)	1.95	1.74	2.05	2.04	1.83
	Return on assets (%)	3.61	2.48	3.39	4.72	4.46
Profitability	Return on equity (%)	8.90	5.25	10.25	17.39	13.21
	Pre-tax net profit to paid-in capital ratio (%)	25.22	14.37	25.95	50.54	41.49
	Net profit ratio (%)	1.31	0.85	1.37	2.08	1.78
	Earnings per share (NT\$)	1.90	1.08	2.21	4.10	3.30
	Cash flow ratio (%)	(15.43)	23.51	(17.13)	(8.08)	(10.95)
Cash flow	Cash flow adequacy ratio	(32.41)	23.24	(38.27)	(54.58)	(53.80)
	Cash reinvestment ratio (%)	(46.75)	39.13	(50.69)	(26.55)	(38.56)
Leverage	Operating leverage	1.47	1.73	1.78	1.33	1.32
	Financial leverage	1.42	2.00	1.40	1.12	1.35

Please explain the reasons for the changes in each financial ratio for the last two years. (Analysis is waived if the change is less than 20%)

The following table shows the changes in financial ratios of the Company of 20% or more for the last two years

Analysis item	2021	2022	Changes ratio	Explanation
Interest coverage ratio	1,029.14	382.16	(62.87)%	1
Inventory turnover (times)	4.93	3.48	(29.41)%	1
Average days in sales	74.03	104.88	41.67%	1
Return on equity (%)	17.39	13.21	(24.04)%	2
Cash flow ratio (%)	(8.08)	(10.95)	(35.52)%	1
Cash reinvestment ratio (%)	(26.55)	(38.56)	(45.24)%	1
Financial leverage	1.12	1.35	20.54%	1

1. Due to the slowdown of end-demand resulted in longer average days of sales, an increase in inventory value, an increase in working capital requirements, an increase in borrowing, and an increase in interest expenses due to the impact of interest rate hikes.

2. Due to the issuance and conversion of the 4th unsecured convertible corporate bond and the decrease of profit after tax.

Note 1: The financial statements for the years from 2018 to 2022 were audited and approved by CPAs.

Note 2: The related ratios of receivables and inventories are calculated on a gross basis.

(II) Financial analysis (individual)-Adopt International Financial Reporting Standards:

Analysis Items \ Year		Financial analysis for the past five years (Note 1)				
		2018	2019	2020	2021	2022
Financial structure (%)	Debt to asset ratio	67.57	59.98	67.41	68.21	67.23
	Long term capital to property, plant and equipment ratio	1,175.95	1,198.26	1,325.41	1,642.28	1,678.92
Solvency (%)	Current ratio	119.18	126.09	119.40	115.82	112.50
	Quick ratio	77.48	87.35	74.57	66.75	59.23
	Interest coverage ratio	437.53	354.97	805.73	1,628.24	606.80
Operating capacity	Receivables turnover (times)(Note 2)	3.59	3.09	4.10	3.69	3.53
	Average cash recovery day	101.67	118.12	89.02	98.91	103.39
	Inventory turnover (times)(Note 2)	5.43	4.66	5.47	4.15	3.14
	Accounts payables turnover (times)	7.18	6.87	8.99	8.05	9.41
	Average days in sales	67.21	78.32	66.72	87.95	116.24
	Property, plant and equipment turnover (times)	50.65	40.21	53.04	57.77	52.81
	Total asset turnover (times)	1.51	1.26	1.56	1.37	1.16
Profitability	Return on assets (%)	3.96	2.59	4.08	5.91	5.03
	Return on equity (%)	8.89	5.25	10.25	17.39	13.21
	Pre-tax net profit to paid-in capital ratio (%)	22.12	13.04	22.34	44.64	37.61
	Net profit ratio (%)	2.04	1.49	2.34	4.07	3.67
	Earnings per share (NT\$)	1.90	1.08	2.21	4.10	3.30
Cash flow	Cash flow ratio (%)	(10.57)	30.97	(23.69)	(7.80)	1.70
	Cash flow adequacy ratio	(26.71)	50.59	(33.37)	(56.62)	(33.65)
	Cash reinvestment ratio (%)	(27.76)	33.74	(48.40)	(19.58)	(8.98)
Leverage	Operating leverage	1.67	1.89	10.14	1.54	1.40
	Financial leverage	2.05	2.55	(0.49)	1.19	1.39

Please explain the reasons for the changes in each financial ratio for the last two years. (Analysis is waived if the change is less than 20%)

The following table shows the changes in financial ratios of the Company of 20% or more for the last two years.

Analysis Items \ Year		Year		Changes ratio	Explanation
		2021	2022		
Interest coverage ratio		1,628.24	606.80	(62.73)%	1
Inventory turnover (times)		4.15	3.14	(24.34)%	1
Average days in sales		87.95	116.24	32.17%	1
Return on equity (%)		17.39	13.21	(24.04)%	2
Cash flow ratio (%)		(7.80)	1.70	121.79%	1
Cash flow adequacy ratio		(56.62)	(33.65)	40.57%	1
Cash reinvestment ratio (%)		(19.58)	(8.98)	54.14%	1

1. Due to the slowdown of end-demand resulted in longer average days of sales, an increase in inventory value, an increase in working capital requirements, an increase in borrowing, and an increase in interest expenses due to the impact of interest rate hikes.
2. Due to the issuance and conversion of the 4th unsecured convertible corporate bond and the decrease of profit after tax.

Note 1: The financial statements for the years from 2018 to 2022 were audited and approved by CPAs.

Note 2: The related ratios of receivables and inventories are calculated on a gross basis.

Calculation formulas for the financial analysis for the past five years:

1. Financial structure

(1) Debt to assets ratio = total liabilities / total assets.

(2) Ratio of long term funds to property, plant, and equipment (total equity + non-current liabilities) / net worth of property, plant and equipment.

2. Solvency

(1) Current ratio = current assets / current liabilities.

(2) Quick ratio = (current assets – inventory – contract property – prepaid items) / current liabilities.

(3) Times interest earned ratio = net income before tax and interest expense / interest expense.

3. Operating capacity

(1) Account receivable turnover (including accounts receivable and notes receivable resulted from business operation) = net sales / average balance of account receivable (including accounts receivable and notes receivable resulted from business operation).

(2) Average cash recovery day = 365 / account receivable turnover.

(3) Inventory turnover = cost of goods sold / average inventory.

(4) Account payable turnover (including accounts payable and notes payable resulted from business operation) = operating costs / average balance of account payable (including accounts payable and notes payable resulted from business operation).

(5) Average days in sales = 365 / inventory turnover.

(6) Property, plant and equipment turnover = net sales / average net worth of property, plant and equipment.

(7) Total assets turnover = net sales / average total assets.

4. Profitability

(1) Ratio or return on total assets = [net income + interest expense × (1 tax rate)] / average total assets.

(2) Return on equity = net income / average net equity.

(3) Profit ratio = net income / net sales.

(4) Earnings per share = (net income preferred stock dividend) / weighted average stock shares issued (Note 3)

5. Cash flow

(1) Cash flow ratio = net cash flow from operating activity / current liabilities

(2) Cash flow adequacy ratio = (net cash flow from operating activities within five year / (capital expenditure + inventory increase + cash dividend) within five year

(3) Cash reinvestment ratio = (net cash flow from operating activity cash dividend) / (total fixed assets + long term investment + other non-current assets + working capital). (Note 4)

6. Leverage

(1) Operating leverage = (net operating income operating variable cost and expense) / operating income. (Note 5)

(2) Financial leverage = operating income / (operating income interest expense).

Note 3: The above formula for calculating earnings per share should be measured with special attention to the following items.

1. Based on the weighted-average number of common shares, rather than the number of shares outstanding at the end of the year.

2. The weighted-average number of shares should be calculated by considering the period of liquidity of the shares.

3. For any capital increase from earnings or capital surplus, the percentage of capital increase should be adjusted retroactively in the calculation of earnings per share for prior years and semiannual periods, without regard to the issuance period of such capital increase.

4. If the preferred shares are non-convertible cumulative preferred shares, the dividends for the year, whether paid or unpaid, should be deducted from net income after tax or increased by net loss after tax. If the preferred stock is non-cumulative, the preferred stock dividends should be deducted from net income if there is after-tax profit; if there is a loss, no adjustment is required.

Note 4: The above formula for calculating earnings per share should be measured with special attention to the following items.

1. Net cash flow from operating activities represents the net cash inflow from operating activities in the cash flow statement.

2. Capital expenditures represent the annual cash outflows from capital investments.

3. Increases in inventories are included only if the ending balance is greater than the opening balance, and are calculated as zero if inventories decrease at year-end.

4. Cash dividends include cash dividends on common stock and preferred stock.

5. Gross property, plant and equipment represents the total amount of property, plant and equipment before accumulated depreciation.

Note 5: The issuer should distinguish each operating cost and operating expense into fixed and variable depending on their nature, and where estimates or subjective judgments are involved, note the reasonableness and maintain consistency.

Note 6: If the Company's stock has no par value or the par value per share is not NT\$10, the calculation of the ratio of paid-in capital in the preceding paragraph is based on the ratio of equity attributable to the owners of the parent company in the balance sheet.

(III) Supervisors' /Audit Committee's Report for the Most Recent Year

Zenitron Corporation Audit Committee's Review Report

The Board of Directors has prepared the Company's 2022 Business Report, parent company only financial statement and consolidated financial statement, as well as the proposal of earnings distribution. The financial statements have been certified by Chen, Jin-Chang and Liao, Fu-Ming, CPAs of PwC Taiwan and reports been verified. The aforementioned business report, together with the financial reports and proposal of earnings distribution have been reviewed and determined to be correct and accurate by the Audit Committee members of Zenitron Corp., in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

Submitted to:

2023 Annual Shareholders' Meeting of Zenitron Corporation

Chairman of the Audit Committee:

Hsu, Jui-Mao

March 15, 2023

(IV) Recent Annual Financial Statement

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Zenitron Corporation

Opinion

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

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

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group's 2022 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2022 consolidated financial statements are stated as follows:

Valuation of allowance for uncollectible accounts receivable

Description

Refer to Note 4(9)(10), Note 5(2) and Note 6(4) for accounting policies on accounts receivable, accounting estimates and assumptions on impairment assessment as well as details of related impairment, respectively.

The Group assesses impairment of accounts receivable based on historical experience and takes into consideration the customers' historical default records and current financial conditions to estimate expected loss rate in recognising loss allowance. In addition, the Group provides for full allowance for uncollectible accounts from individual customers where there is an indication that they are individually identified as impaired or a credit impairment actually occurred. As the assessment of allowance for uncollectible accounts is subject to management's judgment and estimates in determining the future collectability, such as management's assessment of customer's credit risk, we considered the valuation of allowance for uncollectible accounts receivable from individual customers a key audit matter.

How our audit addressed the matter

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

1. Understood and evaluated related policies and internal controls on credit risk management and accounts receivable impairment.
2. Assessed the calculation logic of year-end accounts receivable ageing report provided by management, reviewed the related supporting documents and verified it against the accounting records to ascertain the accuracy of the ageing classification.
3. For those material accounts receivable individually identified by the management to have been impaired, reviewed the supporting documents of impairment assessment provided by the management to assess the reasonableness of collectability.
4. Selected samples of significant overdue accounts receivable amounts and examined their subsequent collections.

Assessment of allowance for inventory valuation losses

Description

Refer to Note 4(13), Note 5(2) and Note 6(5) for accounting policies on inventory valuation, accounting estimates and assumptions and details of allowance for valuation losses, respectively.

The Group is mainly engaged in sales of electronic components. The Group measures ending inventories at the lower of cost and net realisable value and provides allowance for inventory valuation losses based on usable condition of inventories that were individually identified as obsolete. As the life cycle of such inventories is short, the market is competitive, and the assessment of allowance for valuation of inventories individually identified as obsolete often involves management's subjective judgment, we considered the estimation of inventory valuation losses a key audit matter.

How our audit addressed the matter

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

1. Understood and evaluated the internal control procedures over the Group's inventories individually identified as obsolete.
2. Understood the Group's warehousing control procedures, reviewed the annual physical inventory count plan as well as participated and observed the annual physical inventory count in order to assess the effectiveness of the procedures the management used to identify and control obsolete inventories.
3. Obtained the details of inventories that were individually identified as obsolete by the management, reviewed the related supporting documents and verified it against the accounting records.
4. Selected samples of inventory items and examined whether the net realisable value basis was consistent with the Company's policies, and checked the accuracy of the net realisable value calculation on individual inventory item numbers.

Other matter – Parent company only financial reports

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

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

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

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

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

Auditors' responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional 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 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 year 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.

Chen, Ching Chang

Liao, Fu-Ming

For and on behalf of PricewaterhouseCoopers, Taiwan

March 15, 2023

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

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

ZENITRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2022		December 31, 2021	
		AMOUNT	%	AMOUNT	%
Current assets					
Cash and cash equivalents	6(1)	\$ 1,374,575	6	\$ 1,615,196	7
Financial assets at fair value through profit or loss - current	6(2)	20,259	-	23,064	-
Financial assets at fair value through other comprehensive income - current	6(3)	810	-	727	-
Notes receivable, net	6(4)	164,073	1	286,952	1
Accounts receivable, net	6(4)	7,438,333	35	9,300,481	43
Other receivables		74,863	-	109,955	1
Inventories, net	6(5)	11,095,522	51	8,655,709	40
Other current assets		236,324	1	147,553	1
Total current assets		20,404,759	94	20,139,637	93
Non-current assets					
Financial assets at fair value through profit or loss - non-current	6(2)	7,116	-	-	-
Financial assets at fair value through other comprehensive income - non-current	6(3)	605,360	3	973,995	5
Property, plant and equipment	6(6)	420,424	2	426,533	2
Right-of-use assets	6(7)	25,521	-	62,087	-
Investment property, net	6(9) and 8	35,948	-	36,492	-
Deferred income tax assets	6(22)	168,060	1	81,454	-
Other non-current assets	8	65,527	-	66,314	-
Total non-current assets		1,327,956	6	1,646,875	7
Total assets		\$ 21,732,715	100	\$ 21,786,512	100

(Continued)

ZENITRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2022		December 31, 2021	
		AMOUNT	%	AMOUNT	%
Current liabilities					
Short-term borrowings	6(10)	\$ 11,159,622	51	\$ 9,598,056	44
Short-term notes and bills payable	6(11)	897,758	4	699,361	3
Notes payable		2,477	-	2,525	-
Accounts payable		2,563,319	12	4,616,535	21
Other payables		595,540	3	498,566	2
Current income tax liabilities		157,745	1	157,658	1
Current lease liabilities	6(7)	23,872	-	42,730	-
Other current liabilities	6(17)	161,589	1	82,935	1
Total current liabilities		<u>15,561,922</u>	<u>72</u>	<u>15,698,366</u>	<u>72</u>
Non-current liabilities					
Bonds payable	6(12)	456,426	2	577,835	3
Deferred income tax liabilities	6(22)	114,479	1	115,882	1
Non-current lease liabilities	6(7)	2,263	-	21,307	-
Other non-current liabilities	6(13)	76,062	-	80,890	-
Total non-current liabilities		<u>649,230</u>	<u>3</u>	<u>795,914</u>	<u>4</u>
Total liabilities		<u>16,211,152</u>	<u>75</u>	<u>16,494,280</u>	<u>76</u>
Equity attributable to owners of parent					
Share capital	6(14)				
Common stock		2,184,054	10	2,138,249	10
Certificate of entitlement to new shares from convertible bonds	6(12)	841	-	-	-
Capital surplus	6(15)				
Capital surplus		1,118,544	5	1,036,486	5
Retained earnings	6(16)				
Legal reserve		854,384	4	766,625	3
Unappropriated retained earnings		1,105,399	5	1,066,524	5
Other equity interest					
Other equity interest		258,341	1	284,348	1
Total equity		<u>5,521,563</u>	<u>25</u>	<u>5,292,232</u>	<u>24</u>
Significant contingent liabilities and unrecognised contract commitments	9				
Significant subsequent events	11				
Total liabilities and equity		<u>\$ 21,732,715</u>	<u>100</u>	<u>\$ 21,786,512</u>	<u>100</u>

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

ZENITRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

Items	Notes	Year ended December 31			
		2022		2021	
		AMOUNT	%	AMOUNT	%
Operating Revenue	6(17)	\$ 40,022,922	100	\$ 42,044,726	100
Operating Costs	6(5)	(37,297,722)	(93)	(39,557,880)	(94)
Gross Profit		<u>2,725,200</u>	<u>7</u>	<u>2,486,846</u>	<u>6</u>
Operating Expenses	6(21)				
Selling expenses		(1,116,524)	(3)	(1,069,211)	(2)
General and administrative expenses		(393,888)	(1)	(353,456)	(1)
Total operating expenses		(1,510,412)	(4)	(1,422,667)	(3)
Operating Profit		<u>1,214,788</u>	<u>3</u>	<u>1,064,179</u>	<u>3</u>
Non-operating income and expenses					
Interest income		7,295	-	2,734	-
Other income	6(18)	64,804	-	61,064	-
Other gains and losses	6(19)	(58,880)	-	69,117	-
Finance costs	6(20)	(321,328)	(1)	(116,319)	-
Total non-operating income and expenses		(308,109)	(1)	16,596	-
Profit before Income Tax		<u>906,679</u>	<u>2</u>	<u>1,080,775</u>	<u>3</u>
Income tax expense	6(22)	(192,107)	-	(203,065)	(1)
Profit for the year		<u>\$ 714,572</u>	<u>2</u>	<u>\$ 877,710</u>	<u>2</u>
Other comprehensive income					
Components of other comprehensive income that will not be reclassified to profit or loss					
Gains (losses) on remeasurements of defined benefit plans	6(13)	\$ 3,547	-	(\$ 10,595)	-
Unrealised (losses) gains from investments in equity instruments measured at fair value through other comprehensive income	6(3)	(122,886)	(1)	19,523	-
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(22)	(709)	-	2,119	-
Components of other comprehensive income that will be reclassified to profit or loss					
Exchange differences on translation of foreign financial statements		254,490	1	(69,535)	-
Other Comprehensive Income (Loss) for the year		<u>\$ 134,442</u>	<u>-</u>	<u>(\$ 58,488)</u>	<u>-</u>
Total comprehensive income		<u>\$ 849,014</u>	<u>2</u>	<u>\$ 819,222</u>	<u>2</u>
Profit attributable to:					
Owners of the parent		<u>\$ 714,572</u>	<u>2</u>	<u>\$ 877,710</u>	<u>2</u>
Comprehensive income attributable to:					
Owners of the parent		<u>\$ 849,014</u>	<u>2</u>	<u>\$ 819,222</u>	<u>2</u>
Earnings per Share (in dollars)	6(23)				
Basic earnings per share		<u>\$ 3.30</u>		<u>\$ 4.10</u>	
Diluted earnings per share		<u>\$ 3.03</u>		<u>\$ 3.94</u>	

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

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

		Equity attributable to owners of the parent							
		Capital		Retained Earnings			Other Equity Interest		
		Share capital - common stock	Certificate of entitlement to new shares from convertible bonds	Capital surplus	Legal reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Total equity
Notes									
Year ended December 31, 2021									
Balance at January 1, 2021		\$ 2,138,249	\$ -	\$ 958,734	\$ 718,200	\$ 643,662	(\$ 165,691)	\$ 508,404	\$ 4,801,558
Net income for the year		-	-	-	-	877,710	-	-	877,710
Other comprehensive income (loss)	6(3)	-	-	-	-	(8,476)	(69,535)	19,523	(58,488)
Total comprehensive income (loss)		-	-	-	-	869,234	(69,535)	19,523	819,222
Appropriations and distribution of 2020 earnings	6(16)								
Legal reserve		-	-	-	48,425	(48,425)	-	-	-
Cash dividends		-	-	-	-	(406,300)	-	-	(406,300)
Equity component of convertible bonds issued by the Company	6(15)	-	-	75,605	-	-	-	-	75,605
Overdue and unclaimed shareholder dividends	6(15)	-	-	2,147	-	-	-	-	2,147
Disposal of investments in equity instruments designated at fair value through other comprehensive income	6(3)	-	-	-	-	8,353	-	(8,353)	-
Balance at December 31, 2021		\$ 2,138,249	\$ -	\$ 1,036,486	\$ 766,625	\$ 1,066,524	(\$ 235,226)	\$ 519,574	\$ 5,292,232
Year ended December 31, 2022									
Balance at January 1, 2022		\$ 2,138,249	\$ -	\$ 1,036,486	\$ 766,625	\$ 1,066,524	(\$ 235,226)	\$ 519,574	\$ 5,292,232
Net income for the year		-	-	-	-	714,572	-	-	714,572
Other comprehensive income (loss)	6(3)	-	-	-	-	2,838	254,490	(122,886)	134,442
Total comprehensive income (loss)		-	-	-	-	717,410	254,490	(122,886)	849,014
Appropriations and distribution of 2021 earnings	6(16)								
Legal reserve		-	-	-	87,759	(87,759)	-	-	-
Cash dividends		-	-	-	-	(748,387)	-	-	(748,387)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	6(3)	-	-	-	-	157,611	-	(157,611)	-
Conversion of convertible bonds	6(12)(14)(15)	45,805	841	82,058	-	-	-	-	128,704
Balance at December 31, 2022		\$ 2,184,054	\$ 841	\$ 1,118,544	\$ 854,384	\$ 1,105,399	\$ 19,264	\$ 239,077	\$ 5,521,563

ZENITRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2022	2021
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 906,679	\$ 1,080,775
Adjustments			
Adjustments to reconcile profit (loss)			
Net (gain) loss on financial assets at fair value through profit or loss	6(2)(19)	(880)	3,986
Impairment gain	6(4)	(2,400)	23,123
Depreciation and amortization	6(21)	69,927	68,915
Loss on disposal of property, plant and equipment	6(19)	91	351
Interest expense	6(20)	321,328	116,319
Interest income		(7,295)	(2,734)
Dividend income	6(18)	(12,558)	(20,566)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		4,001	(1,683)
Notes and accounts receivable		1,987,427	(196,865)
Other receivables		43,148	(13,581)
Inventories		(2,439,813)	(2,278,197)
Other current assets		(88,771)	(63,007)
Changes in operating liabilities			
Notes and accounts payable		(2,053,264)	213,231
Other payables		56,360	52,949
Other current liabilities		78,654	9,990
Other non-current liabilities		(1,281)	8,977
Cash outflow generated from operations		(1,138,647)	(1,044,263)
Interest received		7,295	2,734
Interest paid		(280,714)	(114,505)
Income tax paid		(292,685)	(113,480)
Net cash flows used in operating activities		(1,704,751)	(1,269,514)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at fair value through profit or loss - non-current		(7,500)	-
Acquisition of financial assets at fair value through other comprehensive income		(29,920)	(29,840)
Proceeds from capital reduction of financial assets at fair value through other comprehensive income		6,142	14,423
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(3)	273,286	13,571
Acquisition of property, plant and equipment	6(6)	(12,397)	(8,528)
Proceeds from disposal of property, plant and equipment		171	71
(Increase) decrease in refundable deposits		(823)	1,463
Increase in other non-current assets		(2,902)	(6,713)
Dividends received	6(18)	12,558	20,566
Net cash flows from investing activities		238,615	5,013
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term loans	6(24)	1,561,566	929,953
Increase in short-term notes and bills payable	6(24)	198,397	149,855
Payments of lease liabilities	6(24)	(47,945)	(41,791)
Issuance of corporate bonds	6(24)	-	649,960
Payment of cash dividends	6(16)	(748,387)	(406,300)
Overdue and unclaimed shareholder dividends		-	2,147
Net cash flows from financing activities		963,631	1,283,824
Effect of exchange rate changes		261,884	(80,350)
Net decrease in cash and cash equivalents		(240,621)	(61,027)
Cash and cash equivalents at beginning of year		1,615,196	1,676,223
Cash and cash equivalents at end of year		\$ 1,374,575	\$ 1,615,196

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

ZENITRON CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

Zenitron Corporation (the “Company”) was incorporated as a company limited by shares in October 1982. The Company has been listed on the Taiwan Stock Exchange and started trading since August 26, 2002. The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in the sales of electrical components.

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

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

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
- (a) Financial assets at fair value through profit or loss.
 - (b) Financial assets at fair value through other comprehensive income.
 - (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
 - (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
 - (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

- (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiaries	Main business activities	Ownership (%)		Description
			December 31, 2022	December 31, 2021	
The Company	Supertronic International Corp. (Supertronic)	Investment business	100.00	100.00	
The Company	Yo-Teh Investment Corporation (Yo-Teh)	Investment business	-	100.00	Note 1
The Company	Zenicom Corporation (Zenicom)	Sales of electronic components	100.00	100.00	
The Company	Zenitron (HK) Limited (Zenitron (HK))	Sales of electronic components	100.00	1.47	Note 2
Supertronic	Zenitron (HK)	Sales of electronic components	-	98.53	Note 2
Supertronic	Zenicom (HK) Limited (Zenicom (HK))	Sales of electronic components	-	100.00	Note 3
Zenicom	Zenicom (HK)	Sales of electronic components	100.00	-	Note 3
Zenicom	Shanghai Zenicom Industrial Co., Ltd (Zenicom (Shanghai))	Sales of electronic components	100.00	-	Note 4
Zenitron (HK)	Zenitron (Shanghai) International Trading Co., Ltd. (Zenitron (Shanghai))	Sales of electronic components	100.00	100.00	
Zenitron (HK)	Zenitron (Shenzhen) Technology Co., Ltd. (Zenitron (Shenzhen))	Sales of electronic components	100.00	100.00	
Zenitron (HK)	Shanghai Zenitron Electronic Trading Co., Ltd. (Shanghai Zenitron)	Sales of electronic components	100.00	100.00	
Zenitron (HK)	ZTHC (Shanghai) Co., Ltd. (ZTHC (Shanghai))	Sales of computer storage device, providing technical service and sales of related components	100.00	100.00	

Note 1: Yo-Teh filed for liquidation in November 2021 as resolved by the Board of Directors. The liquidation process had been completed in June 2022.

Note 2: The Group's investment structure was adjusted from an original 98.53% and 1.47% equity interest of Zenitron (HK) held by Supertronic and the Company, respectively, to wholly owned by the Company.

Note 3: The Group's investment structure was adjusted whereby the 100% equity interest of Zenicom (HK) previously held by Supertronic is now held by Zenicom.

Note 4: On September 2, 2022, Zenicom established Zenicom (Shanghai) with a total capital of RMB 2,000 thousand. However, the related investment amount has not yet been remitted as of December 31, 2022.

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

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

E. Significant restrictions: None.

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

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

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

B. Translation of foreign operations

The operating results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- (c) All resulting exchange differences are recognised in other comprehensive income.

(5) Classification of current and non-current items

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

(6) Cash equivalents

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

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

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

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:
The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(9) Accounts and notes receivable

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

(10) Impairment of financial assets

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

(11) Derecognition of financial assets

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

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

(12) Leasing arrangements (lessor) — lease receivables / operating leases

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

(13) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the moving average method. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the applicable variable selling expenses.

(14) Property, plant and equipment

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

The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	1 ~ 55 year(s)
Transportation equipment	1 ~ 5 year(s)
Office equipment	1 ~ 15 year(s)

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

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

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

- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
- (a) The amount of the initial measurement of lease liability;
 - (b) Any lease payments made at or before the commencement date;
 - (c) Any initial direct costs incurred by the lessee; and
 - (d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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

(16) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 50 ~ 55 years.

(17) Impairment of non-financial assets

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

(18) Borrowings

Borrowings comprise short-term bank borrowings and other short-term loans.

(19) Notes and accounts payable

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

(20) Convertible bonds payable

Convertible bonds issued by the Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Group's common shares by exchanging a fixed amount of cash for a fixed number of common shares) and call options. The Group classifies the bonds payable upon issuance as a financial asset or financial liability in accordance with the contract terms. They are accounted for as follows:

- A. The embedded call options are recognised initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.
- B. The host contracts of bonds are initially recognised at the residual value of total issue price less the amount of financial assets or financial liabilities at fair value through profit or loss as stated above. Any difference between the initial recognition and the redemption value is accounted for as the premium on bonds payable and subsequently is amortised in profit or loss as an adjustment to the 'finance costs' over the period of circulation using the effective interest method.
- C. The embedded conversion options which meet the definition of an equity instrument are initially recognised in 'capital surplus—share options' at the residual amount of total issue price less the amount of financial assets or financial liabilities at fair value through profit or loss and bonds payable as stated above. Conversion options are not subsequently remeasured.
- D. Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.
- E. When bondholders exercise conversion options, the liability component of the bonds (including bonds payable and 'financial assets or financial liabilities at fair value through profit or loss') shall be remeasured on the conversion date. The issuance cost of converted common shares is the total book value of the abovementioned liability component and 'capital surplus—share options'.

(21) Derecognition of financial liabilities

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

(22) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

iii. Past service costs are recognised immediately in profit or loss.

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the accrued amounts and the subsequently actual distributed amounts resolved by the shareholders is accounted for as changes in estimates.

(23) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

(24) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(25) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities.

(26) Revenue recognition

Sales of goods - agency

- A. The Group is an agency of electronic components. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.

- B. The Group's revenue from sales is recognised based on the price specified in the contract, net of the estimated sales discounts. Accumulated experience is used to estimate and provide for the sales discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. The sales usually are made with a credit term of 30~120 days. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.
- C. A receivable is recognised when the goods are delivered as this is the timing based on trade terms that the consideration is unconditional because only the passage of time is required before the payment is due.

(27) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Company's chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

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

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

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

None.

(2) Critical accounting estimates and assumptions

A. Valuation of allowance for uncollectible accounts receivable

The assessment of accounts receivable impairment relies on the Company's judgement and assumption about the recoverable amount of the accounts receivable in the future, taking into account various factors such as client's financial status, the Company's internal credit rating, transaction history, current economic condition and others which might affect the client's repayment ability. Where there is suspicion of recoverability, the Company needs to assess the possible recoverable amount and recognise reasonable allowance. The assessment of impairment depends on reasonable expectation about future events on the basis of the conditions existing at the balance sheet date. The estimation may differ from the actual result and may lead to significant changes.

B. Evaluation of inventories

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

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand and revolving funds	\$ 415	\$ 307
Checking accounts and demand deposits	1,374,160	1,549,899
Time deposits	-	64,990
	<u>\$ 1,374,575</u>	<u>\$ 1,615,196</u>

A. Time deposits are highly liquid investments that expire within three months.

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

C. The Group has no cash and cash equivalents pledged to others.

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current items		
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	\$ 34,080	\$ 34,479
Emerging stocks	1,163	1,163
Financial assets designated at fair value through profit or loss		
Non-hedging derivative-redemption of convertible bonds	47	60
	<u>35,290</u>	<u>35,702</u>
Valuation adjustments	(15,031)	(12,638)
	<u>\$ 20,259</u>	<u>\$ 23,064</u>
Non-current items		
Beneficiary certificates	\$ 7,500	\$ -
Valuation adjustments	(384)	-
	<u>\$ 7,116</u>	<u>\$ -</u>

A. The Group recognised net gain (loss) amounting to \$880 and (\$3,986) on financial assets at fair value through profit or loss for the years ended December 31, 2022 and 2021, respectively.

- B. The Group has no financial assets at fair value through profit or loss pledged to others as collateral.
 C. Information relating to financial assets at fair value through profit or loss is provided in Note 12(3).

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current items		
Equity instruments		
Emerging stocks	\$ 2,462	\$ 2,462
Valuation adjustment	(1,652)	(1,735)
	<u>\$ 810</u>	<u>\$ 727</u>
Non-current items		
Equity instruments		
Listed stocks	\$ 227,098	\$ 342,773
Unlisted stocks	<u>130,059</u>	<u>109,913</u>
	357,157	452,686
Valuation adjustment	<u>248,203</u>	<u>521,309</u>
	<u>\$ 605,360</u>	<u>\$ 973,995</u>

- A. The Group has elected to classify stock investments with steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$606,170 and \$974,722 as at December 31, 2022 and 2021, respectively. Without considering any collateral held or other credit enhancements, until the end of the reporting period, the maximum credit risk in relation to the financial loss arising from unsatisfied performance obligation of the counterparties is the carrying amount of financial assets.
- B. Aiming to adjust strategic investments, the Group sold stock investments at fair value amounting to \$273,286 and \$13,571 which resulted to a cumulative gain on disposal of \$157,611 and \$8,353 during the years ended December 31, 2022 and 2021, respectively.
- C. Amounts recognised in other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	<u>Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	(\$ 122,886)	\$ 19,523
Cumulative gains reclassified to retained earnings due to derecognition	<u>(\$ 157,611)</u>	<u>\$ 8,353</u>

- D. The Group has no financial assets at fair value through other comprehensive income pledged to others as collateral.
- E. Information relating to fair value of financial assets at fair value through other comprehensive income is provided in Note 12(3).

(4) Notes and accounts receivable

	December 31, 2022	December 31, 2021
Notes receivable	\$ 164,073	\$ 286,952
Accounts receivable	\$ 7,513,133	\$ 9,379,057
Less: Allowance for uncollectible accounts	(74,800)	(78,576)
	<u>\$ 7,438,333</u>	<u>\$ 9,300,481</u>

A. The Group uses historical experience and takes into consideration the customers' historical default records, current financial conditions and economic conditions of the industry to estimate expected loss rate in recognising loss allowance. In addition, the Group provides for adequate allowance for uncollectible accounts from individual customers where there is an indication that they are impaired based on specific identification or a credit impairment actually occurred and the customers did not provide any collateral.

B. The ageing analysis of accounts and notes receivable is as follows:

	December 31, 2022		December 31, 2021	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 6,646,075	\$ 164,073	\$ 8,779,495	\$ 286,952
Up to 30 days	434,745	-	323,783	-
31 to 90 days	339,505	-	190,896	-
Over 90 days	92,808	-	84,883	-
	<u>\$ 7,513,133</u>	<u>\$ 164,073</u>	<u>\$ 9,379,057</u>	<u>\$ 286,952</u>

The above ageing analysis was based on past due date.

C. As of December 31, 2022, December 31, 2021 and January 1, 2021, the balances of receivables (including notes receivable) from contracts with customers amounted to \$7,677,206, \$9,666,009 and \$9,476,552, respectively. Without considering any collateral held or other credit enhancements, until the end of the reporting period, the maximum credit risk in relation to the financial loss arising from unsatisfied performance obligation of the counterparties is the carrying amount of financial assets.

D. The Group considers the characteristic of geographical region, product characteristics, and customer credit rating, applying the simplified approach using the provision matrix based on the loss rate methodology to estimate expected credit loss.

- E. The Group adjusts historical and timely information to assess the default possibility of accounts receivable, contract assets and lease payments receivable. As of December 31, 2022 and 2021, the provision matrix and loss rate methodology are as follows:

	<u>Not past due</u>	<u>Up to 30 days past due</u>	<u>31~90 days past due</u>	<u>Over 90 days past due</u>	<u>Total</u>
<u>December 31, 2022</u>					
Expected loss rate	0.11%-0.54%	0.11%-1.09%	0.11%-100%	0.11%-100%	
Total accounts receivable	<u>\$ 6,646,075</u>	<u>\$ 434,745</u>	<u>\$ 339,505</u>	<u>\$ 92,808</u>	<u>\$ 7,513,133</u>
	<u>Not past due</u>	<u>Up to 30 days past due</u>	<u>31~90 days past due</u>	<u>Over 90 days past due</u>	<u>Total</u>
<u>December 31, 2021</u>					
Expected loss rate	0.11%-0.54%	0.11%-2.5%	0.11%-100%	0.11%-100%	
Total accounts receivable	<u>\$ 8,779,495</u>	<u>\$ 323,783</u>	<u>\$ 190,896</u>	<u>\$ 84,883</u>	<u>\$ 9,379,057</u>

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

	<u>2022</u>	<u>2021</u>
	<u>Accounts receivable</u>	<u>Accounts receivable</u>
At January 1	\$ 78,576	\$ 109,107
Reversal of impairment loss	(2,400)	(23,123)
Transfers to overdue receivables	-	(6,818)
Write-offs	(2,648)	-
Effect of foreign exchange	1,272	(590)
At December 31	<u>\$ 74,800</u>	<u>\$ 78,576</u>

- G. Transferred financial assets that are derecognised in their entirety

- (a) As of December 31, 2022, the Group had outstanding discounted notes receivable amounting to \$143,354. However, as the notes receivable are bank's acceptance bills and are discounted without right of recourse, those discounted notes receivable were deducted directly from notes receivable. The Group had no outstanding discounted notes receivable as of December 31, 2021.

(b) The Group entered into a factoring agreement with financial institutions to sell its accounts receivable. Under the agreement, the Group is not obligated to bear the default risk of the accounts receivable but is liable for the losses incurred on any business dispute. The Group meets the condition of financial assets derecognition as it did not provide other collaterals except for issuing a promissory note equal to the facility as the collateral. The Group does not have any continuing involvement in the transferred accounts receivable. Thus, the Group derecognised the transferred accounts receivable, and the related information is as follows:

December 31, 2022					
Purchaser of accounts receivable	Accounts receivable transferred	Amount derecognised	Amount advanced	Amount available for advance	Interest rate of amount advanced
Chang Hwa Bank	\$ 991,510	\$ 991,510	\$ 991,510	\$ -	3.53%~5.74%
Bank SinoPac	1,056,806	1,030,022	1,030,022	26,784	3.53%~5.74%
December 31, 2021					
Purchaser of accounts receivable	Accounts receivable transferred (amount derecognised)	Amount advanced	Amount available for advance	Interest rate of amount advanced	
Chang Hwa Bank	\$ 1,491,285	\$ 1,491,285	\$ -	0.91%~1.09%	
Bank SinoPac	260,636	260,636	-	0.91%~1.09%	

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

(5) Inventories

December 31, 2022			
	Cost	Allowance for valuation loss	Book value
Merchandise inventories	\$ 11,675,928	(\$ 1,093,438)	\$ 10,582,490
Inventories in transit	513,032	-	513,032
	<u>\$ 12,188,960</u>	<u>(\$ 1,093,438)</u>	<u>\$ 11,095,522</u>

December 31, 2021			
	Cost	Allowance for valuation loss	Book value
Merchandise inventories	\$ 8,725,897	(\$ 585,624)	\$ 8,140,273
Inventories in transit	515,436	-	515,436
	<u>\$ 9,241,333</u>	<u>(\$ 585,624)</u>	<u>\$ 8,655,709</u>

The cost of inventories recognised as expense for the year:

Year ended December 31		
	2022	2021
Cost of goods sold	\$ 36,792,782	\$ 39,347,235
Loss on decline in market value	504,940	210,645
	<u>\$ 37,297,722</u>	<u>\$ 39,557,880</u>

(6) Property, plant and equipment

	Land	Buildings and structures	Transportation equipment	Office equipment	Total
<u>At January 1, 2022</u>					
Cost	\$ 252,592	\$ 408,558	\$ 50,404	\$ 116,412	\$ 827,966
Accumulated depreciation	-	(271,113)	(33,540)	(96,780)	(401,433)
	<u>\$ 252,592</u>	<u>\$ 137,445</u>	<u>\$ 16,864</u>	<u>\$ 19,632</u>	<u>\$ 426,533</u>
<u>2022</u>					
Opening net book amount as at January 1	\$ 252,592	\$ 137,445	\$ 16,864	\$ 19,632	\$ 426,533
Additions	-	-	463	11,934	12,397
Disposals	-	-	(157)	(105)	(262)
Depreciation charge	-	(6,673)	(4,764)	(7,889)	(19,326)
Net exchange differences	-	746	79	257	1,082
Closing net book amount as at December 31	<u>\$ 252,592</u>	<u>\$ 131,518</u>	<u>\$ 12,485</u>	<u>\$ 23,829</u>	<u>\$ 420,424</u>
<u>At December 31, 2022</u>					
Cost	\$ 252,592	\$ 409,848	\$ 49,004	\$ 128,326	\$ 839,770
Accumulated depreciation	-	(278,330)	(36,519)	(104,497)	(419,346)
	<u>\$ 252,592</u>	<u>\$ 131,518</u>	<u>\$ 12,485</u>	<u>\$ 23,829</u>	<u>\$ 420,424</u>
	Land	Buildings and structures	Transportation equipment	Office equipment	Total
<u>At January 1, 2021</u>					
Cost	\$ 252,592	\$ 409,175	\$ 51,828	\$ 113,366	\$ 826,961
Accumulated depreciation	-	(264,545)	(31,918)	(90,494)	(386,957)
	<u>\$ 252,592</u>	<u>\$ 144,630</u>	<u>\$ 19,910</u>	<u>\$ 22,872</u>	<u>\$ 440,004</u>
<u>2021</u>					
Opening net book amount as at January 1	\$ 252,592	\$ 144,630	\$ 19,910	\$ 22,872	\$ 440,004
Additions	-	-	2,252	6,276	8,528
Disposals	-	-	(272)	(150)	(422)
Depreciation charge	-	(6,823)	(4,999)	(9,246)	(21,068)
Net exchange differences	-	(362)	(27)	(120)	(509)
Closing net book amount as at December 31	<u>\$ 252,592</u>	<u>\$ 137,445</u>	<u>\$ 16,864</u>	<u>\$ 19,632</u>	<u>\$ 426,533</u>
<u>At December 31, 2021</u>					
Cost	\$ 252,592	\$ 408,558	\$ 50,404	\$ 116,412	\$ 827,966
Accumulated depreciation	-	(271,113)	(33,540)	(96,780)	(401,433)
	<u>\$ 252,592</u>	<u>\$ 137,445</u>	<u>\$ 16,864</u>	<u>\$ 19,632</u>	<u>\$ 426,533</u>

The Group has no property, plant and equipment pledged to others as collateral.

(7) Lease arrangements – lessee

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Right-of-use assets:		
Buildings and structures	<u>\$ 25,521</u>	<u>\$ 62,087</u>
Lease liabilities:		
Current	\$ 23,872	\$ 42,730
Non-current	<u>2,263</u>	<u>21,307</u>
	<u>\$ 26,135</u>	<u>\$ 64,037</u>

- A. The Group leases various assets including buildings. Rental contracts are typically made for periods of 2 to 4 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. Short-term leases with a lease term of 12 months or less comprise transportation equipment, buildings and structures. Low-value assets comprise office equipment. Right-of-use assets and lease liabilities were not recognised for these leases.
- C. The depreciation charges on right-of-use assets are as follows:

	<u>Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Buildings and structures	<u>\$ 45,494</u>	<u>\$ 43,093</u>

- D. For the years ended December 31, 2022 and 2021, the additions to right-of-use assets were \$5,533 and \$8,984, respectively.
- E. Except for the depreciation charge, the information on profit or loss in relation to lease contracts is as follows:

	<u>Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 2,030	\$ 3,338
Expense on short-term leases and leases of low-value assets	11,191	15,148

- F. For the years ended December 31, 2022 and 2021, the Group's total cash outflow for leases were \$61,166 and \$60,277, respectively.
- G. The Group has applied the practical expedient to "Covid-19-related rent concessions", and recognised the gain from changes in lease payments arising from the rent concessions amounting to \$0 and \$132 by increasing other income for the years ended December 31, 2022 and 2021, respectively.

(8) Lease arrangements – lessor

For the years ended December 31, 2022 and 2021, the Group recognised rent income in the amounts of \$7,118 and \$7,225, respectively, based on the operating lease agreement, which does not include variable lease payments.

(9) Investment property

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>January 1, 2022</u>			
Cost	\$ 32,466	\$ 29,941	\$ 62,407
Accumulated depreciation and impairment	(15,410)	(10,505)	(25,915)
	<u>\$ 17,056</u>	<u>\$ 19,436</u>	<u>\$ 36,492</u>
<u>2022</u>			
Opening net book amount as at January 1	\$ 17,056	\$ 19,436	\$ 36,492
Depreciation charge	-	(544)	(544)
Closing net book amount as at December 31	<u>\$ 17,056</u>	<u>\$ 18,892</u>	<u>\$ 35,948</u>
<u>December 31, 2022</u>			
Cost	\$ 32,466	\$ 29,941	\$ 62,407
Accumulated depreciation and impairment	(15,410)	(11,049)	(26,459)
	<u>\$ 17,056</u>	<u>\$ 18,892</u>	<u>\$ 35,948</u>
	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>January 1, 2021</u>			
Cost	\$ 32,466	\$ 29,941	\$ 62,407
Accumulated depreciation and impairment	(15,410)	(9,961)	(25,371)
	<u>\$ 17,056</u>	<u>\$ 19,980</u>	<u>\$ 37,036</u>
<u>2021</u>			
Opening net book amount as at January 1	\$ 17,056	\$ 19,980	\$ 37,036
Depreciation charge	-	(544)	(544)
Closing net book amount as at December 31	<u>\$ 17,056</u>	<u>\$ 19,436</u>	<u>\$ 36,492</u>
<u>December 31, 2021</u>			
Cost	\$ 32,466	\$ 29,941	\$ 62,407
Accumulated depreciation and impairment	(15,410)	(10,505)	(25,915)
	<u>\$ 17,056</u>	<u>\$ 19,436</u>	<u>\$ 36,492</u>

A. Rental income from investment property and direct operating expenses arising from investment property are shown below:

	Year ended December 31	
	2022	2021
Rental revenue from investment property	\$ 2,699	\$ 2,629
Direct operating expenses arising from the investment property that generated rental income during the year	\$ 544	\$ 544

B. The fair value of the investment property held by the Group was \$93,755 and \$99,370 as of December 31, 2022 and 2021, respectively, which were based on the trading prices of nearby areas.

C. Refer to Note 8 for further information on investment property pledged to others as collateral.

(10) Short-term borrowings

	December 31, 2022	December 31, 2021
Unsecured borrowings	\$ 11,159,622	\$ 9,598,056
Interest rate range	1.45%~6.29%	0.58%~4.15%

A. For the years ended December 31, 2022 and 2021, the interest expense recognised in profit or loss amounted to \$256,134 and \$96,254, respectively.

B. As of December 31, 2022 and 2021, the Group provided collaterals for the financing facility of short-term borrowings and issued guaranteed notes as collateral in the amount of \$18,467,894 and \$17,403,001, respectively.

(11) Short-term notes and bills payable

	December 31, 2022	December 31, 2021
Short-term notes and bills payable	\$ 900,000	\$ 700,000
Discount on short-term notes and bills payable	(2,242)	(639)
	\$ 897,758	\$ 699,361
Coupon rate	1.99%~2.16%	0.9%~1.1%

The abovementioned commercial paper was secured by financial institutions.

(12) Bonds payable

	December 31, 2022	December 31, 2021
Bonds payable	\$ 467,100	\$ 600,000
Less: Discount on bonds payable	(10,674)	(22,165)
	\$ 456,426	\$ 577,835

A. The issuance of domestic convertible bonds by the Company

- (a) The terms of the fourth domestic unsecured convertible bonds issued by the Company are as follows:
- i. The Company issued \$600,000, 0% fourth domestic unsecured convertible bonds, as approved by the regulatory authority. The bonds mature three years from the issue date (August 3, 2021~ August 3, 2024) and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on August 3, 2021.
 - ii. The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after three months of the bonds issue (November 4, 2021) to 40 days before the maturity date (June 24, 2024), except for the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.
 - iii. The conversion price of the bonds is set up based on the pricing model in the terms of the bonds, and the conversion price is NT\$29. Since the Company distributed cash dividends, the conversion price should be adjusted at the ex-dividend date in accordance with Article 11 of the terms of the bonds, and the conversion price was adjusted from NT\$29 to NT\$26.15 accordingly.
 - iv. The Company may repurchase all the bonds outstanding in cash at the bonds' face value at any time after the following events occur: (i) the closing price of the Company's common shares is above the then conversion price by 30% for 30 consecutive trading days during the period from the date after three months of the bonds issue (November 4, 2021) to 40 days before the maturity date (June 24, 2024), or (ii) the outstanding balance of the bonds is less than 10% of the total initial issue amount during the period from the date after three months of the bonds issue to 40 days before the maturity date.
 - v. Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.
- (b) For the year ended December 31, 2022, the bonds totaling \$132,900 (face value) had been converted into 4,665 thousand shares of common stock. The registration of bonds with a total face value of \$2,200 which had been converted into 84 thousand common shares has not yet been completed, and was shown as 'certificate of entitlement to new shares from convertible bonds' in the amount of \$841.
- (c) As of December 31, 2022, there were no convertible bonds repurchased by the Company from the Taipei Exchange.

B. Regarding the issuance of convertible bonds, the equity conversion options of the fourth domestic unsecured convertible bonds amounting to \$58,858 as of December 31, 2022 were separated from the liability component and were recognised in ‘capital surplus—share options’ in accordance with IAS 32. The call options embedded in bonds payable were separated from their host contracts and were recognised in ‘financial assets at fair value through profit or loss’ in net amount in accordance with IFRS 9 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. The effective interest rate of the bonds payable after such separation was 1.46%.

(13) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees’ service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees’ monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee.

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

	December 31, 2022	December 31, 2021
Present value of defined benefit obligations	\$ 86,133	\$ 87,812
Fair value of plan assets	(15,029)	(13,500)
Net defined benefit liability	<u>\$ 71,104</u>	<u>\$ 74,312</u>

(c) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>2022</u>			
Balance at January 1	(\$ 87,812)	\$ 13,500	(\$ 74,312)
Interest (expense) income	(603)	84	(519)
	(88,415)	13,584	(74,831)
Remeasurements:			
Return on plan assets	-	1,280	1,280
Change in demographic assumptions	(572)	-	(572)
Change in financial assumptions	4,056	-	4,056
Experience adjustments	(1,217)	-	(1,217)
	2,267	1,280	3,547
Pension fund contribution	-	180	180
Paid pension	15	(15)	-
Balance at December 31	(\$ 86,133)	\$ 15,029	(\$ 71,104)
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>2021</u>			
Balance at January 1	(\$ 84,217)	\$ 18,965	(\$ 65,252)
Past service cost	-	-	-
Interest (expense) income	(250)	53	(197)
	(84,467)	19,018	(65,449)
Remeasurements:			
Return on plan assets	-	272	272
Change in demographic assumptions	(946)	-	(946)
Change in financial assumptions	3,128	-	3,128
Experience adjustments	(13,049)	-	(13,049)
	(10,867)	272	(10,595)
Pension fund contribution	-	180	180
Paid pension	7,522	(5,970)	1,552
Balance at December 31	(\$ 87,812)	\$ 13,500	(\$ 74,312)

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2022 and 2021 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.
- (e) The principal actuarial assumptions used were as follows:

	Year ended December 31	
	2022	2021
Discount rate	1.25%	0.70%
Future salary increases	2.00%	2.00%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with statistics and experience of the 6th Taiwan Standard Ordinary Experience Mortality Table.

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2022				
Effect on present value of defined benefit obligation	(\$ 1,769)	\$ 1,828	\$ 1,809	(\$ 1,760)
December 31, 2021				
Effect on present value of defined benefit obligation	(\$ 1,921)	\$ 1,989	\$ 1,959	(\$ 1,901)

The sensitivity analysis above is 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 of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

- (f) Expected contributions to the defined benefit pension plan of the Group for the year ending December 31, 2023 amount to \$180.
- (g) As of December 31, 2022, the weighted average duration of the retirement plan is 8 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	3,336
1-2 year(s)		3,663
2-5 years		28,751
Over 5 years		59,827
	\$	<u>95,577</u>

- B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount not lower than 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2022 and 2021 were \$16,937 and \$15,801, respectively.
- (b) The overseas subsidiaries, Zenitron (HK) Limited, Zenitron (Shanghai) International Trading Co., Ltd, Zenitron (Shenzhen) Technology Co. Ltd., ZTHC (Shanghai) Co., Ltd., and Shanghai Zenitron Electronic Trading Co., Ltd, have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the local pension regulations are based on a certain percentage of employees’ monthly salaries and wages. Other than the monthly contributions, aforementioned companies have no further obligations. For the years ended December 31, 2022 and 2021, the pension expenses recognised by these subsidiaries were \$37,514 and \$32,054, respectively.
- C. The overseas subsidiaries, Supertronic International Corp., Zenicom (HK) Limited, and Zenicom (Shanghai), have no employees, thus, they have no pension plan.

(14) Share capital

- A. As of December 31, 2022, the Company’s authorised capital was \$3,500,000, consisting of 350 million shares of ordinary stock (including 20 million shares reserved for employee stock options), and the paid-in capital was \$2,184,054 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

B. Movements in the number of the Company's ordinary shares (including certificate of entitlement to new shares from convertible bonds) outstanding are as follows:

	2022	2021
	Shares (in thousands)	Shares (in thousands)
At January 1	213,825	213,825
Shares converted from bonds	4,665	-
At December 31	218,490	213,825

C. Information related to the conversion of the bonds into common shares of the Company from January 1, 2022 to December 31, 2022 is provided in Note 6(12).

(15) Capital surplus

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

	2022			
	Share premium	Share options	Others	Total
At January 1	\$ 878,738	\$ 75,605	\$ 82,143	\$ 1,036,486
Conversion of convertible bonds	98,805	(16,747)	-	82,058
At December 31	<u>\$ 977,543</u>	<u>\$ 58,858</u>	<u>\$ 82,143</u>	<u>\$ 1,118,544</u>
	2021			
	Share premium	Share options	Others	Total
At January 1	\$ 878,738	\$ -	\$ 79,996	\$ 958,734
Conversion of convertible bonds	-	75,605	-	75,605
Overdue and unclaimed shareholder dividends	-	-	2,147	2,147
At December 31	<u>\$ 878,738</u>	<u>\$ 75,605</u>	<u>\$ 82,143</u>	<u>\$ 1,036,486</u>

(16) Retained earnings \ events after the balance sheet date

A. In accordance with the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve, and setting aside or reversal of special reserve in accordance with related laws, if any. The remaining earnings are the distributable earnings for the year.

B. Dividend policy:

- (a) The distribution of dividends shall be above 50% of the current year's distributable earnings and the cash dividends distributed shall not be lower than 20% of the current actual earnings distributed.
 - (b) The Board of Directors is authorised to distribute all or part of the dividends and bonus in cash through a resolution adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors which shall be reported to the shareholders during their meeting.
 - (c) When the Company has no deficit, the Board of Directors is authorised to distribute all or part of the legal reserve (for the part that exceeds 25% of paid-in capital) and capital surplus if it meets the requirements under the Company Act in cash through a resolution adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors which shall be reported to the shareholders during their meeting.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- E. The appropriations of 2021 and 2020 earnings as resolved by the shareholders on June 8, 2022 and July 5, 2021, respectively, are as follows:

	2021		2020	
	Amount	Dividend per share and cash distributed (in dollars)	Amount	Dividend per share and cash distributed (in dollars)
Legal reserve	\$ 87,759		\$ 48,425	
Cash dividends	<u>748,387</u>	\$ 3.50	<u>406,300</u>	\$ 1.90
	<u>\$836,146</u>		<u>\$454,725</u>	

F. Events after the balance sheet date

On March 15, 2023, the Company's Board of Directors proposed the distribution of 2022 earnings as follows:

	2022	
	Amount	Dividend per share and cash distributed (in dollars)
Legal reserve	\$ 87,502	
Cash dividends	660,390	\$ 3.00
	<u>\$747,892</u>	

The aforementioned appropriation of 2022 earnings has not yet been reported to the shareholders.

(17) Operating revenue

	Year ended December 31	
	2022	2021
Revenue from contracts with customers	<u>\$ 40,022,922</u>	<u>\$ 42,044,726</u>

A. Disaggregation of revenue from contracts with customers

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

Year ended				
December 31, 2022	China	Taiwan	Others	Total
Revenue from external customer contracts	<u>\$ 33,989,327</u>	<u>\$ 4,638,366</u>	<u>\$ 1,395,229</u>	<u>\$ 40,022,922</u>
Year ended				
December 31, 2021	China	Taiwan	Others	Total
Revenue from external customer contracts	<u>\$ 37,044,902</u>	<u>\$ 3,912,426</u>	<u>\$ 1,087,398</u>	<u>\$ 42,044,726</u>

B. Contract liabilities (shown as 'other current liabilities')

As of December 31, 2022 and 2021, the Group has recognised revenue-related contract liabilities in the amounts of \$85,599 and \$80,171, respectively.

(18) Other income

	Year ended December 31	
	2022	2021
Dividend income	\$ 12,558	\$ 20,566
Advertising income	12,713	11,875
Rent income	7,118	7,225
Other income	32,415	21,398
	<u>\$ 64,804</u>	<u>\$ 61,064</u>

(19) Other gains and losses

	Year ended December 31	
	2022	2021
Foreign exchange (losses) gains	(\$ 59,423)	\$ 76,322
Gains (losses) on financial assets at fair value through profit or loss	880	(3,986)
Losses on disposals of property, plant and equipment	(91)	(351)
Others	(246)	(2,868)
	<u>(\$ 58,880)</u>	<u>\$ 69,117</u>

(20) Finance costs

	Year ended December 31	
	2022	2021
Interest expense	\$ 256,134	\$ 96,254
Convertible bonds	7,364	3,419
Other interest expense	57,830	16,646
	<u>\$ 321,328</u>	<u>\$ 116,319</u>

(21) Expenses by nature

	Year ended December 31	
	2022	2021
Employee benefit expense		
Salary expenses	\$ 833,140	\$ 769,648
Labour and health insurance fees	50,923	45,491
Pension costs	54,970	48,052
Other personnel expenses	38,940	35,719
	<u>977,973</u>	<u>898,910</u>
Depreciation	65,364	64,705
Amortisation	4,563	4,210
	<u>\$ 1,047,900</u>	<u>\$ 967,825</u>

- A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall be 3%~12% for employees' compensation and shall not be higher than 3% for directors' remuneration.
- B. The Company's directors' remuneration and employees' compensation accounted as operating expenses were as follows:

	Year ended December 31	
	2022	2021
Directors' remuneration	\$ 26,000	\$ 30,000
Employees' compensation	32,000	36,000
	<u>\$ 58,000</u>	<u>\$ 66,000</u>

- C. For the year ended December 31, 2022, the employees' compensation and directors' remuneration were estimated and accrued based on a certain percentage of distributable profit of current year as of the end of reporting period.
- D. Directors' remuneration and employees' compensation for 2022 amounted to \$26,000 and \$32,000, respectively, as resolved at the meeting of Board of Directors on March 15, 2023, and the employees' compensation will be distributed in the form of cash.
- E. Directors' remuneration and employees' compensation for 2021 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2021 financial statements.
- F. Information about employees' compensation and directors' remuneration of the Company as resolved at the meeting of the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(22) Income taxes

A. Income tax expense

(a) Components of income tax expense:

	Year ended December 31	
	2022	2021
Current tax:		
Current tax on profits for the year	\$ 272,274	\$ 211,633
Prior year income tax under estimation	8,551	5,849
Total current tax	<u>\$ 280,825</u>	<u>\$ 217,482</u>
Deferred tax:		
Origination and reversal of temporary differences	(88,718)	(14,417)
Total deferred tax	<u>(88,718)</u>	<u>(14,417)</u>
Income tax expense	<u>\$ 192,107</u>	<u>\$ 203,065</u>

(b) The income tax relating to components of other comprehensive income is as follows:

	Year ended December 31	
	2022	2021
Remeasurement of defined benefit obligations	<u>(\$ 709)</u>	<u>\$ 2,119</u>

B. Reconciliation between income tax expense and accounting profit:

	Year ended December 31	
	2022	2021
Tax calculated based on profit before tax and statutory tax rate	\$ 241,678	\$ 306,311
Effects from items disallowed by tax regulation	(57,387)	(109,095)
Prior year income tax under estimation	8,551	5,849
Change in assessment of realisation of deferred tax assets	(735)	-
Income tax expense	<u>\$ 192,107</u>	<u>\$ 203,065</u>

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

	2022			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets (liabilities):				
Unrealised loss on valuation and slow-moving inventories	\$ 63,001	\$ 93,740	\$ -	\$ 156,741
Unrealised loss on doubtful debts	3,373	128	-	3,501
Unpaid salary	6,072	(5,150)	-	922
Unrealised actuarial loss on defined benefit plan	7,594	-	(709)	6,885
Share of profit of subsidiaries accounted for using equity method	(114,468)	-	-	(114,468)
	<u>(\$ 34,428)</u>	<u>\$ 88,718</u>	<u>(\$ 709)</u>	<u>\$ 53,581</u>
	2021			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets (liabilities):				
Unrealised loss on valuation and slow-moving inventories	\$ 49,869	\$ 13,132	\$ -	\$ 63,001
Unrealised loss on doubtful debts	5,436	(2,063)	-	3,373
Unpaid salary	2,724	3,348	-	6,072
Unrealised actuarial loss on defined benefit plan	5,475	-	2,119	7,594
Share of profit of subsidiaries accounted for using equity method	(114,468)	-	-	(114,468)
	<u>(\$ 50,964)</u>	<u>\$ 14,417</u>	<u>\$ 2,119</u>	<u>(\$ 34,428)</u>

D. The amounts of deductible temporary differences that were not recognised as deferred tax assets are as follows:

	December 31, 2022	December 31, 2021
Deductible temporary differences	<u>\$ 130,065</u>	<u>\$ 106,570</u>

E. The Company's and domestic subsidiary's, Zenicom Corporation's income tax returns through 2020 have been assessed and approved by the Tax Authority.

F. The final report on total business income through 2021 of the domestic subsidiary, Yo-Teh, has been assessed and approved by the Tax Authority.

(23) Earnings per share

	Year ended December 31, 2022		
	Profit after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 714,572	216,541	\$ 3.30
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 714,572	216,541	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,313	
Convertible bonds	5,891	19,811	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 720,463	237,665	\$ 3.03
	Year ended December 31, 2021		
	Profit after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 877,710	213,825	\$ 4.10
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 877,710	213,825	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,183	
Convertible bonds	2,544	8,503	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 880,254	223,511	\$ 3.94

(24) Changes in liabilities from financing activities

	Short-term borrowings	Short-term notes and bills payable	Bonds payable	Lease liabilities	Liabilities from financing activities-gross
January 1, 2022	\$ 9,598,056	\$ 699,361	\$ 577,835	\$ 64,037	\$ 10,939,289
Changes in cash flow from financing activities	1,561,566	198,397	-	(47,945)	1,712,018
Changes in other non-cash items	-	-	(121,409)	10,043	(111,366)
December 31, 2022	<u>\$ 11,159,622</u>	<u>\$ 897,758</u>	<u>\$ 456,426</u>	<u>\$ 26,135</u>	<u>\$ 12,539,941</u>

	Short-term borrowings	Short-term notes and bills payable	Bonds payable	Lease liabilities	Liabilities from financing activities-gross
January 1, 2021	\$ 8,668,103	\$ 549,506	\$ -	\$ 99,307	\$ 9,316,916
Changes in cash flow from financing activities	929,953	149,855	649,960	(41,791)	1,687,977
Changes in other non-cash items	-	-	(72,125)	6,521	(65,604)
December 31, 2021	<u>\$ 9,598,056</u>	<u>\$ 699,361</u>	<u>\$ 577,835</u>	<u>\$ 64,037</u>	<u>\$ 10,939,289</u>

7. RELATED PARTY TRANSACTIONS

Key management compensation

	Year ended December 31	
	2022	2021
Salaries and other short-term employee benefits	<u>\$ 91,781</u>	<u>\$ 73,718</u>

8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

Pledged assets	Book value		Purpose
	December 31, 2022	December 31, 2021	
Investment property	\$ 2,788	\$ 2,867	Short-term borrowings
Guarantee deposits paid (shown as 'other non-current assets')	10,000	10,000	Court deposits
	<u>\$ 12,788</u>	<u>\$ 12,867</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

As of December 31, 2022, significant commitments were as follows:

As a requirement for the release of imported goods before duty and customs clearance, the Group has applied for customs guarantee with certain banks in the amount of \$20,000.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

The distribution of 2022 earnings was resolved by the Company's Board of Directors on March 15, 2023. Refer to Note 6(16) for more details.

12. OTHERS

(1) Capital risk management

The Group's main objective when managing capital is to maintain an optimal credit ranking and capital ratio to support the operations and to maximize stockholders' equity. Refer to the consolidated balance sheet of each period for related liabilities and capital ratio.

(2) Financial instruments

A. Financial instruments by category

	December 31, 2022	December 31, 2021
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 27,328	\$ 22,764
Financial assets designated as at fair value through profit or loss	47	300
	<u>\$ 27,375</u>	<u>\$ 23,064</u>
Financial assets at fair value through other comprehensive income		
Designation of equity instruments	<u>\$ 606,170</u>	<u>\$ 974,722</u>
Financial assets at amortised cost/receivables		
Cash and cash equivalents	\$ 1,374,575	\$ 1,615,196
Notes receivable	164,073	286,952
Accounts receivable	7,438,333	9,300,481
Other receivables	74,863	109,955
Guarantee deposits paid (shown as other non-current assets)	56,941	56,118
	<u>\$ 9,108,785</u>	<u>\$ 11,368,702</u>

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 11,159,622	\$ 9,598,056
Short-term notes and bills payable	897,758	699,361
Notes payable	2,477	2,525
Accounts payable	2,563,319	4,616,535
Other accounts payable	595,540	498,566
Bonds payable	456,426	577,835
Guarantee deposits received (shown as other non-current liabilities')	1,298	3,120
	<u>\$ 15,676,440</u>	<u>\$ 15,995,998</u>
Lease liabilities	<u>\$ 26,135</u>	<u>\$ 64,037</u>

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's financial risk management policies is to identify and analyse all the risks by examining the impact of the macroeconomics, industrial developments, market competition and the Group's business development so as to achieve the optimised risk position, to maintain adequate liquidity position and to centralise the management of all market risks.
- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from various currency, primarily with respect to the USD and RMB. Foreign exchange rate risk arises from future commercial transactions and recognised assets and liabilities.

- ii. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD, RMB and HKD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2022										
(Foreign currency: functional currency)	Foreign currency amount Exchange (In thousands) rate			Book value (In thousands of NTD)	Sensitivity analysis					
					Degree of variation	Effect on profit or loss	Effect on other comprehensive income			
	<u>Financial assets</u>									
	<u>Monetary items</u>									
USD:NTD	\$	190,238	30.66	\$	5,832,697	1%	\$	58,327	\$	-
JPY:NTD		257,165	0.23		59,148	1%		591		-
HKD:NTD		10,932	3.91		42,744	1%		427		-
USD:HKD (Note)		167,965	7.80		5,149,807	1%		51,498		-
HKD:USD (Note)		677,142	0.13		2,647,625	1%		26,476		-
JPY:HKD (Note)		177,952	0.06		40,929	1%		409		-
<u>Financial liabilities</u>										
<u>Monetary items</u>										
USD:NTD	\$	142,953	30.76	\$	4,397,234	1%	\$	43,972		-
JPY:NTD		201,648	0.23		46,379	1%		464		-
RMB:NTD		50,087	4.43		221,885	1%		2,219		-
USD:HKD (Note)		160,836	7.80		4,947,315	1%		49,473		-
USD:RMB (Note)		6,732	6.96		207,076	1%		2,071		-
JPY:HKD (Note)		101,938	0.06		23,446	1%		234		-
December 31, 2021										
(Foreign currency: functional currency)	Foreign currency amount Exchange (In thousands) rate			Book value (In thousands of NTD)	Sensitivity analysis					
					Degree of variation	Effect on profit or loss	Effect on other comprehensive income			
	<u>Financial assets</u>									
	<u>Monetary items</u>									
USD:NTD	\$	227,807	27.63	\$	6,294,307	1%	\$	62,943	\$	-
JPY:NTD		355,401	0.24		85,296	1%		853		-
RMB:NTD		56,083	4.32		242,279	1%		2,423		-
USD:HKD (Note)		225,242	7.80		6,223,436	1%		62,234		-
JPY:HKD (Note)		84,405	0.07		20,257	1%		203		-
<u>Financial liabilities</u>										
<u>Monetary items</u>										
USD:NTD	\$	284,167	27.73	\$	7,879,951	1%	\$	78,800	\$	-
JPY:NTD		189,833	0.24		45,560	1%		456		-
USD:HKD (Note)		185,511	7.80		5,144,220	1%		51,442		-
USD:RMB (Note)		8,049	6.38		223,199	1%		2,232		-
JPY:HKD (Note)		88,857	0.07		21,326	1%		213		-

Note: The functional currencies of certain consolidated entities are not NTD, thus, this information must be considered when reporting. For example, when a subsidiary's functional currency is RMB, the subsidiary's segments that are involved with USD must be taken into consideration.

- iii. The total exchange (loss) gain, including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2022 and 2021, amounted to (\$59,423) and \$76,322, respectively.

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- ii. The Group's investments in equity securities comprise shares by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2022 and 2021 would have increased/decreased by \$274 and \$231, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$6,062 and \$9,747, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- i. The Group's main interest rate risk arises from short-term borrowings and short-term notes and bills payable with variable rates, which expose the Group to cash flow interest rate risk.
- ii. The Group's borrowings are measured at amortised cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.
- iii. If the borrowing interest rate had increased/decreased by 1% with all other variables held constant, profit, net before tax for the years ended December 31, 2022 and 2021 would have increased/decreased by \$120,574 and \$102,974, respectively. The main factor is that changes in interest expense result from floating rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, the Group is responsible for managing and analysing the credit risk for each of their clients. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. The utilisation of credit limits is regularly monitored. Credit risk arises from credit exposures to customers, including outstanding receivables.
- ii. The Group adopts the following assumptions to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
 - (i) If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
 - (ii) If any external credit rating agency rates these bonds as investment grade, the credit risk of these financial assets is low.
- iii. The default occurs when the contract payments are past due over 60 days.
- iv. The Group classifies customer's accounts receivable in accordance with the credit rating of the customer. The Group applies the modified approach using a provision matrix to estimate the expected credit loss.
- v. The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.
- vi. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. Refer to Note 6(4) for details of the provision matrix and movements in loss allowance for the years ended December 31, 2022 and 2021.

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets.
- ii. Except for those listed in the table below, the Group's non-derivative financial liabilities will expire within 1 year. As of December 31, 2022 and 2021, the cash flows within 1 year of short-term notes and bills payable, notes payable, accounts payable and other payables are undiscounted and are in agreement with the balance of each account in the balance sheets.

December 31, 2022	<u>Less than 1 year</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
<u>Non-derivative financial liabilities:</u>			
Short-term borrowings	\$ 11,201,209	\$ -	\$ -
Lease liabilities	24,432	2,362	-
Bonds payable	-	467,100	-

December 31, 2021	<u>Less than 1 year</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
<u>Non-derivative financial liabilities:</u>			
Short-term borrowings	\$ 9,606,392	\$ -	\$ -
Lease liabilities	44,569	12,351	-
Bonds payable	-	600,000	-

iii. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

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

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

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Company's investment in equity investment without active market, beneficiary certificates and the Company's call options of convertible bonds is included in Level 3.

B. Fair value information of investment property at cost is provided in Note 6(9).

C. Financial instruments not measured at fair value

(a) Except for those listed in the table below, the carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, short-term borrowings, short-term notes and bills payable, notes payable, accounts payable and other payables are approximate to their fair values.

December 31, 2022				
	Book value	Fair value		
		Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	\$ 456,426	\$ -	\$ 452,534	\$ -
December 31, 2021				
	Book value	Fair value		
		Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	\$ 577,835	\$ -	\$ 578,222	\$ -

(b) The methods and assumptions of fair value estimate are as follows:

Bonds payable: They are measured at present value, which is calculated based on the cash flow expected to be paid and discounted using a market rate prevailing at the balance sheet date.

D. Financial and non-financial instruments measured at fair value

(a) The related information on financial and non-financial instruments measured at fair value by level based on the nature, characteristics and risks of the assets and liabilities are as follows:

December 31, 2022	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value				
through profit or loss				
Listed stocks	\$ 19,854	\$ -	\$ -	\$ 19,854
Emerging stocks	358	-	-	358
Beneficiary certificates	-	-	7,116	7,116
Redemption of convertible	-	-	47	47
bonds				
Financial assets at fair value				
through other comprehensive				
income				
Listed stocks	475,301	-	-	475,301
Emerging stocks	810	-	-	810
Unlisted stocks	-	-	130,059	130,059
	<u>\$ 496,323</u>	<u>\$ -</u>	<u>\$ 137,222</u>	<u>\$ 633,545</u>

December 31, 2021	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value				
through profit or loss				
Listed stocks	\$ 22,443	\$ -	\$ -	\$ 22,443
Emerging stocks	321	-	-	321
Redemption of convertible bonds	-	-	300	300
Financial assets at fair value				
through other comprehensive income				
Listed stocks	864,082	-	-	864,082
Emerging stocks	727	-	-	727
Unlisted stocks	-	-	109,913	109,913
	<u>\$ 887,573</u>	<u>\$ -</u>	<u>\$ 110,213</u>	<u>\$ 997,786</u>

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

- i. For the instruments the Group used market quoted prices as their fair values (that is, Level 1), the Group uses the closing price as market quoted price.
- ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.
- iii. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk, etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.
- iv. The Group considers adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

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

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

	2022		2021	
	Non- derivative instrument	Redemption of convertible bonds	Non- derivative instrument	Redemption of convertible bonds
At January 1	\$ 109,913	\$ 300	\$ 95,894	\$ -
Increase during the year	37,420	-	29,840	300
Decrease during the year	(7,474)	(68)	-	-
Losses recognised in profit or loss	(384)	(185)	-	-
Proceeds from capital reduction	(6,142)	-	(14,423)	-
Effect of exchange rate changes	3,842	-	(1,398)	-
At December 31	<u>\$ 137,175</u>	<u>\$ 47</u>	<u>\$ 109,913</u>	<u>\$ 300</u>

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

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

	Fair value at December 31, 2022	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	<u>\$ 42,799</u>	Net asset value	Not applicable	Not applicable	Not applicable
Unlisted shares	<u>\$ 87,260</u>	Most recent non-active market price	Not applicable	Not applicable	Not applicable
Beneficiary certificates	<u>\$ 7,116</u>	Net asset value	Not applicable	Not applicable	Not applicable
Redemption of convertible bonds	<u>\$ 47</u>	Binomial model	Volatility	19.97%	The higher the volatility, the higher the fair value

	Fair value at December 31, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 52,573	Net asset value	Not applicable	Not applicable	Not applicable
Unlisted shares	\$ 57,340	Most recent non-active market price	Not applicable	Not applicable	Not applicable
Redemption of convertible bonds	\$ 300	Binomial model	Volatility	22.02%	The higher the volatility, the higher the fair value

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

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

(2) Information on investees

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

(3) Information on investments in Mainland China

- A. Basic information: Refer to table 8.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Refer to Notes 13(1) A, B and J.

(4) Major shareholders information

The Company has no shareholders with a shareholding ratio above 5%.

14. SEGMENT INFORMATION

(1) General information

The Group operates business only in a single industry. The Board of Directors who allocates resources and assesses performance of the Group as a whole, has identified that the Group has only one reportable operating segment.

(2) Segment information

The pre-tax net income is used to measure the operating segment profit (loss) and performance of the operating segments. The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

	Year ended December 31	
	2022	2021
Segment revenue	\$ 40,022,922	\$ 42,044,726
Segment income	\$ 714,572	\$ 877,710
Segment income, including:		
Depreciation and amortisation	\$ 69,927	\$ 68,915

(3) Reconciliation for segment income (loss)

A. The revenue from external customers reported to the Board of Directors is measured in a manner consistent with that in the statement of comprehensive income.

B. The Group's Board of Directors assesses performance of operating segments and allocates resources based on pre-tax net income; thus, reconciliation is not needed.

(4) Information on products and services

Revenue from external customers is mainly from sales of electronic components.

(5) Geographical information

Geographical information for the years ended December 31, 2022 and 2021 is as follows:

	Year ended December 31			
	2022		2021	
	Revenue	Non-current assets	Revenue	Non-current assets
China	\$ 33,989,327	\$ 95,493	\$ 37,044,902	\$ 132,696
Taiwan	4,638,366	451,927	3,912,426	458,730
Others	1,395,229	-	1,087,398	-
	<u>\$ 40,022,922</u>	<u>\$ 547,420</u>	<u>\$ 42,044,726</u>	<u>\$ 591,426</u>

(6) Major customer information

Major customer information of the Group for the years ended December 31, 2022 and 2021 is as follows:

	Year ended December 31	
	2022	2021
	Revenue	Revenue
A	\$ 5,610,352	\$ 6,208,635

Zenitron Corporation and Subsidiaries

Loans to others

Year ended December 31, 2022

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account (Note 2)	Is a related party	Maximum outstanding	Balance at	Actual	Interest rate	Nature of loan (Note 4)	Amount of transactions with the borrower (Note 5)	Reason for short- term financing (Note 6)	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 7)	Ceiling on total loans granted (Note 7)	Footnote
					balance during the year ended December 31, 2022 (Note 3)	December 31, 2022 (Note 8)	amount drawn down						Item	Value			
0	Zenitron Coporation	ZTHC (Shanghai) Co., Ltd.	Other receivables	Yes	\$ 1,015,220	\$ 613,620	\$ -	-	2	\$ -	Operating capital	\$ -	-	\$ -	\$ 2,208,625	\$ 2,208,625	
0	Zenitron Coporation	Zenicom Corporation	Other receivables	Yes	61,780	61,320	-	-	2	-	Operating capital	-	-	-	2,208,625	2,208,625	
0	Zenitron Coporation	Zenitron (HK) Limited	Other receivables	Yes	926,700	919,800	613,200	2.25%	2	-	Operating capital	-	-	-	2,208,625	2,208,625	
1	ZTHC (Shanghai) Co., Ltd.	Zenitron (Shanghai) International Trading Co., Ltd.	Other receivables	Yes	90,200	88,160	-	-	2	-	Operating capital	-	-	-	650,076	650,076	
1	ZTHC (Shanghai) Co., Ltd.	Zenitron (Shenzhen) Technology Co., Ltd.	Other receivables	Yes	270,600	132,240	-	-	2	-	Operating capital	-	-	-	650,076	650,076	
1	ZTHC (Shanghai) Co., Ltd.	Zenitron Coporation	Other receivables	Yes	354,640	354,640	221,650	2.50%	2	-	Operating capital	-	-	-	650,076	650,076	
2	Shanghai Zenitron Electronic Trading Co., Ltd.	Zenitron (Shanghai) International Trading Co., Ltd.	Other receivables	Yes	54,120	52,896	-	-	2	-	Operating capital	-	-	-	181,080	181,080	
2	Shanghai Zenitron Electronic Trading Co., Ltd.	Zenitron (Shenzhen) Technology Co., Ltd.	Other receivables	Yes	44,080	44,080	-	-	2	-	Operating capital	-	-	-	181,080	181,080	
2	Shanghai Zenitron Electronic Trading Co., Ltd.	ZTHC (Shanghai) Co., Ltd.	Other receivables	Yes	61,712	61,712	61,712	3.65%	2	-	Operating capital	-	-	-	181,080	181,080	
3	Supertronic International Corp.	Zenitron Coporation	Other receivables	Yes	278,010	184,560	172,051	0%~2.25%	2	-	Operating capital	-	-	-	5,744,512	5,744,512	
4	Zenitron (Shanghai) International Trading Co., Ltd.	ZTHC (Shanghai) Co., Ltd.	Other receivables	Yes	134,190	132,240	-	-	2	-	Operating capital	-	-	-	363,378	363,378	
4	Zenitron (Shanghai) International Trading Co., Ltd.	Zenitron (Shenzhen) Technology Co., Ltd.	Other receivables	Yes	134,190	132,240	-	-	2	-	Operating capital	-	-	-	363,378	363,378	
5	Zenitron (Shenzhen) Technology Co., Ltd.	ZTHC (Shanghai) Co., Ltd.	Other receivables	Yes	88,160	88,160	-	-	2	-	Operating capital	-	-	-	177,442	177,442	
6	Zenicom (HK) Limited	Zenitron (HK) Limited	Other receivables	Yes	61,780	61,420	-	-	2	-	Operating capital	-	-	-	203,778	203,778	

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

- (1) The Company is ‘0’.
- (2) The subsidiaries are numbered in order starting from ‘1’.

Note 2: The name of account in which the loans are recognised, such as receivables–related parties, current account with stockholders, prepayments, temporary payments, etc.

Note 3: The maximum outstanding balance of loans to others for the year.

Note 4: The nature of the loan as follows:

- (1) ‘1’ for business transaction.
- (2) ‘2’ for short-term financing.

Note 5: The amount of business transactions when nature of the loan is 1, which is the amount of business transactions occurred between the creditor and borrower in the current year.

Note 6: Purpose of loan when nature of loan is 2, for example, repayment of loan, acquisition of equipment, working capital, etc.

Note 7: Limit on loans granted to a single party and ceiling on total loans granted as prescribed in the creditor company’s “Procedures for Provision of Loans”, the calculation and amount are as follows:

- (1) Limit on loans granted to a single party is 40% of the creditor company’s net assets based on the latest financial statements.
- (2) Ceiling on total loans granted is 40% of the creditor company’s net assets based on the latest financial statements.
- (3) Limit on loans granted between foreign companies which the Company directly or indirectly holds 100% of their voting shares is 200% of the creditor company’s net assets based on the latest financial statements.

Note 8: The amounts of funds to be loaned to others which have been approved by the board of directors of a public company in accordance with Article 14, Item 1 of the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” should be included in its published balance of loans to others at the end of the reporting period to reveal the risk of loaning the public company bears, even though they have not yet been appropriated. However, this balance should exclude the loans repaid when repayments are done subsequently to reflect the risk adjustment. In addition, if the board of directors of a public company has authorized the chairman to loan funds in instalments or in revolving within certain lines and within one year in accordance with Article 14, Item 2 of the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”, the published balance of loans to others at the end of the reporting period should also include these lines of loaning approved by the board of directors, and these lines of loaning should not be excluded from this balance even though the loans are repaid subsequently, for taking into consideration they could be loaned again thereafter.

Zenitron Corporation and Subsidiaries

Provision of endorsements and guarantees to others

Year ended December 31, 2022

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Endorser/guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2022 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2022 (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 7)	Provision of endorsements/ guarantees to the party in Mainland China (Note 7)	Footnote
		Relationship with the endorser/ guarantor (Note 2)	Company name											
0	Zenitron Coporation	3	Zenitron (HK) Limited	\$ 8,282,345	\$ 1,856,857	\$ 1,774,081	\$ 1,090,492	\$ -	32.13%	\$ 8,282,345	Y	N	N	
0	Zenitron Coporation	3	Zenitron (Shenzhen) Technology Co., Ltd.	8,282,345	751,820	690,450	221,357	-	12.50%	8,282,345	Y	N	Y	
0	Zenitron Coporation	3	Zenitron (Shanghai) International Trading Co., Ltd.	8,282,345	1,248,323	1,223,818	465,040	-	22.16%	8,282,345	Y	N	Y	
0	Zenitron Coporation	3	ZTHC (Shanghai) Co., Ltd.	8,282,345	640,820	624,330	123,424	-	11.31%	8,282,345	Y	N	Y	
0	Zenitron Coporation	3	Zenicom Corporation	8,282,345	29,000	29,000	100	-	0.53%	8,282,345	Y	N	N	

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1) The Company is ‘0’.

(2) The subsidiaries are numbered in order starting from ‘1’.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following six categories; fill in the number of category each case belongs to:

(1) Having business relationship.

(2) The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/ guaranteed subsidiary.

(3) The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/ guaranteed company.

(4) The endorsed/guaranteed parent company directly or indirectly owns more than 50% voting shares of the endorser/guarantor subsidiary.

(5) Mutual guarantee of the trade as required by the construction contract.

(6) Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

Note 3: The calculation for and amount of limit on endorsements/guarantees are as follows: (If any contingent loss is recognised in the financial statements, the recognised amount should be indicated)

(1) Limit on endorsements/guarantees provided for a single party is 150% of the Company’s net assets.

(2) Ceiling on total amount of endorsements/guarantees is 150% of the Company's net assets.

Note 4: The year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 5: Once endorsement/guarantee contracts or promissory notes are signed/issued by the endorser/guarantor company to the banks, the endorser/guarantor company bears endorsement/guarantee liabilities.

And all other events involve endorsements and guarantees should be included in the balance of outstanding endorsements and guarantees.

Note 6: The actual amount of endorsements/guarantees used by the endorsed/guaranteed company.

Note 7: ‘Y’ for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

Zenitron Corporation and Subsidiaries

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

December 31, 2022

Table 3

Expressed in NTD

(Except as otherwise indicated)

					As of December 31, 2022				
Securities held by	Marketable securities (Note 1)		Relationship with the securities issuer (Note 2)	General ledger account	Number of shares (Share/Unit)	Book value (Note 3)	Ownership (%)	Fair value	Footnote (Note 4)
Zenitron Corporation	Stock	Yeong Guan Group	-	Current financial assets at fair value through profit or loss	153,834	\$ 8,753,155	0.14	\$ 8,753,155	
Zenitron Corporation	Stock	Dynapack International Technology Corporation	-	Current financial assets at fair value through profit or loss	40,000	2,920,000	0.03	2,920,000	
Zenitron Corporation	Stock	TXC CORPORATION	-	Current financial assets at fair value through profit or loss	20,000	1,654,000	0.01	1,654,000	
Zenitron Corporation	Stock	CHROMA ATE INC.	-	Current financial assets at fair value through profit or loss	20,000	3,620,000	-	3,620,000	
Zenitron Corporation	Stock	Orient Pharma Co., Ltd.	-	Current financial assets at fair value through other comprehensive income	39,462	810,155	0.02	810,155	
Zenitron Corporation	Stock	ADLINK TECHNOLOGY INC.	-	Non-current financial assets at fair value through other comprehensive income	8,834,592	475,301,050	4.06	475,301,050	
Zenitron Corporation	Stock	Quadlink Technology Inc.	-	Non-current financial assets at fair value through other comprehensive income	500,000	10,000,000	3.45	10,000,000	
Zenitron Corporation	Stock	MEAN WELL ENTERPRISES CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	299,732	87,259,600	0.15	87,259,600	
Zenitron Corporation	Beneficiary certificate	Corporate Venture Capital Alliance Innovation Fund	-	Non-current financial assets at fair value through profit or loss	-	7,116,091	-	7,116,091	
Zenicom Corporation	Stock	Yeong Guan Group	-	Current financial assets at fair value through profit or loss	51,087	2,906,850	0.05	2,906,850	
Zenicom Corporation	Stock	Orient Pharma Co., Ltd.	-	Current financial assets at fair value through profit or loss	17,454	358,331	0.01	358,331	
Supertronic International Corp	Stock	Capital Investment Development Corp.	-	Non-current financial assets at fair value through other comprehensive income	1,320,000	32,798,771	3.57	32,798,771	

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

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.

Note 4: The number of shares of securities and their amounts pledged as security or pledged for loans and their restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions.

Zenitron Corporation and Subsidiaries
Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more
Year ended December 31, 2022

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

		Relationship with the counterparty (Note 2)	Transaction				Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		Footnote (Note 3)
Purchaser/seller	Counterparty		Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Zenitron Coporation	Zenitron (HK) Limited	1	Sales	(\$ 4,895,151)	(25)	Approximately 60~90 days after monthly billings	Selling price is based on initial cost plus necessary profit	Approximately 30~120 days after monthly billings for third parties	\$ 792,318	16	
Zenitron (HK) Limited	Zenitron Coporation	2	Purchases	4,895,151	22	Approximately 60~90 days after monthly billings	Approximately the same as the normal price	Approximately 10~75 days after monthly billings for third parties	(792,318)	(43)	
Zenitron Coporation	Zenitron (Shanghai) International Trading Co., Ltd.	1	Sales	(803,270)	(4)	Approximately 60~90 days after monthly billings	Selling price is based on initial cost plus necessary profit	Approximately 30~120 days after monthly billings for third parties	89,054	2	
Zenitron (Shanghai) International Trading Co., Ltd.	Zenitron Coporation	2	Purchases	803,270	46	Approximately 60~90 days after monthly billings	Approximately the same as the normal price	Approximately 10~75 days after monthly billings for third parties	(89,054)	(29)	
Zenitron Coporation	Zenitron (Shenzhen) Technology Co., Ltd.	1	Sales	(336,708)	(2)	Approximately 60~90 days after monthly billings	Selling price is based on initial cost plus necessary profit	Approximately 30~120 days after monthly billings for third parties	34,192	1	
Zenitron (Shenzhen) Technology Co., Ltd.	Zenitron Coporation	2	Purchases	336,708	31	Approximately 60~90 days after monthly billings	Approximately the same as the normal price	Approximately 10~75 days after monthly billings for third parties	(34,192)	(31)	
Zenitron (HK) Limited	Zenitron (Shenzhen) Technology Co., Ltd.	3	Sales	(427,740)	(2)	Approximately 60~90 days after monthly billings	Selling price is based on initial cost plus necessary profit	Approximately 30~120 days after monthly billings for third parties	21,569	1	
Zenitron (Shenzhen) Technology Co., Ltd.	Zenitron (HK) Limited	3	Purchases	427,740	40	Approximately 60~90 days after monthly billings	Approximately the same as the normal price	Approximately 10~75 days after monthly billings for third parties	(21,569)	(20)	
Zenitron (HK) Limited	Zenitron (Shanghai) International Trading Co., Ltd.	3	Sales	(513,673)	(2)	Approximately 60~90 days after monthly billings	Selling price is based on initial cost plus necessary profit	Approximately 30~120 days after monthly billings for third parties	42,019	2	
Zenitron (Shanghai) International Trading Co., Ltd.	Zenitron (HK) Limited	3	Purchases	513,673	29	Approximately 60~90 days after monthly billings	Approximately the same as the normal price	Approximately 10~75 days after monthly billings for third parties	(42,019)	(14)	
Zenicom (HK) Limited	Zenitron Coporation	2	Sales	(169,247)	(83)	Approximately 60~90 days after monthly billings	Selling price is based on initial cost plus necessary profit	Approximately 30~120 days after monthly billings for third parties	23,762	68	
Zenitron Coporation	Zenicom (HK) Limited	1	Purchases	169,247	1	Approximately 60~90 days after monthly billings	Approximately the same as the normal price	Approximately 10~75 days after monthly billings for third parties	(23,762)	(2)	

Note 1: If terms of related-party transactions are different from third-party transactions, explain the differences and reasons in the ‘Unit price’ and ‘Credit term’ columns.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to:

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 3: In case related-party transaction terms involve advance receipts (prepayments) transactions, explain in the footnote the reasons, contractual provisions, related amounts, and differences in types of transactions compared to third-party transactions.

Note 4: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Zenitron Corporation and Subsidiaries
Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
Year ended December 31, 2022

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty (Note 2)	Balance as at	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
			December 31, 2022 (Note 1)		Amount	Action taken		
<u>Accounts receivable</u>								
Zenitron Coporation	Zenitron (HK) Limited	1	\$ 792,318	5.22	\$ -	-	\$ 18,429	\$ -
<u>Other receivables</u>								
Zenitron Coporation	Zenitron (HK) Limited	1	663,174	-	-	-	309,740	-
ZTHC (Shanghai) Co., Ltd.	Zenitron Coporation	2	222,035	-	-	-	-	-
Supertronic International Corp.	Zenitron Coporation	2	172,221	-	-	-	-	-
Supertronic International Corp.	Zenitron (HK) Limited	3	2,665,903	-	-	-	-	-

Note 1: Fill in separately the balances of accounts receivable–related parties, notes receivable–related parties, other receivables–related parties....

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 3: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Table 6

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	Zenitron Coporation	Zenitron (HK) Limited	1	Sales	\$ 4,895,151	Selling price has no obvious difference from the third parties	12
0	Zenitron Coporation	Zenitron (HK) Limited	1	Accounts receivable	792,318	60~90 days after monthly billings	4
1	Zenitron Coporation	Zenitron (HK) Limited	1	Other receivables	663,174	In accordance with mutual agreements	3
0	Zenitron Coporation	Zenitron (Shanghai) International Trading Co., Ltd.	1	Sales	803,270	Selling price has no obvious difference from the third parties	2
0	Zenitron Coporation	ZTHC (Shanghai) Co., Ltd.	1	Other payables	222,035	In accordance with mutual agreements	1
1	Zenitron (HK) Limited	Zenitron (Shenzhen) Technology Co., Ltd.	3	Sales	427,740	Selling price has no obvious difference from the third parties	1
1	Zenitron (HK) Limited	Zenitron (Shanghai) International Trading Co., Ltd.	3	Sales	513,673	Selling price has no obvious difference from the third parties	1
2	Supertronic International Corp.	Zenitron (HK) Limited	3	Other receivables	2,665,903	In accordance with mutual agreements	12

(1) Parent company is '0'.
(2) The subsidiaries are numbered in order starting from '1'.
Relationship between transaction company and counterparty
(1) Parent company to subsidiary.
(2) Subsidiary to parent company.
(3) Subsidiary to subsidiary.

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

Note 4: The Company may decide to disclose or not to disclose transaction details in this table based on the Materiality Principle.

Zenitron Corporation and Subsidiaries

Information on investees

Year ended December 31, 2022

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022			Net profit (loss) of the investee for the year ended December 31, 2022 (Note 2(2))	Investment income recognised by the Company for the year ended December 31, 2022 (Note 2(3))	Footnote
				Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares (in thousand)	Ownership (%)	Book value			
Zenitron Coporation	Zenicom Corporation	Taiwan	Trading of electronic components and assembly	\$ 205,854	\$ 55,854	16,520	100%	\$ 168,645	(\$ 3,844)	(\$ 3,844)	Subsidiary
Zenitron Coporation	Zenitron (HK) Limited	Hong Kong	Trading of electronic components and assembly	590,565	2,008	22,373	100%	606,433	372,424	19,137	Subsidiary (Note 4)
Zenitron Coporation	Supertronic International Corp.	B. V. I.	Reinvested holding company	28,749	618,023	100	100%	2,872,256	359,851	359,851	Subsidiary
Zenitron Coporation	Yo-Teh Investment Corporation	Taiwan	Reinvested holding company	-	84,167	-	-	-	3	3	Subsidiary (Note 3)
Supertronic International Corp.	Zenitron (HK) Limited	Hong Kong	Trading of electronic components and assembly	-	471,639	-	-	-	372,424	353,287	Subsidiary (Note 4)
Supertronic International Corp.	Zenicom (HK) Limited	Hong Kong	Trading of electronic components and assembly	-	92,780	-	-	-	4,640	3,734	Subsidiary (Note 5)
Zenicom Corporation	Zenicom (HK) Limited	Hong Kong	Trading of electronic components and assembly	104,759	-	23,800	100%	101,889	4,640	906	Subsidiary (Note 5)

Note 1: If a public company is equipped with an overseas holding company and takes consolidated financial report as the main financial report according to the local law rules, it can only disclose the information of the overseas holding company about the disclosure of related overseas investee information.

Note 2: If situation does not belong to Note 1, fill in the columns according to the following regulations:

- (1) The columns of 'Investee', 'Location', 'Main business activities', 'Initial investment amount' and 'Shares held as at September 30, 2022' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column.
- (2) The 'Net profit (loss) of the investee for the nine months ended September 30, 2022' column should fill in amount of net profit (loss) of the investee for this period.
- (3) The 'Investment income (loss) recognised by the Company for the nine months ended September 30, 2022' column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and recognised investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognised investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognised by regulations.

Note 3: Yo-Teh filed for liquidation in November 2021 as resolved by the Board of Directors. The liquidation process had been completed in June 2022.

Note 4: The Group's investment structure was adjusted from an original 98.53% and 1.47% equity interest of Zenitron (HK) Limited held by Supertronic International Corp. and Zenitron Coporation, respectively, to wholly owned by Zenitron Coporation.

Note 5: The Group's investment structure was adjusted whereby the 100% equity interest of Zenicom (HK) previously held by Supertronic is now held by Zenicom.

Zenitron Corporation and Subsidiaries
Information on investments in Mainland China
Year ended December 31, 2022

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2022		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Net income (loss) of investee for the year ended December 31, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2022 (Note 2)	Book value of investments in Mainland China as of December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Zenitron (Shanghai) International Trading Co., Ltd.	Trading of electronic components and assembly	\$ 157,730	(2)	\$ 97,270	\$ -	\$ -	\$ 97,270	(\$ 10,241)	100%	(\$ 10,241)	\$ 181,689	\$ -	
ZTHC (Shanghai) Co., Ltd.	Selling computer memory equipment and related components and providing technical support	116,601	(2)	116,601	-	-	116,601	(22,595)	100%	(22,595)	325,038	-	
Zenitron (Shenzhen) Technology Co., Ltd.	Trading of electronic components and assembly	93,080	(2)	32,620	-	-	32,620	8,838	100%	8,838	88,721	-	
Shanghai Zenitron Electronic Trading Co., Ltd.	Trading of electronic components and assembly	94,760	(2)	-	-	-	-	90	100%	90	90,540	-	
Shanghai Zenicom Industrial Co., Ltd.	Trading of electronic components and assembly	-	(1)	-	-	-	-	(76)	100%	(76)	(76)	-	Note 4
Company name		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022		Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA								
Zenitron Corporation		\$ 246,491		\$ 443,484	\$ 3,312,938								

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

- (1) Directly invest in a company in Mainland China.
- (2) Through investing in Zenitron (HK) Limited, an existing company in the third area, which then invested in the investee in Mainland China.
- (3) Others

Note 2: Basis for investment income (loss) recognition is the unreviewed financial statements of the investees.

Note 3: The numbers in this table are expressed in New Taiwan Dollars.

Note 4: On September 2, 2022, Zenicom Corporation established Shanghai Zenicom Industrial Co., Ltd. with a total capital of RMB 2,000 thousand. However, the related investment amount has not yet been remitted as of December 31, 2022.

(V) Individual Statement Audited and Certified by Accountants during Recent Year

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Zenitron Corporation

Opinion

We have audited the accompanying parent company only balance sheets of Zenitron Corporation (the “Company”) as at December 31, 2022 and 2021, and the related parent company only statements of comprehensive income, of changes in equity and of 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 at 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 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 Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company's 2022 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's 2022 parent company only financial statements are stated as follows:

Valuation of allowance for uncollectible accounts receivable

Description

Refer to Note 4(7)(8), Note 5(2) and Note 6(4) for accounting policies on accounts receivable, accounting estimates and assumptions on impairment assessment as well as details of related impairment, respectively.

The Company assesses impairment of accounts receivable based on historical experience and takes into consideration the customers' historical default records and current financial conditions to estimate expected loss rate in recognising loss allowance. In addition, the Company provides for full allowance for uncollectible accounts from individual customers where there is an indication that they are individually identified as impaired or a credit impairment actually occurred. As the assessment of allowance for uncollectible accounts is subject to management's judgment and estimates in determining the future collectability, such as management's assessment of customer's credit risk, we considered the valuation of allowance for uncollectible accounts receivable from individual customers a key audit matter.

How our audit addressed the matter

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

1. Understood and evaluated related policies and internal control of the credit risk management and accounts receivable impairment.
2. Assessed the calculation logic of year-end accounts receivable ageing report provided by management, reviewed the related supporting documents and verified it against the accounting records to ascertain the accuracy of the ageing classification.
3. For those material accounts receivable individually identified by the management to have been impaired, reviewed the supporting documents of impairment assessment provided by the management to assess the reasonableness of collectability.
4. Selected samples of significant overdue accounts receivable amounts and examined their subsequent collections.

Assessment of allowance for inventory valuation losses

Description

Refer to Note 4(11), Note 5(2) and Note 6(5) for accounting policies on inventory valuation, accounting estimates and assumptions and details of allowance for valuation losses, respectively.

The Company is mainly engaged in sales of electronic components. The Company measures ending inventories at the lower of cost and net realisable value and provides allowance for inventory valuation losses based on usable condition of inventories that were individually identified as obsolete. As the life cycle of such inventories is short, the market is competitive, and the assessment of allowance for valuation of inventories individually identified as obsolete often involves management's subjective judgment, we considered the estimation of inventory valuation loss a key audit matter.

How our audit addressed the matter

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

1. Understood and evaluated the internal control procedures over the Company's inventories individually identified as obsolete.
2. Understood the Company's warehousing control procedures, reviewed the annual physical inventory count plan as well as participated and observed the annual physical inventory count in order to assess the effectiveness of the procedures the management used to identify and control obsolete inventories.
3. Obtained the details of inventories that were individually identified as obsolete by the management, reviewed the related supporting documents and verified it against the accounting records.
4. Selected samples of inventory items and examined whether the net realisable value basis was consistent with the Company's policies, and checked the accuracy of the net realisable value calculation on individual inventory item numbers.

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 the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of 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 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 appropriate audit evidence regarding the financial information of the entities or business activities within the Company 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 year 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.

Chen, Chin-Chang

Liao, Fu-Ming

For and on behalf of PricewaterhouseCoopers, Taiwan

March 15, 2023

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

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

ZENITRON CORPORATION
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2022		December 31, 2021	
		AMOUNT	%	AMOUNT	%
Current assets					
Cash and cash equivalents	6(1)	\$ 689,960	4	\$ 664,500	4
Financial assets at fair value through profit or loss - current	6(2)	16,994	-	19,524	-
Financial assets at fair value through other comprehensive income - current	6(3)	810	-	727	-
Notes receivable, net	6(4)	11,996	-	7,352	-
Accounts receivable, net	6(4)	3,970,521	24	4,817,950	29
Accounts receivable - related parties	7	917,381	5	1,189,835	7
Other receivables		59,460	-	110,238	1
Other receivables - related parties	7	663,182	4	256,356	1
Inventories, net	6(5)	5,493,321	33	5,088,935	31
Other current assets		198,726	1	104,694	1
Total current assets		12,022,351	71	12,260,111	74
Non-current assets					
Financial assets at fair value through profit or loss - non-current	6(2)	7,116	-	-	-
Financial assets at fair value through other comprehensive income - non-current	6(3)	572,561	4	938,896	6
Investments accounted for using equity method	6(6)	3,647,334	22	2,940,529	18
Property, plant and equipment	6(7)	367,295	2	369,344	2
Right-of-use assets	6(8)	699	-	1,761	-
Investment property, net	6(10) and 8	35,948	-	36,492	-
Deferred income tax assets	6(23)	153,144	1	55,472	-
Other non-current assets	8	46,488	-	48,396	-
Total non-current assets		4,830,585	29	4,390,890	26
Total assets		\$ 16,852,936	100	\$ 16,651,001	100

(Continued)

ZENITRON CORPORATION
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2022		December 31, 2021	
		AMOUNT	%	AMOUNT	%
Current liabilities					
Short-term borrowings	6(11)	\$ 7,560,518	45	\$ 6,919,778	42
Short-term notes and bills payable	6(12)	897,758	5	699,361	4
Notes payable		2,477	-	2,525	-
Accounts payable		1,278,043	8	2,486,003	15
Accounts payable - related parties	7	44,815	-	37,779	-
Other payables		335,488	2	306,985	2
Other payables - related parties	7	394,256	2	55,466	-
Current income tax liabilities		152,445	1	61,267	-
Current lease liabilities	6(8)	570	-	1,055	-
Other current liabilities	6(18)	19,967	-	15,095	-
Total current liabilities		<u>10,686,337</u>	<u>63</u>	<u>10,585,314</u>	<u>63</u>
Non-current liabilities					
Bonds payable	6(13)	456,426	3	577,835	3
Deferred income tax liabilities	6(23)	114,479	1	115,882	1
Non-current lease liabilities	6(8)	129	-	706	-
Other non-current liabilities	6(14)	74,002	-	79,032	1
Total non-current liabilities		<u>645,036</u>	<u>4</u>	<u>773,455</u>	<u>5</u>
Total liabilities		<u>11,331,373</u>	<u>67</u>	<u>11,358,769</u>	<u>68</u>
Equity					
Share capital	6(15)				
Common stock		2,184,054	13	2,138,249	13
Certificate of entitlement to new shares from convertible bonds	6(13)	841	-	-	-
Capital surplus	6(16)				
Capital surplus		1,118,544	6	1,036,486	6
Retained earnings	6(17)				
Legal reserve		854,384	5	766,625	5
Unappropriated retained earnings		1,105,399	7	1,066,524	6
Other equity interest					
Other equity interest		258,341	2	284,348	2
Total equity		<u>5,521,563</u>	<u>33</u>	<u>5,292,232</u>	<u>32</u>
Significant contingent liabilities and unrecognised contract commitments	9				
Significant subsequent events	11				
Total liabilities and equity		<u>\$ 16,852,936</u>	<u>100</u>	<u>\$ 16,651,001</u>	<u>100</u>

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

ZENITRON CORPORATION
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

Items	Notes	Year ended December 31			
		2022		2021	
		AMOUNT	%	AMOUNT	%
Operating revenue	6(18) and 7	\$ 19,452,860	100	\$ 21,536,590	100
Operating costs	6(5) and 7	(18,139,539)	(93)	(20,471,462)	(95)
Gross Profit		1,313,321	7	1,065,128	5
Unrealised gain from sales		(1,600)	-	(1,600)	-
Realised gain from sales		1,600	-	1,600	-
Net Gross Profit		1,313,321	7	1,065,128	5
Operating expenses	6(21)				
Selling expenses		(509,278)	(3)	(464,050)	(2)
General and administrative expenses		(232,264)	(1)	(212,958)	(1)
Total operating expenses		(741,542)	(4)	(677,008)	(3)
Operating profit		571,779	3	388,120	2
Non-operating income and expenses					
Interest income	7	7,216	-	4,862	-
Other income	6(19) and 7	55,818	-	53,152	-
Other gains and losses	6(20)	(26,001)	-	67,059	-
Finance costs	6(22) and 7	(162,153)	(1)	(62,464)	-
Share of profit of associates and joint ventures accounted for using equity method, net	6(6)	375,147	2	503,877	2
Total non-operating income and expenses		250,027	1	566,486	2
Profit before income tax		821,806	4	954,606	4
Income tax expense	6(23)	(107,234)	(1)	(76,896)	-
Profit for the year		<u>\$ 714,572</u>	<u>3</u>	<u>\$ 877,710</u>	<u>4</u>
Other comprehensive income					
Components of other comprehensive income that will not be reclassified to profit or loss					
Gains (losses) on remeasurements of defined benefit plan	6(14)	\$ 3,547	-	(\$ 10,595)	-
Unrealised (losses) gains from investments in equity instruments measured at fair value through other comprehensive income	6(3)	(122,886)	-	19,523	-
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(23)	(709)	-	2,119	-
Components of other comprehensive income that will be reclassified to profit or loss					
Exchange differences on translation of foreign financial statements		254,490	1	(69,535)	-
Other comprehensive income (loss) for the year		<u>\$ 134,442</u>	<u>1</u>	<u>(\$ 58,488)</u>	<u>-</u>
Total comprehensive income for the year		<u>\$ 849,014</u>	<u>4</u>	<u>\$ 819,222</u>	<u>4</u>
Earnings per Share (in dollars)	6(24)				
Basic earnings per share		\$ 3.30		\$ 4.10	
Diluted earnings per share		\$ 3.03		\$ 3.94	

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

ZENITRON CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

		Capital			Retained Earnings		Other Equity Interest		
		Share capital - common stock	Certificate of entitlement to new shares from convertible bond	Capital surplus	Legal reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Total equity
	Notes								
<u>Year ended December 31, 2021</u>									
Balance at January 1, 2021		\$ 2,138,249	\$ -	\$ 958,734	\$ 718,200	\$ 643,662	(\$ 165,691)	\$ 508,404	\$ 4,801,558
Net income for the year		-	-	-	-	877,710	-	-	877,710
Other comprehensive income (loss)	6(3)	-	-	-	-	(8,476)	(69,535)	19,523	(58,488)
Total comprehensive income (loss)		-	-	-	-	869,234	(69,535)	19,523	819,222
Appropriations and distribution of 2020 earnings	6(17)								
Legal reserve		-	-	-	48,425	(48,425)	-	-	-
Cash dividends		-	-	-	-	(406,300)	-	-	(406,300)
Equity component of convertible bonds issued by the Company	6(16)	-	-	75,605	-	-	-	-	75,605
Overdue and unclaimed shareholder dividends	6(16)	-	-	2,147	-	-	-	-	2,147
Disposal of investments in equity instruments designated at fair value through other comprehensive income	6(3)	-	-	-	-	8,353	-	(8,353)	-
Balance at December 31, 2021		\$ 2,138,249	\$ -	\$ 1,036,486	\$ 766,625	\$ 1,066,524	(\$ 235,226)	\$ 519,574	\$ 5,292,232
<u>Year ended December 31, 2022</u>									
Balance at January 1, 2022		\$ 2,138,249	\$ -	\$ 1,036,486	\$ 766,625	\$ 1,066,524	(\$ 235,226)	\$ 519,574	\$ 5,292,232
Net income for the year		-	-	-	-	714,572	-	-	714,572
Other comprehensive income (loss)	6(3)	-	-	-	-	2,838	254,490	(122,886)	134,442
Total comprehensive income (loss)		-	-	-	-	717,410	254,490	(122,886)	849,014
Appropriations and distribution of 2021 earnings	6(17)								
Legal reserve		-	-	-	87,759	(87,759)	-	-	-
Cash dividends		-	-	-	-	(748,387)	-	-	(748,387)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	6(3)	-	-	-	-	157,611	-	(157,611)	-
Conversion of convertible bonds	6(13)(15)(16)	45,805	841	82,058	-	-	-	-	128,704
Balance at December 31, 2022		\$ 2,184,054	\$ 841	\$ 1,118,544	\$ 854,384	\$ 1,105,399	\$ 19,264	\$ 239,077	\$ 5,521,563

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

ZENITRON CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2022	2021
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 821,806	\$ 954,606
Adjustments			
Adjustments to reconcile profit (loss)			
Unrealised gain from sales		1,600	1,600
Realised gain from sales		(1,600)	(1,600)
Net (gain) loss on financial assets at fair value through profit or loss	6(2)(20)	(1,155)	2,961
Impairment gain	6(4)	(722)	(19,242)
Share of profit of subsidiaries and joint ventures accounted for using equity method	6(6)	(375,147)	(503,877)
Depreciation and amortisation	6(21)	14,714	15,790
(Gain) loss on disposal of property, plant and equipment	6(20)	(9)	7
Interest expense	6(22)	162,153	62,464
Interest income		(7,216)	(4,862)
Dividend income	6(19)	(11,348)	(18,360)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		4,001	(7,799)
Notes and accounts receivable		843,507	(436,829)
Accounts receivable - related parties		272,454	(48,702)
Other receivables (including related parties)		47,936	(15,731)
Inventories, net		(404,386)	(791,698)
Other current assets		(94,032)	(32,245)
Changes in operating liabilities			
Notes and accounts payable (including related parties)		(1,200,972)	(27,527)
Other payables (including related parties)		357,432	112,695
Other current liabilities		4,872	3,121
Other non-current liabilities		(1,483)	(1,555)
Cash inflow (outflow) generated from operations		432,405	(756,783)
Interest received		7,216	4,862
Interest paid		(144,928)	(59,787)
Income tax paid		(112,998)	(14,851)
Net cash flows from (used in) operating activities		181,695	(826,559)

(Continued)

ZENITRON CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2022	2021
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Increase in investments accounted for using equity method		(\$ 150,000)	\$ -
Proceeds from capital reduction of investments accounted for using equity method		66,266	-
Acquisition of financial assets at fair value through profit or loss - non-current		(7,500)	-
Acquisition of financial assets at fair value through other comprehensive income		(29,920)	(29,840)
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(3)	273,286	13,571
Proceeds from capital reduction of financial assets at fair value through other comprehensive income		-	1,136
Acquisition of property, plant and equipment	6(7)	(7,991)	(4,025)
Proceeds from disposal of property, plant and equipment		171	71
Decrease in refundable deposits		518	1,700
Other receivables - related parties		(400,261)	(794)
Increase in other non-current assets		(1,865)	(5,037)
Dividends received		11,348	18,360
Net cash flows used in investing activities		(245,948)	(4,858)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term loans	6(25)	640,740	538,399
Increase in short-term notes and bills payable	6(25)	198,397	149,855
Issuance of corporate bonds	6(25)	-	649,960
Payments of lease liabilities	6(25)	(1,037)	(1,043)
Payment of cash dividends	6(17)	(748,387)	(406,300)
Overdue and unclaimed shareholder dividends		-	2,147
Net cash flows from financing activities		89,713	933,018
Net increase in cash and cash equivalents		25,460	101,601
Cash and cash equivalents at beginning of year		664,500	562,899
Cash and cash equivalents at end of year		<u>\$ 689,960</u>	<u>\$ 664,500</u>

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

ZENITRON CORPORATION
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

Zenitron Corporation (the “Company”) was incorporated as a company limited by shares in October 1982. The Company has been listed on the Taiwan Stock Exchange and started trading since August 26, 2002. The Company is primarily engaged in the sales of electrical components.

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

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

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

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

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

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

The parent company only financial statements are presented in New Taiwan Dollars, which is the Company’s functional and presentation currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

The operating results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- (c) All resulting exchange differences are recognised in other comprehensive income.

(4) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
 - (a) Liabilities that are expected to be settled within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;

- (c) Liabilities that are to be settled within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

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

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

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

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

(7) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods.

- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(8) Impairment of financial assets

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

(9) Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(10) Leasing arrangements (lessor) – lease receivables / operating leases

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

(11) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the moving average method. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the applicable variable selling expenses.

(12) Investments accounted for using equity method / subsidiaries

- A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- B. Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Company are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise losses proportionate to its ownership.

- D. Pursuant to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the financial statements prepared with basis for consolidation. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the financial statements prepared with basis for consolidation.

(13) Property, plant and equipment

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

The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	1 ~ 55 year(s)
Transportation equipment	1 ~ 5 year(s)
Office equipment	1 ~ 5 year(s)

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

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

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

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

- (a) The amount of the initial measurement of lease liability;
- (b) Any lease payments made at or before the commencement date;
- (c) Any initial direct costs incurred by the lessee; and
- (d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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

(15) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 50 ~ 55 years.

(16) Impairment of non-financial assets

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

(17) Borrowings

Borrowings comprise short-term bank borrowings and other short-term loans.

(18) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods and notes payable are those resulting from operating and non-operating activities.

- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(19) Convertible bonds payable

Convertible bonds issued by the Company contain conversion options (that is, the bondholders have the right to convert the bonds into the Company's common shares by exchanging a fixed amount of cash for a fixed number of common shares) and call options. The Company classifies the bonds payable upon issuance as a financial asset or financial liability in accordance with the contract terms. They are accounted for as follows:

- A. The embedded call options are recognised initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.
- B. The host contracts of bonds are initially recognised at the residual value of total issue price less the amount of 'financial assets or financial liabilities at fair value through profit or loss' as stated above. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and subsequently is amortised in profit or loss as an adjustment to the 'finance costs' over the period of circulation using the effective interest method.
- C. The embedded conversion options which meet the definition of an equity instrument are initially recognised in 'capital surplus—share options' at the residual amount of total issue price less the amount of financial assets or financial liabilities at fair value through profit or loss and bonds payable as stated above. Conversion options are not subsequently remeasured.
- D. Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.
- E. When bondholders exercise conversion options, the liability component of the bonds (including bonds payable and 'financial assets or financial liabilities at fair value through profit or loss') shall be remeasured on the conversion date. The issuance cost of converted common shares is the total book value of the abovementioned liability component and 'capital surplus—share options'.

(20) Derecognition of financial liabilities

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

(21) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plan

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

(b) Defined benefit plan

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.
- ii. Remeasurements arising on the defined benefit plan are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Past service costs are recognised immediately in profit or loss.

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognised as expense and liability, provided that recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the accrued amounts and the subsequently actual distributed amounts resolved by the shareholders is accounted for as changes in estimates.

(22) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

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

(23) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(24) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities.

(25) Revenue recognition

Sales of goods - agency

- A. The Company is an agency of electronic components. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.

- B. The Company's revenue from sales is recognised based on the price specified in the contract, net of the estimated sales discounts. Accumulated experience is used to estimate and provide for the sales discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. The sales usually are made with a credit term of 30~120 days. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Company does not adjust the transaction price to reflect the time value of money.
- C. A receivable is recognised when the goods are delivered as this is the timing based on trade terms that the consideration is unconditional because only the passage of time is required before the payment is due.

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

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

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

None.

(2) Critical accounting estimates and assumptions

A. Valuation of allowance for uncollectible accounts receivable

The assessment of accounts receivable impairment relies on the Company's judgement and assumption about the recoverable amount of the accounts receivable in the future, taking into account various factors such as client's financial status, the Company's internal credit rating, transaction history, current economic condition and others which might affect the client's repayment ability. Where there is suspicion of recoverability, the Company needs to assess the possible recoverable amount and recognise reasonable allowance. The assessment of impairment depends on reasonable expectation about future events on the basis of the conditions existing at the balance sheet date. The estimation may differ from the actual result and may lead to significant changes.

B. Evaluation of inventories

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

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand and revolving funds	\$ 192	\$ 192
Checking accounts and demand deposits	689,768	664,308
	<u>\$ 689,960</u>	<u>\$ 664,500</u>

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

B. The Company has no cash pledged to others.

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current items		
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	\$ 26,902	\$ 27,301
Financial assets designated at fair value through profit or loss		
Non-hedging derivatives - redemption of convertible bonds	47	60
	<u>26,949</u>	<u>27,361</u>
Valuation adjustments	(9,955)	(7,837)
	<u>\$ 16,994</u>	<u>\$ 19,524</u>
Non-current items		
Beneficiary certificates	\$ 7,500	\$ -
Valuation adjustments	(384)	-
	<u>\$ 7,116</u>	<u>\$ -</u>

A. The Company recognised net profit (loss) amounting to \$1,155 and (\$2,961) on financial assets at fair value through profit or loss for the years ended December 31, 2022 and 2021, respectively.

B. The Company has no financial assets at fair value through profit or loss pledged to others as collateral.

C. Information relating to financial assets at fair value through profit or loss is provided in Note 12(3).

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current items		
Equity instruments		
Emerging stocks	\$ 2,462	\$ 2,462
Valuation adjustment	(1,652)	(1,735)
	<u>\$ 810</u>	<u>\$ 727</u>
Non-current items		
Equity instruments		
Listed stocks	\$ 227,098	\$ 342,773
Unlisted stocks	<u>97,260</u>	<u>74,814</u>
	324,358	417,587
Valuation adjustment	<u>248,203</u>	<u>521,309</u>
	<u>\$ 572,561</u>	<u>\$ 938,896</u>

A. The Company has elected to classify stock investments with steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$573,371 and \$939,623 as at December 31, 2022 and 2021, respectively. Without considering any collateral held or other credit enhancements, until the end of the reporting period, the maximum credit risk in relation to the financial loss arising from unsatisfied performance obligation of the counterparties is the carrying amount of financial assets.

B. Aiming to adjust strategic investments, the Company sold stock investments at fair value amounting to \$273,286 and \$13,571 which resulted to a cumulative gain on disposal of \$157,611 and \$8,353 during the years ended December 31, 2022 and 2021, respectively.

C. Amounts recognised in other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	<u>Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	(\$ 122,886)	\$ 19,523
Cumulative gains reclassified to retained earnings due to derecognition	<u>(\$ 157,611)</u>	<u>(\$ 8,353)</u>

D. The Company has no financial assets at fair value through other comprehensive income pledged to others as collateral.

E. Information relating to fair value of financial assets at fair value through other comprehensive income is provided in Note 12(3).

(4) Notes and accounts receivable

	December 31, 2022	December 31, 2021
Notes receivable	\$ 11,996	\$ 7,352
Accounts receivable	\$ 4,018,465	\$ 4,869,264
Less: Allowance for uncollectible accounts	(47,944)	(51,314)
	<u>\$ 3,970,521</u>	<u>\$ 4,817,950</u>

A. The Company uses historical experience and takes into consideration the customers' historical default records, current financial conditions and economic conditions of the industry to estimate expected loss rate in recognising loss allowance. In addition, the Company provides for adequate allowance for uncollectible accounts from individual customers where there is an indication that they are impaired based on specific identification or a credit impairment actually occurred and the customers did not provide any collateral.

B. The ageing analysis of accounts and notes receivable is as follows:

	December 31, 2022		December 31, 2021	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 3,920,507	\$ 11,996	\$ 4,734,882	\$ 7,352
Up to 30 days	4,891	-	8,868	-
31 to 90 days	50,038	-	79,722	-
Over 90 days	43,029	-	45,792	-
	<u>\$ 4,018,465</u>	<u>\$ 11,996</u>	<u>\$ 4,869,264</u>	<u>\$ 7,352</u>

The above ageing analysis was based on past due date.

C. As of December 31, 2022, December 31, 2021 and January 1, 2021, the balances of receivables (including notes receivable) from contracts with customers amounted to \$4,030,461, \$4,876,616 and \$4,439,787, respectively. Without considering any collateral held or other credit enhancements, until the end of the reporting period, the maximum credit risk in relation to the financial loss arising from unsatisfied performance obligation of the counterparties is the carrying amount of financial assets.

D. The Company applies the simplified approach using the provision matrix based on the loss rate methodology to estimate expected credit loss in comprehensive consideration of factors including geographic area, product types and credit rating of customer.

E. The Company adjusts historical and timely information to assess the default possibility of accounts receivable, contract assets and lease payments receivable. On December 31, 2022 and 2021, the provision matrix based on the roll rate methodology is as follows:

	Not past due	Up to 30 days past due	31~90 days past due	Over 90 days past due	Total
<u>December 31, 2022</u>					
Expected loss rate	0.11%	0.11%	0.11%-100%	0.11%-100%	
Total accounts receivable	<u>\$ 3,920,507</u>	<u>\$ 4,891</u>	<u>\$ 50,038</u>	<u>\$ 43,029</u>	<u>\$ 4,018,465</u>
	Not past due	Up to 30 days past due	31~90 days past due	Over 90 days past due	Total
<u>December 31, 2021</u>					
Expected loss rate	0.11%	0.11%	0.11%-100%	0.11%-100%	
Total accounts receivable	<u>\$ 4,734,882</u>	<u>\$ 8,868</u>	<u>\$ 79,722</u>	<u>\$ 45,792</u>	<u>\$ 4,869,264</u>

F. Movements in relation to the Company applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	2022	2021
	<u>Accounts receivable</u>	<u>Accounts receivable</u>
At January 1	\$ 51,314	\$ 70,556
Reversal of impairment loss	(722)	(19,242)
Write-offs	(2,648)	-
At December 31	<u>\$ 47,944</u>	<u>\$ 51,314</u>

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

(5) Inventories

	<u>December 31, 2022</u>		
	Cost	Allowance for valuation loss	Book value
Merchandise inventories	\$ 6,001,247	(\$ 731,296)	\$ 5,269,951
Inventories in transit	223,370	-	223,370
	<u>\$ 6,224,617</u>	<u>(\$ 731,296)</u>	<u>\$ 5,493,321</u>
	<u>December 31, 2021</u>		
	Cost	Allowance for valuation loss	Book value
Merchandise inventories	\$ 5,103,647	(\$ 239,389)	\$ 4,864,258
Inventories in transit	224,677	-	224,677
	<u>\$ 5,328,324</u>	<u>(\$ 239,389)</u>	<u>\$ 5,088,935</u>

The cost of inventories recognised as expense for the year:

	Year ended December 31	
	2022	2021
Cost of goods sold	\$ 17,625,499	\$ 20,437,592
Loss on decline in market value	514,040	33,870
	<u>\$ 18,139,539</u>	<u>\$ 20,471,462</u>

(6) Investments accounted for using equity method

A. Subsidiaries accounted for using equity method

	December 31, 2022	December 31, 2021
Supertronic International Corp.	\$ 2,872,256	\$ 2,838,459
Zenitron (HK) Limited	606,433	9,542
Yo-Teh Investment Corporation	-	66,264
Zenicom Corporation	168,645	26,264
	<u>\$ 3,647,334</u>	<u>\$ 2,940,529</u>

B. Share of profit of subsidiaries accounted for using equity method

	Year ended December 31	
	2022	2021
Supertronic International Corp.	\$ 359,851	\$ 492,234
Zenitron (HK) Limited	19,137	7,266
Yo-Teh Investment Corporation	3	8,588
Zenicom Corporation	(3,844)	(4,211)
	<u>\$ 375,147</u>	<u>\$ 503,877</u>

Refer to Note 4(3) the consolidated financial statements for the year ended December 31, 2022 for the information regarding the Company's subsidiaries.

(7) Property, plant and equipment

	Land	Buildings and structures	Transportation equipment	Office equipment	Total
<u>At January 1, 2022</u>					
Cost	\$ 252,592	\$ 334,227	\$ 43,037	\$ 63,747	\$ 693,603
Accumulated depreciation	-	(239,150)	(30,503)	(54,606)	(324,259)
	<u>\$ 252,592</u>	<u>\$ 95,077</u>	<u>\$ 12,534</u>	<u>\$ 9,141</u>	<u>\$ 369,344</u>
<u>2022</u>					
Opening net book amount as at January 1	\$ 252,592	\$ 95,077	\$ 12,534	\$ 9,141	\$ 369,344
Additions	-	-	-	7,991	7,991
Disposals	-	-	(157)	(5)	(162)
Depreciation charge	-	(3,240)	(3,529)	(3,109)	(9,878)
Closing net book amount as at December 31	<u>\$ 252,592</u>	<u>\$ 91,837</u>	<u>\$ 8,848</u>	<u>\$ 14,018</u>	<u>\$ 367,295</u>
<u>At December 31, 2022</u>					
Cost	\$ 252,592	\$ 334,227	\$ 41,047	\$ 70,670	\$ 698,536
Accumulated depreciation	-	(242,390)	(32,199)	(56,652)	(331,241)
	<u>\$ 252,592</u>	<u>\$ 91,837</u>	<u>\$ 8,848</u>	<u>\$ 14,018</u>	<u>\$ 367,295</u>
	Land	Buildings and structures	Transportation equipment	Office equipment	Total
<u>At January 1, 2021</u>					
Cost	\$ 252,592	\$ 334,227	\$ 43,864	\$ 61,002	\$ 691,685
Accumulated depreciation	-	(235,707)	(28,105)	(51,661)	(315,473)
	<u>\$ 252,592</u>	<u>\$ 98,520</u>	<u>\$ 15,759</u>	<u>\$ 9,341</u>	<u>\$ 376,212</u>
<u>2021</u>					
Opening net book amount as at January 1	\$ 252,592	\$ 98,520	\$ 15,759	\$ 9,341	\$ 376,212
Additions	-	-	758	3,267	4,025
Disposals	-	-	(68)	(10)	(78)
Depreciation charge	-	(3,443)	(3,915)	(3,457)	(10,815)
Closing net book amount as at December 31	<u>\$ 252,592</u>	<u>\$ 95,077</u>	<u>\$ 12,534</u>	<u>\$ 9,141</u>	<u>\$ 369,344</u>
<u>At December 31, 2021</u>					
Cost	\$ 252,592	\$ 334,227	\$ 43,037	\$ 63,747	\$ 693,603
Accumulated depreciation	-	(239,150)	(30,503)	(54,606)	(324,259)
	<u>\$ 252,592</u>	<u>\$ 95,077</u>	<u>\$ 12,534</u>	<u>\$ 9,141</u>	<u>\$ 369,344</u>

- A. The significant components of buildings and structures include main building and auxiliary building, which are depreciated over 55 and 15 years, respectively.
- B. The Company has no property, plant and equipment pledged to others as collateral.

(8) Lease arrangements – lessee

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Right-of-use assets:		
Buildings and structures	\$ 699	\$ 1,761
Lease liabilities:		
Current	\$ 570	\$ 1,055
Non-current	129	706
	<u>\$ 699</u>	<u>\$ 1,761</u>

- A. The Company leases various assets including buildings. Rental contracts are typically made for periods of 2 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. Short-term leases with a lease term of 12 months or less comprise transportation equipment, buildings and structures. Low-value assets comprise office equipment. Right-of-use asset and lease liabilities were not recognised for these leases.
- C. The depreciation charges on right-of-use assets are as follows:

	<u>Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Buildings and structures	\$ 1,037	\$ 1,048

- D. For the years ended December 31, 2022 and 2021, the additions to right-of-use assets were \$0 and \$2,044, respectively.
- E. Except for the depreciation charge, the information on profit or loss in relation to lease contracts is as follows:

	<u>Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 15	\$ 21
Expense on short-term leases and leases of low-value assets	658	690

- F. For the years ended December 31, 2022 and 2021, the Company's total cash outflow for leases were \$1,710 and \$1,754, respectively.

(9) Lease arrangements — lessor

For the years ended December 31, 2022 and 2021, the Company recognised rent income in the amounts of \$7,130 and \$7,235, respectively, based on the operating lease agreement, which does not include variable lease payments.

(10) Investment property

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>January 1, 2022</u>			
Cost	\$ 32,466	\$ 29,941	\$ 62,407
Accumulated depreciation and impairment	(15,410)	(10,505)	(25,915)
	<u>\$ 17,056</u>	<u>\$ 19,436</u>	<u>\$ 36,492</u>
<u>2022</u>			
Opening net book amount as at January 1	\$ 17,056	\$ 19,436	\$ 36,492
Depreciation charge	-	(544)	(544)
Closing net book amount as at December 31	<u>\$ 17,056</u>	<u>\$ 18,892</u>	<u>\$ 35,948</u>
<u>December 31, 2022</u>			
Cost	\$ 32,466	\$ 29,941	\$ 62,407
Accumulated depreciation and impairment	(15,410)	(11,049)	(26,459)
	<u>\$ 17,056</u>	<u>\$ 18,892</u>	<u>\$ 35,948</u>
	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>January 1, 2021</u>			
Cost	\$ 32,466	\$ 29,941	\$ 62,407
Accumulated depreciation and impairment	(15,410)	(9,961)	(25,371)
	<u>\$ 17,056</u>	<u>\$ 19,980</u>	<u>\$ 37,036</u>
<u>2021</u>			
Opening net book amount as at January 1	\$ 17,056	\$ 19,980	\$ 37,036
Depreciation charge	-	(544)	(544)
Closing net book amount as at December 31	<u>\$ 17,056</u>	<u>\$ 19,436</u>	<u>\$ 36,492</u>
<u>December 31, 2021</u>			
Cost	\$ 32,466	\$ 29,941	\$ 62,407
Accumulated depreciation and impairment	(15,410)	(10,505)	(25,915)
	<u>\$ 17,056</u>	<u>\$ 19,436</u>	<u>\$ 36,492</u>

- A. Rental income from investment property and direct operating expenses arising from investment property are shown below:

	Year ended December 31	
	2022	2021
Rental revenue from investment property	\$ 2,699	\$ 2,629
Direct operating expenses arising from the investment property that generated rental income during the year	\$ 544	\$ 544

- B. The fair value of the investment property held by the Company were \$93,755 and \$99,370 as of December 31, 2022 and 2021, respectively, which were based on the trading prices of nearby areas.

- C. Refer to Note 8 for further information on investment property pledged to others as collateral.

(11) Short-term borrowings

	December 31, 2022	December 31, 2021
Unsecured borrowings	\$ 7,560,518	\$ 6,919,778
Interest rate range	1.45%~6.29%	0.58%~1.1%

- A. For the years ended December 31, 2022 and 2021, the interest expense recognised in profit or loss amounted to \$147,837 and \$55,884, respectively.

- B. As of December 31, 2022 and 2021, the Company provided collaterals for the financing facility of short-term borrowings and issued guaranteed notes as collateral in the amount of \$16,771,251 and \$13,241,800, respectively.

(12) Short-term notes and bills payable

	December 31, 2022	December 31, 2021
Short-term notes and bills payable	\$ 900,000	\$ 700,000
Discount on short-term notes and bills payable	(2,242)	(639)
	\$ 897,758	\$ 699,361
Coupon rate	1.99%~2.16%	0.9%~1.1%

The abovementioned commercial paper was secured by financial institutions.

(13) Bonds payable

	December 31, 2022	December 31, 2021
Bonds payable	\$ 467,100	\$ 600,000
Less: Discount on bonds payable	(10,674)	(22,165)
	\$ 456,426	\$ 577,835

A. The issuance of domestic convertible bonds by the Company

- (a) The terms of the fourth domestic unsecured convertible bonds issued by the Company are as follows:
- i. The Company issued \$600,000, 0% fourth domestic unsecured convertible bonds, as approved by the regulatory authority. The bonds mature three years from the issue date (August 3, 2021~ August 3, 2024) and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on August 3, 2021.
 - ii. The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after three months of the bonds issue (November 4, 2021) to 40 days before the maturity date (June 24, 2024), except for the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.
 - iii. The conversion price of the bonds is set up based on the pricing model in the terms of the bonds, and the conversion price is NT\$29. Since the Company distributed cash dividends, the conversion price should be adjusted at the ex-dividend date in accordance with Article 11 of the terms of the bonds, and the conversion price was adjusted from NT\$29 to NT\$26.15 accordingly.
 - iv. The Company may repurchase all the bonds outstanding in cash at the bonds' face value at any time after the following events occur: (i) the closing price of the Company's common shares is above the then conversion price by 30% for 30 consecutive trading days during the period from the date after three months of the bonds issue (November 4, 2021) to 40 days before the maturity date (June 24, 2024), or (ii) the outstanding balance of the bonds is less than 10% of the total initial issue amount during the period from the date after three months of the bonds issue to 40 days before the maturity date.
 - v. Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.
- (b) For the year ended December 31, 2022, the bonds totaling \$132,900 (face value) had been converted into 4,665 thousand shares of common stock. The registration of bonds with a total face value of \$2,200 which had been converted into 84 thousand common shares has not yet been completed, and was shown as 'certificate of entitlement to new shares from convertible bonds' in the amount of \$841.
- (c) As of December 31, 2022, there were no convertible bonds repurchased by the Company from the Taipei Exchange.

B. Regarding the issuance of convertible bonds, the equity conversion options of the fourth domestic unsecured convertible bonds amounting to \$58,858 as of December 31, 2022 were separated from the liability component and were recognised in ‘capital surplus—share options’ in accordance with IAS 32. The call options embedded in bonds payable were separated from their host contracts and were recognised in ‘financial assets at fair value through profit or loss’ in net amount in accordance with IFRS 9 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. The effective interest rate of the bonds payable after such separation was 1.46%.

(14) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees’ service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees’ monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee.

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligations	\$ 86,133	\$ 87,812
Fair value of plan assets	(15,029)	(13,500)
Net defined benefit liability	<u>\$ 71,104</u>	<u>\$ 74,312</u>

(c) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>2022</u>			
Balance at January 1	(\$ 87,812)	\$ 13,500	(\$ 74,312)
Interest (expense) income	(603)	84	(519)
	(88,415)	13,584	(74,831)
Remeasurements:			
Return on plan assets	-	1,280	1,280
Change in demographic assumptions	(572)	-	(572)
Change in financial assumptions	4,056	-	4,056
Experience adjustments	(1,217)	-	(1,217)
	2,267	1,280	3,547
Pension fund contribution	-	180	180
Paid pension	15	(15)	-
Balance at December 31	<u>\$ 86,133</u>	<u>\$ 15,029</u>	<u>(\$ 71,104)</u>
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>2021</u>			
Balance at January 1	(\$ 84,217)	\$ 18,965	(\$ 65,252)
Interest (expense) income	(250)	53	(197)
	(84,467)	19,018	(65,449)
Remeasurements:			
Return on plan assets	-	272	272
Change in demographic assumptions	(946)	-	(946)
Change in financial assumptions	3,128	-	3,128
Experience adjustments	(13,049)	-	(13,049)
	(10,867)	272	(10,595)
Pension fund contribution	-	180	180
Paid pension	7,522	(5,970)	1,552
Balance at December 31	<u>(\$ 87,812)</u>	<u>\$ 13,500</u>	<u>(\$ 74,312)</u>

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2022 and 2021 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.
- (e) The principal actuarial assumptions used were as follows:

	Year ended December 31	
	2022	2021
Discount rate	1.25%	0.70%
Future salary increases	2.00%	2.00%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with statistics and experience of the 6th Taiwan Standard Ordinary Experience Mortality Table.

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2022				
Effect on present value of defined benefit obligation	(\$ 1,769)	\$ 1,828	\$ 1,809	(\$ 1,760)
December 31, 2021				
Effect on present value of defined benefit obligation	(\$ 1,921)	\$ 1,989	\$ 1,959	(\$ 1,901)

The sensitivity analysis above is 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 of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

- (f) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2023 amount to \$180.
- (g) As of December 31, 2022, the weighted average duration of the retirement plan is 8 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	3,336
1-2 year(s)		3,663
2-5 years		28,751
Over 5 years		59,827
	\$	<u>95,577</u>

- B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount not lower than 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2022 and 2021 were \$16,691 and \$15,735, respectively.

(15) Share capital

- A. As of December 31, 2022, the Company’s authorised capital was \$3,500,000, consisting of 350 million shares of ordinary stock (including 20 million shares reserved for employee stock options), and the paid-in capital was \$2,184,054 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.
- B. Movements in the number of the Company’s ordinary shares (including certificate of entitlement to new shares from convertible bonds) outstanding are as follows:

	2022	2021
	Shares (in thousands)	Shares (in thousands)
At January 1	213,825	213,825
Shares converted from bonds	4,665	-
At December 31	<u>218,490</u>	<u>213,825</u>

- C. Information related to the conversion of the bonds into common shares of the Company from January 1, 2022 to December 31, 2022 is provided in Note 6(13).

(16) Capital surplus

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

	2022			
	Share premium	Share options	Others	Total
At January 1	\$ 878,738	\$ 75,605	\$82,143	\$ 1,036,486
Conversion of convertible bonds	98,805	(16,747)	-	82,058
At December 31	<u>\$ 977,543</u>	<u>\$ 58,858</u>	<u>\$82,143</u>	<u>\$ 1,118,544</u>
	2021			
	Share premium	Share options	Others	Total
At January 1	\$ 878,738	\$ -	\$79,996	\$ 958,734
Proceeds from issuing bonds	-	75,605	-	75,605
Overdue and unclaimed shareholder dividends	-	-	2,147	2,147
At December 31	<u>\$ 878,738</u>	<u>\$ 75,605</u>	<u>\$82,143</u>	<u>\$ 1,036,486</u>

(17) Retained earnings / events after the balance sheet date

A. In accordance with the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve, and setting aside or reversal of special reserve in accordance with related laws, if any. The remaining earnings are the distributable earnings for the year.

B. Dividend policy:

- (a) The distribution of dividends shall be above 50% of the current year's distributable earnings and the cash dividends distributed shall not be lower than 20% of the current actual earnings distributed.
- (b) The Board of Directors is authorised to distribute all or part of the dividends and bonus in cash through a resolution adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors which shall be reported to the shareholders during their meeting.
- (c) When the Company has no deficit, the Board of Directors is authorised to distribute all or part of the legal reserve (for the part that exceeds 25% of paid-in capital) and capital surplus if it meets the requirements under the Company Act in cash through a resolution adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors which shall be reported to the shareholders during their meeting.

- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- E. The appropriations of 2021 and 2020 earnings as resolved by the shareholders on June 8, 2022 and July 5, 2021, respectively are as follows:

	2021			2020	
	Amount	Dividend per share and cash distributed (in dollars)		Amount	Dividend per share and cash distributed (in dollars)
Legal surplus	\$ 87,759			\$ 48,425	
Cash dividends	<u>748,387</u>	\$ 3.50		<u>406,300</u>	\$ 1.90
	<u>\$836,146</u>			<u>\$454,725</u>	

- F. Events after the balance sheet date

On March 15, 2023, the Company's Board of Directors proposed the distribution of 2022 earnings as follows:

	2022	
	Amount	Dividend per share and cash distributed (in dollars)
Legal surplus	\$ 87,502	
Cash dividends	<u>660,390</u>	\$ 3.00
	<u>\$747,892</u>	

The aforementioned appropriation of 2022 earnings has not yet been reported to the shareholders.

(18) Operating revenue

	Year ended December 31	
	2022	2021
Revenue from contracts with customers	<u>\$ 19,452,860</u>	<u>\$ 21,536,590</u>

A. Disaggregation of revenue from contracts with customers

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

Year ended December 31, 2022	China	Taiwan	Others	Total
Revenue from external customer contracts	<u>\$ 13,690,867</u>	<u>\$ 4,417,535</u>	<u>\$ 1,344,458</u>	<u>\$ 19,452,860</u>
Year ended December 31, 2021	China	Taiwan	Others	Total
Revenue from external customer contracts	<u>\$ 16,779,522</u>	<u>\$ 3,695,461</u>	<u>\$ 1,061,607</u>	<u>\$ 21,536,590</u>

B. Contract liabilities (shown as ‘other current liabilities’)

As of December 31, 2022 and 2021, the Company has recognised revenue-related contract liabilities in the amounts of \$11,516 and \$12,343, respectively.

(19) Other income

	Year ended December 31	
	2022	2021
Dividend income	\$ 11,348	\$ 18,360
Advertising income	12,713	11,875
Rent income	7,130	7,235
Other income	24,627	15,682
	<u>\$ 55,818</u>	<u>\$ 53,152</u>

(20) Other gains and losses

	Year ended December 31	
	2022	2021
Foreign exchange (losses) gains	(\$ 27,165)	\$ 70,027
Gains (losses) on financial assets at fair value through profit or loss	1,155	(2,961)
Gains (losses) on disposals of property, plant and equipment	9	(7)
	<u>(\$ 26,001)</u>	<u>\$ 67,059</u>

(21) Expenses by nature

	Year ended December 31	
	2022	2021
Employee benefit expense		
Salary expenses	\$ 427,992	\$ 396,163
Labour and health insurance fees	31,736	29,743
Pension costs	17,210	15,932
Directors' remuneration	26,390	30,350
Other personnel expenses	16,702	16,484
	<u>520,030</u>	<u>488,672</u>
Depreciation	11,459	12,407
Amortisation	3,255	3,383
	<u>\$ 534,744</u>	<u>\$ 504,462</u>

As at December 31, 2022 and 2021, the Company had 375 and 366 employees, respectively. There were 6 non-employee directors for both years.

Note: The abovementioned expenses were all operating expenses.

A. (a) Average employee benefit expense were \$1,338 and \$1,273 for the years ended December 31, 2022 and 2021, respectively.

(b) Average employees' salaries were \$1,160 and \$1,104 for the years ended December 31, 2022 and 2021, respectively.

(c) Adjustment of average employees' salaries was 5% for the year ended December 31, 2022.

B. The Company has no supervisors' remuneration as it has set up an audit committee.

C. Remuneration policy of the Company (including directors, managers and employees):

(a) Directors' remuneration policy

In accordance with the Articles of Incorporation of the Company, remuneration of the Company's directors is determined by the Board of Directors based on the assessment of the remuneration committee according to their participation in the operations of the Company and the value of their contribution and by reference to general pay levels in the industry. The Articles of Incorporation of the Company also prescribes that no more than 3% of the profit of the current year shall be distributed as directors' remuneration.

(b) Managers' remuneration policy:

Remuneration of the Company's managers is proposed by the remuneration committee and discussed and determined by the Board of Directors based on individual performance and contribution to the overall operations of the Company, taking into consideration the Company's future operating risk and general pay levels in the industry.

(c) Employees' compensation policy

- i. The Company follows the Labor Standards Act and related regulations to formulate salaries and benefits for employees. Employees' compensation includes monthly salaries, quarterly sales bonuses, employees' compensation and performance bonus which are distributed based on a certain percentage of the Company's distributable profit.
- ii. In accordance with the Articles of Incorporation of the Company, 3%~12% of the current year's earnings, if any, shall be distributed as employees' compensation. If the Company has accumulated deficit, earnings should be reserved to cover losses before calculating the distribution. The employees' compensation shall be distributed in the form of shares or in cash to employees including the employees of subsidiaries who meet certain specific requirements.

D. The Company's directors' remuneration and employees' compensation accounted as operating expenses were as follows:

	Year ended December 31	
	2022	2021
Directors' remuneration	\$ 26,000	\$ 30,000
Employees' compensation	32,000	36,000
	<u>\$ 58,000</u>	<u>\$ 66,000</u>

- E. For the year ended December 31, 2022, the employees' compensation and directors' remuneration were estimated and accrued based on a certain percentage of distributable profit of current year as of the end of reporting period.
- F. Directors' remuneration and employees' compensation for 2022 amounted to \$26,000 and \$32,000, respectively, as resolved at the meeting of Board of Directors on March 15, 2023, and the employees' compensation will be distributed in the form of cash.
- G. Directors' remuneration and employees' compensation for 2021 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2021 financial statements.
- H. Information about employees' compensation and directors' remuneration of the Company as resolved at the meeting of the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(22) Finance costs

	Year ended December 31	
	2022	2021
Interest expense	\$ 147,837	\$ 55,884
Convertible bonds	7,364	3,420
Other interest expense	6,952	3,160
	<u>\$ 162,153</u>	<u>\$ 62,464</u>

(23) Income taxes

A. Income tax expense

(a) Components of income tax expense:

	Year ended December 31	
	2022	2021
Current tax:		
Current tax on profits for the year	\$ 193,574	\$ 73,199
Prior year income tax under estimation	13,444	5,212
Total current tax	207,018	78,411
Deferred tax:		
Origination and reversal of temporary differences	(99,784)	(1,515)
Total deferred tax	(99,784)	(1,515)
Income tax expense	\$ 107,234	\$ 76,896

(b) The income tax relating to components of other comprehensive income is as follows:

	Year ended December 31	
	2022	2021
Remeasurement of defined benefit obligations	(\$ 709)	\$ 2,119

B. Reconciliation between income tax expense and accounting profit:

	Year ended December 31	
	2022	2021
Tax calculated based on profit before tax and statutory tax rate	\$ 164,361	\$ 190,921
Effects from items disallowed by tax regulation	(70,571)	(119,237)
Prior year income tax under estimation	13,444	5,212
Income tax expense	\$ 107,234	\$ 76,896

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

	2022			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets				
(liabilities):				
Unrealised loss on valuation and slow-moving inventories	\$ 47,878	\$ 98,381	\$ -	\$ 146,259
Unrealised actuarial loss on defined benefit plan	7,594	-	(709)	6,885
Share of profit of subsidiaries accounted for using equity method	(114,468)	-	-	(114,468)
Unrealised loss on doubtful debts	(1,414)	1,403	-	(11)
	<u>(\$ 60,410)</u>	<u>\$ 99,784</u>	<u>(\$ 709)</u>	<u>\$ 38,665</u>
	2021			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets				
(liabilities):				
Unrealised loss on valuation and slow-moving inventories	\$ 44,949	\$ 2,929	\$ -	\$ 47,878
Unrealised actuarial loss on defined benefit plan	5,475	-	2,119	7,594
Share of profit of subsidiaries accounted for using equity method	(114,468)	-	-	(114,468)
Unrealised loss on doubtful debts	-	(1,414)	-	(1,414)
	<u>(\$ 64,044)</u>	<u>\$ 1,515</u>	<u>\$ 2,119</u>	<u>(\$ 60,410)</u>

D. The amounts of deductible temporary differences that were not recognised as deferred tax assets are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Deductible temporary differences	<u>\$ 130,065</u>	<u>\$ 106,570</u>

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

(24) Earnings per share

	<u>Year ended December 31, 2022</u>		
	<u>Profit after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	<u>\$ 714,572</u>	<u>216,541</u>	<u>\$ 3.30</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 714,572	216,541	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,313	
Convertible bonds	<u>5,891</u>	<u>19,811</u>	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 720,463</u>	<u>237,665</u>	<u>\$ 3.03</u>

Year ended December 31, 2021			
	Profit after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 877,710	213,825	\$ 4.10
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 877,710	213,825	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,183	
Convertible bonds	2,544	8,503	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	\$ 880,254	223,511	\$ 3.94

(25) Changes in liabilities from financing activities

	Short-term borrowings	Short-term notes and bills payable	Bonds payable	Lease liabilities	Liabilities from financing activities-gross
January 1, 2022	\$ 6,919,778	\$ 699,361	\$ 577,835	\$ 1,761	\$ 8,198,735
Changes in cash flow from financing activities	640,740	198,397	-	(1,037)	838,100
Changes in other non-cash items	-	-	(121,409)	(25)	(121,434)
December 31, 2022	\$ 7,560,518	\$ 897,758	\$ 456,426	\$ 699	\$ 8,915,401

	Short-term borrowings	Short-term notes and bills payable	Bonds payable	Lease liabilities	Liabilities from financing activities-gross
January 1, 2021	\$ 6,381,379	\$ 549,506	\$ -	\$ 760	\$ 6,931,645
Changes in cash flow from financing activities	538,399	149,855	649,960	(1,043)	1,337,171
Changes in other non-cash items	-	-	(72,125)	2,044	(70,081)
December 31, 2021	\$ 6,919,778	\$ 699,361	\$ 577,835	\$ 1,761	\$ 8,198,735

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Refer to Note 4(3)B of the consolidated financial statements.

(2) Significant related party transactions

A. Operating revenue

	Year ended December 31	
	2022	2021
Zenitron (HK) Limited	\$ 4,895,151	\$ 6,796,830
Others	1,147,597	954,489
	<u>\$ 6,042,748</u>	<u>\$ 7,751,319</u>

The sales price to related parties was determined based on initial cost plus a certain mark-up. The collection term was 60~90 days after monthly billings for related parties and 30~120 days after monthly billings for third parties.

B. Purchases

	Year ended December 31	
	2022	2021
Zenicom (HK) Limited	\$ 169,247	\$ 198,487
Zenitron (HK) Limited	80,301	99,681
Others	23,435	8,945
	<u>\$ 272,983</u>	<u>\$ 307,113</u>

The price and term for purchases from related parties was the same with third parties. The payment term was 60~90 days after monthly billings for related parties and approximately 10~75 days after monthly billings for general suppliers.

C. Receivables from related parties

	December 31, 2022	December 31, 2021
Accounts receivable		
Zenitron (HK) Limited	\$ 792,318	\$ 1,082,574
Others	125,063	107,261
	<u>\$ 917,381</u>	<u>\$ 1,189,835</u>
	December 31, 2022	December 31, 2021
Other receivables		
Zenitron (HK) Limited	\$ 663,174	\$ 37,946
ZTHC (Shanghai) Co., Ltd.	-	218,394
Others	8	16
	<u>\$ 663,182</u>	<u>\$ 256,356</u>

D. Payables to related parties

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts payable		
Zenicom (HK) Limited	\$ 23,762	\$ 21,511
Zenitron (HK) Limited	19,981	13,641
Others	1,072	2,627
	<u>\$ 44,815</u>	<u>\$ 37,779</u>

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Other payables		
ZTHC (Shanghai) Co., Ltd.	\$ 222,035	\$ -
Supertronic International Corp.	172,221	55,466
	<u>\$ 394,256</u>	<u>\$ 55,466</u>

E. Loans to / from related parties

(a) Loans to related parties

i. Outstanding balance

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Zenitron (HK) Limited	\$ 613,200	\$ -
ZTHC (Shanghai) Co., Ltd.	-	215,950
	<u>\$ 613,200</u>	<u>\$ 215,950</u>

ii. Interest income

	<u>Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
ZTHC (Shanghai) Co., Ltd.	\$ 4,497	\$ 4,518
Orhers	747	-
	<u>\$ 5,244</u>	<u>\$ 4,518</u>

(b) Loans from related parties

i. Outstanding balance

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
ZTHC (Shanghai) Co., Ltd.	\$ 221,650	\$ -
Supertronic International Corp.	172,051	55,360
	<u>\$ 393,701</u>	<u>\$ 55,360</u>

ii. Interest expense

	Year ended December 31	
	2022	2021
ZTHC (Shanghai) Co., Ltd.	\$ 380	\$ -
Supertronic International Corp.	384	6
	<u>\$ 764</u>	<u>\$ 6</u>

F. Endorsements and guarantees provided to related parties

	December 31, 2022	December 31, 2021
Zenitron (HK) Limited	\$ 1,090,492	\$ 1,093,977
Zenitron (Shanghai) International Trading Co., Ltd.	465,040	313,548
Zenitron (Shenzhen) Technology Co., Ltd.	221,357	181,800
ZTHC (Shanghai) Co., Ltd.	123,424	-
Zenicom Corporation	100	-
	<u>\$ 1,900,413</u>	<u>\$ 1,589,325</u>

For the years ended December 31, 2022 and 2021, the service fee income (shown as other income) charged by the Company for providing endorsements and guarantees to related parties amounted to \$9,737 and \$7,931, respectively.

G. Key management compensation

	Year ended December 31	
	2022	2021
Salaries and other short-term employee benefits	<u>\$ 91,781</u>	<u>\$ 73,718</u>

8. PLEDGED ASSETS

The Company's assets pledged as collateral are as follows:

Pledged assets	Book value		Purpose
	December 31, 2022	December 31, 2021	
Investment property	\$ 2,788	\$ 2,867	Short-term borrowings
Guarantee deposits paid (shown as 'other non-current assets')	10,000	10,000	Court deposits
	<u>\$ 12,788</u>	<u>\$ 12,867</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

As of December 31, 2022, other significant commitments were as follows:

As a requirement for the release of imported goods before duty and customs clearance, the Company has applied for customs guarantee with certain banks in the amount of \$20,000.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

The distribution of 2022 earnings was resolved by the Company's Board of Directors on March 15, 2023. Refer to Note 6(17) for more details.

12. OTHERS

(1) Capital risk management

The Company's main objective when managing capital is to maintain an optimal credit ranking and capital ratio to support the operations and to maximize stockholders' equity. Refer to the parent company only balance sheet of each period for related liabilities and capital ratio.

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 24,063	\$ 19,224
Financial assets designated as at fair value through profit or loss	47	300
	<u>\$ 24,110</u>	<u>\$ 19,524</u>
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	<u>\$ 573,371</u>	<u>\$ 939,623</u>
Financial assets at amortised cost/receivables		
Cash and cash equivalents	\$ 689,960	\$ 664,500
Notes receivable	11,996	7,352
Accounts receivable (including related parties)	4,887,902	6,007,785
Other receivables (including related parties)	722,642	366,594
Guarantee deposits paid (shown as 'other non-current assets')	41,119	41,637
	<u>\$ 6,353,619</u>	<u>\$ 7,087,868</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 7,560,518	\$ 6,919,778
Short-term notes and bills payable	897,758	699,361
Notes payable	2,477	2,525
Accounts payable (including related parties)	1,322,858	2,523,782
Other accounts payable (including related parties)	729,744	362,451
Bonds payable	456,426	577,835
Guarantee deposits received (shown as 'other non-current liabilities')	1,298	3,120
	<u>\$ 10,971,079</u>	<u>\$ 11,088,852</u>
Lease liabilities	<u>\$ 699</u>	<u>\$ 1,761</u>

B. Financial risk management policies

- (a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's financial risk management policies is to identify and analyse all the risks by examining the impact of the macroeconomics, industrial developments, market competition and the Company's business development so as to achieve the optimised risk position, to maintain adequate liquidity position and to centralise the management of all market risks.
- (b) Risk management is carried out by a central treasury department under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Company operates internationally and is exposed to foreign exchange risk arising from various currency, primarily with respect to the USD. Foreign exchange rate risk arises from future commercial transactions and recognised assets, liabilities and net investments in foreign operations.
- ii. The Company's businesses involve some non-functional currency operations. The information on assets, liabilities denominated in foreign currencies and market risk whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2022							
(Foreign currency: functional currency)	Sensitivity analysis						
	Foreign currency amount	Exchange	Book value	Effect on			
	(In thousands)	rate	(In thousands of NTD)	Degree of variation	Effect on profit or loss	other comprehensive income	
<u>Financial assets</u>							
<u>Monetary items</u>							
USD	\$ 189,859	30.66	\$ 5,821,077	1%	\$ 58,211	\$ -	
JPY	257,165	0.23	59,148	1%	591	-	
HKD	10,932	3.91	42,744	1%	427	-	
<u>Investments accounted for using equity method</u>							
USD	\$ 93,528	30.71	\$ 2,872,256	-	-	-	
HKD	153,995	3.94	606,433	-	-	-	
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD	\$ 142,855	30.76	\$ 4,394,220	1%	\$ 43,942	\$ -	
RMB	50,087	4.43	221,885	1%	2,219	-	
JPY	201,648	0.23	46,379	1%	464	-	

December 31, 2021							
(Foreign currency: functional currency)	Foreign currency amount (In thousands)	Exchange rate	Book value (In thousands of NTD)	Sensitivity analysis			
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
<u>Financial assets</u>							
<u>Monetary items</u>							
USD	\$ 227,375	27.63	\$ 6,282,371	1%	\$ 62,824	\$ -	-
JPY	355,401	0.24	85,296	1%	853	-	-
RMB	56,083	4.32	242,279	1%	2,423	-	-
<u>Investments accounted for using equity method</u>							
USD	\$ 102,545	27.68	\$ 2,838,459	-	-	-	-
HKD	2,687	3.55	9,542	-	-	-	-
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD	\$ 284,151	27.73	\$ 7,879,507	1%	\$ 78,795	\$ -	-
JPY	189,833	0.24	45,560	1%	456	-	-

iii. The total exchange (loss) gain, including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2022 and 2021, amounted to (\$27,165) and \$70,027, respectively.

Price risk

- i. The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.
- ii. The Company's investments in equity securities comprise shares by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2022 and 2021 would have increased/decreased by \$241 and \$195, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$5,734 and \$9,396, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- i. The Company's main interest rate risk arises from short-term borrowings and short-term notes and bills payable with variable rates, which expose the Company to cash flow interest rate risk.

- ii. The Company's borrowings are measured at amortised cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.
- iii. If the borrowing interest rate had increased/decreased by 1% with all other variables held constant, profit, net before tax for the years ended December 31, 2022 and 2021 would have increased/decreased by \$84,583 and \$76,191, respectively. The main factor is that changes in interest expense result from floating rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Company's credit policy, the Company is responsible for managing and analysing the credit risk for each of their clients. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. The utilisation of credit limits is regularly monitored. Credit risk arises from credit exposures to customers, including outstanding receivables.
- ii. The Company adopts the following assumptions to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
 - (i) If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
 - (ii) If any external credit rating agency rates these bonds as investment grade, the credit risk of these financial assets is low.
- iii. The default occurs when the contract payments are past due over 60 days.
- iv. The Company classifies customer's accounts receivable in accordance with the credit rating of the customer. The Company applies the modified approach using a provision matrix to estimate the expected credit loss.
- v. The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights.
- vi. The Company used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. Refer to Note 6(4) for details of the provision matrix and movements in loss allowance for the years ended December 31, 2022 and 2021.

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets.
- ii. Except for those listed in the table below, the Company's non-derivative financial liabilities will expire within 1 year. As of December 31, 2022 and 2021, the cash flows within 1 year of short-term notes and bills payable, notes payable, accounts payable (including related parties) and other payables (including related parties) are undiscounted and are in agreement with the balance of each account in the balance sheet.

December 31, 2022	Less than 1 year	Between 2 and 5 years	Over 5 years
<u>Non-derivative financial liabilities:</u>			
Short-term borrowings	\$ 7,574,718	\$ -	\$ -
Lease liabilities	575	129	-
Bonds payable	-	467,100	-

December 31, 2021	Less than 1 year	Between 2 and 5 years	Over 5 years
<u>Non-derivative financial liabilities:</u>			
Short-term borrowings	\$ 6,924,118	\$ -	\$ -
Lease liabilities	1,070	711	-
Bonds payable	-	600,000	-

- iii. The Company does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

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

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

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Company's investment in equity investment without active market, beneficiary certificates and the Company's call options of convertible bonds is included in Level 3.

B. Fair value information of investment property at cost is provided in Note 6(10).

C. Financial instruments not measured at fair value

(a) Except for those listed in the table below, the carrying amounts of cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables (including related parties), short-term borrowings, short-term notes and bills payable, notes payable, accounts payable (including related parties) and other payables (including related parties) are approximate to their fair values.

		December 31, 2022			
		Fair value			
Book value		Level 1	Level 2	Level 3	
Financial liabilities					
Bonds payable	\$ 456,426	\$ -	\$ 452,534	\$ -	
		December 31, 2021			
		Fair value			
Book value		Level 1	Level 2	Level 3	
Financial liabilities					
Bonds payable	\$ 577,835	\$ -	\$ 578,222	\$ -	

(b) The methods and assumptions of fair value estimate are as follows:

Bonds payable: They are measured at present value, which is calculated based on the cash flow expected to be paid and discounted using a market rate prevailing at balance sheet date.

D. Financial and non-financial instruments measured at fair value

- (a) The related information on financial and non-financial instruments measured at fair value by level based on the nature, characteristics and risks of the assets and liabilities are as follows:

December 31, 2022	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Listed stocks	\$ 16,947	\$ -	\$ -	\$ 16,947
Beneficiary certificates	-	-	7,116	7,116
Redemption of convertible bonds	-	-	47	47
Financial assets at fair value through other comprehensive income				
Listed stocks	475,301	-	-	475,301
Emerging stocks	810	-	-	810
Unlisted stocks	-	-	97,260	97,260
	<u>\$ 493,058</u>	<u>\$ -</u>	<u>\$ 104,423</u>	<u>\$ 597,481</u>
December 31, 2021	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Listed stocks	\$ 19,224	\$ -	\$ -	\$ 19,224
Redemption of convertible bonds	-	-	300	300
Financial assets at fair value through other comprehensive income				
Listed stocks	864,082	-	-	864,082
Emerging stocks	727	-	-	727
Unlisted stocks	-	-	74,814	74,814
	<u>\$ 884,033</u>	<u>\$ -</u>	<u>\$ 75,114</u>	<u>\$ 959,147</u>

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

- i. For the instruments the Company used market quoted prices as their fair values (that is, Level 1), the Company uses the closing price as market quoted price.

- ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the parent company only balance sheet date.
 - iii. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Company's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk etc. In accordance with the Company's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the parent company only balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.
 - iv. The Company considers adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Company's credit quality.
- E. As of December 31, 2022 and 2021, there was no transfer between Level 1 and Level 2.
- F. The following chart is the movement of Level 3 for the years ended December 31, 2022 and 2021:

	2022		2021	
	Non- derivative instrument	Redemption of of convertible bonds	Non- derivative instrument	Redemption of of convertible bonds
At January 1	\$ 74,814	\$ 300	\$ 46,111	\$ -
Increase during the year	37,420	-	29,840	300
Decrease during the year	(7,474)	(68)	-	-
Proceeds from capital reduction	-	-	(1,137)	-
Losses recognised in profit or loss	(384)	(185)	-	-
At December 31	<u>\$ 104,376</u>	<u>\$ 47</u>	<u>\$ 74,814</u>	<u>\$ 300</u>

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

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

	Fair value at December 31, 2022	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 10,000	Net asset value	Not applicable	Not applicable	Not applicable
Unlisted shares	87,260	Most recent non-active market price	Not applicable	Not applicable	Not applicable
Beneficiary certificates	7,116	Net asset value	Not applicable	Not applicable	Not applicable
Redemption of convertible bonds	<u>47</u>	Binomial model	Volatility	19.97%	The higher the volatility, the higher the fair value
	<u>\$ 104,423</u>				
	Fair value at December 31, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 17,474	Net asset value	Not applicable	Not applicable	Not applicable
Unlisted shares	57,340	Most recent non-active market price	Not applicable	Not applicable	Not applicable
Redemption of convertible bonds	<u>300</u>	Binomial model	Volatility	22.02%	The higher the volatility, the higher the fair value
	<u>\$ 75,114</u>				

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: Refer to table 1.

B. Provision of endorsements and guarantees to others: Refer to table 2.

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

(2) Information on investees

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

(3) Information on investments in Mainland China

- A. Basic information: Refer to table 8.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Refer to Notes 13(1) A, B and J.

(4) Major shareholders information

The Company has no shareholders with a shareholding ratio above 5%.

14. SEGMENT INFORMATION

None.

Zenitron Corporation

Loans to others

Year ended December 31, 2022

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account (Note 2)	Is a related party	Maximum outstanding	Balance at	Actual amount drawn down	Interest rate	Nature of loan (Note 4)	Amount of transactions with the borrower (Note 5)	Reason for short- term financing (Note 6)	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 7)	Ceiling on total loans granted (Note 7)	Footnote
					ended December 31, 2022 (Note 3)	December 31, 2022 (Note 8)							Item	Value			
0	Zenitron Coporation	ZTHC (Shanghai) Co., Ltd.	Other receivables	Yes	\$ 1,015,220	\$ 613,620	\$ -	-	2	\$ -	Operating capital	\$ -	-	\$ -	\$ 2,208,625	\$ 2,208,625	
0	Zenitron Coporation	Zenicom Corporation	Other receivables	Yes	61,780	61,320	-	-	2	-	Operating capital	-	-	-	2,208,625	2,208,625	
0	Zenitron Coporation	Zenitron (HK) Limited	Other receivables	Yes	926,700	919,800	613,200	2.25%	2	-	Operating capital	-	-	-	2,208,625	2,208,625	
1	ZTHC (Shanghai) Co., Ltd.	Zenitron (Shanghai) International Trading Co., Ltd.	Other receivables	Yes	90,200	88,160	-	-	2	-	Operating capital	-	-	-	650,076	650,076	
1	ZTHC (Shanghai) Co., Ltd.	Zenitron (Shenzhen) Technology Co., Ltd.	Other receivables	Yes	270,600	132,240	-	-	2	-	Operating capital	-	-	-	650,076	650,076	
1	ZTHC (Shanghai) Co., Ltd.	Zenitron Coporation	Other receivables	Yes	354,640	354,640	221,650	2.50%	2	-	Operating capital	-	-	-	650,076	650,076	
2	Shanghai Zenitron Electronic Trading Co., Ltd.	Zenitron (Shanghai) International Trading Co., Ltd.	Other receivables	Yes	54,120	52,896	-	-	2	-	Operating capital	-	-	-	181,080	181,080	
2	Shanghai Zenitron Electronic Trading Co., Ltd.	Zenitron (Shenzhen) Technology Co., Ltd.	Other receivables	Yes	44,080	44,080	-	-	2	-	Operating capital	-	-	-	181,080	181,080	
2	Shanghai Zenitron Electronic Trading Co., Ltd.	ZTHC (Shanghai) Co., Ltd.	Other receivables	Yes	61,712	61,712	61,712	3.65%	2	-	Operating capital	-	-	-	181,080	181,080	
3	Supertronic International Corp.	Zenitron Coporation	Other receivables	Yes	278,010	184,560	172,051	0%~2.25%	2	-	Operating capital	-	-	-	5,744,512	5,744,512	
4	Zenitron (Shanghai) International Trading Co., Ltd.	ZTHC (Shanghai) Co., Ltd.	Other receivables	Yes	134,190	132,240	-	-	2	-	Operating capital	-	-	-	363,378	363,378	
4	Zenitron (Shanghai) International Trading Co., Ltd.	Zenitron (Shenzhen) Technology Co., Ltd.	Other receivables	Yes	134,190	132,240	-	-	2	-	Operating capital	-	-	-	363,378	363,378	
5	Zenitron (Shenzhen) Technology Co., Ltd.	ZTHC (Shanghai) Co., Ltd.	Other receivables	Yes	88,160	88,160	-	-	2	-	Operating capital	-	-	-	177,442	177,442	
6	Zenicom (HK) Limited	Zenitron (HK) Limited	Other receivables	Yes	61,780	61,420	-	-	2	-	Operating capital	-	-	-	203,778	203,778	

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:
(1) The Company is ‘0’.
(2) The subsidiaries are numbered in order starting from ‘1’.

Note 2: The name of account in which the loans are recognised, such as receivables–related parties, current account with stockholders, prepayments, temporary payments, etc.

Note 3: The maximum outstanding balance of loans to others for the year.

Note 4: The nature of the loan as follows:
(1) ‘1’ for business transaction.
(2) ‘2’ for short-term financing.

Note 5: The amount of business transactions when nature of the loan is 1, which is the amount of business transactions occurred between the creditor and borrower in the current year.

Note 6: Purpose of loan when nature of loan is 2, for example, repayment of loan, acquisition of equipment, working capital, etc.

Note 7: Limit on loans granted to a single party and ceiling on total loans granted as prescribed in the creditor company’s “Procedures for Provision of Loans”, the calculation and amount are as follows:
(1) Limit on loans granted to a single party is 40% of the creditor company’s net assets based on the latest financial statements.
(2) Ceiling on total loans granted is 40% of the creditor company’s net assets based on the latest financial statements.
(3) Limit on loans granted between foreign companies which the Company directly or indirectly holds 100% of their voting shares is 200% of the creditor company’s net assets based on the latest financial statements.

Note 8: The amounts of funds to be loaned to others which have been approved by the board of directors of a public company in accordance with Article 14, Item 1 of the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” should be included in its published balance of loans to others at the end of the reporting period to reveal the risk of loaning the public company bears, even though they have not yet been appropriated. However, this balance should exclude the loans repaid when repayments are done subsequently to reflect the risk adjustment. In addition, if the board of directors of a public company has authorized the chairman to loan funds in instalments or in revolving within certain lines and within one year in accordance with Article 14, Item 2 of the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”, the published balance of loans to others at the end of the reporting period should also include these lines of loaning approved by the board of directors, and these lines of loaning should not be excluded from this balance even though the loans are repaid subsequently, for taking into consideration they could be loaned again thereafter.

Table 2

Zenitron Corporation

Provision of endorsements and guarantees to others

Year ended December 31, 2022

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2022 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2022 (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 7)	Provision of endorsements/ guarantees to the party in Mainland China (Note 7)	Footnote
		Relationship with the endorser/ guarantor (Note 2)	Company name											
0	Zenitron Coporation		Zenitron (HK) Limited	3	\$ 8,282,345	\$ 1,856,857	\$ 1,774,081	\$ 1,090,492	\$ -	32.13%	\$ 8,282,345	Y	N	N
0	Zenitron Coporation		Zenitron (Shenzhen) Technology Co., Ltd.	3	8,282,345	751,820	690,450	221,357	-	12.50%	8,282,345	Y	N	Y
0	Zenitron Coporation		Zenitron (Shanghai) International Trading Co., Ltd.	3	8,282,345	1,248,323	1,223,818	465,040	-	22.16%	8,282,345	Y	N	Y
0	Zenitron Coporation		ZTHC (Shanghai) Co., Ltd.	3	8,282,345	640,820	624,330	123,424	-	11.31%	8,282,345	Y	N	Y
0	Zenitron Coporation		Zenicom Corporation	3	8,282,345	29,000	29,000	100	-	0.53%	8,282,345	Y	N	N

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:
(1) The Company is ‘0’.
(2) The subsidiaries are numbered in order starting from ‘1’.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following six categories; fill in the number of category each case belongs to:
(1) Having business relationship.
(2) The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/ guaranteed subsidiary.
(3) The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/ guaranteed company.
(4) The endorsed/guaranteed parent company directly or indirectly owns more than 50% voting shares of the endorser/guarantor subsidiary.
(5) Mutual guarantee of the trade as required by the construction contract.
(6) Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

Note 3: The calculation for and amount of limit on endorsements/guarantees are as follows: (If any contingent loss is recognised in the financial statements, the recognised amount should be indicated)
(1) Limit on endorsements/guarantees provided for a single party is 150% of the Company’s net assets.
(2) Ceiling on total amount of endorsements/guarantees is 150% of the Company's net assets.

Note 4: The year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 5: Once endorsement/guarantee contracts or promissory notes are signed/issued by the endorser/guarantor company to the banks, the endorser/guarantor company bears endorsement/guarantee liabilities.
And all other events involve endorsements and guarantees should be included in the balance of outstanding endorsements and guarantees.

Note 6: The actual amount of endorsements/guarantees used by the endorsed/guaranteed company.

Note 7: ‘Y’ for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

Table 3

Zenitron Corporation

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

December 31, 2022

Expressed in NTD

(Except as otherwise indicated)

					As of December 31, 2022				
Securities held by	Marketable securities (Note 1)		Relationship with the securities issuer (Note 2)	General ledger account	Number of shares (Share/Unit)	Book value (Note 3)	Ownership (%)	Fair value	Footnote (Note 4)
Zenitron Corporation	Stock	Yeong Guan Group	-	Current financial assets at fair value through profit or loss	153,834	\$ 8,753,155	0.14	\$ 8,753,155	
Zenitron Corporation	Stock	Dynapack International Technology Corporation	-	Current financial assets at fair value through profit or loss	40,000	2,920,000	0.03	2,920,000	
Zenitron Corporation	Stock	TXC CORPORATION	-	Current financial assets at fair value through profit or loss	20,000	1,654,000	0.01	1,654,000	
Zenitron Corporation	Stock	CHROMA ATE INC.	-	Current financial assets at fair value through profit or loss	20,000	3,620,000	-	3,620,000	
Zenitron Corporation	Stock	Orient Pharma Co., Ltd.	-	Current financial assets at fair value through other comprehensive income	39,462	810,155	0.02	810,155	
Zenitron Corporation	Stock	ADLINK TECHNOLOGY INC.	-	Non-current financial assets at fair value through other comprehensive income	8,834,592	475,301,050	4.06	475,301,050	
Zenitron Corporation	Stock	Quadlink Technology Inc.	-	Non-current financial assets at fair value through other comprehensive income	500,000	10,000,000	3.45	10,000,000	
Zenitron Corporation	Stock	MEAN WELL ENTERPRISES CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	299,732	87,259,600	0.15	87,259,600	
Zenitron Corporation	Beneficiary certificate	Corporate Venture Capital Alliance Innovation Fun	-	Non-current financial assets at fair value through profit or loss	-	7,116,091	-	7,116,091	
Zenicom Corporation	Stock	Yeong Guan Group	-	Current financial assets at fair value through profit or loss	51,087	2,906,850	0.05	2,906,850	
Zenicom Corporation	Stock	Orient Pharma Co., Ltd.	-	Current financial assets at fair value through profit or loss	17,454	358,331	0.01	358,331	
Supertronic International Corp	Stock	Capital Investment Development Corp.	-	Non-current financial assets at fair value through other comprehensive income	1,320,000	32,798,771	3.57	32,798,771	

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

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.

Note 4: The number of shares of securities and their amounts pledged as security or pledged for loans and their restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions.

Table 4

Zenitron Corporation
Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more
Year ended December 31, 2022

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty (Note 2)	Transaction				Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		Footnote (Note 3)
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Zenitron Coporation	Zenitron (HK) Limited	1	Sales	(\$ 4,895,151)	(25)	Approximately 60~90 days after monthly billings	Selling price is based on initial cost plus necessary profit	Approximately 30~120 days after monthly billings for third parties	\$ 792,318	16	
Zenitron (HK) Limited	Zenitron Coporation	2	Purchases	4,895,151	22	Approximately 60~90 days after monthly billings	Approximately the same as the normal price	Approximately 10~75 days after monthly billings for third parties	(792,318)	(43)	
Zenitron Coporation	Zenitron (Shanghai) International Trading Co., Ltd.	1	Sales	(803,270)	(4)	Approximately 60~90 days after monthly billings	Selling price is based on initial cost plus necessary profit	Approximately 30~120 days after monthly billings for third parties	89,054	2	
Zenitron (Shanghai) International Trading Co., Ltd.	Zenitron Coporation	2	Purchases	803,270	46	Approximately 60~90 days after monthly billings	Approximately the same as the normal price	Approximately 10~75 days after monthly billings for third parties	(89,054)	(29)	
Zenitron Coporation	Zenitron (Shenzhen) Technology Co., Ltd.	1	Sales	(336,708)	(2)	Approximately 60~90 days after monthly billings	Selling price is based on initial cost plus necessary profit	Approximately 30~120 days after monthly billings for third parties	34,192	1	
Zenitron (Shenzhen) Technology Co., Ltd.	Zenitron Coporation	2	Purchases	336,708	31	Approximately 60~90 days after monthly billings	Approximately the same as the normal price	Approximately 10~75 days after monthly billings for third parties	(34,192)	(31)	
Zenitron (HK) Limited	Zenitron (Shenzhen) Technology Co., Ltd.	3	Sales	(427,740)	(2)	Approximately 60~90 days after monthly billings	Selling price is based on initial cost plus necessary profit	Approximately 30~120 days after monthly billings for third parties	21,569	1	
Zenitron (Shenzhen) Technology Co., Ltd.	Zenitron (HK) Limited	3	Purchases	427,740	40	Approximately 60~90 days after monthly billings	Approximately the same as the normal price	Approximately 10~75 days after monthly billings for third parties	(21,569)	(20)	
Zenitron (HK) Limited	Zenitron (Shanghai) International Trading Co., Ltd.	3	Sales	(513,673)	(2)	Approximately 60~90 days after monthly billings	Selling price is based on initial cost plus necessary profit	Approximately 30~120 days after monthly billings for third parties	42,019	2	
Zenitron (Shanghai) International Trading Co., Ltd.	Zenitron (HK) Limited	3	Purchases	513,673	29	Approximately 60~90 days after monthly billings	Approximately the same as the normal price	Approximately 10~75 days after monthly billings for third parties	(42,019)	(14)	
Zenicom (HK) Limited	Zenitron Coporation	2	Sales	(169,247)	(83)	Approximately 60~90 days after monthly billings	Selling price is based on initial cost plus necessary profit	Approximately 30~120 days after monthly billings for third parties	23,762	68	
Zenitron Coporation	Zenicom (HK) Limited	1	Purchases	169,247	1	Approximately 60~90 days after monthly billings	Approximately the same as the normal price	Approximately 10~75 days after monthly billings for third parties	(23,762)	(2)	

Note 1: If terms of related-party transactions are different from third-party transactions, explain the differences and reasons in the 'Unit price' and 'Credit term' columns.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to:

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

Note 3: In case related-party transaction terms involve advance receipts (prepayments) transactions, explain in the footnote the reasons, contractual provisions, related amounts, and differences in types of transactions compared to third-party transactions.

Note 4: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Zenitron Corporation
Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
Year ended December 31, 2022

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty (Note 2)	Balance as at	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
			December 31, 2022 (Note 1)		Amount	Action taken		
<u>Accounts receivable</u>								
Zenitron Coporation	Zenitron (HK) Limited	1	\$ 792,318	5.22	\$ -	-	\$ 18,429	\$ -
<u>Other receivables</u>								
Zenitron Coporation	Zenitron (HK) Limited	1	663,174	-	-	-	309,740	-
ZTHC (Shanghai) Co., Ltd.	Zenitron Coporation	2	222,035	-	-	-	-	-
Supertronic International Corp.	Zenitron Coporation	2	172,221	-	-	-	-	-
Supertronic International Corp.	Zenitron (HK) Limited	3	2,665,903	-	-	-	-	-

Note 1: Fill in separately the balances of accounts receivable-related parties, notes receivable-related parties, other receivables-related parties....

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to

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

Note 3: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Table 6

Zenitron Corporation
Significant inter-company transactions during the reporting period
Year ended December 31, 2022

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction				Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms		
0	Zenitron Coporation	Zenitron (HK) Limited	1	Sales	\$ 4,895,151	Selling price has no obvious difference from the third parties		12
0	Zenitron Coporation	Zenitron (HK) Limited	1	Accounts receivable	792,318	60~90 days after monthly billings		4
0	Zenitron Coporation	Zenitron (HK) Limited	1	Other receivables	663,174	In accordance with mutual agreements		3
0	Zenitron Coporation	Zenitron (Shanghai) International Trading Co., Ltd.	1	Sales	803,270	Selling price has no obvious difference from the third parties		2
0	Zenitron Coporation	ZTHC (Shanghai) Co., Ltd.	1	Other payables	222,035	In accordance with mutual agreements		1
1	Zenitron (HK) Limited	Zenitron (Shenzhen) Technology Co., Ltd.	3	Sales	427,740	Selling price has no obvious difference from the third parties		1
1	Zenitron (HK) Limited	Zenitron (Shanghai) International Trading Co., Ltd.	3	Sales	513,673	Selling price has no obvious difference from the third parties		1
2	Supertronic International Corp.	Zenitron (HK) Limited	3	Other receivables	2,665,903	In accordance with mutual agreements		12

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

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

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to:

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

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: The Company may decide to disclose or not to disclose transaction details in this table based on the Materiality Principle.

Zenitron Corporation
Information on investees
Year ended December 31, 2022

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022			Net profit (loss) of the investee for the year ended December 31, 2022	Investment income recognised by the Company for the year ended	Footnote
				Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares (in thousand)	Ownership (%)	Book value			
Zenitron Coporation	Zenicom Corporation	Taiwan	Trading of electronic components and assembly	\$ 205,854	\$ 55,854	16,520	100%	\$ 168,645	(\$ 3,844)	(\$ 3,844)	Subsidiary
Zenitron Coporation	Zenitron (HK) Limited	Hong Kong	Trading of electronic components and assembly	590,565	2,008	22,373	100%	606,433	372,424	19,137	Subsidiary (Note 4)
Zenitron Coporation	Supertronic International Corp.	B. V. I.	Reinvested holding company	28,749	618,023	100	100%	2,872,256	359,851	359,851	Subsidiary
Zenitron Coporation	Yo-Teh Investment Corporation	Taiwan	Reinvested holding company	-	84,167	-	-	-	3	3	Subsidiary (Note 3)
Supertronic International Corp.	Zenitron (HK) Limited	Hong Kong	Trading of electronic components and assembly	-	471,639	-	-	-	372,424	353,287	Subsidiary (Note 4)
Supertronic International Corp.	Zenicom (HK) Limited	Hong Kong	Trading of electronic components and assembly	-	92,780	-	-	-	4,640	3,734	Subsidiary (Note 5)
Zenicom Corporation	Zenicom (HK) Limited	Hong Kong	Trading of electronic components and assembly	104,759	-	23,800	100%	101,889	4,640	906	Subsidiary (Note 5)

Note 1: If a public company is equipped with an overseas holding company and takes consolidated financial report as the main financial report according to the local law rules, it can only disclose the information of the overseas holding company about the disclosure of related overseas investee information.

Note 2: If situation does not belong to Note 1, fill in the columns according to the following regulations:

- (1) The columns of ‘Investee’, ‘Location’, ‘Main business activities’, Initial investment amount’ and ‘Shares held as at September 30, 2022’ should fill orderly in the Company’s (public company’s) information on investees and every directly or indirectly controlled investee’s investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the ‘footnote’ column.
- (2) The ‘Net profit (loss) of the investee for the nine months ended September 30, 2022’ column should fill in amount of net profit (loss) of the investee for this period.
- (3) The ‘Investment income (loss) recognised by the Company for the nine months ended September 30, 2022’ column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and recognised investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognised investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary’s net profit (loss) for this period has included its investment income (loss) which shall be recognised by regulations.

Note 3: Yo-Teh filed for liquidation in November 2021 as resolved by the Board of Directors. The liquidation process had been completed in June 2022.

Note 4: The Group’s investment structure was adjusted from an original 98.53% and 1.47% equity interest of Zenitron (HK) Limited held by Supertronic International Corp. and Zenitron Coporation, respectively, to wholly owned by Zenitron Coporation.

Note 5: The Group’s investment structure was adjusted whereby the 100% equity interest of Zenicom (HK) previously held by Supertronic is now held by Zenicom.

Zenitron Corporation
Information on investments in Mainland China
Year ended December 31, 2022

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2022		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Net income (loss) of investee for the year ended December 31, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2022 (Note 2)	Book value of investments in Mainland China as of December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Zenitron (Shanghai) International Trading Co., Ltd.	Trading of electronic components and assembly	\$ 157,730	(2)	\$ 97,270	\$ -	\$ -	\$ 97,270	(\$ 10,241)	100%	(\$ 10,241)	\$ 181,689	\$ -	
ZTHC (Shanghai) Co., Ltd.	Selling computer memory equipment and related components and providing technical support	116,601	(2)	116,601	-	-	116,601	(22,595)	100%	(22,595)	325,038	-	
Zenitron (Shenzhen) Technology Co., Ltd.	Trading of electronic components and assembly	93,080	(2)	32,620	-	-	32,620	8,838	100%	8,838	88,721	-	
Shanghai Zenitron Electronic Trading Co., Ltd.	Trading of electronic components and assembly	94,760	(2)	-	-	-	-	90	100%	90	90,540	-	
Shanghai Zenicom Industrial Co., Ltd.	Trading of electronic components and assembly	-	(1)	-	-	-	-	(76)	100%	(76)	(76)	-	Note 4

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Zenitron Corporation	\$ 246,491	\$ 443,484	\$ 3,312,938

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

- (1) Directly invest in a company in Mainland China.
- (2) Through investing in Zenitron (HK) Limited, an existing company in the third area, which then invested in the investee in Mainland China.
- (3) Others

Note 2: Basis for investment income (loss) recognition is the financial statements that are audited and attested by R.O.C. parent company's CPA.

Note 3: The numbers in this table are expressed in New Taiwan Dollars.

Note 4: On September 2, 2022, Zenicom Corporation established Shanghai Zenicom Industrial Co., Ltd. with a total capital of RMB 2,000 thousand. However, the related investment amount has not yet been remitted as of December 31, 2022.

(VI) If the Company and Its Affiliates Encounter Any Financial Difficulties in the Past Year and as of the Date of Publication of the Annual Report, the Impact on the Company's Financial Status Shall Be Listed : None.

VII. Review of Financial Conditions, Financial Performance, and Risk Management

(I) Financial status-Adopt International Financial Reporting Standards:

Unit: NT\$1,000

Item \ Year	2022	2021	Difference		
			Amount	%	Explanation
Current assets	20,404,759	20,139,637	265,122	1.32	
Non-current assets	1,327,956	1,646,875	(318,919)	(19.37)	
Total assets	21,732,715	21,786,512	(53,797)	(0.25)	
Current liabilities	15,561,922	15,698,366	(136,444)	(0.87)	
Non-current liabilities	649,230	795,914	(146,684)	(18.43)	
Total liabilities	16,211,152	16,494,280	(283,128)	(1.72)	
Capital stock	2,184,895	2,138,249	46,646	2.18	
Capital surplus	1,118,544	1,036,486	82,058	7.92	
Retained earnings	1,959,783	1,833,149	126,634	6.91	
Other interests	258,341	284,348	(26,007)	(9.15)	
Non-controlling interests	-	-	-	-	
Total shareholders' equity	5,521,563	5,292,232	229,331	4.33	

Note: Filled in Consolidated financial information.

Explanation:

Analysis of the change in the percentage of increase or decrease in the last two years (those with an increase or decrease of less than 20% are exempt from analysis): None.

(II) Financial performance: Adopt International Financial Reporting Standards:

Unit:NT\$1,000

Item \ Year	2022	2021	Increase (decrease) Amount	Changes ratio (%)	Change Analysis Explanation
Operating revenues	40,022,922	42,044,726	(2,021,804)	(4.81)	
Operating costs	37,297,722	39,557,880	(2,260,158)	(5.71)	
Gross profit	2,725,200	2,486,846	238,354	9.58	
Operating expenses	1,510,412	1,422,667	87,745	6.17	
Operating profit	1,214,788	1,064,179	150,609	14.15	
Non-operating income and expenses					
Other income	72,099	63,798	8,301	13.01	
Other gains and losses	(58,880)	69,117	(127,997)	(185.19)	1
Financial costs	321,328	116,319	205,009	176.25	2
Net income before income tax	906,679	1,080,775	(174,096)	(16.11)	
Total income tax expense	192,107	203,065	(10,958)	(5.40)	
Net income	714,572	877,710	(163,138)	(18.59)	

Note: Filled in Consolidated financial information.

Explanation:

Analysis of the change in the percentage of increase or decrease in the last two years (those with an increase or decrease of less than 20% are exempt from analysis)

1. Due to the exchange fluctuation, the net exchange loss of this period was increased to the previous period.
2. Due to the interest rate started rising, the interest expenses also increased accordingly.

(II) The expected sales volume and its basis, the possible impact on the Company's future financial operations and the plan to respond:

The Company's main products are various electronic parts and components. Due to the wide variety of products and the significant difference in unit price of each product, it is not appropriate to use sales volume as the basis for measurement. On the business side, the Company will provide higher value-added services to its customers, increase its distribution of new product lines, increase its sales and customer penetration in Mainland China, and leverage its own strengths and information to increase its market share and create maximum value for the Company and its shareholders.

III. Cash flow

Analysis on cash flow

Unit: NT\$1,000

Beginning cash balance (1)	Net cash flow from operating activities throughout the year (2)	Net cash flow from investment and financing activities throughout the year (3)	Exchange differences (4)	Cash surplus (deficiency) amount (1)+(2)+(3)+(4)	Remedial measures for estimated cash deficit	
					Investment plans	Financial plans
1,615,196	(1,704,751)	1,202,246	261,884	1,374,575	-	-
1.The change in cash flow for the year decreased by \$240,621 thousand from the beginning of the period, as follows						
Item						

IV. The impact of major capital expenditure in the last year on the financial business:

Review and analysis of significant capital expenditures and their funding sources: None

V. Re-investment policy, major reason for profit/loss of the last year, improvement plan and the investment plan for the coming year:

Unit: NT\$1,000

Explanation	Carrying amount	Policy	Investment profit or loss	Major reason for profit or loss	Improvement plan	Other investment plans in the future
Zenicom Corporation	168,645	Long-term equity investment	(3,844)	Loss due to the unfavorable promotion of sales	Not applicable	Adjustment for subsidiary development
SUPERTRONIC INTERNATIONAL CORP.	2,872,256	Long-term equity investment	359,851	Profit from transfer of investment in Zenitron (HK) Limited	Not applicable	Moderate adjustment to operating scale expansion
Zenicom (HK) Limited	101,889	Long-term equity investment through Zenicom Corporation.	4,640	Ceaseless business expansion	Not applicable	Adjustment for subsidiary development
Zenitron (HK) Limited	606,433	Long-term equity investment	372,424	Ceaseless business expansion	Not applicable	Adjustment for subsidiary development
Zenitron (Shanghai) International Trading Co., Ltd.	181,689	Long-term equity investment through Zenitron (HK) Limited	(10,241)	Due to Foreign exchange losses	Not applicable	Adjustment for subsidiary development
ZTHC (Shanghai) Co., Ltd.	325,038	Long-term equity investment through Zenitron (HK) Limited	(22,595)	Loss due to the decline in performance	Not applicable	Adjustment for subsidiary development
Zenitron (Shenzhen) Technology Co., Ltd.	88,721	Long-term equity investment through Zenitron (HK) Limited	8,838	Continued Business Expansion	Not applicable	Adjustment for subsidiary development
Shanghai Zenitron Electronic Trading Co., Ltd.	90,540	Long-term equity investment through Zenitron (HK) Limited	90	Continued Business Expansion	Not applicable	Adjustment for subsidiary development
Shanghai Zenicom Industrial Co., Ltd.	(76)	Long-term equity investment through Zenicom Corporation	(76)	still in the stage of establishment	Not applicable	Adjustment for subsidiary development

(VI) Analysis and Assessment on Risk Matters:

(1) Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures:

1. The Company's bank borrowings are mainly due to the capital requirements arising from operating cycles. An increase in market interest rates will have an adverse effect on the Company's profit and loss. The Company will evaluate the trend of interest rates from time to time and reduce the impact of interest expenses on the Company through financing instruments and working capital management.
2. Most of our sales and purchase orders are quoted on U.S. dollars, which has a naturally hedging effect and The Company has a dedicated risk control unit to observe and analyze the changes and trends of exchange rates on a long-term basis, and to ensure appropriate hedging of changes in the Company's foreign currency positions.
3. Inflation, inventory, and other factors heavily impacted the Company in recent years, however, as the Company's product market price changes are more flexible, and the team worked effortlessly to destock, so it is not yet affected by this factor too much.

- (2) Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions:

The Company adopts a conservative financial policy and does not engage in high-risk investments, except for hedging exchange rate operations and conservative fixed-income investments. The Company's engagement in lending and endorsement guarantees is not conducted, except for Zenitron (HK) Limited, Ltd., Zenicom Corporation, ZTHC (Shanghai) Co., Ltd., Zenitron (Shenzhen) Technology Co., Ltd., and Zenitron (Shanghai) International Trading Co., Ltd..

- (3) Future Research & Development Projects and Corresponding Budget: The company is a professional technology integrated marketing channel, so it is not applicable.

Our main core business is the electronic marketing channel business, providing technical support for customers' inventory, marketing and total solutions, etc. We have a number of FAE staff to provide original technical services, consultation and total solutions for different customers, and we have a good grasp of the support and progress of such cases. In the future, we expect to continue to invest and expand our technical services to our customers, and to move towards the technical level of product integration, so that we can enhance our professional technology and become a professional technical integration marketing channel provider.

- (4) Effects and Response to Changes in Domestic and Foreign Policies and Regulations Relating to Corporate Finance and Sales: None.

- (5) Impacts of technological changes (including information security risks) and industry changes on company financials and response measures:

With the advancement of information product application technology, consumers' willingness to replace their products is accelerated, and the Company's agent lines are all international manufacturers, which have considerable influence on the development and leadership of technical products. In short, technological changes and enhancements have had a positive impact on the Company's operations and competitiveness. In addition, in response to the impact and challenges of such technology, the Company continues to seek out advanced technology partnerships to support its future growth.

- (6) The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures: None.

- (7) Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans: None.

- (8) Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans: Not applicable.

- (9) Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration: None.

- (10) Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%: None.

- (11) Effects of, Risks Relating to and Response to the Changes in Management Rights: None.

- (12) For the contentious or non-contentious events, it shall list the directors, president, substantial person in charge, and shareholders with more than 10% shareholding, as well as the major contentious and non continuous events or administrative litigation event related to the affiliates currently or in the past according to the judgment. For those that the result might show substantial influence on the shareholder's equity or price of securities, it shall disclose its fact, target amount, start date of litigation, major involved parties and handling situation until the date of using the annual report: None.

- (13) Other major risks and countermeasures: None

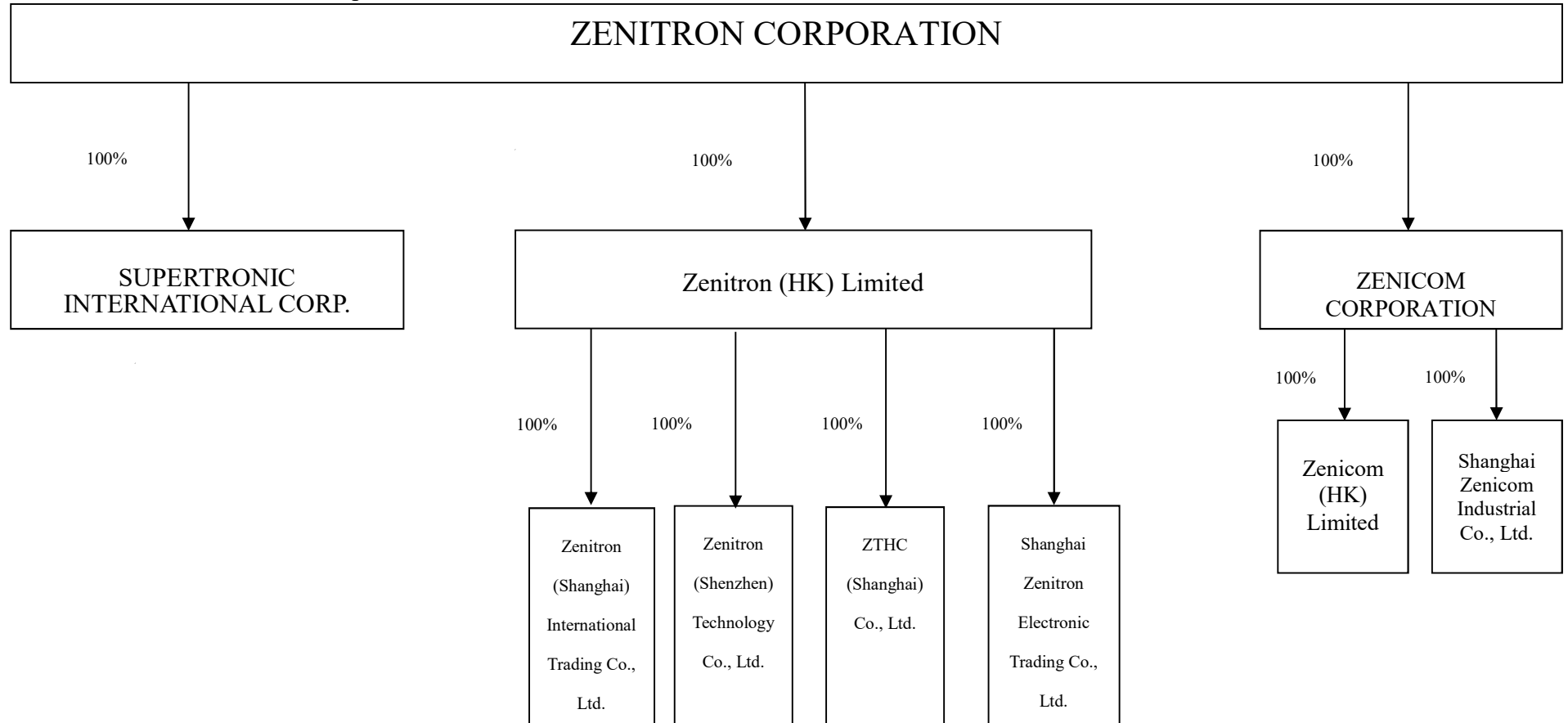
(VII) Other important matters: None.

VIII. Special Disclosure

(I) Summary of Affiliated Companies

(1) Consolidated Business Reports of Affiliated Companies:

1. Overview of Affiliated Companies:



2. Profile of each Affiliated Companies:



Name of the Company	Date of Incorporation	Address	Paid-in Capital	Major Business Items
Zenicom Corporation	Dec. 21, 1988	4F, No. 8, Lane 250, Xinhua 2nd Road, Neihu District, Taipei, Taiwan	\$165,200,000	Trading of electronic parts and components
SUPERTRONIC INTERNATIONAL CORP.	Sep. 01, 2001	VISTRA CORPORATE SERVICES CENTRE, WICKHAMS CAY II, ROAD TOWN, TORTOLA, VG1110, VIRGIN ISLANDS, BRITISH	USD 100,000 (Note 1) The exchange rate at the reporting date was approximately 30.71	Holding company for transfer of investment
Zenicom (HK) Limited	Jul. 06, 2017	Room. 6D Goldlion Holdings Centre, 13-15 Yuen Shun Circuit, Siu Lek Yuen, Shatin Hong Kong	HKD23,800,000 (Note 1) The exchange rate at the reporting date was approximately 3.938	Trading of electronic parts and components
Zenitron (HK) Limited	Jun. 16, 1998	Room. 6D Goldlion Holdings Centre, 13-15 Yuen Shun Circuit, Siu Lek Yuen, Shatin Hong Kong	HKD72,113,698 (Note 1) The exchange rate at the reporting date was approximately 3.938	Trading of electronic parts and components
Zenitron (Shanghai) International Trading Co., Ltd.	Sep. 12, 2002	Room 907B, No.55 Cili Road, Shanghai Free Trade Pilot Zone	USD5,000,000 (Note 1) The exchange rate at the reporting date was approximately 30.71	Trading of electronic parts and components
ZTHC (Shanghai) Co., Ltd.	Jul. 09, 2003	Room 2517, No.28 Ga Feng Road, Shanghai Free Trade Pilot Zone	USD3,550,000 (Note 1) The exchange rate at the reporting date was approximately 30.71	Sales of computer memory devices, technical support and sales of related parts
Zenitron (Shenzhen) Technology Co., Ltd.	Jun. 22, 2006	10A, 10F, 9A2, Shenzhen Bay Technology Eco Park, Baishi Road, Yuehai Street, Nanshan District, Shenzhen	USD3,000,000 (Note 1) The exchange rate at the reporting date was approximately 30.71	Trading of electronic parts and components
Shanghai Zenitron Electronic Trading Co., Ltd.	Aug. 9, 2010	Room 401, 4F, No.39 Building, No.333 Qinjiang Road, Caohejing Development Zone, Xuhui District, Shanghai	USD3,000,000 (Note 1) The exchange rate at the reporting date was approximately 30.71	Trading of electronic parts and components
Shanghai Zenicom Industrial Co., Ltd.	Sep. 2, 2022	Building C, No. 888 Huanhu West Second Road, Lin-gang Special Area, Shanghai Free Trade Pilot Zone	still in the stage of establishment	Trading of electronic parts and components

Note 1: If the affiliated company is a foreign company, the name and address of the company may be expressed in English, and the amount of paid-in capital may be expressed in foreign currency (provided that the exchange rate as of the date of filing is added).

3. Information on the Directors, Supervisors and General Managers of each Affiliated Companies:

December 31, 2022 Unit: shares

Name of the Company	Title(Note 1)	Name or representative	Shareholdings	
			Number of shares	Shareholding ratio
Zenicom Corporation	Directors Supervisor	ZENITRON CORPORATION Representative: CHOU,CHUN-KUANG ZENITRON CORPORATION Representative: YEH,LU-CHANG	16,520,000	100%
SUPERTRONIC INTERNATIONAL CORP.	Directors	ZENITRON CORPORATION Representative: CHOU,YEQU-YIH	100,000	100%
Zenicom (HK) Limited	Directors	Zenicom Corporation Representative: CHOU,CHUN-KUANG	23,800,000	100%
Zenitron (HK) Limited	Directors Directors Directors	ZENITRON CORPORATION Representative: CHOU,YEQU-YIH ZENITRON CORPORATION Representative: CHOU,LI-MEI-CHEN ZENITRON CORPORATION Representative: CHEN,HSIN-YI	22,372,872	100%
Zenitron (Shanghai) International Trading Co., Ltd.	Directors Supervisor	Zenitron (HK) Limited Representative: CHOU,LI-MEI-CHEN Zenitron (HK) Limited Representative: CHOU,CHUN-KUANG	(Note 3)	100%
ZTHC (Shanghai) Co., Ltd.	Directors Supervisor	Zenitron (HK) Limited Representative: CHOU,CHUN-KUANG Zenitron (HK) Limited Representative: CHEN,HSIN-YI	(Note 3)	100%
Zenitron (Shenzhen) Technology Co., Ltd.	Directors	Zenitron (HK) Limited Representative: CHEN,HSIN-YI	(Note 3)	100%
Shanghai Zenitron Electronic Trading Co., Ltd.	Directors Supervisor	Zenitron (HK) Limited Representative: CHEN,HSIN-YI Zenitron (HK) Limited Representative: CHOU,LI-MEI-CHEN	(Note 3)	100%
Shanghai Zenicom Industrial Co., Ltd.	Directors Supervisor	Zenicom Corporation Representative: CHOU,CHUN-KUANG Zenicom Corporation Representative: LIU,CHIA-WEI	(Note 3)	100%

Note 1: If the affiliated company is a foreign company, the position is listed as equivalent.

Note 2:

Note 3: The invested company has not issued shares, so there is no number of shares held.

4. For those who are presumed to be in a controlling or subordinate relationship pursuant to Article 369-3 of the Company Act, information on their shareholders: None.

5. The overall industry and division of labor of the affiliated companies.

(1) The business of the overall affiliated company consists mainly of the distribution of electronic parts and components and investment holding.

(2) The division of labor among the affiliates is described as follows.

- Zenicom Corporation is mainly engaged in the trading of electronic parts and components.
- SUPERTRONIC is the holding company of the Viking Islands.
- Zenicom (HK) Limited is mainly engaged in the trading of electronic parts and components.
- Zenitron (HK) Limited is mainly engaged in the sale and purchase of electronic parts and components in Hong Kong and China respectively.
- ZTHC (Shanghai) Co., Ltd. is mainly engaged in the sales of memory storage devices, technical support and sales of related parts for domestic sales in China.
- Zenitron (Shenzhen) Technology Co., Ltd., Zenitron (Shanghai) International Trading Co., Ltd., Shanghai Zenitron Electronic Trading Co., Ltd. And Shanghai Zenicom Industrial Co., Ltd. are mainly engaged in the business of selling and distributing electronic parts and components to enterprises in China.

6. Overview on Operations Profile of Affiliated Companies: ▲

Dec. 31, 2022 Unit: NT\$1,000

Name of the Company	Capital	Total assets	Total liabilities	Net value	Operating revenues	Operating profit (loss)	Net income Profit or loss (after-tax)	Net earnings per share (after-tax)
Zenicom Corporation	165,200	179,427	10,782	168,645	78,032	(5,980)	(3,844)	-
SUPERTRONIC INTERNATIONAL CORP	3,071	2,872,256	-	2,872,256	-	(87)	359,851	-
Zenicom (HK) Limited	93,724	111,615	9,726	101,889	204,051	1,830	4,640	-
Zenitron (HK) Limited	283,984	8,886,370	8,279,937	606,433	23,313,966	588,148	372,424	-
Zenitron (Shanghai) International Trading Co., Ltd.	153,550	1,012,690	831,001	181,689	1,966,949	39,897	(10,241)	-
ZTHC (Shanghai) Co.,Ltd.	109,021	573,146	248,108	325,038	1,336,270	(7,980)	(22,595)	-
Zenitron (Shenzhen) Technology Co., Ltd.	92,130	553,551	464,830	88,721	1,333,208	21,908	8,838	-
Shanghai Zenitron Electronic Trading Co., Ltd.	92,130	91,703	1,163	90,540	5,798	30	90	-
Shanghai Zenicom Industrial Co., Ltd.	-	-	76	(76)	-	(76)	(76)	-

Note : The financial statements have been audited or reviewed by an independent auditor in 2022; the balance sheet is translated using the spot exchange rate at year-end, while P&L is translated using the YTD average spot exchange rate.

(2) Statement for the consolidated financial statements of affiliated enterprises

ZENITRON CORPORATION

Statement for the consolidated financial statements of affiliated enterprises

The entities that are required to be included in the combined financial statements of Zenitron Corporation as of and for the year 2022 (from January 1, 2022 to 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 the International Accounting Standard 10, "Consolidated and Separate Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Zenitron Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

Name of the Company: ZENITRON CORPORATION

Responsible Person: CHOU, YEOU-YIH

Mar. 15, 2023

(3) Affiliation Reports: Not applicable

(II) Private Placement Securities during the most recent fiscal year as well as the current fiscal year up to the date of publication of the annual report: None.

(III) Holding or Disposal of the Company's Shares by Affiliated Companies during the most recent fiscal year as well as the current fiscal year up to the date of publication of the annual report: None.

(IV) Other Necessary Supplementary Notes: None.

IX. In the event of any matter which has had a significant impact on shareholders rights or the price for the securities referred to Article 36, paragraph 2, subparagraph 2 of the Securities and Exchange Act during the most recent fiscal year as well as the current fiscal year up to the date of publication of the annual report: None.