

**ZENITRON CORPORATION AND  
SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT  
DECEMBER 31, 2022 AND 2021**

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For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

## 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

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For and on behalf of PricewaterhouseCoopers, Taiwan

March 15, 2023

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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	%
<b>Current assets</b>					
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
<b>Total current assets</b>		<u>20,404,759</u>	<u>94</u>	<u>20,139,637</u>	<u>93</u>
<b>Non-current assets</b>					
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	-
<b>Total non-current assets</b>		<u>1,327,956</u>	<u>6</u>	<u>1,646,875</u>	<u>7</u>
<b>Total assets</b>		<u>\$ 21,732,715</u>	<u>100</u>	<u>\$ 21,786,512</u>	<u>100</u>

(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	%
<b>Current liabilities</b>					
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
<b>Total current liabilities</b>		<u>15,561,922</u>	<u>72</u>	<u>15,698,366</u>	<u>72</u>
<b>Non-current liabilities</b>					
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	-
<b>Total non-current liabilities</b>		<u>649,230</u>	<u>3</u>	<u>795,914</u>	<u>4</u>
<b>Total liabilities</b>		<u>16,211,152</u>	<u>75</u>	<u>16,494,280</u>	<u>76</u>
<b>Equity attributable to owners of parent</b>					
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
<b>Total equity</b>		<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				
<b>Total liabilities and equity</b>		<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		<u>( 1,510,412)</u>	<u>( 4)</u>	<u>( 1,422,667)</u>	<u>( 3)</u>
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		<u>( 308,109)</u>	<u>( 1)</u>	<u>16,596</u>	<u>-</u>
<b>Profit before Income Tax</b>		<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)
<b>Profit for the year</b>		<u>\$ 714,572</u>	<u>2</u>	<u>\$ 877,710</u>	<u>2</u>
<b>Other comprehensive income</b>					
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>					
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	-
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
Exchange differences on translation of foreign financial statements		<u>254,490</u>	<u>1</u>	<u>( 69,535)</u>	<u>-</u>
<b>Other Comprehensive Income (Loss) for the year</b>		<u>\$ 134,442</u>	<u>-</u>	<u>(\$ 58,488)</u>	<u>-</u>
<b>Total comprehensive income</b>		<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>\$</u>	<u>3.30</u>	<u>\$</u>	<u>4.10</u>
Diluted earnings per share		<u>\$</u>	<u>3.03</u>	<u>\$</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)

	Notes	Equity attributable to owners of the parent							Total equity
		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	
<u>Year ended December 31, 2021</u>									
		\$ 2,138,249	\$ -	\$ 958,734	\$ 718,200	\$ 643,662	(\$ 165,691)	\$ 508,404	\$ 4,801,558
		-	-	-	-	877,710	-	-	877,710
	6(3)	-	-	-	-	( 8,476 )	( 69,535 )	19,523	( 58,488 )
		-	-	-	-	869,234	( 69,535 )	19,523	819,222
<u>Appropriations and distribution of 2020 earnings</u>									
	6(16)	-	-	-	48,425	( 48,425 )	-	-	-
		-	-	-	-	( 406,300 )	-	-	( 406,300 )
	6(15)	-	-	75,605	-	-	-	-	75,605
	6(15)	-	-	2,147	-	-	-	-	2,147
	6(3)	-	-	-	-	8,353	-	( 8,353 )	-
		\$ 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>									
		\$ 2,138,249	\$ -	\$ 1,036,486	\$ 766,625	\$ 1,066,524	(\$ 235,226)	\$ 519,574	\$ 5,292,232
		-	-	-	-	714,572	-	-	714,572
	6(3)	-	-	-	-	2,838	254,490	( 122,886 )	134,442
		-	-	-	-	717,410	254,490	( 122,886 )	849,014
<u>Appropriations and distribution of 2021 earnings</u>									
	6(16)	-	-	-	87,759	( 87,759 )	-	-	-
		-	-	-	-	( 748,387 )	-	-	( 748,387 )
	6(3)	-	-	-	-	157,611	-	( 157,611 )	-
	6(12)(14)(15)	45,805	841	82,058	-	-	-	-	128,704
		\$ 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 consolidated financial statements.

ZENITRON CORPORATION AND SUBSIDIARIES  
CONSOLIDATED 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
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
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 )
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
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
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
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:

<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 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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
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:

	<u>December 31, 2022</u>		<u>December 31, 2021</u>	
	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	\$ 25,521	\$ 62,087
Lease liabilities:		
Current	\$ 23,872	\$ 42,730
Non-current	2,263	21,307
	<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	\$ 45,494	\$ 43,093

- 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>\$</u>	<u>19,436</u>	<u>\$</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>\$</u>	<u>18,892</u>	<u>\$</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>\$</u>	<u>18,892</u>	<u>\$</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>\$</u>	<u>19,980</u>	<u>\$</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>\$</u>	<u>19,436</u>	<u>\$</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>\$</u>	<u>19,436</u>	<u>\$</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:

	<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	(\$ 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:

	<u>2022</u>	<u>2021</u>
	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(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.

	<u>2022</u>			
	<u>Share premium</u>	<u>Share options</u>	<u>Others</u>	<u>Total</u>
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>
	<u>2021</u>			
	<u>Share premium</u>	<u>Share options</u>	<u>Others</u>	<u>Total</u>
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	
	<u>Amount</u>	<u>Dividend per share and cash distributed (in dollars)</u>	<u>Amount</u>	<u>Dividend per share and cash distributed (in dollars)</u>
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	\$ 40,022,922	\$ 42,044,726

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>
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>

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	<u>( 735)</u>	<u>-</u>
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

	<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	\$ 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)	<u>56,941</u>	<u>56,118</u>
	<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						
<b>(Foreign currency: functional currency)</b>	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: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						
<b>(Foreign currency: functional currency)</b>	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: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			
		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 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
<b>Assets</b>				
<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 bonds	-	-	47	47
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	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
<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	-
	\$ 40,022,922	\$ 547,420	\$ 42,044,726	\$ 591,426

##### (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 during the year ended December 31, 2022 (Note 3)	Balance at December 31, 2022 (Note 8)	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
													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	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.

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)

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 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 December 31, 2022 (Note 1)	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					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.

Zenitron Corporation and Subsidiaries  
Significant inter-company transactions during the reporting period  
Year ended December 31, 2022

Table 6

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
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

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 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.