

TPEX Stock Code:8938

Advanced International Multitech Co., Ltd.

# 2022 Annual Report

Printed on April 28, 2023

Website of TWSE Market Observation Post System: <https://mops.twse.com.tw>

Website of the Company: <https://www.adgroup.com.tw>

The reader is advised that the annual report have been prepared originally in Chinese.

In the event of a conflict between the translated version and the original Chinese version or difference in interpretation between the two versions, the Chinese language annual report shall prevail.

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Name of Accounting Firm: PwC Taiwan  
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## **V. The name of any exchanges where the company's securities are traded offshore, and the method by which to access information on said offshore securities: None.**

## **VI. Company website: <https://www.adgroup.com.tw>**

# Content

I. Letter to Shareholders .....	1
II. Company Profile.....	5
III. Corporate Governance.....	11
(I) Organization Structure .....	11
(II) Information on the Company’s directors (including independent directors), Chief Executive Officer, Deputy General Manager, Assistant Manager, and the superintendents of all the Company’s divisions and branch unit.....	14
(III) Remuneration paid to directors (including independent director), Chief Executive Officer, and Deputy General Manager in current fiscal year.....	25
(IV) Corporate Governance Practices.....	331
(V) Information on the fees paid to certified accountants.....	80
(VI) Information on the Replacement of Accountants.....	80
(VII) Whether the Company’s chairman, Chief Executive Officer, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm.....	80
(VIII) Information on share transfer and pledge of stock right changes by directors, managers, and shareholders that hold more than 10 % of the Company’s outstanding shares at the most recent fiscal year and up until the printing date of this report.....	81
(IX) Information on the relationship among the top ten shareholders who are related persons or spouses or relatives within the second degree.....	82
(X) The number of shares held by the Company, its directors, supervisors, managers, and enterprises directly or indirectly via enterprises that the Company holds controlling power over in the same reinvestment enterprise, and the composite shareholding status.....	83
IV. Capital Raising Activities .....	84
(I) Capital and Shares .....	84
(II) Issuance of Corporate Bond .....	93
(III) Issuance of Preferred Stock.....	94
(IV) Issuance of Global Depository Receipt .....	94
(V) Employee Stock Option.....	94
(VI) Restriction on employee’s right and the handling of new shares .....	94
(VII) Mergers or acquisitions, and issuance of new shares due to acquisition of shares of other companies	94
(VIII)The implementation of fund utilization plan.....	94
V. Operation Overview.....	96
(I) Content of Business.....	96
(II) Market and the Production-Marketing Situation.....	104
(III) Number of employees, the average years of services, average age, and education analysis over the past two years and during the current fiscal year until the date of printing of this annual report .....	112
(IV) Expenditures on environmental protection.....	113
(V) Labor-Capital Relationship .....	118

(VI) Information Security .....	121
(VII) Important contracts .....	123
VI. Financial Situation.....	124
(I) Condensed Balance Sheets and Composite Statements of Income over the Past 5 Years.....	124
(II) Financial Analysis for the past 5 years .....	129
(III) Audit Committee’s Review Report of the most current year .....	132
(IV) Financial reports of the most current year.....	133
(V) The CPA certified mother company only financial reports of the most current year .....	133
(VI) In the most current fiscal year and up until the printing date of this annual report, if the Company and its affiliated companies have financial difficulties, and what’s the influences on the Company’s financial situation.....	133
VII. The Review and Analysis of the Company’s Financial Situation, Financial Performance, and the related Risks .....	134
(I) Financial situation .....	134
(II) Financial performance.....	135
(III) Cash flow .....	136
(IV) Significant capital expenditure of the most current fiscal year and the impact to financial operation..	137
(V) Main reason for the profit or loss of its invested company in the current year, and the improvement plan and investment plan in the future year.....	137
(VI) Analysis and assessment on risks.....	137
(VII) Other important issues .....	141
VIII. Special Notes.....	142
(I) Relation information of Affiliated Companies.....	142
(II) The handling of privately placed securities in the most recent year and as of the publication date of the annual report.....	146
(III) In the most recent year and as of the publication date of the annual report, the holding or disposal of the Company's stocks by subsidiaries.....	146
(IV) Other necessary supplementary explanations .....	146
IX. In the most recent year and up to the date of publication of the annual report, whether there is any event that has a significant impact on shareholders' equity or securities prices as specified in Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act.....	146
Attachment 1 2022 and 2021 Consolidated Financial Report of Advanced International Multitech Co., Ltd. and its Subsidiaries and Accountant’s Audit Report.....	147
Attachment 2 The 2022 and 2021 Parent Company Only Financial Report of the Advanced International Multitech Co., Ltd. And the Accountant’s Audit Report .....	221

# I. Letter to Shareholders

To the shareholders of Advanced International Multitech Co., Ltd.:

Thank you for your continued interests, support, and care to Advanced International Multitech Co., Ltd., and it is hoped that you will continue to give us more attention and support in the days to come, thank you.

Below is the report of 2022 Business results and 2023 Business plans.

## (I) 2022 Consolidated Business Report

### 1. The execution result of the 2022 business plans

The company's consolidated operating revenue was 21,422,785 (thousand) in the year of 2022, which was an increase of 26.7% comparing with 16,908,024 (thousand) in the year of 2021. The consolidated net profit in the year of 2022 was 2,500,237 (thousand), which was an increase of 72.21% comparing with the consolidated net profit of 1,451,840 (thousand) in the year of 2021. In 2022, the after-tax earnings per share was NTD 16.92.

### 2. The 2022 budget execution status: Not available, the Company did not disclose financial forecast in the year of 2022.

### 3. Financial information:

#### (1) Financial information

Unit: In Thousands of New Taiwan Dollars ; %

Year	2022	2021	Increase/Decrease by (%)
Sales Revenue	21,422,785	16,908,024	26.70%
Cost of Goods Sold	17,067,951	13,691,412	24.66%
Gross Profit	4,354,834	3,216,612	35.39%
Operating Expenses	1,664,172	1,448,332	14.90%
Other Income and expenses - Net	137,364	178,394	(23%)
Non-operating income and expense	416,576	(125,101)	432.99%
Net Income before Tax	3,244,602	1,821,573	78.12%
Net Income after Tax	2,500,237	1,451,840	72.21%
Total Comprehensive Profit/Loss	2,583,955	1,425,165	81.31%

#### (2) Analysis on profitability

Unit: New Taiwan Dollars ; %

Item	Ratio	
Return on Assets (%)	17.07%	
Return on Equity (%)	37.35%	
To Paid-in-Capital (%)	Operating income	206.14%
	Net income before tax	236.50%
Net Income Margin (%)	11.67%	
Earnings Per Share (\$1)	16.92	

#### 4. R&D situation

The result of 2022 R&D

- (1) Development of high and low pressure RTM technology.
- (2) RCS certification obtained for carbon fiber recycling.
- (3) Development and transfer of high strength stainless steel casting ball head.
- (4) Development and transfer of high gravity castings and the combined structures with different materials.
- (5) Carbon fiber forming technology with inverted design.
- (6) The application of graphene in composite materials.
- (7) Mass production and application of thermoplastic forming technology in golf and consumer electronic products.
- (8) Development of carbon fiber woven technology.
- (9) Development of carbon fiber pre-forming technology.
- (10) Carbon composite wheel passed TUV certification test.
- (11) Mass production of various automobile interior and exterior decorative parts.
- (12) Application of self-produced die-molding parts in the mass production of golf head composite materials.
- (13) Development and transfer of multi-angle changeable golf club structure.
- (14) Development of the automation technology in the weaving of fiber laminates.
- (15) Technology development of winding braided carbon fiber ball head cover and bottom plate.
- (16) Carbon fiber forged exterior molding materials and the technology development.
- (17) Technology development of composite materials laminating machine.
- (18) Development of bio-based (20% biomass ratio) epoxy resin formula.
- (19) Development of high strength toughened striking panel formula.
- (20) Development of SMCNSPU eco-friendly formula.
- (21) Development of winding epoxy resin formula (TOWPREG).
- (22) Development of light-weight/high-strength thermoplastic carbon fiber plates.

#### (II) Summary of 2023 Business Plan

##### 1. Operating strategy

- (1) Look closely at the domestic and international dynamic situation and connect to customers' supply chain strategies to formulate future production location layout goals and plans, in order to maintain competitiveness in the changing world environment and economic fluctuations.
- (2) Integrate internal and external resources, continue to maintain the leading edge of core technology, and fully cooperate with customers to develop high value-added products to increase the market share and competitive advantage of customers' products.
- (3) Continue utilizing lean management for further enhancing operational efficiency, establish an organizational form and operating mechanism that meet customer needs,

fast respond to customers' needs and more effectively utilize overall operating resources.

2. Expected unit of sales

Based on the market's supply, demand, and industrial environment, as well as the consideration and evaluation of the Company's capabilities and development, it is estimated that the sales volume of ball heads and golf equipment in 2023 will be about 13.5 million to 16.5 million pcs, and the one-year volume of golf balls maybe exceed around 10% of the total sales in 2022.

3. Important production and marketing strategy

- (1) Continue to strengthen the development and application technology of composite materials related products, and create a competitive advantage through the strength of conveyor production concept, i.e. from the innovation and design of composite materials, to production and manufacturing.
- (2) Establish partnerships with key supply chains to respond to customers' needs with better flexibility and responsiveness, and provide customers with complete solutions.
- (3) Continue to pay attention to the sales status and market information of the client, in order to quickly synchronize or adjust the internal and external resources with the expected order status, and respond to external changes with the highest efficacy.

4. Future development strategy

- (1) Integrate internal and external resources to invest in the research and development of composite material's raw materials, manufacturing procedures and products, and can continue to innovate to meet the needs of customers in various industries; respond to future industry and technology trends, and lead the industry to lead the transformation of products and business models.
- (2) Cultivate the talents and capabilities that the organization needs in the future, strengthen human resource development and talent cultivation plans, enhance the work value and sense of belonging of colleagues, and constantly challenge higher operating goals.
- (3) Aiming at the new corporate thinking of ESG, gradually implement the goals of carbon reduction, waste reduction, and energy conservation, and establish a carbon management mechanism to respond to the trend of the times; at the same time, continue to care for vulnerable groups, fulfill corporate social responsibilities, and implement corporate governance to achieve the realm of sustainable management and create all-win situation for employees, shareholders and the general public.

5. Effects of the external competitive environment, regulation environment, and overall operation environment

Looking back on the year of 2022, although the epidemic has gradually eased, it has been replaced by unknowns and turmoil in international geopolitics. In addition, the shadow of inflation and economic recession has emerged, and the world situation is full of unpredictable factors. In such a treacherous and ever-changing environment, we still

overcame various challenges and handed over good results with all indicators hitting new highs.

Looking ahead to the year ahead, the international situation and economic environment are still full of uncertainties. Advanced International Multitech will lead the direction on the unknown road with the DNA of listening to the voice of customers; our strong management team will demonstrates its team strength to overcome adversity. Moreover, Advanced International Multitech possess a group of excellent employees who can continue to stick to their posts and meet more challenging tasks. In the face of future tests and changes, Advanced International Multitech will insist on the concept of "sincerity, creativity, and satisfaction" to advance on the road of sustainable management.

Chairman : His-Chien Cheng



Manager : I-Nan Chou



Accounting Manager : Yi-Miao Kuo





## II. Company Profile

### (I) Company Profile

1. Date of Establishment: July 20, 1987
2. Address and Phone number of the Company and Factories  
 Headquarter (Zhonglin Factory): No.26, Zhonglin Rd., Xiaogang Dist., Kaohsiung City  
 Phone no.: +(8867)872-1410  
 Kaohsiung Export Processing Zone Branch: No.2, S. 5<sup>th</sup> Rd., Qianzhen Dist., Kaohsiung City  
 Phone no.: +(8867)821-3851  
 Daye Factory: No. 33, Daye S. Rd., Xiaogang Dist., Kaohsiung City  
 Phone no.: +(8867)871-5135  
 Hefa Factory: No.63, Heye 5<sup>th</sup> Rd., Daliao Dist., Kaohsiung City  
 Phone no.: +(8867)788-5668

### 3. Milestone

Year	Footprints
1987	The Company was established in July by major founders including Mr. Lin, Shen-Chih, Mr. Cheng, Cheng-Hsien, and Mr. Cheng, Hsi-Kun. The initial investment amount was NT\$45 millions. The Company worked with the Material Lab of the Industrial Technology Research Institute to jointly research and develop the manufacturing of carbon fiber golf clubs.
1988	The new factory located on No.26, Zhonglin Rd., Xiaogang Dist., Kaohsiung City was completed the construction in July, started operation and officially began mass production of carbon fiber golf club for supplying to both domestic and international markets.
1989	The Company worked with the Material Lab of the Industrial Technology Research Institute to develop prepreg impregnating machine to produce PPG composite materials in order to reinforce independent material supply and product diversity, and for a further step to lower production cost.
1990	The Company worked with the Material Lab of the Industrial Technology Research Institute to jointly develop carbon fiber one-piece bicycle frame.
1991	(1) In April, studied the production technology of one-piece bicycle frame at the Material Lab of the Industrial Technology Research Institute. (2) In October, production facilities were installed and put into the production of carbon fiber one-piece bicycle frame.
1992	(1) In the beginning of the year, factory expansion was completed and was put into the test production of carbon fiber one-piece bicycle frame in small batches. (2) In November, the Company worked with the Material Lab of the Industrial Technology Research Institute again to jointly develop the carbon fiber bicycle fork.
1993	(1) In January, the Company invested in Huan An Co., Ltd. (2) In April, the Company brought in the fully automatic winding type golf club manufacturing machinery, and worked with the Material Lab of the Industrial Technology Research Institute to invent winding type golf club for providing diversified golf club choices to meeting customers' needs. (3) Started the mass production of carbon fiber bicycle fork in March.

Year	Footprints
1994	<ul style="list-style-type: none"> <li>(1) In February, the Company obtained ISO international certification.</li> <li>(2) Re-invested to establish Advanced International Multitech Company Ltd.</li> <li>(3) The 5<sup>th</sup> golf club production line was added to meet with increasing demands.</li> <li>(4) NPS line enhancement was completed for both golf club and bicycle production lines during the year. Hereafter, the Company adopted new production to meet the increasing order volume.</li> </ul>
1995	<ul style="list-style-type: none"> <li>(1) In February, the 6<sup>th</sup> golf club production line was established.</li> <li>(2) The organization structure was changed in April. The planning and development moved toward business units structure and started to actively promote the Corporate Identity System (CIS).</li> </ul>
1996	<ul style="list-style-type: none"> <li>(1) In September, the 2<sup>nd</sup> invested material prepag impregnating line was tested and started operation.</li> <li>(2) Investment was made into Huan An Co., Ltd. in October.</li> </ul>
1997	<ul style="list-style-type: none"> <li>(1) Bicycle Dept. successfully developed carbon fiber CROWN fork.</li> <li>(2) Advanced International's website and internal network were set up.</li> <li>(3) Started to promote the consolidation of Advance International's affiliated companies, and it was decided to set the goal of going public (be listed in TPEX/TWSE) in the year of 2000.</li> </ul>
1998	<ul style="list-style-type: none"> <li>(1) The re-invested Huan An Co., Ltd. was consolidated by Da-an Precision Casting Co., Ltd on March 1. On July 1<sup>st</sup>, the affiliated companies, Da-an Precision Casting Co., Ltd., Advanced International Multitech Company, Ltd., and Da Ming Enterprise Co. Ltd. were consolidated, and the Company's capital increased to \$187,170,000.</li> <li>(2) Reinvested to establish Advanced Group International (BVI) Co., Ltd. In August.</li> <li>(3) Obtained ISO9001 quality certification in October.</li> <li>(4) The capital was increased to \$406,200,000 in December and was approved by former Securities and Futures Bureau of the Ministry of Finance for public offering.</li> </ul>
1999	<ul style="list-style-type: none"> <li>(1) Started OTC counseling in February.</li> <li>(2) Acquired the 2<sup>nd</sup> CAD machine in April.</li> <li>(3) Acquired Rapid Prototyping Machine in May.</li> <li>(4) Increased company capital to \$556,200,020 in November.</li> <li>(5) Acquired new 1M broad prepag impregnating machine in December.</li> </ul>
2000	<ul style="list-style-type: none"> <li>(1) Introduced and tested-run the 1M broad prepag impregnating machine in January.</li> <li>(2) ERP went online in July.</li> <li>(3) Mass produced the Titanium wood club head in August.</li> <li>(4) China's 2<sup>nd</sup> casting line started construction in October.</li> <li>(5) Titanium alloy vacuum casting furnace entered the factory in November.</li> </ul>
2001	<ul style="list-style-type: none"> <li>(1) Went into strategic alliance with US and Japan renowned carbon fiber club maker, Fujikuro Composite, in June. Also, at the time, the accumulated earnings of \$57,844,820 was transferred to increase company capital, the paid in capital of the Company was \$636,292,940.</li> <li>(2) Cooperated with Professor Su, Hsiung-I of the Soo-Chow University in August for the SCM project. A subsidiary's new surface processing operation in China went into official operation.</li> </ul>

Year	Footprints
	(3) A SCM team was formed in November to concentrate in the promotion of supply chain management for enhancing system effectiveness and lowering costs.
2002	(1) Application submitted for OTC trading in April. (2) Application submitted for OTC listing in April. (3) Stock went OTC listed on December 2.
2003	(1) 9.25 million subsidy was applied and approved for Going Electronic Plan in April via the system of Industrial Development Bureau, Ministry of Economic Affairs. (2) Acquired Laser Argon Welding Machine in April to join into the processing of the welded Titanium ball head. (3) New factory that was planned to cost 100 millions, was started the construction work on May 27.
2004	(1) PKM was adopted to link up inter-company's work procedures, application software, data, and web function among consolidated partners, so Enterprise Extension can be achieved to enhance competitiveness and bring benefits to business community as a whole. (2) The newly constructed factory was expected to complete construction in May. Matters in relation to factory move were planned and carried out. At the end of the year, new factory went officially into operation. (3) Invested to set up Advanced International Multitech (Vietnam) Corporation Ltd. in December.
2005	(1) Internal KM website went online in April. (2) With I-Design golf set collaborative R&D project, a subsidy of 14.4millions was approved in the IT Application Promotion Project by the DoIT of the Ministry of the Economic Affairs in May. (3) A branch was established at the Export Processing Zone in Kaohsiung in December.
2006	(1) Obtained the Corporate Operation Headquarters certificate issued by the Industrial Development Bureau, Ministry of Economic Affairs in April. (2) Invested to set up Shanghai Feng Sheng Carbon Fiber Technology Co., Ltd. in May. (3) Invested to set up subsidiary, Launch Technologies Co., Ltd. in July. (4) Invested to set up Advanced Composite Materials (Changshou) Co., Ltd. in July. (5) Obtained ISO 14001 and OHSAS 18001 in October to implement industrial safety and environmental protection policies.
2007	(1) Advanced's 20 years Review and physical exhibition in October. (2) Passed the guide of knowledge management bench-marking model (to establish manufacturing engineering related knowledge management mechanism) by the Industrial Development Bureau, Ministry of Economic Affairs in November.
2008	(1) Re-introduce ERP system, and SAP system was projected to officially launch on January 1, 2009. (2) Advanced's Long Yen Factory in China received WS 4C certificate by world renowned sports good manufacturer, Adidas.
2009	Established subsidiary, Fu Guo International Technology Co., Ltd. in August.
2010	(1) Acquired Fu Guo Sporting Goods (Dongguan) Co., Ltd. In June. (2) Subsidiary, Launch Technologies Co., Ltd., started OTC trading on October 13th.

Year	Footprints
	(3) In October, Advanced Group's total sales topped 10billions.
2011	<p>(1) Advanced's Daye Factory, which produces bicycle parts and carbon fiber composite materials, passed GHG inventory investigation and obtained ISO14064-1 verification statement in June. 06</p> <p>(2) Subsidiary, Launch Technologies, moved from Dashu Dist. Of the Kaohsiung City to Pingtung Export Processing in Pingtung city in July for business operation expansion.</p> <p>(3) The Zhonglin Factory, Advanced Group's headquarter, which produced golf-ball head, passed the GHG inventory investigation and obtained the ISO14064-1 verification statement in September ahead of other peers in Taiwan.</p> <p>(4) Advanced was selected as one of the first batch counselling factories for being green factory in September by the Industrial Development Bureau of the Ministry of Economic Affairs, and so a 4-month green factory counselling was carried out.</p> <p>(5) 3 product series and 15 items of Advanced's carbon fiber composite materials passed carbon footprint verification and received PAS2050 verification statement in October. This is the first product's carbon footprint verification for Advanced International.</p> <p>(6) 3 product series and 15 items of Advanced's carbon fiber composite materials received carbon footprint label from Taiwan Electrical and Electronic Manufacturers' Association and UK's Carbon Trust in November.</p> <p>(7) Advanced International won the silver medal of the TTQS review system the Corporate and Institution Version from the Executive Yuan in October.</p>
2012	<p>(1) Advanced's Kaojia Branch that produces composite materials passed corporate GHG inventory investigation in October and obtained the ISO14064-1 investigation statement.</p> <p>(2) Advanced's bicycle fork passed carbon footprint verification in October and obtained PAS2050 certification.</p> <p>(3) In November, the Company worked with National Cheng Kung University and Professor Ting, Chih-Ming of the Dept. of Materials Science and Engineering of the National Cheng Kung University for patent authorization contact and technology transfer respectively. Scope of the patent authorization is mainly related to technologies related to high thermal conductivity continuous vapor growth carbon fiber.</p> <p>(4) Received the subsidy from the DoIT of the Ministry of Economic Affairs and established the Advanced Group Innovation and R&amp;D Center.</p> <p>(5) Received the Most Contribution Award in Weight-Loss Sector of the 2012 National Outstanding Healthy Workplace held by the Ministry of Health and Welfare, the Executive Yuan.</p> <p>(6) Subsidiary, Launch Technologies, received the Honorable Mention Award in the 2011 Export Processing Zone Landscape Design Award for greening and beautification of the process zone area held by the Export Processing Zone, Ministry of Economic Affairs.</p>
2013	<p>(1) Zhonglin Factory, the headquarter, received Cleaner Production Qualification Certificate by the Industrial Development Bureau in January.</p> <p>(2) The Company's titanium ball head received carbon footprint verification and</p>

Year	Footprints
	<p>obtained PAS2050 certification.</p> <p>(3) Precision casting product - prosthesis knee received ISO13485 medical quality certificate.</p> <p>(4) Created our own bicycle brand, Grampus, and received both Silver Medal of the Taiwan Excellence Award and Kaohsiung Excellence Award.</p> <p>(5) Mr. Cheng, Hsi-Chien was appointed to be the Chairman of Advanced International Group in May.</p> <p>(6) Subsidiary, Launch Technologies, received the 2012 Public-Spirited Contribution Award from the Export Processing Zone, Ministry of Economic Affairs.</p> <p>(7) Subsidiary, Launch Technologies, cooperated with domestic universities of science and technology to utilize Taiwan-made machinery to process the mold core in the wind tunnel, and greatly reduced the time and cost in making mold core and enhanced the durability of mold core.</p> <p>(8) Subsidiary, Launch Technologies, successfully developed soft but highly reflexive 2-layer ball products that significantly improved the hitting feel and distance.</p> <p>(9) Subsidiary, Launch Technologies, received the 2013 Outstanding Healthy Workplace - Good Community Healthy Award from the Health Promotion Administration, Ministry of Health and Welfare.</p>
2014	<p>(1) In Taipower's 2014 Enterprise Power-Saving Competition, Advanced's Kaojia Branch received the first place in the power-saving competition.</p> <p>(2) Advanced International received the Honorable Member Award in the selection of 2014 outstanding companies by Kaohsiung Labor Union.</p> <p>(3) Subsidiary, Launch Technologies Co., Ltd., was listed on the OTC on November 10.</p> <p>(4) Subsidiary, Launch Technologies, received the 2014 Power-Saving Award - Silver Saving Medal from the Export Processing Zone, Ministry of Economic Affairs.</p> <p>(5) Subsidiary, Launch Technologies, was certified by the Customs Administration, Ministry of Finance and obtained the AEO certificate.</p>
2015	<p>(1) Compiled and published the first CSR report.</p> <p>(2) The Kaojia Branch passed the EICC (Electronic Industry Citizenship Coalition) review.</p> <p>(3) The golf ball head received water footprint certification and obtained ISO14046 certification.</p> <p>(4) Committed to promoting a smoke-free environment, occupational injury prevention, and health promotion programs, which have been assessed by the National Health Service of the Ministry of Health and Welfare as meeting the Healthy Workplace Certification - Health Promotion Label.</p>
2016	<p>(1) Advanced International received the subsidy to fund the casting industry from Occupational Safety and Health Administration, Ministry of Labor.</p> <p>(2) Advanced International sponsored Harvard University's research project on the application of advanced composite materials in construction.</p> <p>(3) Advanced International's Kaojia Branch added the 3rd factory building.</p> <p>(4) DIZO S6 received the 2017 Taiwan Excellence Award.</p>
2017	<p>(1) The opening of the first DIZO image store.</p> <p>(2) Was ranked top 5% among all the OTC listed companies in the 3rd Corporate Governance Evaluation by the Securities &amp; Futures Institute.</p>

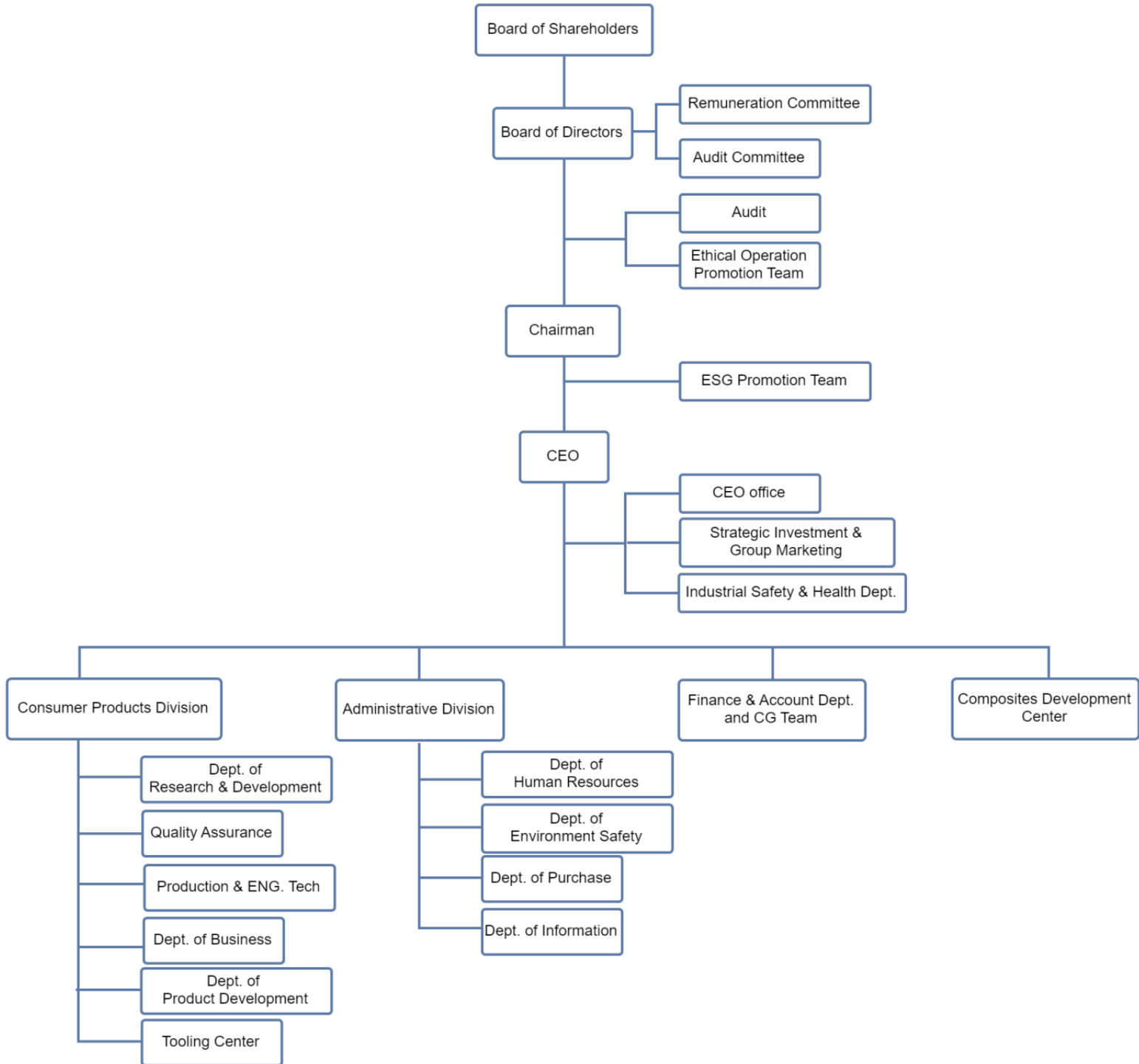
Year	Footprints
	<ul style="list-style-type: none"> <li>(3) Passed ISO9001: 2015 revision certificate.</li> <li>(4) DIZO S6-R again received the 2018 Taiwan Excellence Award.</li> <li>(5) Exclusive sponsorship of Kaohsiung Symphony Orchestra's "Music by Your Side Concert", in which we invited employees, family members and business partners to celebrate Advanced International's 30th anniversary.</li> </ul>
2018	<ul style="list-style-type: none"> <li>(1) Sponsored the activity of 2018 Kaohsiung Spring Arts Festival.</li> <li>(2) Equipped with solar power facilities that ranged 920.33m2 with 99.9KW capacity. The goal was to take into account energy safety, sustainable environment, and green economy.</li> <li>(3) The golf head and carbon fiber composite materials, ahead of peers, obtained ISO45001 on September 12, 2018: certificate replacement in 2018, and became the 16th company to receive the certificate across all industries.</li> <li>(4) On September 15, 2018, the Company obtained ISO14001 certificate: verification in 2015.</li> <li>(5) Sponsored Threebond TPGA tournament.</li> <li>(6) The R&amp;D Building (Zhonglin Plant II) was completed construction and put into operation on December 27, 2018.</li> </ul>
2019	<ul style="list-style-type: none"> <li>(1) The Zhonglin Plant II introduced Krauss Maffei HP-RTM facility from Germany and completed the installation in June.</li> <li>(2) Received the fifth potential mid-sized enterprise certificate from the Ministry of Economic Affairs in the selection of companies that had outstanding performance in specific fields.</li> <li>(3) DIZO S6-ego received the 2020 Taiwan Excellence Award.</li> </ul>
2020	<ul style="list-style-type: none"> <li>(1) Was ranked top 5% among all the OTC listed companies in the 6th Corporate Governance Evaluation by the Securities &amp; Futures Institute.</li> <li>(2) DIZO EPIC Pro received the 2021 Taiwan Excellence Award.</li> <li>(3) Won the 2nd place in Recreational Products Sector among the 2020 Taiwan Enterprise Ranking TOP5000.</li> <li>(4) Received the Vitality Award from the Health Promotion Administration of the Ministry of Health and Welfare.</li> </ul>
2021	<ul style="list-style-type: none"> <li>(1) Won the 2nd place in Recreational Products Sector among the 2021 Taiwan Enterprise Ranking TOP5000.</li> <li>(2) DIZO Brand was sold to CONQUR Co., Ltd.</li> <li>(3) Passed the RCS(Recycled Claim Standard) certification.</li> </ul>
2022	<ul style="list-style-type: none"> <li>(1) Advanced International Multitech (Vietnam) launched SAP system on July 1.</li> <li>(2) Mr. Chou, I-Nan was promoted as CEO of Advanced Group on September 1.</li> <li>(3) Advanced's Hefa factory was completed and went into operation in November.</li> </ul>

# III. Corporate Governance

## (I) Organization Structure

### 1. Organization Structure of the Company

#### (1) Organization structure of the Company



(2) Business scope of major business units

Major Unit	Business Scope
Remuneration Committee	Formulate and regularly review directors, supervisors and managers' remuneration policies, systems, standards and structures and rationality assessments.
Audit Committee	Supervise the proper expression of the Company's financial statements, the selection (dismissal), independence and performance of certified accountants, the effective implementation of the Company's internal control, the compliance with relevant laws and regulations, and the management and control of the company's existing or potential risks.
Audit	Evaluate the integrity, rationality and effectiveness of the internal control system and management system.
Ethical Operation Promotion Team	Handle the revision, implementation, interpretation, consulting services, reporting content registration and filing of "Procedures for Ethical Management and Guidelines for Conduct" and also supervise the execution of the related operations.
ESG Promotion Team	<p>A. Coordinating the promotion, counseling and auditing of the ESG work of the whole group.</p> <p>B. Convene meetings with business groups and subsidiaries to review the implementation situation every quarter.</p> <p>C. Administrating officer, served by Sustainability Specialist, is equipped under the team.</p>
CEO Office	Promote and execute the Company's business objectives and performance management, formulate, execute, and access special projects, assist the chief executive officer in the management and execution of the operation.
Strategic Investment & Marketing	<p>A. Collect and organize industry trends and market opportunity analysis, analyze external investment/merger and acquisition opportunities, manage investments/merger and post-acquisition projects, and carry out new business opportunity related projects.</p> <p>B. Integrate the needs of the group, improve the external image packaging and marketing.</p>
Industrial Safety & Health Office	Supervise and promote occupational safety and health management.
Composites Development Center	<p>A. Develop new products, new materials, new manufacturing process, and new facilities.</p> <p>B. Integrate information in relation to composite technologies, the market, and suppliers and build a database to establish the Group's development strategy in composite materials.</p>
Finance & Accounting Dept. and CG Team	Planning, Operation and Management of the manage financial, accounting, taxation, stock related and corporate



Major Unit	Business Scope
	governance affairs.
Dept. Of Human Resources	Integrate, plan, revise, and execute of rules and regulations, and make out human resources affairs and the develop plans.
Dept. Of Environment Safety	Supervise and promote environmental safety and health management system.
Dept. Of Purchase	Procurement of raw materials at home and abroad and purchase of general goods and services.
Dept. Of Information	Plan and execute application software system, manage and maintain computer and related peripheral equipment, maintain application software system related files, and manage the outsourcing services of application software.
Dept. Of Research & Development	Develop and test of new materials, new manufacturing process and technologies introduce new technologies, and assist in mass production.
Quality Assurance	Carry out the planning and implementation of company-wide quality information and quality system.
Production & ENG. Tech.	Product's manufacturing, developing and design, and quality control.
Dept. Of Business	Product sales, customer relationship development and maintenance, and customer service.
Dept. Of Product Development	Implement development projects, integrate and coordinate development resources, develop new products, and launch mass production.
Tooling Center	Design, produce, modify, review, outsource of various molds and fixtures, and design, revise, and establish mold manufacturing process.

(II) Information on the Company's directors (including independent directors), Chief Executive Officer, Deputy General Manager, Assistant Manager, and the superintendents of all the Company's divisions and branch unit

1. Information on Directors (including independent directors)

March 31, 2023

Title	Nationality or Place of Registration	Name	Gender Age	Post Beginning Date (m/d/y)	Term of Office	Date of First Elected (m/d/y)	Shareholding at Date Elected		Current Shareholding		Current Shareholding of Spouse and Minors		Shareholding under Other's Name		Education & Experiences	Other Post in the Company and other company concurrently	Spouse or relative within 2 <sup>nd</sup> degree that serves as other superintendent, director, or supervisor			Note
							Number of Shares	Stake	Number of Shares	Stake	Number of Shares	Stake	Number of Shares	Stake			Title	Name	Relationship	
Chairman	R.O.C.	Ming An Investment Co., Ltd.	Male 71~80	11/26/2021	3 years	5/10/2004	12,134,838	8.97%	12,134,838	8.66%	0	0%	0	0%	None	Corporate Director of the Company	None	None	None	None
		Representative: Cheng, Hsi-Chien				6/4/2010	1,499,636	1.11%	1,499,636	1.07%	0	0%	0	0%	Meiji University, School of Business Administration	Chairman of the Advanced International Multitech Co., Ltd. Director of Launch Technologies Co., Ltd. Chairman of Ming An Investment Co., Ltd. Chairman of Advanced International Multitech(VN) Co., Ltd. Director of Advanced Group International (BVI) Co., Ltd. Chairman of Technology On Prototyping Ultimate Co., Ltd.	Vice Chairman	Liu, An-Hao	Affinity	Note
Vice Chairman	R.O.C.	Yuan Hong Investment Co. Ltd.	Male 71~80	11/26/2021	3 years	11/26/2021	2,263,415	1.67%	2,263,415	1.61%	0	0%	0	0%	None	Corporate Director of the Company	None	None	None	None
		Representative: Liu, An-Hao				7/1/1998	1,285,234	0.95%	885,234	0.63%	440,894	0.31%	0	0%	National Taiwan University, School of Chemical Engineering	Vice Chairman and Deputy General Manager of Advanced International Multitech Co., Ltd. Director of Ming An Investment Co., Ltd. Director of Advanced International Multitech(VN) Co., Ltd. Chairman of Launch Technologies Co., Ltd.	Chairman	Cheng, Hsi-Chien	Affinity	None
Director	R.O.C.	Fu Yuan Investment Co., Ltd.	Male 61~70	11/26/2021	3 years	5/31/2016	1,000,000	0.74%	1,000,000	0.71%	0	0%	0	0%	None	Corporate Director of the Company	None	None	None	None
		Representative: Lin, Jui-Chang				5/31/2016	0	0	0	0	0	0%	0	0%	SooChow University, Dept. Of Accounting	Director of the Company Director of Lunch Technologies Co., Ltd. Chairman of Taiwan Fu Hsing Industrial Co., Ltd. Director of Zhixing Precision Machinery Co., Ltd. Director of of TAIFLEX Scientific Co., Ltd.	None	None	None	None
Director	R.O.C.	Tu, Hsiao-Fen	Female 41~50	11/26/2021	3 years	5/31/2016	853,840	0.63%	871,840	0.62%	0	0%	0	0%	University of Texas, MBA	A member of the board of the director and the assistant manager of business group of the Company	None	None	None	None
Independent Director	R.O.C.	Hung, Li-Jung	Female 51~60	11/26/2021	3 years	5/31/2016	0	0%	0	0%	0	0%	0	0%	National Cheng Kung University, School of Management, Dept. Of Accountancy Partner of PwC Taiwan	Independent Director and a committee member of the Remuneration Committee of Advanced International Multitech Co., Ltd. Independent Director, a committee member of the Audit Committee, committee member of the Remuneration Committee of Eternal Materials Co., Ltd. Independent Director, a committee member of the Audit Committee, and a committee member of the Remuneration Committee of Kuen Ling Machinery Refrigerating Co., Ltd.	None	None	None	None

Title	Nationality or Place of Registration	Name	Gender Age	Post Beginning Date (m/d/y)	Term of Office	Date of First Elected (m/d/y)	Shareholding at Date Elected		Current Shareholding		Current Shareholding of Spouse and Minors		Shareholding under Other's Name		Education & Experiences	Other Post in the Company and other company concurrently	Spouse or relative within 2 <sup>nd</sup> degree that serves as other superintendent, director, or supervisor			Note
							Number of Shares	Stake	Number of Shares	Stake	Number of Shares	Stake	Number of Shares	Stake			Title	Name	Relationship	
Independent Director	R.O.C.	Ho, Yao-Hung	Male 61~70	11/26/2021	3 years	11/26/2021	0	0%	0	0%	0	0%	0	0%	The Ohio State University, graduate study in Industrial and System Engineering Independent Director and convener of the Audit and Remuneration Committee of Leadtek Research Inc. Partner of KPMG Taiwan	General Manager of ETP Leadership Coach Consulting Ltd. Company Supervisor of Taiwan ITRI New Venture Association Independent Director and convener of the Audit and Remuneration Committee of Leadtek Research Inc.	None	None	None	None
Independent Director	R.O.C.	Chang, Hsueh-pin	Male 71~80	11/26/2021	3 years	11/26/2021	0	0%	0	0%	0	0%	0	0%	Doctoral degree Cornell University, Sibley School of Mechanical and Aerospace Engineering Chair Professor and Associate Professor in Kao Yuan University Supervisor of Metal Industries Research and Development Centre Supervisor of China Engine Corporation	Honorary Professor of Kao Yuan University Independent Director of China Steel Corporation Independent Director of HIWIN MIKROSYSTEM CORP. A committee member in the National Defense Science and Technology Industry Development Review Committee of the Executive Yuan Adjunct researcher of the Board of Science and Technology, Executive Yuan Director of HUA's Aero Industry Development Foundation	None	None	None	None
Independent Director	R.O.C.	Chen, Yu-Lin	Male 71~80	11/26/2021	3 years	11/26/2021	0	0%	0	0%	0	0%	0	0%	Doctoral degree in Dept. Of Metallurgy and Material Engineering, University of Kentucky Chief Engineer of the Johnson Controls International at US battery headquarter Senior scientist of the GM Automotive's US battery headquarter and aircraft engine headquarter Independent Director of Wafer Works Photoelectric Corporation	None	None	None	None	

Note: If the Chairman of the Company and the chief executive officer or a person of equivalent position (top manager) are the same person, the spouse or first-degree relatives, the reason, rationality, necessity and countermeasures shall be explained:  
Chairman of the Company, Mr. Cheng, Hsi-Chien, has resigned from the post as the Chief Executive Officer on September 1, 2022.

Table I: Information on major shareholders of the Company's corporate shareholders

March 31, 2023

Name of Corporate Shareholders	Major shareholders of the Corporate Shareholders
Ming An Investment Co., Ltd.	Tu, Chih-Hsiung 10.73%; Cheng, Hsi-Chien 12.18%; Hsiao, Shu-Ling 5.40%; Yuan Hong Investment Co., Ltd. 16.49%; Fu, Chang-Hui 10.74%
Fu Yuan Investment Co., Ltd.	Fu Xun Investment Co., Ltd. 45.75%; Hong Cheng Investment Co., Ltd. 16.77%; Lian Guang Investment Co., Ltd. 13.66%; Sheng You Investment Co., Ltd. 10.43%; De Li International Investment Co., Ltd. 7.33%; Yuan Sheng International Investment Co., Ltd. 2.63%
Yuan Hong Investment Co., Ltd.	Liu, An-Hao 39.75%; Cheng, Mei-Chin 30.93%; Liu, I-Chun 11.91%; Liu, Yen-Liang 14.32%; Hsu, Shang-Wen 3.09%.

Table II: Information on major shareholders of the corporate shareholders that listed in Table I

March 31, 2023

Name of Corporate Shareholders	Major shareholders of the Corporate Shareholders
Fu Xun Investment Co., Ltd.	Chang, Jui-Pi 34.20%; Lin, Tzu-Hsuan 33.60%; Lin, Tzu-Yang 29.40%; Lin, Jui-Chang 2.80%
Hong Cheng Investment Co., Ltd.	Lin Yin, Li-Wen 39.40%; Lin, Chao-Hung 37.90%; Lin, Shao-Chien 14.80%; Lin, Shao-Chieh 7.90%
Lian Guang Investment Co. Ltd.	Lin, Wen-Hsing 21.50%; Hsu, Mei-Hui 20%; Lin, Chih-Cheng 29.50%; Lin, Chih-You 29%
Sheng You Investment Co., Ltd.	Lin, Miao-Chen 5.21%; Lin, Teng-Tsai 59.13%; Lin, Ping-Kuan 13.91%; Lin, Chih-Wei 13.91%; Lin, Chih-Ning 7.84%
De Li International Investment Co., Ltd.	Lin, Miao-Yin 21.28%; Chen, Chen-Yueh 20.21%; Chen, Ssu-Chin 29.79%; Chen, Ssu-Kai 28.72%
Yuan Sheng International Investment Co., Ltd.	Wu, Yuan-Sheng 25%; Lin, Shu-Yuan 25%; Wu, I-Hsin 25%; Wu, Shu-Hao 25%

2. Information on Directors (including independent directors)

(1) Disclosure of the qualification of Directors and the Independence of Independent Directors

March 31, 2023

Name / Qualification	Professional Qualification and Experiences (Note1)	Status of Independency (Note2)	Number of other public companies that the director serves concurrently as an independent director in such company
Director: Cheng, Hsi-Chien, representative of Ming An Investment Co., Ltd.	<ul style="list-style-type: none"> <li>The director has more than 20 years of working experience required by the Company's business. He graduated from School of Business Management in Meiji University. Currently, Mr. Cheng is the Company's Chairman.</li> <li>The Director himself does not have any of the circumstances stated in Article 30 of the Company Act.</li> </ul>		
Director: Liu, An-Hao, representative of Yuan Hong Investment Co., Ltd.	<ul style="list-style-type: none"> <li>The director has more than 20 years of working experience required by the Company's business. He graduated from National Taiwan University, School of Chemical Engineering. Currently, he serves as the Company's Vice Chairman and Vice President.</li> <li>The Director himself does not have any of the circumstances stated in Article 30 of the Company Act.</li> </ul>	Not Applicable	None
Director: Lin, Jui-Chang, representative of Fu Yuan Investment Co., Ltd.	<ul style="list-style-type: none"> <li>He graduated from SooChow University, Dept. Of Accounting. Currently he is the Chairman of Taiwan Fu Hsing Industrial Co., Ltd.</li> <li>The Director himself does not have any of the circumstances stated in Article 30 of the Company Act.</li> </ul>		
Director: Tu, Hsiao-Fen	<ul style="list-style-type: none"> <li>The director has more than 15 years of working experience required by the Company's business. He possesses a MBA degree from University of Texas. Currently he is a assistant manager in the Company's business group.</li> <li>The Director himself does not have any of the circumstances stated in Article 30 of the Company Act.</li> </ul>		
Independent Director: Hung, Li-Jung	<ul style="list-style-type: none"> <li>The director is a professional and technical personnel who possesses a national qualified CPA certificate.</li> <li>The director graduated from National Cheng Kung University, School of Management, Dept. Of Accountancy, and once was a partner in PwC Taiwan.</li> <li>The director currently is a convener of the Company's Audit Committee and a convener of the Company's Remuneration Committee. The director also concurrently an independent director in Eternal Materials Co., Ltd. and an independent director in Kuen Ling Machinery Refrigerating Co., Ltd.</li> <li>The Director himself does not have any of the circumstances stated in Article 30 of the Company Act.</li> </ul>	<ul style="list-style-type: none"> <li>The independent director herself, spouse and relative within 2<sup>nd</sup> degree (or under other's name) does not hold the Company's shares and is not a directors, supervisors or employee of the Company's affiliates or of enterprises with special relationship with the Company.</li> <li>The independent director, in the latest 2 years, did not receive remunerations from the Company or from the Company's affiliates for providing commerce, legal, financial, or accounting services.</li> </ul>	2

Name / Qualification	Professional Qualification and Experiences (Note1)	Status of Independency (Note2)	Number of other public companies that the director serves concurrently as an independent director in such company
Independent Director: Ho, Yao-Hung	<ul style="list-style-type: none"> <li>The director graduated from the Ohio State University as a graduate in Industrial and System Engineering, once was a partner and Executive Vice President in KPMG Taiwan.</li> <li>The director concurrently is an independent director of Leadtek Research Inc. And the General Manager of ETP Leadership Coach Consulting Ltd. Company.</li> <li>The Director himself does not have any of the circumstances stated in Article 30 of the Company Act.</li> </ul>	<ul style="list-style-type: none"> <li>The independent director, spouse and relative within 2nd degree (or under other's name) does not hold the Company's shares and is not a directors, supervisors or employee of the Company's affiliates or of enterprises with special relationship with the Company.</li> <li>The independent director, in the latest 2 years, did not receive remunerations from the Company or from the Company's affiliates for providing commerce, legal, financial, or accounting services.</li> </ul>	1
Independent Director: Chang, Hsueh-Pin	<ul style="list-style-type: none"> <li>The director had a full-time lecturer in Kao Yuan University, College of Information Management.</li> <li>The director holds a PhD in Mechanics and Aeronautics from Cornell University.</li> <li>The director concurrently is an independent director in China Steel Corporation, an independent director in HIWIN MIKROSYSTEM CORP., and deputy principal and honorary professor of Kao Yuan University.</li> <li>The Director himself does not have any of the circumstances stated in Article 30 of the Company Act.</li> </ul>	<ul style="list-style-type: none"> <li>The independent director, spouse and relative within 2nd degree (or under other's name) does not hold the Company's shares and is not a directors, supervisors or employee of the Company's affiliates or of enterprises with special relationship with the Company.</li> <li>The independent director, in the latest 2 years, did not receive remunerations from the Company or from the Company's affiliates for providing commerce, legal, financial, or accounting services.</li> </ul>	2
Independent Director: Chen, Yu-Lin	<ul style="list-style-type: none"> <li>The director graduated from the University of Kentucky with a PhD in Metallurgy and Materials Engineering, and once was an independent director of Wafer Works Photoelectric Corporation, chief engineer in Johnson Controls International at US battery headquarter, and the senior scientist of the GM Automotive's US battery headquarter and aircraft engine headquarter.</li> <li>The Director himself does not have any of the circumstances stated in Article 30 of the Company Act.</li> </ul>	<ul style="list-style-type: none"> <li>The independent director, spouse and relative within 2nd degree (or under other's name) does not hold the Company's shares and is not a directors, supervisors or employee of the Company's affiliates or of enterprises with special relationship with the Company.</li> <li>The independent director, in the latest 2 years, did not receive remunerations from the Company or from the Company's affiliates for providing commerce, legal, financial, or accounting services.</li> </ul>	None

Note 1: Professional qualification and experiences: state director and supervisor's professional qualification and experiences individually. If the Company has set up the Audit Committee and a committee member has expertise in accounting or finance, please provide on the member's accounting or finance background, as well as the work experiences. In addition, please also indicate whether there is any circumstance as stated in Article 30 of the Company Law.

Note 2: For independent directors, qualifications on independency should be stated, which includes but not limit to matters in relation to whether the independent director, his/her spouse, and any of the within 2nd-degree relatives serves as a director, supervisor or employee in the Company or any of the Company's affiliated companies, whether the independent director, his/her spouse, and any of the within 2nd-degree relatives (or under different names) holds the Company's share and if any, should state the shareholding percentage, whether the independent director, his/her spouse, and any of the within 2nd-degree relatives serves as a director, supervisor, or employee in any companies that have specified relationship with the Company (please refer to Article 3-1, item 5-8, of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies, and remunerations received in the most two recent years in exchange for any commerce, legal, finance, and accounting services provided to the Company or its affiliated companies.

(2) Diversification and Independency of the Board:

A. Diversification of the Board

According to the relevant provisions of Article 20 of the company's "Corporate Governance Code of Practice", the selection of board members is based on the principle of meritocracy, and the composition of members should consider diversity, except that the number of directors, who also serve as company managers, should not exceed one-third of the total directors' seats, with considerations of multi-complementary capabilities in cross-industry fields; factors including basic elements (such as age, gender, nationality, etc.), and their own industrial experience and related skills (such as finance, accounting, law, information technology, and public welfare undertakings, etc.), as well as business judgment, business management, leadership decision-making and crisis management are taken into account. The abilities that the board of directors should have as a whole are as follows:

- ① Ability in operational judgement.
- ② Accounting and financial analytical abilities.
- ③ Management ability.
- ④ Crisis handling ability.
- ⑤ Having industry related knowledge.
- ⑥ Having visions on international market.
- ⑦ Leadership ability.
- ⑧ Decision-making ability.

• Disclosure on board diversification:

Core elements of diversification		Nationality	Gender	Whether also an employee of the Company	Age				Seniority as an independent director (years)	Professional Knowledge & Skills	Note
					41 ~ 50	51 ~ 60	61 ~ 70	71 ~ 80			
Name of Directors											
Director	Cheng, Hsi-Chien Representative of Ming An Investment Co., Ltd.	R.O.C.	M	✓				✓	N/A	<ul style="list-style-type: none"> <li>• Possess the operational judgment ability, management ability, crisis handling ability, industry knowledge, international market outlook, leadership ability, decision-making ability, risk management knowledge and ability required by the company's business.</li> <li>• Graduated from Meiji University, School of Business Administration.</li> </ul>	
Director	Liu, An-Hao Representative of Yuan Hong Investment Co., Ltd.	R.O.C.	M	✓				✓	N/A	<ul style="list-style-type: none"> <li>• Possess the operational judgment ability, management ability, crisis handling ability, industry knowledge, international market outlook, leadership ability, decision-making ability, risk management knowledge and ability required by the company's business.</li> <li>• Graduated from National Taiwan University, School of Chemical Engineering.</li> </ul>	
Director	Lin, Jui-Chang Representative of Fu Yuan Investment Co., Ltd.	R.O.C.	M				✓		N/A	<ul style="list-style-type: none"> <li>• Possess the operational judgment ability, management ability, crisis handling ability, industry knowledge, international market outlook, leadership ability, decision-making ability, risk management knowledge and ability required by the company's business.</li> <li>• Graduated from SooChow University, Dept. Of Accounting.</li> </ul>	

Core elements of diversification		Nationality	Gender	Whether also an employee of the Company	Age				Seniority as an independent director (years)	Professional Knowledge & Skills	Note
					41 ~ 50	51 ~ 60	61 ~ 70	71 ~ 80			
Name of Directors											
Director	Tu, Hsiao-Fen	R.O.C.	F	✓	✓				N/A	<ul style="list-style-type: none"> <li>• Possess the operational judgment ability, management ability, crisis handling ability, industry knowledge, international market outlook, leadership ability, decision-making ability, risk management knowledge and ability required by the company's business.</li> <li>• Graduated from the University of Texas with a master's degree in business administration.</li> </ul>	
Independent Director	Hung, Li-Jung	R.O.C.	F			✓			3~9 years	<ul style="list-style-type: none"> <li>• Possess the operational judgment ability, accounting and financial analysis ability, operation management ability, crisis handling ability, industry knowledge, international market outlook, leadership ability, decision-making ability, risk management knowledge and ability required by the company's business.</li> <li>• Graduated from National Cheng Kung University, School of Management, Dept. Of Accountancy, and possess a national qualified CPA licence.</li> </ul>	
Independent Director	Ho, Yao-Hung	R.O.C.	M				✓		With in 3 years	<ul style="list-style-type: none"> <li>• Possess the operational judgment ability, management ability, crisis handling ability, industry knowledge, international market outlook, leadership ability, decision-making ability, risk management knowledge and ability required by the company's business.</li> <li>• Graduated from The Ohio University Master with a master degree in Industrial Systems.</li> </ul>	
Independent Director	Chang, Hsueh-Pin	R.O.C.	M					✓	With in 3 years	<ul style="list-style-type: none"> <li>• Possess the operational judgment ability, management ability, crisis handling ability, industry knowledge, international market outlook, leadership ability, decision-making ability, risk management knowledge and ability required by the company's business.</li> <li>• Holds a PhD in Mechanics and Aeronautics from Cornell University, and is the deputy principal and honorary professor of Kao Yuan University.</li> </ul>	
Independent Director	Chen, Yu-Lin	R.O.C.	M					✓	With in 3 years	<ul style="list-style-type: none"> <li>• Possess the operational judgment ability, management ability, crisis handling ability, industry knowledge, international market outlook, leadership ability, decision-making ability, risk management knowledge and ability required by the company's business.</li> <li>• Graduated from University of Kentucky with a PhD in Metallurgy and Materials Engineering.</li> </ul>	

The Company re-elected the 9<sup>th</sup> board of directors on November 26, 2021 in accordance with the policy of diversification, and set up 8 directors (including 4 independent directors). 4 independent directors account for 50% of the total number of directors, of which 3 independent directors have a tenure of less than 3 years. Age of members of the board of directors are between 40 to 80 years old, and they are all sages in the industry and academia. Among them, two board members have



obtained a doctorate degree, and one director has an CPA certificate; members of the Board possess multi-industrial complementary capabilities. Background of the directors covers industry, finance and accounting, technology and management. All members actively attended board meetings, and the personal attendance rate reached 100% in 2022. Directors really supervised and understood the implementation of business plans.

**B. The independency of the Board**

4 independent directors account for 50% of the directors, and 3 independent directors have a tenure of less than 3 years.

Among the general directors, there are 3 directors who are employees of the Company. Mr. Cheng, Hsi-Chien, the chairman of the board, and Mr. Liu, An-hao, the vice chairman of the Company, are 2<sup>nd</sup> degree relatives, related by marriage. There are no other matters as specified in Article 26-3, Item 3 and Item 4 of the Securities and Exchange Act.

**C. Management goal of the Board and the Achievement status**

Management Goal	Achievement
The board shall contain at least one female member	Achieved. Currently, there are two female directors.
More than half of the independent directors shall serve no more than three consecutive terms.	Achieved. Currently there are 3 independent directors with term of office as directors within 3 years.
Director's attendance in the board meeting shall exceed 85%.	Acheived. In 2022, the participation rate was 100%.

2. Information on the Chief Executive Officer, Deputy General Manager, Assistant Manager, and Superintendents of all the company's groups and branch units

March 31, 2023

Title	Nationality	Name	Gender	Post Beginning Date (m/d/y)	Shareholding		Shareholding of Spouse and Minors		Shareholding under Other's Name		Education & Experiences	Post in other company concurrently	Manager who is a spouse or a within 2 <sup>nd</sup> degree relative			Note
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
CEO	R.O.C.	Chou, I-Nan	M	3/1/2012	156,413	0.11%	20,000	0.01%	0	0%	PhD degree in Mechanical Engineering, National Chiao Tung University	A board member in Advanced Sporting Goods (Dongguan) Co., Ltd. A board member in Advanced International Multitech(VN) Co., Ltd.	None	None	None	None
Deputy General Manager	R.O.C.	Liu, An-Hao	M	7/1/1998	885,234	0.63%	440,894	0.31%	0	0%	National Taiwan University, School of Chemical Engineering Deputy Director of a chemical fiber factory of Tainan Spinning Co., Ltd.	Vice Chairman and a board member in Advanced International Multitech Co., Ltd. A board member of Ming An Investment Co., Ltd. A board member in Advanced International Multitech(VN) Co., Ltd. Chairman of Launch Technologies Co., Ltd.	Chairman	Cheng, Hsi-Chien	Affinity	None
Deputy General Manager	R.O.C.	Li, Mei-Chuan	F	12/10/2007	33,475	0.02%	0	0%	0	0%	Soochow University, Dept. Of Accounting Passed the National Accountant Exam in 1992 CFO in Stark Technology Inc. (LITEON) CFO in Advanced International Multitech Co., Ltd.	None	None	None	None	None
Deputy General Manager	R.O.C.	Yang, Chih-Ming	M	1/1/2011	24,317	0.02%	0	0%	0	0%	National Cheng Kung University, Dept. Of Aeronautics and Astronautics, Structures Team Special Assistant in Taiwan Green Point Enterprise Co., Ltd. Vice President in Ariose Electronic Co., Ltd. A researcher in the Materials Lab of the ITRI	None	None	None	None	None

March 31, 2023

Title	Nationality	Name	Gender	Post Beginning Date (m/d/y)	Shareholding		Shareholding of Spouse and Minors		Shareholding under Other's Name		Education & Experiences	Post in other company concurrently	Manager who is a spouse or a within 2 <sup>nd</sup> degree relative			Note
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Deputy General Manager	R.O.C.	Lu, Ying-Cheng	M	12/1/2021	30,000	0.02%	0	0%	0	0%	PhD in Electrical Engineering, University of Texas at Dallas Technical Director in Metal Industries Research and Development Centre An independent director and a committee member of the Audit Committee and Remuneration Committee in UTECHZONE Co., Ltd. An independent director and a committee member of the Audit Committee and Remuneration Committee in Ying Han Technology Co., Ltd.	CEO and a board member in Launch Technologies Co., Ltd.	None	None	None	None
Assistant Manager	Japan	Akinori Sasamoto	M	7/1/2013	0	0%	0	0%	0	0%	Tokyo City University	None	None	None	None	None
Assistant Manager	R.O.C.	Lin, Tien-Chien	M	3/5/2014	8,000	0.01%	0	0%	0	0%	Grand Canyon Uni (Arizona state USA) Director in Walsin Technology Corporation QM/Organizational System Manager of Taiwan Philips.	None	None	None	None	None
Senior Assistant Manager	R.O.C.	Wang, Chih-Wen	M	1/1/2016	28,359	0.02%	11,459	0.01%	0	0%	Bachelor in Mechanical Engineering of National Chung Hsing University.	None	None	None	None	None
Assistant Manager	R.O.C.	Hsueh, Hung-Jung	M	7/26/2016	20,000	0.01%	1,000	0%	0	0%	Master degree from Dept. Of Environmental and Occupational Health, College of Medicine, National Cheng Kung University Manager of Jia Dah Chemical Industrial Co., Ltd. Deputy Director of Southern District Center of the Occupational Safety and Health Administration, Ministry of Labor	None	None	None	None	None

March 31, 2023

Title	Nationality	Name	Gender	Post Beginning Date (m/d/y)	Shareholding		Shareholding of Spouse and Minors		Shareholding under Other's Name		Education & Experiences	Post in other company concurrently	Manager who is a spouse or a within 2 <sup>nd</sup> degree relative			Note
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Senior Assistant Manager	R.O.C.	Tu, Hsiao-Fen	F	1/1/2019	871,840	0.62%	0	0%	0	0%	Master of Business Administration, University of Texas	None	None	None	None	None
Assistant Manager	R.O.C.	Liu, Chih-Lung	M	1/1/2019	29,434	0.02%	5,000	0%	0	0%	Dept. Of Fiber Engineering Technology (Dept. Of Material Science and Engineering) of National Taiwan University of Science and Technology	None	None	None	None	None
Assistant Manager	R.O.C.	Cheng, Feng-Yao	M	7/1/2021	1,252,805	0.89%	0	0%	0	0%	Bachelor in Physics in National Tsing Hua University	None	Chairman	Cheng, Hsi-Chien	Father-Son	None
Assistant Manager	R.O.C.	Kuo, Yi-Mao	F	7/1/2021	18,000	0.01%	0	0%	0	0%	MBA in National Sun Yat-Sen University Financial Manager in Launch Technologies Co., Ltd.	None	None	None	None	None
Assistant Manager	R.O.C.	Chen, Chun-Chung	M	2/1/2019	23,295	0.02%	71	0%	0	0%	Master of Electronic Engineering, I-Shou University Manager in Customer Service Dept. of the Welltrend Technology Corporation	None	None	None	None	None

3. If the Chairman of the Company and the Chief Executive Officer or a person of equivalent position (top manager) are the same person, the spouse or first-degree relatives, the reason, rationality, necessity and countermeasures shall be explained: Started from September 1, 2022, Mr. Chou, I-Nan becomes the Chief Executive Officer of the Company.

(III) Remuneration paid to directors (including independent director), Chief Executive Officer, and Deputy General Manager in current fiscal year:

1. Remunerations paid to general directors and independent directors

Unit: NT\$1,000

Title	Name	Remuneration paid to directors								Summation of A, B, C and D to NIAT (%)		When concurrently an employee, the remuneration received						Summation of A, B, C, D, E, F and G to NIAT (%)		Remuneration received from investments other than subsidiaries or mother company															
		Remuneration (A)		Retirement Payment (B)		Director's compensation(C)		Expense associated with business execution(D)				Salary, rewards, and special fees, etc. (E)		Retirement Payment (F)		Employee's compensation (G)																			
		The Company	All companies in the consolidated report	The Company	All companies in the consolidated report	The Company	All companies in the consolidated report	The Company	All companies in the consolidated report	The Company	All companies in the consolidated report	The Company	All companies in the consolidated report	The Company	All companies in the consolidated report	Cash	Stock	Cash	Stock		The Company	All companies in the consolidated report													
Corporate Chairman	Cheng, Hsi-Chien (Representative of Ming An Investment Co., Ltd.)																																		
Corporate Director	Liu, An-Hao (representative of Hong Yuan Investment Co., Ltd.)	20	4,533	0	0	5,600	6,124	170	290	Total amount of 5,790, accounting to 0.26% of NIAT	Total amount of 10,976, accounting to 0.49% of NIAT	30,094	30,094	122	122	2,110	0	2,110	Total amount of 38,116, accounting to 1.70% of NIAT	Total amount of 43,293, accounting to 1.93% of NIAT	None														
Director	Tu, Hsiao-Fen																																		
Corporate Director	Lin, Jui-Chang (representative of Fu Yuan Investment Co., Ltd.)																																		
Independent Director	Hung, Li-Jung																																		
Independent Director	Chang, Hsueh-Pin	420	420	0	0	4,800	4,800	200	200	Total amount of 5,420, accounting to 0.24% of NIAT	Total amount of 5,420, accounting to 0.24% of NIAT	0	0	0	0	0	0	0	0	Total amount of 5,420, accounting to 0.24% of NIAT	Total amount of 5,420, accounting to 0.24% of NIAT	None													
Independent Director	Ho, Yao-Hung																																		
Independent Director	Chen, Yu-Lin																																		

(1) Please explain company's policy on independent director's remuneration, system, standard, and structure, and state the correlation between remuneration paid to independent directors and his work job responsibility, risk, invested time, and other related factors:

The Company's remuneration policy for independent directors' remuneration policy is the same as directors' remuneration policy. Reasonable payment are given in consideration of the company's operating results and their contribution to the company's performance. The payment is also handled in accordance with the company's "Rules for remuneration of the Employee and Directors".

The payment plan should be reviewed by the Remuneration Committee and submit for approval at the Board Meeting, and the Chairman is authorized to handle the distribution.

The payment plan will be reviewed at any time depending on the actual operating conditions and relevant laws and regulations.

(2) Except for the above disclosure, remunerations paid to directors for providing services (such as serving as a non-employee type consultant for the parent company/all the companies listed in the financial statement/reinvested enterprises ) during the most current fiscal year: None.

Note: The remuneration disclosed in this form is different from the concept of income stated in the Income Tax Act. Hence, this form is for information disclosure and not for taxation purpose.

### Table of the Range of Remunerations

Range of remuneration paid to the Company's directors	Name of Directors			
	Total of the first 4 remunerations (A+B+C+D)		Total of the first 7 remuneration(A+B+C+D+E+F+G)	
	The Company	All companies in the consolidated report	The Company	All companies in the consolidated report
Less than\$ 1,000,000	Cheng, Hsi-Chien Liu, An-Hao Lin, Jui-Chang	Cheng, Hsi-Chien Lin, Jui-Chang	Lin, Jui-Chang	Lin, Jui-Chang
\$1,000,000 (including)~\$2,000,000 (excluding)	Hung, Li-Jung Chang, Hsueh-Pin Ho, Yao-Hung Chen, Yu-Lin Tu, Hsiao-Fen Hong Yuan Investment Co., Ltd. Fu Yuan Investment Co., Ltd.	Hung, Li-Jung Chang, Hsueh-Pin Ho, Yao-Hung Chen, Yu-Lin Tu, Hsiao-Fen Hong Yuan Investment Co., Ltd. Fu Yuan Investment Co., Ltd.	Hung, Li-Jung Chang, Hsueh-Pin Ho, Yao-Hung Chen, Yu-Lin Hong Yuan Investment Co., Ltd. Fu Yuan Investment Co., Ltd.	Hung, Li-Jung Chang, Hsueh-Pin Ho, Yao-Hung Chen, Yu-Lin Hong Yuan Investment Co., Ltd. Fu Yuan Investment Co., Ltd.
\$2,000,000 (including)~\$3,500,000 (excluding)	Ming An Investment Co., Ltd.	Ming An Investment Co., Ltd.	Ming An Investment Co., Ltd.	Ming An Investment Co., Ltd.
\$3,500,000 (including)~\$5,000,000 (excluding)		Liu, An-Hao		
\$5,000,000 (including)~\$10,000,000 (excluding)			Tu, Hsiao-Fen Liu, An-Hao	Tu, Hsiao-Fen
\$10,000,000 (including)~\$15,000,000 (excluding)				Liu, An-Hao
\$15,000,000 (including)~\$30,000,000 (excluding)			Cheng, Hsi-Chien	Cheng, Hsi-Chien
\$30,000,000 (including)~\$50,000,000 (excluding)				
\$50,000,000 (including)~\$100,000,000 (excluding)				
More than 100,000,000				
Total	11 persons	11 persons	11 persons	11 persons

2. Remunerations paid to Chief Executive Officer and Deputy General Manager

Title	Name	Salary (A)		Retirement Payment (B)		Bonus and Special Fees (C)		Employee Compensations (D)				Summation of A, B, C, and D to NIAT (%)		Remuneration received from investments other than subsidiaries or mother company
		The Company	All companies in the consolidated report	The Company	All companies in the consolidated report	The Company	All companies in the consolidated report	The Company		All companies in the consolidated report		The Company	All companies in the consolidated report	
								Cash	Stock	Cash	Stock			
Chairman & CEO	Cheng, Hsi-Chien	14,443	17,209	445	553	35,061	48,101	4,740	0	5,536	0	Total amount of 54,689, accounting to 2.44% of NIAT	Total amount of 71,399, accounting to 3.19% of NIAT	None
CEO	Chou, I-Nan													
Deputy General Manager	Liu, An-Hao													
Deputy General Manager	Li, Mei-Chuan													
Deputy General Manager	Yang, Chih-Ming													
Deputy General Manager	Lu, Ying-Cheng													

Note: The remuneration disclosed in this form is different from the concept of income stated in the Income Tax Act. Hence, this form is for information disclosure and not for taxation purpose.



Table of the Range of Remunerations

Range of remuneration paid to the Company's CEO and Deputy General Manager	Name of CEO and Deputy General Manager	
	The Company	All companies in the consolidated report
Less than \$ 1,000,000		
\$1,000,000 (including) ~ \$2,000,000 (excluding)	Lu, Ying-Cheng	
\$2,000,000 (including) ~ \$3,500,000 (excluding)		
\$3,500,000 (including) ~ \$5,000,000 (excluding)		
\$5,000,000 (including) ~ \$10,000,000 (excluding)	Liu, An-Hao Li, Mei-Chuan Yang, Chih-Ming	Li, Mei-Chuan Yang, Chih-Ming
\$10,000,000 (including) ~ \$15,000,000 (excluding)	Chou, I-Nan	Chou, I-Nan Lu, Ying-Cheng Liu, An-Hao
\$15,000,000 (including) ~ \$30,000,000 (excluding)	Cheng, Hsi-Chien	Cheng, Hsi-Chien
\$30,000,000 (including) ~ \$50,000,000 (excluding)		
\$50,000,000 (including) ~ \$100,000,000 (excluding)		
More than 100,000,000		
Total	6 persons	6 persons

3. Names of managers receiving employee's compensation and the allocation

December 31, 2022/ Unit: NT\$1,000

	Title	Name	Amount of Stock	Amount of Cash	Total	Total amount to NIAT (%)
Managers	Chairman	Cheng, Hsi-Chien	0	6,527	6,527	0.29%
	Vice Chairman & Deputy General Manager	Liu, An-Hao				
	CEO	Chou, I-Nan				
	Deputy General Manager	Li, Mei-Chuan				
	Deputy General Manager	Yang, Chih-Ming				
	Deputy General Manager	Lu, Ying-Cheng				
	Financial supervisor/ Accounting supervisor/ Corporate Governance supervisor/ Assistant Manager	Kuo, I-Miao				
	Assistant Manager	Hsueh, Hung-Jung				
	Assistant Manager	Sasamoto Akunori				
	Assistant Manager	Lin, Tien-Chien				
	Assistant Manager	Wang, Chih-Wen				
	Assistant Manager	Tu, Hsiao-Fen				
	Assistant Manager	Liu, Chih-Jung				
	Assistant Manager	Chen, Chun-Chung				
	Assistant Manager	Cheng, Feng-Yao				

4. Analysis on the ratio of total amount of all the companies in the consolidated report paid to the Company's directors, supervisors, general manager and vice general manager to the net income after tax in the most recent two years, and explain the payment policy, standards, combinations, procedure of the payment plan, and the relationship between operational performance and future risks.

Unit: NT\$1,000 ; %

Year	2021		2022		
	Title	Total remuneration paid	% of remuneration to NIAT	Total remuneration paid	% of remuneration to NIAT
Directors		31,945	2.37%	48,713	2.17%
Supervisors		3,112	0.23%	NA	NA
CEO and Deputy General Manager		44,577	3.31%	71,399	3.19%

- (1) Directors are paid in accordance with the provisions of Article 29 of the Company's Articles of Incorporation. The Chief Executive Officer and Deputy General Manager are paid according to their participation level in the Company's operations, their contribution, and reference to industry standards. In addition, the bonuses are paid depending on the Company's earnings, operating performance, and reference to industry standard.
- (2) Directors' remuneration includes traveling expenses and remuneration based on profit distribution, etc. If a director concurrently serves as an employee of the Company concurrently, he/she is eligible for employee remuneration. Besides the basic salary, the Chief Executive Officer and Deputy General Manager will also be awarded position bonuses, performance bonuses and employee remuneration according to their rank and performance, and the payment shall be approved by the Remuneration Committee.

(IV) Corporate Governance Practices

1. The operation of the board

In 2022, 8 board meetings were held with director's (including independent directors) participation status as below:

Title	Name	Attendance in person (B)	Attendance in proxy	Actual attendance rate (%) 【B/A】	Note
Chairman	Cheng, Hsi-Chien (representative of Ming An Investment Co., Ltd.)	8	0	100%	
Director	Liu, An-Hao (representative of Yuan Hong Investment Co., Ltd.)	8	0	100%	
Director	Lin, Jui-Chang (representative of Fu Yuan Investment Co., Ltd.)	8	0	100%	
Director	Tu, Hsiao-Fen	8	0	100%	
Independent Director	Hung, Li-Jung	8	0	100%	
Independent Director	Ho, Yao-Hung	8	0	100%	
Independent Director	Chang, Hsueh-Pim	8	0	100%	
Independent Director	Chen, Yu-Lin	8	0	100%	

Other matters should be reported:

(1) If the board meeting has any of the following situations, matters including date of the board meeting, term of the meeting, contents of the proposals, opinion expressed by all the independent directors and the Company's response to independent directors:

A. Matters stated in Article 14-3 of the Securities and Exchange Act.

B. In addition to the aforementioned matters, other resolutions of the board of directors that have been objected or expressed a reserve opinion by independent directors and have records or written statements: None.

The 3<sup>rd</sup> Board Meeting of the 9<sup>th</sup> Term (January 20, 2022)

Important resolutions	Objection or reserve opinion expressed by independent directors	The Company's response to independent directors' opinion	Resolution results
1. To approve the Company's treasury stock transfer to employees. 2. To approve the amendment of Regulatory System and Budget Management.	None	Not applicable	Approved by all the directors (including independent directors) presenting in the Meeting.

The 5<sup>th</sup> Board Meeting of the 9<sup>th</sup> Term (February 25, 2022)

Important resolutions	Objection or reserve opinion expressed by independent directors	The Company's response to independent directors' opinion	Execution status
1. To approve employees, directors and supervisors' remuneration of 2021. 2. To approve 2021 business report and financial reports. 3. To approve 2021 dividend distribution. 4. To approve 2021 Internal Control Statement. 5. To approve the amendment of some clauses of the Regulations Governing the Acquisition and Disposal of Assets.	None	Not applicable	Approved by all the directors (including independent directors) presenting in the Meeting.

6. To approve the amendment of some clauses of the Regulatory System and Budget Management.			
7. To approve the independence and competence assessment of certified Public Accountant.			
8. To approve the appointment of Certified Public Accountant.			

The 6<sup>th</sup> Board Meeting of the 9<sup>th</sup> Term (April 18, 2022)

Important resolutions	Objection or reserve opinion expressed by independent directors	The Company's response to independent directors' opinion	Execution status
1. To approve the 3 <sup>rd</sup> issue of domestic unsecured convertible corporate bonds.	None	Not applicable	Approved by all the directors (including independent directors) presenting in the Meeting.

The 7<sup>th</sup> Board Meeting of the 9<sup>th</sup> Term (May 10, 2022)

Important resolutions	Objection or reserve opinion expressed by independent directors	The Company's response to independent directors' opinion	Execution status
1. To approve 2022 Q1 financial reports. 2. To approve the amendment of some clauses of the circulation of Property, Plant and Equipment.	None	Not applicable	Approved by all the directors (including independent directors) presenting in the Meeting.

The 8<sup>th</sup> Board Meeting of the 9<sup>th</sup> Term (August 4, 2022)

Important resolutions	Objection or reserve opinion expressed by independent directors	The Company's response to independent directors' opinion	Execution status
1. To approve the change of the Company's CPA. 2. To approve 2022 Q2 financial reports. 3. To approve the change of the Company's Spokesperson and General Manager.	None	Not applicable	Approved by all the directors (including independent directors) presenting in the Meeting.

The 9<sup>th</sup> Board Meeting of the 9<sup>th</sup> Term (November 4, 2022)

Important resolutions	Objection or reserve opinion expressed by independent directors	The Company's response to independent directors' opinion	Execution status
1. To approve 2022 Q3 financial reports. 2. To approve the amendment of the Information System Processing Cycle. 3. To approve the amendment of some clauses of the Procedures for Handling Material Inside Information.	None	Not applicable	Approved by all the directors (including independent directors) presenting in the Meeting.

(2) The implementation to avoid motions with matters bearing on director's personal interests. Name of director, contents of the motion, reasons to avoid conflicts of interests, and the voting situation.

The 3<sup>rd</sup> Board Meeting of the 9<sup>th</sup> Term (January 20, 2022)

Important resolutions	Directors having conflict of interest situation, the reason to avoid the situation, and the voting situation
<ol style="list-style-type: none"> <li>1. To approve the plan of 2021 H2 managers' performance bonus.</li> <li>2. To approve the plan of manager's 2021 year-end bonus.</li> <li>3. To approve the 2022 salary adjustment plan to managers.</li> <li>4. To approve the Company's treasury stock transfer to employees.</li> </ol>	<p>Director Cheng Hsi-Chien, Liu An-Hao, Tu Hsiao-Fen, and manager, Kuo I-Mao, did not participate in the discussion and voting due to the concern of conflict of interest. Hence, the independent director, Hung, Li-Jung, was appointed to be the acting chair of the meeting.</p>

The 8<sup>th</sup> Board Meeting of the 9<sup>th</sup> Term (August 4, 2022)

Important resolutions	Directors having conflict of interest situation, the reason to avoid the situation, and the voting situation
<ol style="list-style-type: none"> <li>1. To approve the 2021 Remuneration Plan to Independent Directors.</li> </ol>	<p>Independent directors, Hung Li-Jung, Ho Yao-Hung, Chang Hsueh-Pin, and Chen Yu-Lin, refrained from participating in the discussion and voting due to the concern of conflict of interest.</p>
<ol style="list-style-type: none"> <li>2. To approve the 2021 Remuneration Plan to Directors (excluding Independent Directors) and Supervisors.</li> <li>3. To approve the 2021 Remuneration Plan to managers.</li> <li>4. To approve the 2022 H1 Performance Bonus Plan to managers.</li> <li>5. To approve the 2022 Salary Adjustment Plan to Manager.</li> </ol>	<p>Director, Cheng Hsi-Chien, Liu An-Hao, Tu Hsiao-Fen, and manager, Kuo I-Mai, refrained from participating in the discussion and voting due to the concern of conflict of interest. Hence, the independent director, Hung Li-Jung, was appointed to be the acting chair in the meeting.</p>

(3) TWSE/TPEX listed companies shall disclose information such as the evaluation cycle and period, evaluation scope, method, and evaluation content in relation to the evaluation the board of directors itself (or peer).

Execution of the Board Evaluation

Evaluation Cycle	Once per year
Evaluation Period	January 1, 2022 to December 31, 2022
Scope of the evaluation	Performance evaluation is carried out for the board, individual directors, and functional committees (Remuneration Committee and Audit Committee).
Evaluation Method	The Company adopts internal self-evaluation of the board of directors, self-evaluation of directors, peer evaluation, functional committees (remuneration committee and audit committee), and board members are requested to fill out the "director self-evaluation questionnaire". The evaluation results and suggestions are submitted to the Board Meeting at the first quarter in the following year.
Contents of evaluations	<ol style="list-style-type: none"> <li>1. Three major directions for evaluating the board's performance:               <ol style="list-style-type: none"> <li>(1) Law compliance, for example, the avoidance on conflict of interest matters and fulfillment of total hours of education and training per year, etc...</li> <li>(2) Level of participation in the Company's operation, for example, the assessment and supervision on the Company's existing or potential risks.</li> <li>(3) Decision-making quality and internal control, for example, the execution of follow-ups on resolutions after each meeting.</li> </ol> </li> <li>2. Three major directions for evaluating individual directors:               <ol style="list-style-type: none"> <li>(1) Law compliance, for example, the avoidance on conflict of interest matters and fulfillment of total hours of education and training per year, etc...</li> <li>(2) Level of participation in the Company's operation, for example, the assessment and supervision on the Company's existing or potential risks.</li> <li>(3) Decision-making quality and internal control, for example, the execution of follow-ups on resolutions after each meeting.</li> </ol> </li> <li>3. Three major directions for evaluating functional committee (Remuneration Committee and Audit Committee):</li> </ol>

- (1) Law compliance, for example, there are clear and appropriate authority terms and range.
- (2) Level of participation in the Company's operation, for example, the assessment and supervision on the Company's existing or potential risks.
- (3) Decision-making quality and internal control, for example, the Company's internal control system and decision-making quality in meetings.

Evaluation results on 2022 board performance:

In January 2023, the Company has completed the evaluation on the performance of the board, board members, and functional committees. The evaluation results are good. The board of directors functions well.

Evaluation on the Board	Evaluation on members of the Board	Evaluation on functional committees (Audit Committee and Remuneration Committee)
Score 100 points	Score 100 points	Score 100 points

Suggestions to the Board and functional committees:

Improve operational risk awareness, continue to invite relevant professionals from time to time, analyze the impact of changes in laws and regulations and market changes on the company, awareness of taxation risks and financial-related risks, in order to improve decision-making quality.

Submission dates to the board of directors for review for the past 2 years:

Year	Date of Submission and Approval by the Board Meeting
2021	January 20, 2022
2022	January 13, 2023

- (4) The goals of strengthening the board of directors' functions in the current year and the most recent year (such as the establishment of an audit committee, information transparency improvement, etc.) and the evaluation of the implementation:
- A. In order to carry out corporate governance and improve the functions of the board of directors, the Remuneration Committee was established on December 08, 2011, and Audit Committee were established on November 26, 2021. The operation of the functional committees is held in accordance with the organizational regulations and terms of reference, and the suggestions are submitted to the board of directors for discussion and resolution.
  - B. The Company well discloses various operational related information, financial information, corporate governance, and sustainable development promotion and implementation information in the annual report, company website, and the Market Observation Post System to enhance information transparency.

2. The operation of Audit Committee

The Company set up the Audit Committee on November 26, 2021 to replace the duties of the supervisors. The operation of the audit committee is to supervise the fair expression of the Company's financial statements, the appointment (dismissal) of certified accountants, as well as the evaluation on accountant's independency and performance, the effective implementation of the Company's internal control, law compliance, and the management and control of the Company's existing and potential risks. The audit committee shall also make and submit suggestions to the Board for discussion.

(1) The operation of Audit Committee:

- A. The company's audit committee has a total of 4 members, composed of all the independent directors.
- B. Term of the office of the current committee: From November 26, 2021 to November 25, 2024. In the current year (2022), the Audit Committee organized 6 meetings (A), and the participation situation of independent directors as below:

Title	Name	Attendance in person(B)	Attendance in proxy	Actual attendance rate (%) 【B/A】	Note
Independent Director	Hung, Li-Jung (The Convener)	6	0	100%	
Independent Director	Ho, Yao-Hung	6	0	100%	
Independent Director	Chang, Hsueh-Pin	6	0	100%	
Independent Director	Chen, Yu-Lin	6	0	100%	

Other matters shall be recorded:

(1) Should the operation of audit committee has any of the following situation, matters including the date of the meeting, the period, content of the motion, independent director's objections, reservations, or major recommendations, the results of the Audit Committee's resolutions, and how the Company's reacts to audit committee's opinions should be recorded.

- ①The matters set up in Article 14-5 of the Securities and Exchange Act.
- ②In addition to aforementioned matters, any other matters that have not approved by the Audit Committee but are resolved by more than two-third of the board members: None.

1<sup>st</sup> Meeting of the 1<sup>st</sup> term (January 20, 2022)

Important resolutions	Results of Audit Committee Resolutions	The Company's response to Audit Committee's suggestions
1. To approve the establishment of Rules of Procedure of the Audit Committee. 2. To approve the revision of 2022 Audit Plan. 3. To approve the amendment of Regulatory System and Budget Management.	Approved by all the members in the Audit Committee	Approved by all the presenting directors

2<sup>nd</sup> Meeting of the 1<sup>st</sup> term (February 25, 2022)

Important resolutions	Results of Audit Committee Resolutions	The Company's response to Audit Committee's suggestions
<ol style="list-style-type: none"> <li>1. To approve 2021 Business Report and Financial Reports.</li> <li>2. To approve 2021 Internal Control Statement.</li> <li>3. To approve the amendment of some clauses of the Regulations Governing the Acquisition and Disposal of Assets.</li> <li>4. To approve the amendment of some clauses of the Regulatory System and Budget Management.</li> <li>5. To approve the independence and competence assessment of certified public accountant.</li> <li>6. To approve the appointment of Certified Public Accountant.</li> </ol>	Approved by all the members in the Audit Committee	Approved by all the presenting directors

3<sup>rd</sup> Meeting of the 1<sup>st</sup> term (April 18, 2022)

Important resolutions	Results of Audit Committee Resolutions	The Company's response to Audit Committee's suggestions
To approve the 3 <sup>rd</sup> issue of domestic unsecured convertible corporate bonds.	Approved by all the members in the Audit Committee	Approved by all the presenting directors

4<sup>th</sup> Meeting of the 1<sup>st</sup> term (May 10, 2022)

Important resolutions	Results of Audit Committee Resolutions	The Company's response to Audit Committee's suggestions
<ol style="list-style-type: none"> <li>1. To approve 2022 Q1 financial reports.</li> <li>2. To approve the amendment of some clauses of the circulation of Property, Plant, and Equipment.</li> </ol>	Approved by all the members in the Audit Committee	Approved by all the presenting directors

5<sup>th</sup> Meeting of the 1<sup>st</sup> term (August 4, 2022)

Important resolutions	Results of Audit Committee Resolutions	The Company's response to Audit Committee's suggestions
<ol style="list-style-type: none"> <li>1. To approve the change of the Company's CPA.</li> <li>2. To approve 2022 Q2 financial reports.</li> </ol>	Approved by all the members in the Audit Committee	Approved by all the presenting directors



6<sup>th</sup> Meeting of the 1<sup>st</sup> term (November 4, 2022)

Important resolutions	Results of Audit Committee Resolutions	The Company's response to Audit Committee's suggestions
1. To approve 2022 Q3 financial reports. 2. To approve the 2023 Audit Plan. 3. To approve the amendment of the Information System Processing Cycle. 4. To approve the amendment of some clauses of the Management of Operation of Board Meeting. 5. To approve the amendment of some clauses of the Procedures for Handling Material Inside Information.	Approved by all the members in the Audit Committee	Approved by all the presenting directors

(2) The implementation to avoid motions with matters bearing on independent director's personal interests. Name of independent director, contents of the motion, reasons to avoid conflicts of interests, and the voting situation: none.

(3) The communication of independent directors with internal audit superintendents and accountants (should disclose the major matters, methods and results of communication in light of the Company's financial and business conditions, etc.) :

① The certified accountants of the Company report the quarterly financial statement review or review results and other communication matters required by relevant laws and regulations in the quarterly meetings. If there are special circumstances, they will also report to the independent directors immediately.

The communications between the Company's independent directors and certified accountants are good.

Summary of communications between independent director and certified accountants:

Date (m/d/y)	Communication Matters	The Company's response
2/25/2022	(1) The accountants explained and discussed in light of 2021 mother company only and consolidated financial reports, key audit items, application of some accounting principles and the impact of newly revised laws and regulations. (2) The accountants communicated with the governance unit on the completion stage of the audit. (3) The accountants discussed and communicated on matters submitted by participants.	No opinion in the meeting
5/10/2022	(1) The accountants explained and discussed in light of 2022 Q1 consolidated financial reports. (2) The accountants discussed and communicated on matters submitted by participants.	No opinion in the meeting
8/4/2022	(1) The accountants explained and discussed in light of 2022 Q2 consolidated financial reports. (2) The accountants discussed and communicated on matters submitted by participants.	No opinion in the meeting
11/4/2022	(1) The accountants explained and discussed in light of 2022 Q3 consolidated financial reports. (2) The accountants communicated with the governance unit on the completion stage of the audit. (3) The accountants discussed and communicated on matters submitted by participants.	No opinion in the meeting

② The internal audit superintendent of the Company regularly communicates the results of the audit report with the independent directors, and makes an internal audit report in the

board of directors every quarter. If there is any special situation, it will also report to the independent directors immediately.

The communications between the Company's independent directors and internal audit superintendent are good.

Summary of communications between independent director and internal superintendent:

Date (m/d/y)	Communication Matters	The Company's response
5/10/2022	1. Internal audit report for the period of January to March, 2022. 2. Discussion and communications on matters submitted by meeting participants.	No opinion in the meeting
8/4/2022	1. Internal audit report for the period of April to June, 2022. 2. Discussion and communications on matters submitted by meeting participants.	No opinion in the meeting
11/4/2022	1. Internal audit report for the period of July to September, 2022. 2. Discussion and communications on matters submitted by meeting participants.	No opinion in the meeting

3. The implementation of corporate governance and the divergence from the regulated Best-Practice Principles for TWSE/TPEX Listed Companies and the reason for such divergences

List of Assessments	Implementation Status			Divergence from the regulated Best Practices and Reasons of the Divergence
	Yes	No	Summary & Explanation	
(I) Whether the company establishes and discloses corporate governance principles following the regulated “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”?	✓		The Company has set up its own “Corporate Governance Code of Practice”, which was approved by the Board on August 5, 2016, in accordance with the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”. The Code of Practice is revised according to the revision of laws and regulations and the Company's practical operation needs. The latest revision was made on February 23, 2023, and have disclosed on the Company’s website and TWSE’s Market Observation Post System.	No significant divergence
(II) Share structure and stockholder’s equities				
1. Whether the Company sets up internal work procedures to handle suggestions, questions, disputes and lawsuits with shareholders, and whether the procedures are implemented accordingly?	✓		1. The Company has established “Corporate Governance Best Practice Principles”, “Ethical Corporate Management Best Practice Principles”, “Codes of Ethical Conduct”, and “Procedures for Ethical Management and Guidelines for Conduct”. In addition, the Company has appointed spokesperson and acting spokesperson as external communication channel. The Company also set up a Stock Affair Section to deal with shareholder related issues.	No significant divergence
2. Whether the company holds the information on the company’s major shareholders with controlling interests and the ultimate controlling parties that stand behind the major shareholders?	✓		2. The Company has a list of the major shareholders who actually control the company and the ultimate controller of the major shareholders. And the changes in the stock holding status by insiders (directors, supervisors, managers, and shareholders holding more than 10% of the total shares and their within 2 <sup>nd</sup> degree relatives) are reported to TWSE’s Market Observation Post System on a monthly basis.	

List of Assessments	Implementation Status			Divergence from the regulated Best Practices and Reasons of the Divergence
	Yes	No	Summary & Explanation	
3. Whether the Company establishes and implements rules for risk management and firewall mechanism with affiliated companies?	✓		3. The Company has established relevant controls in the Company's internal control system and has established the "Management Rules for Related Party Transactions" in accordance with laws and regulations.	
4. Whether the Company establishes internal regulations to prohibit insiders from utilizing un-disclosed information to purchase/sell securities	✓		4. The Company has established the "Procedures for the Prevention of Insider Trading" to regulate and prohibit all the employees, managers, directors of the Company management operation to prevent insider trading" to regulate all employees, managers and directors, as well as any personnel, who knows the company's information based on occupation or control relationship, from conducting any behavior that may involve insider trading. In addition, the Company regularly carry out internal education training and propagation.	
(III) Composition and Duties of the Board of Directors				No significant divergence
1. Does the board of directors formulate diversity policies and related specific management objectives, and truly implement them?	✓		1. The Company has established the "Corporate Governance Best Practice Principles" and has disclosed in detail on the Company's website and the TWSE's Market Observation Post System. Please refer to page 19 to page 21 of this annual report for the diversity policy, specific management objectives and implementation of the board of directors.	
2. Besides setting up Remuneration Committee and Audit Committee according to laws and regulations,	✓		2. The Company set up the Remuneration Committee and Audit Committee as required by laws and regulations. And the corporate governance operations are handled by various departments according to their duties. In the future, the Company will assess to set up	

List of Assessments	Implementation Status			Divergence from the regulated Best Practices and Reasons of the Divergence
	Yes	No	Summary & Explanation	
whether the company voluntarily sets up other similar kinds of functional committee?			other functional committees, if necessary.	
3. Whether the Company sets up Board of Director's performance evaluation rules and method, carries out the evaluations regularly each year, reports the evaluation results to the Board Meeting, and uses the results as references to evaluate each director's salary and remuneration, as well as his/her qualification as candidate to the successive post as directors?	✓		3. The Company's board of directors passed the "Performance Evaluation Method for the Board of Directors and Functional Committees" on August 5, 2016. According to the Method, the performance evaluation of the board of directors, directors, Remuneration Committee, and Audit Committee is conducted once a year. The evaluation results are submitted to the board of directors in the first quarter's meeting of the following year for approval, and are used as a reference for individual directors' remuneration and nomination for renewal. Please refer to page 33 of this annual report for the evaluation method and implementation status.	
4. Whether the Company periodically evaluates the independence of the Company's certified accountant?	✓		4. The Audit Committee of the Company regularly evaluates the independence and competence of certified accountants every year, based on the " Corporate Governance Best Practice Principles ", "Certified Accountant's Independence and Competency Assessment Method" and reference to the standards of audit quality indicators (AQIs) and 13 AQI indicators and requires certified accountants to issue a "Statement of Independence" and "Audit Quality Indicators (AQIs)" and evaluate following the standards as mentioned in Note 1 (please refer to page 48 of this annual report).	

List of Assessments	Implementation Status			Divergence from the regulated Best Practices and Reasons of the Divergence									
	Yes	No	Summary & Explanation										
			<p>Evaluation result: Accountants, Wang Chun-Kai, Wu Chien-Chih of the PwC Taiwan, and their family members have no direct or indirect material financial interests or other matters that may affect accountant's independence with the Company (including affiliated companies). Also, the information of AQI index is considered to confirm the auditing experience and training hours of accountants and accounting firms are superior to the average level of the industry. In addition, in the latest three years, digital audit tools will be continued to bring in to improve audit quality.</p> <table border="1" data-bbox="860 710 1677 874"> <thead> <tr> <th>Year</th> <th>Reviewed and approved by the Audit Committee</th> <th>Reviewed and approved by the board of directors</th> </tr> </thead> <tbody> <tr> <td>2021</td> <td>February 25, 2022</td> <td>February 25, 2022</td> </tr> <tr> <td>2022</td> <td>February 23, 2023</td> <td>February 23, 2023</td> </tr> </tbody> </table>	Year	Reviewed and approved by the Audit Committee	Reviewed and approved by the board of directors	2021	February 25, 2022	February 25, 2022	2022	February 23, 2023	February 23, 2023	
Year	Reviewed and approved by the Audit Committee	Reviewed and approved by the board of directors											
2021	February 25, 2022	February 25, 2022											
2022	February 23, 2023	February 23, 2023											
(IV) Whether the Company establishes proper and enough corporate governance personnel(s) and appoint a supervisor to be responsible specifically for corporate governance related affairs (including but not limited to provide information required for directors/supervisors to execute business issues, to assist directors and supervisors in law-compliance issues, to handle Board Meeting and Shareholders' Meeting related affairs, to make meeting minutes of the Board of Directors' Meeting and Shareholders'	✓		<p>Upon approval by the board on May 10, 2018, the Company has appointed Director Kuo I-Miao to be the Company's corporate governance personnel to ensure shareholder's interests and strengthen the functionality of the Board. Director Kuo also has more than five years of experience in the field of financial management in TPEX listed companies.</p> <p>The main responsibilities of the corporate governance superintendent are to handle matters related to the meetings of the board of directors and the shareholders meeting according to the law, prepare the minutes of the board of directors and shareholders meetings, assist directors and supervisors to take office and continue their education, provide directors and supervisors with information needed to perform their duties, and assist directors, supervisors to follow related laws etc...</p> <p>Execution of duties in 2022 as below:</p> <ol style="list-style-type: none"> <li>1. Assist independent directors and general director to perform duties, provide necessary information and arrange training for directors:</li> </ol>	No significant divergence									

List of Assessments	Implementation Status			Divergence from the regulated Best Practices and Reasons of the Divergence
	Yes	No	Summary & Explanation	
Meeting, etc...)?			<p>(1) Notify the members of the board of directors of the latest laws and regulations related to the company's business and corporate governance, and provide updates regularly.</p> <p>(2) Review the confidentiality level of relevant information and provide company related information required by directors to maintain smooth communications between directors and business executives.</p> <p>(3) In accordance with the Corporate Governance Code of Practice, independent directors will assist in arranging relevant meetings when they have the needs to hold individual meetings with internal audit supervisors or certified accountants to understand the company's financial affairs.</p> <p>(4) Assist independent directors and general directors in formulating annual training plans and arranging courses according to the company's industrial characteristics and director's education and experience background.</p> <p>2. Assist in the law compliance issues of the meeting procedure of the board of directors meeting and shareholders' meeting and the resolutions:</p> <p>(1) Report to the board of directors, independent directors, and supervisors in the light of the Company's corporate governance status to make sure the convention of Shareholder's Meeting and Board of Director's Meeting meet related laws and codes as stated in the Company's Corporate Governance Code of Practice.</p> <p>(2) Assist and remind directors of laws and regulations that should be observed when performing business or making formal resolutions.</p> <p>(3) After the meeting, is responsible for reviewing the release of material information on important resolutions of the board of directors, ensuring the legitimacy and correctness of the content of the material information, so as to ensure the equivalence of investor transaction information.</p>	

List of Assessments	Implementation Status			Divergence from the regulated Best Practices and Reasons of the Divergence																
	Yes	No	Summary & Explanation																	
			<p>3. Maintain investor relations: Arrange spokespersons and acting spokespersons to communicate with major shareholders, institutional investors or general shareholders as needed, so that investors can obtain sufficient information to evaluate and determine the reasonable capital market value of the Company, and ensure that shareholders' rights are well protected.</p> <p>4. Prepare the agenda of the board of directors meeting and notify the directors seven days in advance, convene the meeting and provide meeting materials. If the topics involving conflict of interest, it will be reminded in advance, and the minutes of the board meeting will be completed within 20 days after the meeting.</p> <p>5. Handle the pre-registration of the date of the shareholder meeting according to the law, make the notice of the meeting, manual of the meeting, and the minutes of the meeting within the statutory time limit, and handle the change in registration affairs when there is revision of the Articles of Incorporation or the reelection of directors.</p> <p>6. Corporate governance superintendent's annual training status in 2022:</p> <table border="1"> <thead> <tr> <th>Date of training (m/d/y)</th> <th>Course organizer</th> <th>Name of the Course</th> <th>Training hour</th> <th>Total training hours of the year</th> </tr> </thead> <tbody> <tr> <td rowspan="4">9/19~9/20, 2022</td> <td rowspan="4">Accounting Research and Development Foundation</td> <td>Financial</td> <td>3</td> <td rowspan="4">12</td> </tr> <tr> <td>Corporate governance</td> <td>3</td> </tr> <tr> <td>Professional ethics and legal responsibilities</td> <td>3</td> </tr> <tr> <td>Accounting</td> <td>3</td> </tr> </tbody> </table>	Date of training (m/d/y)	Course organizer	Name of the Course	Training hour	Total training hours of the year	9/19~9/20, 2022	Accounting Research and Development Foundation	Financial	3	12	Corporate governance	3	Professional ethics and legal responsibilities	3	Accounting	3	
Date of training (m/d/y)	Course organizer	Name of the Course	Training hour	Total training hours of the year																
9/19~9/20, 2022	Accounting Research and Development Foundation	Financial	3	12																
		Corporate governance	3																	
		Professional ethics and legal responsibilities	3																	
		Accounting	3																	
(V)Whether the Company establishes communication channels with interested parties (including but not limited to the	✓		<p>1. The Company has the functions of spokesperson and acting spokesperson, and the Company's website has a special area for interested parties and related matters relating to the communication with stakeholders (including but not limited to shareholders,</p>	No significant divergence																



List of Assessments	Implementation Status			Divergence from the regulated Best Practices and Reasons of the Divergence
	Yes	No	Summary & Explanation	
Company's shareholders, employees, customers, and suppliers), and whether the Company constructs a website specifically for interested parties on the Company's website and properly answers all the important CSR related questions arising from interested parties?			<p>employees, customers and suppliers, etc.)</p> <p>2. The Company publishes information and measures related to sustainable development in the annual report, sustainability report, company website and TWSE's Market Observation Post System, and has planned an investor relations area on the website to announce financial information, corporate governance and other related information. By using appropriate communication manners, we are able to understand the reasonable expectations and needs of stakeholders, so that stakeholders has enough information to make a judgment, and are properly responded to the important issues they are concerned about.</p> <p>3. For specific instructions, please refer to the interested person section of the company's website, the link to the website:  <a href="https://www.adgroup.com.tw/page/about/index.aspx?kind=86&amp;lang=TW">https://www.adgroup.com.tw/page/about/index.aspx?kind=86&amp;lang=TW</a></p>	
(VI) Whether the Company entrusts professional stock affairs agency to handle Shareholder's Meeting related affairs?	✓		The Company appointed KGI Securities Co., Ltd. as a professional stock affairs agency to handle matters related to shareholders' meetings and stock affairs.	No significant divergence
(VII) Information disclosures				
1. Whether the company constructs a website and discloses information in relation to the company's financial and corporate governance?	✓		1. The Company has constructed a website, and information regarding the financial situation and corporate governance is shown under the "Investor Relations" section on the home page.	No significant divergence
2. Whether the Company adopts other methods to disclose the Company's information (such as using English website, assigning a	✓		2. The Company assigns a special person to be responsible for the collection and disclosure of company information, and has set up an English website and established a spokesperson system to ensure that information that may affect the decision-making of shareholders and interested parties is disclosed in a timely and appropriate manner.	

List of Assessments	Implementation Status			Divergence from the regulated Best Practices and Reasons of the Divergence															
	Yes	No	Summary & Explanation																
<p>staff to collect and disclose the Company's information, truly carrying out spokesman system, disclosing road show information and contents on the company's website, etc...)?</p> <p>3. Whether the Company discloses and files the year's financial statement with the authorities within two months of the end of accounting year, and whether the Company early discloses and files its Q1, Q2 and Q3 financial reports and monthly operational results before the regulated deadline?</p>	✓		<p>3. (1) Information regarding the disclosure of financial reports:</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Quarter</th> <th>Date of Disclosure</th> </tr> </thead> <tbody> <tr> <td>2022</td> <td>Q1</td> <td>May 10, 2022</td> </tr> <tr> <td>2022</td> <td>Q2</td> <td>August 4, 2022</td> </tr> <tr> <td>2022</td> <td>Q3</td> <td>November 4, 2022</td> </tr> <tr> <td>2022</td> <td>Q4</td> <td>February 23, 2023</td> </tr> </tbody> </table> <p>(2) Monthly operating results are disclosed before the regulated deadline (before the 10<sup>th</sup> day of each month).</p>	Year	Quarter	Date of Disclosure	2022	Q1	May 10, 2022	2022	Q2	August 4, 2022	2022	Q3	November 4, 2022	2022	Q4	February 23, 2023	
Year	Quarter	Date of Disclosure																	
2022	Q1	May 10, 2022																	
2022	Q2	August 4, 2022																	
2022	Q3	November 4, 2022																	
2022	Q4	February 23, 2023																	
<p>(VIII) Whether the Company has other important information that might help understand the operation of corporate governance (including but not limiting to information regarding to employees' rights, the consideration for employees, investor relationship, supplier relationship, relationship with interested parties, director and supervisor's further education pursuit, risk management policy and risk measurement implementation,</p>	✓		<p>1. Employee's rights: The Company established a labor union and Employee Welfare Committee to protect the rights and interests of employees. In addition to implementing the pension system, the company also purchased group insurance for employees. The company also attaches great importance to labor-capital relations, and holds labor-capital meetings every quarter to coordinate labor-capital relations.</p> <p>2. Care for Employees: The Company pays great attention to the comfort and cleanliness of the working environment, and also pays attention to the safety of employees at work. Access control cards, security systems and monitors are installed at all entrances and exits, and the production equipment is equipped with protective devices to ensure the personal safety of employees. In addition, employee's health examination are implemented in a regular basis.</p> <p>3. Investor relation: As required by laws and regulations, the Company honestly discloses</p>	No significant divergence															

List of Assessments	Implementation Status			Divergence from the regulated Best Practices and Reasons of the Divergence
	Yes	No	Summary & Explanation	
customer policy, insurance procured for directors and supervisors, and etc...)?			<p>information in the TWSE's Market Observation Post System to protect the rights and interests of investors, and to publicize the contact information of spokespersons on the Company's website to maintain a healthy and harmonious relationship between the Company and shareholders.</p> <p>4. Relationship with suppliers: The Company establishes partnerships with suppliers under the principle of good faith, establishes stable supply chains, and conducts irregular audits to ensure supply quality.</p> <p>5. Rights of interested parties: The company has established the " Corporate Governance Best Practice Principles " and maintains smooth communication channels with stakeholders in accordance with regulations, and respects and safeguards their legitimate rights and interests. In addition, a "special area for interested party" is constructed on the Company's website.</p> <p>6. Training status of directors and supervisors: Please refer to page __ for detailed information.</p> <p>7. The execution of risk management policy and risk measurement standards: The Company has formulated the "Operation Method for Risk Assessment" to carry out various risk management and assessments. For risk management policies, please refer to the company's website:  <a href="https://www.adgroup.com.tw/page/about/index.aspx?kind=107&amp;lang=TW">https://www.adgroup.com.tw/page/about/index.aspx?kind=107&amp;lang=TW</a></p> <p>8. The execution of customer's policies: The Company maintains stable and good relations with customers to create profits.</p> <p>9. Purchase of liability insurance for directors and supervisors: Liability insurance of USD3 million is purchased with protection period starting from July 1, 2022 to July 1, 2023, and has been submitted to report to the Board on August 4, 2022.</p>	
<p>(IX) Whether the Company provides explanations on the process of improvement on the corporate governance assessment result published by the TWSE Corporate Governance Center and provides prioritized issues and measures for areas that have not been improved?  As a result of the 9th Corporate Governance Evaluation, the Company was among the top 6%~20% of TPEX-listed companies, and there were no suggested improvement that needs to be prioritized as issues for improvement.</p>				

Note 1: Please see the following table for the independence and competency assessment form adopted by Advanced International Multitech for assessing certified accountants and the associated accounting firm.

Advanced International Multitech Co., Ltd.

Independence and Competency Assessment Form for Certified Accountant and the Associated Accounting Firm

Assessing Period: 2022

Certified Accountants: Accountant Wang Chun-Kai and Accountant Wu, Chien-Chih of PwC Taiwan

Independence & Competency	Yes	No	Note
(I) Certified accountant is not a director of the Company or the Company's affiliated companies.	V		
(II) Certified accountant is not a shareholder of the Company or the Company's affiliated companies.	V		
(III) Certified accountant is not paid in the form of salary by the Company or the Company's affiliated companies.	V		
(IV) Certified accountant confirms that its affiliated accounting firm has complied with the norms of relative independence.	V		
(V) The joint certified public accountant of the affiliated accounting firm of the Company's certified accountant shall not serve as a director, manager of the Company, or any position that has a significant impact on the audit case within one year after resigning from the accounting firm.	V		
(VI) Certified accountant has not provided audit services for the Company for seven consecutive years.	V		
(VII) Certified accountants have complied with the regulations on the independence as stated in Bulletin No.10 of the Norm of Professional Ethics for Certified Public Accountant.	V		
(VIII) The accounting firm has sufficient scale and resources to handle corporate audit services.	V		
(IX) The accounting firm is able to promptly inform the management of any significant issues and developments in risk management, corporate governance, financial accounting and related risk control.	V		

Note: Due to internal work adjustment of the PwC Taiwan, accountant Wang Chun-Kai has replaced accountant Liao A-Shen as the Company's certified accountant on August 4, 2022.

4. The composition and operation of the Company's Remuneration Committee, if there is set up a remuneration committee:

The Company has set up Remuneration Committee on December 08, 2011. The Committee should faithfully perform the following functions and powers with the attention of a good manager, and submit suggestions to the board of directors for discussion.

- Formulate and regularly review the policies, systems, standards and structures of directors and managers' performance evaluation and remunerations.
- Regularly evaluate and determine the remuneration of directors and managers.

- (1) Information regarding members in the Remuneration Committee:

April 28, 2023

Requirement		Professional Qualification & Experiences	Status of Independence	Number of public companies that the member concurrently serves as a member in the Remuneration Committee
Title	Name			
Independent Director	Hung, Li-Jung (Convener)	Please refer to page 17 to page 18 of the annual report for related information regarding the disclosure of director's professional qualification and independent director's independence status.	Please refer to page 17 to page 18 of the annual report for related information regarding the disclosure of director's professional qualification and independent director's independence status. °	2
Independent Director	Ho, Yao-Hung			1
Independent Director	Chang, Hsueh-Pin			2

- (2) The operation of the Remuneration Committee:

A. The Company's Remuneration Committee consists of 3 members, all of which are composed of independent directors °

B. Term of office of the current committee members: from November 26, 2021 to May 30, 2024. There were 3 meetings convened in the most recent year (2022).

The qualification of the committee member and participation status are shown below:

Title	Name	Attendance in person (B)	Attendance by proxy	Actual attendance rate (%) (B/A)	Note
Convener	Hung, Li-Jung	3	0	100%	
Committee member	Chang, Hsueh-Pin	3	0	100%	
Committee member	Ho, Yao-Hung	3	0	100%	

Other matters that should be recorded:

- 1.If the Board of Directors do not accept or intent to modify suggestions made by the Remuneration Committee, then date of Board of Director’s Meeting, term, content of the motion, resolutions, and response to the suggestions made by the members of Remuneration Committee should also be addressed (If the remuneration proposal approved by the Board of Directors is better than the proposal suggested by the Remuneration Committee, the divergence and the reason should also be addressed): None.
- 2.For motions that are determined by the Remuneration Committee, if committee members hold objective or withholding comments and such comments are recorded or taken down as written statement, then date of the meeting of Remuneration Committee, term, content of motions, all committee members’ opinions and the reactions to the suggestions should also be addressed: None.
- 4.Date, period, content of proposals, resolution results, and the Company’s response to opinions expressed by the Remuneration Committee in meetings of the current year.

1<sup>st</sup> Meeting of the 5<sup>th</sup> Period (January 20, 2022)

Important resolutions	Result
<ol style="list-style-type: none"> <li>1. The amendment of some clauses of the Remuneration Committee Charter.</li> <li>2. To review the plan of 2021 H2 manager’s performance bonus.</li> <li>3. To review the plan of manager’s 2021 year-end bonus.</li> <li>4. To review the 2022 salary adjustment plan to managers.</li> <li>5. To review the compnay’s treasury stock transfer to employess.</li> </ol>	Approved by all members of the Remuneration Committee
The Company’s response to opinion expressed by the Remuneration Committee: upon submission to the board meeting, proposals are approved by all the presenting directors.	

2<sup>nd</sup> Meeting of the 5<sup>th</sup> Period (February 25, 2022)

Important resolutions	Result
<ol style="list-style-type: none"> <li>1. To review the employess, directors and supervisors’ remuneration of 2021.</li> </ol>	Approved by all members of the Remuneration Committee
The Company’s response to opinion expressed by the Remuneration Committee: upon submission to the board meeting, proposals are approved by all the presenting directors.	

3<sup>rd</sup> Meeting of the 5<sup>th</sup> Period (August 4, 2022)

Important resolutions	Result
<ol style="list-style-type: none"> <li>1. To review the 2021 Remuneration Plan to directors and supervisors.</li> <li>2. To review the 2021 Remuneration Plan to managers.</li> <li>3. To review the 2022 H1 Performance Bonus Plan to managers</li> <li>4. To review the 2022 Salary adjustment plan to managers.</li> <li>5. To review the amendment of some clauses of the Rules for remuneration of the Employee and Directors and Supervisors.</li> </ol>	Approved by all members of the Remuneration Committee
The Company’s response to opinion expressed by the Remuneration Committee: upon submission to the board meeting, proposals are approved by all the presenting directors.	

5. The implementation of sustainable development and the discrepancies between the regulated “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and the cause of such discrepancies.

List of Assessments	Implementation Status			Divergence from the regulated Best Practices and Reasons of the Divergence
	Yes	No	Summary & Explanation	
(I) Whether the Company develops and promotes a governance structure for promoting sustainable development, and sets up a unit that is exclusively (or concurrently) responsible for promoting sustainable development, and such unit should be in charged by high level management empowered by the Board of Directors and be supervised by the Board of Directors?	✓		<p>The Company established the "CSR Promotion Group" in 2014 and issued the first "Corporate Social Responsibility Report". In 2022, the team was renamed to "ESG Promotion Team", becoming a horizontally and vertically linked cross-departmental communication platform lead by the CEO, who shall appoint personnel of the same rank of directors (manager) in the field of industrial safety, human resource, financial and accounting to be responsible in promoting and implementing issues like “environmental protection”, “social responsibility”, and “corporate governance”, aiming at sustainable issues of concern to the company's operations and stakeholders to formulate sustainable development direction and goals, and then plan and promote the implementation of medium and long-term plans, while tracking the implementation results, and regularly (at least once a year) report the implementation results to the board of directors, in order to pursue sustainable corporate development and fulfill social responsibilities.</p> <p>The "ESG Promotion Team" will be supervised by the board of directors. In addition to reporting to the board of directors on the implementation of sustainable development and the achievement of goals every year, the team also reports to the board of directors on quarterly performance indicators and related data on environmental issues. The board of directors supervises the formation of goals of sustainable development and the review on implementation, and give relevant suggestions and guidance based on the content of the report.</p> <p>Report to the board of directors on a quarterly basis since 2022, and the report situation in 2022 is as follows:</p>	No significant divergence

List of Assessments	Implementation Status			Divergence from the regulated Best Practices and Reasons of the Divergence										
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			<table border="1"> <thead> <tr> <th>Year / Quarter</th> <th>Date of report in the Board of Director's Meeting</th> </tr> </thead> <tbody> <tr> <td>2022/Q1</td> <td>February 25, 2022</td> </tr> <tr> <td>2022/Q2</td> <td>May 10, 2022</td> </tr> <tr> <td>2022/Q3</td> <td>August 4, 2022</td> </tr> <tr> <td>2022/Q4</td> <td>November 4, 2022</td> </tr> </tbody> </table>	Year / Quarter	Date of report in the Board of Director's Meeting	2022/Q1	February 25, 2022	2022/Q2	May 10, 2022	2022/Q3	August 4, 2022	2022/Q4	November 4, 2022	
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2022/Q1	February 25, 2022													
2022/Q2	May 10, 2022													
2022/Q3	August 4, 2022													
2022/Q4	November 4, 2022													
(II) Whether the Company carries out risk assessments in relation to topics including operational related environment, society, and corporate governance, and establishes related risk management policies or strategies based on the principle of materiality?	✓		<p>(I) Based on the principle of materiality, the Company has formulated the "Sustainable Development Best Practice Principles", "Procedures for Ethical Management and Guidelines for Conduct", " Ethical Corporate Management Best Practice Principles ", ISO14001 Environmental Management and ISO450001 Occupational Safety and Health Management and other international management standard certifications. Risk management scope including operational risk, product and service process risk, environmental safety risk, financial risk, procurement risk, human power risk, etc, are established based on topics in relation to the overall operational strategy, environment, society, and corporate governance. High level management is responsible for the panning and execution of risk management strategies resolved in the board meeting, and the coordination of cross-department interaction and communication on risk management issues. Each individual functional unit is responsible to analyze, manage, and monitor the related risks within its own unit, with the goal of following laws and regulations, promoting and implementing the Company's overall risk management, and taking the ultimate responsibility for risks management.</p> <p>(II) The boundary of the 2022 risk assessment is based on domestic (referring to Taiwan) operating bases, including Zhonglin Factory, Daye Factory, Gaojia Factory and Hefa Factory. Except for financial information, it does not include subsidiaries included in the consolidated financial reports.</p> <p>(III) Please visit the Company's website for risk management strategies. The link is as below:</p>	No significant divergence										



List of Assessments	Implementation Status			Divergence from the regulated Best Practices and Reasons of the Divergence
	Yes	No	Summary & Explanation	
			<a href="https://www.adgroup.com.tw/page/about/index.aspx?kind=107&amp;lang=TW">https://www.adgroup.com.tw/page/about/index.aspx?kind=107&amp;lang=TW</a>	
(III) Environment related topics 1. Whether the Company establishes a proper environment management system based on the industry characteristics?	✓		<p>1.The Company established environment management policies. Based on the requirement set forth in ISO14001:2015 version international standard (validity period 11/21/2021~11/21/2024) and ISO450001 (validity period 09/29/2021~09/12/2024), the Company establishes, implements, maintains, and keeps improving the management system for environment safety and health, and establishes special unit to maintain, manage, and carry out education and training for new employees in order to enhance employee’s concept and cognition and truly carry out the policy and goals of environment safety and health.</p> <p>2. Occupational safety and healthy team and ESG promotion team are established. Each year, meetings are convened for review and tracking the discrepancies between the goal and real practices.</p> <p>3. Please refer to the Environmental Protection Expenditures (page 113 to page 117 of this annual report) for other related environment management system.</p>	No significant divergence
2. Whether the Company devotes to enhancing energy utilization efficiency and adopts the use of recyclable materials that have lower impact to the environment?	✓		<p>The Company is committed to saving the use of various energy resources. Through regular meetings, reviews and tracking are continued for making the most efficient use of various energy resources, reducing waste and carbon use. Based on the commitment of the Company’s environment safety and health policy in reducing burdens to the environment, wastes are recycled, reduced in volume, and reused. Please refer to the Environmental Protection Expenditure (page 113 to page 117 of this annual report) and Chapter 4 “Advanced International Multitech and the Environment” of the 2022 Sustainability Report for related information.</p>	No significant divergence

List of Assessments	Implementation Status			Divergence from the regulated Best Practices and Reasons of the Divergence				
	Yes	No	Summary & Explanation					
3. Whether the Company assesses current and future’s potential risks and opportunities in relation to climate changes, and adopts relevant countermeasures?	✓		<p>In response to frequent global extreme climate events and rising awareness of carbon reduction in the international community, the Company has completed the identification of climate-related risks and opportunities based on the Task Force on Climate-related Financial Disclosure (TCFD), and further formulated specific response strategies, including energy saving, carbon reduction, water saving and waste reduction , and set appropriate short-term, medium- and long-term indicators and goals.</p> <table border="1"> <tr> <td>Short-term goals</td> <td>           1.Electricity saving rate up to 20% in 2025.            2. Complete GHG inventory investigation in 2024.            3.Reduce 20% waste production in 2025.         </td> </tr> <tr> <td>Medium and Long-term goals</td> <td>           1. Complete the Group’s GHG inventory investigation in 2024, and complete the 3<sup>rd</sup> party verification in 2026.            2.Electricity saving rate up to 40% in 2030.            3.In line with national policies to achieve the goal of reducing carbon emissions by 30% in 2030 and net zero emissions in 2050.         </td> </tr> </table> <p>The base year for above short-term, medium- and long-term goal.</p> <p>A competitive power following the trend of low-carbon transformation shows the basic respect for environmental resources and the due corporate citizenship responsibility. We actively formulate ambitious goals and policies such as efficient use of energy resources and recycling, and introduce the TCFD framework for public disclosure related measures.</p> <p>Please refer to the Environmental Protection Expenditure (page 113 to page 117 of this annual report) and Chapter 4 “Advanced International Multitech and the Environment” of the 2022 Sustainability Report for related information.</p>	Short-term goals	1.Electricity saving rate up to 20% in 2025. 2. Complete GHG inventory investigation in 2024. 3.Reduce 20% waste production in 2025.	Medium and Long-term goals	1. Complete the Group’s GHG inventory investigation in 2024, and complete the 3 <sup>rd</sup> party verification in 2026. 2.Electricity saving rate up to 40% in 2030. 3.In line with national policies to achieve the goal of reducing carbon emissions by 30% in 2030 and net zero emissions in 2050.	No significant divergence
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List of Assessments	Implementation Status			Divergence from the regulated Best Practices and Reasons of the Divergence
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4. Whether the Company compiles information regarding statistics in relation to the past 2 years' green gas emission, total water used, and total wastage produced, and establishes policies to reduce greenhouse gas emission, water use, and other similar kinds of wastes?	✓		Please refer to the Environmental Protection Expenditure (page 113 to page 117 of this annual report) and Chapter 4 "Advanced International Multitech and the Environment" of the 2022 Sustainability Report for related information	No significant divergence
(I) Social Issues 1. Whether the Company makes related management policy and procedures according to related laws and International Bill of Human Rights?	✓		Please refer to Note 1: Policy on human rights (please refer to page 62 to page 66 of this annual report) for related information.	No significant divergence
2. Whether the Company makes and implements reasonable employee benefit manners (including salary, vacation and other benefits), and properly reflects the Company's operation performance or achievements on remunerations paid to employees?	✓		<ol style="list-style-type: none"> <li>1. The Company has established the "Work Procedure for Salary Management" to provide equal pay for equal work and appropriate salary paying methods. Under the premise of complying with relevant labor laws, an overall salary policy has been formulated to motivate, reward and retain outstanding talents.</li> <li>2. Work Procedures for Performance Evaluation" and "Work Procedures for Holiday Bonus and Year-End Bonus" are established to motivate employees with the concept to share with the Company's operational results.</li> <li>3. Please refer to Labor-Capital relations (please refer to page 118 to page 120 of this annual report) for information about employee benefit measures.</li> <li>4. Please refer to the Human Rights Policy (page 62 to page 66 of this annual report) for information on workplace diversity (such as gender equality and the recruit of minorities) and ratings.</li> </ol>	No significant divergence

List of Assessments	Implementation Status			Divergence from the regulated Best Practices and Reasons of the Divergence										
	Yes	No	Summary & Explanation											
3. Whether the Company provides a safe and healthy work environment for employees, and regularly holds employee's safety and health education training?	✓		<p>1. The Company's environmental protection and occupational safety and health policy is - "compliance with laws and regulations, hazard prevention, environmental sustainability, continuous improvement". We post the policy on the bulletin board for viewing by all the colleagues, assign a dedicated occupational safety and health personnel, and convene the Occupational Safety and Health Committee meeting every quarter to review and prevent occupational safety and health issues in order to protect the life and property safety of employees, visitors and external contractors.</p> <p>2.The Company has passed the audit and verification of ISO14001:2015 edition international standard (validity period: 11/21/2021~11/21/2024) and ISO450001 (validity period: 09/29/2021~09/12/2024).</p> <p>3. Hold education and training for occupational safety and health, please refer to Note 1: Human Right Policies (page 62 to page 66 of this annual report).</p> <p>4.Employee Health Care Activities:</p> <table border="1"> <tbody> <tr> <td rowspan="3">Regular</td> <td>New employees</td> <td>A total of 563 people participated in the health checkup at the designated hospital before joining the Company.</td> </tr> <tr> <td>Current employees</td> <td>Every year, hospitals are hired to carry out annual health checks in the factory, and a total of 950 people participated in 2022.</td> </tr> <tr> <td>Medical care</td> <td>Physician is recruited to station in the factory and provide services once a month.</td> </tr> <tr> <td>Irregular</td> <td colspan="2">Implement 7S activities and various health promotion activities (such as make money through exercises, invite visually impaired masseuses to provide employees stress-relieving massages at factory site, and blood donation activities, etc..)</td> </tr> </tbody> </table>	Regular	New employees	A total of 563 people participated in the health checkup at the designated hospital before joining the Company.	Current employees	Every year, hospitals are hired to carry out annual health checks in the factory, and a total of 950 people participated in 2022.	Medical care	Physician is recruited to station in the factory and provide services once a month.	Irregular	Implement 7S activities and various health promotion activities (such as make money through exercises, invite visually impaired masseuses to provide employees stress-relieving massages at factory site, and blood donation activities, etc..)		No significant divergence
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List of Assessments	Implementation Status			Divergence from the regulated Best Practices and Reasons of the Divergence						
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			<p>5. Information regarding the number of occupational accidents, number of employees involved, and the ratio of accident involving persons to the total number of employees in 2022 is as follows:</p> <table border="1"> <thead> <tr> <th>Number of employees</th> <th>Number of accidents</th> <th>Occupational accident ratio</th> </tr> </thead> <tbody> <tr> <td>1,318 persons</td> <td>7 cases</td> <td>0.53%</td> </tr> </tbody> </table> <p>Manners for improvements:</p> <p>(1) Constructional improvement: Intrinsic safety design, installation of idle-proof and safety devices, safety fence, and implementation of pre-operation checkpoints.</p> <p>(2) Administration management:</p> <p>①Formulate safety regulations and safe operation standards.</p> <p>②Regularly review and revise safety standard and operating procedures, and conduct education and training for employees.</p>	Number of employees	Number of accidents	Occupational accident ratio	1,318 persons	7 cases	0.53%	
Number of employees	Number of accidents	Occupational accident ratio								
1,318 persons	7 cases	0.53%								
4. Does the company establish an effective career development training program for employees?	✓		<p>1.The Company establishes a workplace job description, and formulates the planning and development of various job capabilities. With the purpose of cultivating talents, establishing values and consensus, self-inspiration and learning, and combining activities, we implement the vision and values of Advanced International Multitech through three major manners including activities, literature, and rules and regulations, to deeply cultivate and activate the corporate culture of Advanced International Multitech, and provide an environment and atmosphere for our people to fully develop. In addition, the system of Advanced Academy is established.</p> <p>2.Cultivation of operational strategy capabilities: In the way of team co-creation, learning are enhanced through brainstorming in order to establish future</p>	No significant divergence						

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	Yes	No	Summary & Explanation	
			<p>development vision and goals and achieve full participation in strategic actions.</p> <p>3.Cultivation of supervisory ability: Utilizing Advanced International Multitech’s training system chart to cultivate supervisor’s management capabilities at all levels in order to improve superintendent’s supervisory management skills, interpersonal relationships, and the ability to cultivate and motivate subordinates.</p> <p>4.Grass-roots staff’s professional training: education and training are based on the nature of each job, through general education and training of professional functions to enhance staff’s capabilities.</p> <p>5.For the content of each education and training course, please refer to Note 1: Human Rights Policy (please refer to page 62 to page 66 of this annual report), and for information about the hours and fees of education and training, please refer to Labor Relations (please refer to page 118 to page 120 of this annual report).</p>	
5. In the light of issues including customer’s safety and health in relation to the Company’s products and services, customer’s privacy, marketing, and labeling, whether the Company follows relevant laws and international standards, and formulate relevant policies and complaint procedures for the protection of consumer or customer rights and interests?	✓		<p>1.Products produced by the Company are produced in accordance with the specifications set by customers. For products sold in different regions, they are also produced and marked according to the standards and specifications provided by customers to meet the requirements of relevant laws and standards (the company has ISO90001:2015 and ISO9100:2015+AS9100D quality management system).</p> <p>2.The Company has established personal data protection management system and policy to manage and protect customer privacy, and to guard customer data. We set up business office with the contact information shown in the interested person area of the Company’s website. From time to time, the office actively verifies and confirms the implementation of various customer policies and accepts and handles customer complaints, and assists front-line sales colleagues to handle customer complaints in order to protect customers’ rights and interests, as well as to maintain good communications with customers.</p>	No significant divergence

List of Assessments	Implementation Status			Divergence from the regulated Best Practices and Reasons of the Divergence										
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6. Whether the Company formulates a supplier management policy, requiring suppliers to follow relevant norms on issues such as environmental protection, occupational safety and health, or labor rights, and their implementation?	✓		<p>1. According to the "Supplier Management Measures", the Company clearly stipulates that all suppliers must sign the "Supplier Declaration and Agreement", which includes the "Supplier Code of Conduct", "Supplier Honesty and Integrity Agreement", "Non-Use Hazardous Substances and Minerals Consent Letter" and other related content, among which the "Supplier Code of Conduct" is formulated in accordance with the Responsible Business Alliance Code of Conduct (RBA), which is divided into five aspects including labor, health and safety, environment, ethics, and management system. The norms are stated as below:</p> <table border="1"> <thead> <tr> <th>Main aspects</th> <th>Content</th> </tr> </thead> <tbody> <tr> <td>Labor</td> <td>Including free choice of occupation, youth labor, child labor, working hours, wages and benefits, humane treatment, non-discrimination, freedom of association, etc.</td> </tr> <tr> <td>Health and safety</td> <td>Refer to ISO45001 and the Guidelines on Occupational Safety and Health Management made by International Labor Organization to define the scopes of occupational safety, emergency preparedness, work-related injuries and occupational diseases, industrial hygiene, manual labor, machine protection, public health, food and accommodation, health and safety information, etc...</td> </tr> <tr> <td>Environment</td> <td>Refer to the ISO14000 standard and the EMAS certification of the ecological management and audit system to formulate relevant environmental permit reports, pollution prevention and resource conservation, hazardous substances, solid waste, waste gas emissions and ozone-depleting substances control, substance control, water resource management, energy consumption and greenhouse gas emissions, factory boundary noise management.</td> </tr> <tr> <td>Ethics</td> <td>Including integrity management, no improper gains, information disclosure, intellectual property rights, fair trade, identity protection and protection against retaliation, responsible</td> </tr> </tbody> </table>	Main aspects	Content	Labor	Including free choice of occupation, youth labor, child labor, working hours, wages and benefits, humane treatment, non-discrimination, freedom of association, etc.	Health and safety	Refer to ISO45001 and the Guidelines on Occupational Safety and Health Management made by International Labor Organization to define the scopes of occupational safety, emergency preparedness, work-related injuries and occupational diseases, industrial hygiene, manual labor, machine protection, public health, food and accommodation, health and safety information, etc...	Environment	Refer to the ISO14000 standard and the EMAS certification of the ecological management and audit system to formulate relevant environmental permit reports, pollution prevention and resource conservation, hazardous substances, solid waste, waste gas emissions and ozone-depleting substances control, substance control, water resource management, energy consumption and greenhouse gas emissions, factory boundary noise management.	Ethics	Including integrity management, no improper gains, information disclosure, intellectual property rights, fair trade, identity protection and protection against retaliation, responsible	No significant divergence
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			<table border="1"> <tr> <td></td> <td>procurement of minerals, privacy, compliance with import and export regulations, community participation, etc...</td> </tr> <tr> <td>Management system</td> <td>Covers corporate commitments, management duties and responsibilities, legal and customer requirements, risk assessment and risk management, improvement objectives, training, communication, employee input, participation and grievances, audit assessments, corrective actions, documentation and records, and supplier responsibilities.</td> </tr> </table> <p>2.Regular evaluation: For existing suppliers, the Company selects some suppliers from the main suppliers whose transaction amount exceeds \$500,000 in the past two years, and conducts evaluation (written) in every six months, and conducts on-site audit at least once a year. The current audit items include quality, delivery and service. In addition, for the selection of new suppliers, we have formulated the "Supply Chain ESG Information Disclosure Standard" in as early as in 2014, and formally included the standard as the basis for supplier selection in the following year, and the sustainable development policy statement is clearly stated in the supplier's order. At present, we have fully adopted the standard to evaluate and screen raw material suppliers. Starting from 2022, suppliers with the highest annual transaction amount have been audited for their corporate social responsibility implementation, and the audit will gradually extend to all the suppliers in order to ensure the sustainable development of Advanced International Multitech.</p> <p>Two years implementation results on the audit of suppliers</p> <table border="1"> <thead> <tr> <th>Year</th> <th>2021</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td>Number of suppliers planned to audit</td> <td>44</td> <td>48</td> </tr> <tr> <td>Number of suppliers actually being audited</td> <td>35</td> <td>40</td> </tr> <tr> <td>Achievement %</td> <td>80%</td> <td>83%</td> </tr> </tbody> </table>		procurement of minerals, privacy, compliance with import and export regulations, community participation, etc...	Management system	Covers corporate commitments, management duties and responsibilities, legal and customer requirements, risk assessment and risk management, improvement objectives, training, communication, employee input, participation and grievances, audit assessments, corrective actions, documentation and records, and supplier responsibilities.	Year	2021	2022	Number of suppliers planned to audit	44	48	Number of suppliers actually being audited	35	40	Achievement %	80%	83%	
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(X) Whether the Company compiles Sustainability Report or other non-financial related reports according to the international reporting standards or guidelines? Whether the aforementioned reports have obtained verification or assurance opinion from any third-party verification units?	✓		The report adopted GRI standards (2022 version) and is disclosed with the reference of TCFD and SASB.	No significant divergence
(XI) If the Company follows “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” to establish the Company’s rules specifically for sustainable development, then the Company should also state the implementation status and the discrepancies between the real practices and the rules: The Company operates in accordance with our own Sustainable Development Best Practice Principles, and there is no major difference.				
(XII) Other important information that might help to understand the operation of the sustainable development practices: The Company has published the 2022 Sustainability Report and disclosed it on the TWSE’s Market Observation Post System and the Company’s website.				

Note 1:

Human Right Policy:

The Company jointly abides by the international human rights standards required by customers, and has clear regulations on environmental protection, safe and healthy working conditions, fair wages and benefits, and prevention of harassment and discrimination. "Work Rules" is made with the reference to the United Nations Universal Declaration of Human Rights Rights, the International Labor Organization's Declaration of Fundamental Principles and Rights at Work, and local government regulations to prevent behaviour that may violate human rights.

(I) Human Right Assessment

The Company continues to create long-term value of operations through innovation, exerts Advanced's core competitiveness, integrates internal and external resources, and contributes to society with the core concepts of sincerity, creativity, and satisfaction, taking into account the three major aspects of the environment, society, and corporate governance. The following aspects are included:

1. Insist on honesty and integrity, abide by laws and regulations
2. Pursue excellence and create customer value
3. Attach importance to corporate governance, and strive to achieve a balance of interests among customers, employees, shareholders, and all stakeholders
4. Provide employees with a healthy and safe working environment, a space where they can give full play to their talents, and are paid with reasonable remuneration and benefits
5. Implement energy conservation and carbon reduction, pay attention to environmental protection, and promote sustainable development of the environment In response to climate change.
6. Encourage employees to participate in social welfare and cultural and artistic activities to create a harmonious and warm society

(II) Human Right Concerns

1. Eliminate illegal discrimination to secure job opportunities

The Company complies with the Labor Standards Act and other laws and regulations. Based on the basic human right of equal employment opportunities, when hiring employees, we recruit based on employee's professional ability and experiences and strive to create a fair employment environment. All the employees are protected by the Labor Standards Act and the mutual agreement between labor and capital.

As of the end of 2022, the total number of employees in Advanced International Multitech was 1,321. The following table shows the distribution of age and gender of our employees.

Structure		Female		Male		Total	
		PPL	%	PPL	%	PPL	%
By contract	Full-time	499	37.77%	656	49.66%	1,155	87.43%
	Dispatch manpower	113	8.55%	53	4.02%	166	12.57%
By work hour	Full-Time	601	45.50%	708	53.60%	1,309	99.09%
	Part-Time (Note2)	11	0.83%	1	0.08%	12	0.91%
By category	Management level (Note3)	46	3.48%	128	9.69%	174	13.17%
	Technology & RD	50	3.79%	164	12.41%	214	16.20%
	Sales, Administration and others	516	39.06%	417	31.57%	933	70.63%

Structure		Female		Male		Total	
		PPL	%	PPL	%	PPL	%
By age	under 30 years old	91	6.89%	169	12.79%	260	19.68%
	30~50 years old	430	32.55%	472	35.73%	902	68.28%
	50+ years old	91	6.89%	68	5.15%	159	12.04%
Total		612	46.33%	709	53.67%	1,321	100%

Note 2: refers to employees working part-time

Note 3: Management level refers to management personnel with the job rank above section leader.

## 2. Prohibition of Child Labor, Prohibition of Forced Labor

(1) The Company attaches great importance to human rights and prohibits the employment of forced labor and child labor. So far, there has been no forced or compulsory labor in Advanced.

Analysis of the employee turnover rate in the past 3 years

Year	Turnover rate		New employee's turnover rate	
	Female	Male	Female	Male
2020	6%	9%	11%	14%
2021	15%	12%	31%	25%
2022	8%	13%	43%	36%

### (2) Recruit of Urban and Rural Minorities

In order to ensure equal employment opportunities for the disadvantaged and related groups, the Company has recruited 11 disabled employees, accounting for 1% of the employees, which is better than as required by the regulations.

The Company is located in Xiaogang District, Qianzhen District, and Daliao District of Kaohsiung City. When there is a shortage in manpower, local qualified candidates will be given priority to increase local employment opportunities. The Company does not specifically register the category of indigenous people.

Age distribution of disabled employees in 2022:

Employee possess disability handbook	Female	Male
30-50 years old	4	2
51 years old	2	3

## 3. Provide a Safe and Healthy Work Environment

The Company has passed the audit and verification of ISO 14001 (environmental management system) and ISO 45001 certificate (occupational safety and health management system). According to the commitments made in the Company's environmental safety and health policy, raw materials that reduce environmental impact are adopted, and wastes are recycled, reduced and reused.

Occupational Safety and Health Committee is established in accordance with the "Occupational Safety and Health Management Measures". The committee convenes regular safety and health meetings each quarter and holds relevant safety and health education and training, hire professional medical personnel to hold regular health lectures and

education and training, and conduct regular safety and health, fire protection and other related education and training, aiming at continuing to improve the safety and health conditions of the working environment, reduce the risk of occupational accidents, and ensure the physical and mental health of employees and the rights and interests of both parties.

4. Help employees maintain physical and mental health and work-life balance  
Arrange annual employee health checks, hold charity funding projects (to assist single parents/poor families, or employees who have difficulties in their families and need help), encourage employees to participate in public welfare activities, establish club activities (golf club, boxing aerobic club, yoga club, etc.) , provide education and training subsidy and talent training plan, hold annual family day and end-of-the-year activities to promote the interaction between colleagues, encourage employees to exercise independently and manage their health, and hold sports competitions and annual healthy weight loss competitions from time to time; such are all beneficial to employee's physical and mental health. In addition, the Company has set up a library and fitness facilities at the company site.

### (III) Human rights risk mitigation measures and the relevant policies of the Company

1. Human dignity  
Is regulated by the Company's "Procedures for Ethical Management and Guidelines for Conducts", "Ethical Corporate Management Best Practice Principles", and "Codes of Ethical Conduct".
2. Equal Rights  
The Company formulates the "Operating Procedures for Sexual Harassment Prevention and Complaint Measures" in accordance with the "Act of Gender Equality in Employment" to protect the personal safety of women and promote the substantive equality of gender status. The relevant regulations all state that "to prevent the occurrence of discrimination or allowing of discrimination based on race, social class, country of birth, religion, disability, gender, sexual orientation, or political factors."
3. Freedom of Expression  
In order to respect the rights or reputation of others, the Company sets up physical suggestion box and online suggestion box.  
Online suggestion box:  
The internal website has established channels of "Appointment with the CEO" and "E-Suggestion Box", and the external website has dedicated personnel and contact lines in the area of the sustainable development\stakeholder , where includes dedicated lines provided for the Company's shareholders/investors, employees, customers, suppliers and contractors.
4. Privacy, Reputation  
In order to implement the protection of personal data and privacy rights, the Company has formulated relevant regulations and norms, such as the "Operating Procedures for Personal

Data Protection", to regulate the collection, processing and utilization of personal data, so as to avoid infringement of personality rights and to comply with legal requirements.

5. Right to Work

- (1) The Company has established the "Work Procedure for Salary Management" for providing equal pay for equal work and appropriate salary method.
- (2) Safe and healthy work condition: The Company has established the "Procedures for the Planning of Environmental Safety and Health Management System", "Operating Procedures for Environmental Safety and Health Considerations and Risk Assessments", "Operating Procedures for Environmental Safety and Health Communication and Consulting", "Operating Procedures for Laws and Regulations and Other Requirements Conformity Check", "Operating Procedures for Safety Observation", "Operating Procedures for Automatic Inspection", and "Operating Procedures for Emergency Responses" to provide employees with a safety and healthy work condition.
- (3) The Company has established the "Operating Procedures for Promotions" to provide employees with smooth promotion channel.
- (4) Reasonable setting of vacation and working hours: The Company has established the "Operating Procedures for Employee Leave Management" to provide employees with special leave, family care leave and parental leave, maternity, marriage, funeral leave, on-the-job study leave, etc., and provide annual leave days comparable with the civil servants.

6. Right to Health

The Company has formulated the "Procedures for the Prevention of Illegal Infringement in the Execution of Duties", "Procedures for the Management of Abnormal Workload-Induced Diseases", "Procedures for the Prevention and Management of Human-induced Hazards", "Procedures for the Management of Health Examination Operations", "Procedures for the Management of Hearing Protection", "Operating Procedures for Appropriate Work for Middle-aged and Elderly Persons", "Operating Procedures for Respiratory Protection", and regularly implement workplace disinfection to prevent and control the occurrence of infectious diseases, occupational diseases, and other diseases.

7. Environment Right

The Company has formulated "Operating Instructions for Wastewater Management", "Procedures for Air Pollution Management", "Operating Procedures for the Formulation and Review of Goals of Environmental Safety and Health Strategy", "Operating Procedures for the Measurement and Supervision of Environmental Safety and Health", "Operating Procedures for Corrective Actions in relation to Environmental Safety and Health", "Operating Procedures for Wastes Management", and "Operating Procedures for Noise Prevention" to provide environment related management for safe water supply, air pollution control, sewage treatment and waste disposal. In addition, green plants are planted in the factory area to protect earth's resources and reduce greenhouse gas emissions.

## 8. Right of Culture

Based on the core values of the three intentions and six faiths, the Advanced Academy is planned, relevant codes of conduct are compiled, and the "Group's annual outstanding Advanced personnel and the measures to elect the annual outstanding Advanced personnel" is established as the model for the realization of corporate culture.

Three intentions: sincerity, creativity and satisfaction.

Six faiths: to share with integrity, to respect humanity, to learn diligently, to be brave in innovations, to take responsibilities, to satisfy all, and to create team consensus and goals.

### (IV) Training practices for the guarantee of human rights

The Advanced Academy was established in 2008. With the purpose of cultivating talents, establishing values and consensus, self-inspiration and learning, the academy carries out the vision the value of the Company in three major areas including activities, literature, and rules and regulations, in order to deep root the Company's corporate culture, provide employees with an environment and atmosphere, where they can give full play to talents, as well as to construct Advanced's academic system, starting from newcomer training, with joint training, class-specific management training, and professional training, to improve the ability of colleagues step by step, so that Advanced people can grow with the development of the Company. The Advanced Academy has also won the silver medal of the corporate version of the Training Quality Evaluation System (TTQS) of the Vocational Training Bureau of the Executive Yuan since September 2011, and has continued until now.

Related courses and seminars held in 2022 as below:

Year	Category of the Course	Total Hours	Number of participants
2022	Administrative procedures	4	424
	Traffic safety	3.5	83
	Safety and health	13.5	362
	Self defense fire marshalling	19.5	239
	Sustainable environment	4.5	86
	Grassroot cadres	16	84
	Mid-level management	13.5	35
	General studies	48	177

6. The implementation of ethical operation and the divergence and cause of divergence between real practices and the regulated Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies

List of Assessments	Implementation Status			Divergence from the regulated Best Practices and Reasons of the Divergence
	Yes	No	Summary & Explanation	
<p>(I) Ethical Management Policy Establishment and Plan</p> <p>1. Whether the Company establishes Board approved ethical management policies and explicitly states, in the Company's Articles of Incorporation and other external correspondences, the Company's policy and method toward ethical management, as well as the promise made by the Board of Directors and the Company's management to carry out such ethical management policies actively and honestly?</p>	✓		<p>1. Based on the business philosophy of integrity, transparency and responsibility, the Company formulates integrity-based policies, which has been approved by the board of directors, and establishes a good corporate governance and risk control mechanism to create a sustainable operational environment. In order to implement the integrity management policy, the Company also establishes the "Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct" and requires every employee to implement the integrity policies. In addition, the operational practice of integrity management is carried out through regular publicity and education and training by the dedicated units of the integrity operation promotion team to implement integrity management, and the execution status is reported to the board of directors regularly (at least once a year).</p> <p>In accordance with the commitment and implementation of the "Ethical Corporate Management Best Practice Principles", the Company should require directors and senior management to issue a statement of compliance with the integrity management policy and sign on the statement at the beginning of their appointment or every year. In 2022, 100% of directors and managers has signed on the "Integrity Management Statement" in 2022.</p>	No significant divergence
<p>2. Whether the Company establishes risk assessment mechanism for unethical behaviors to regularly analyze and assess higher unethical behavior related operation activities within the</p>	✓		<p>2. In order to implement the integrity management policy and actively prevent dishonesty behaviors, the Company has formulated the "Operating Procedures for Moral Risk Assessment", which covers the preventive measures for the behaviors set forth in Item 2 of Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX</p>	

List of Assessments	Implementation Status			Divergence from the regulated Best Practices and Reasons of the Divergence
	Yes	No	Summary & Explanation	
<p>Company's business scope and set up prevention manners to prevent unethical behaviors that at least includes all the behaviors mentioned in Article 7-2 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?"</p> <p>3. Whether the Company prescribes prevention programs to guard against unethical conducts and clearly stipulates work procedures, behavioral guidance, punishment at violation, and complaint system in each program and truly executes the stipulation, and whether the Company regularly examines and modify the aforementioned stipulations?</p>	✓		<p>Listed Companies", as a risk assessment mechanism for major dishonesty behaviors to regularly analyze and evaluate business activities with higher risks of dishonesty within the scope of business.</p> <p>The moral risk assessment is carried out on a regular basis every year, and the Integrity Management Operation Team affiliated to the board of directors shall compile the relevant comprehensive risk assessment results, and report the implementation status to the board of directors on a regular basis (at least once a year) when necessary as the basis for risk management.</p> <p>3. The Company has established "Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct", in which clearly state the Company's integrity management policy, the related work procedures, code of conduct, and the complaint system. In addition, training is provided for managers, employees, appointees, and persons with substantial control capabilities to implement the policy. Additionally, for carrying out the execution of integrity management, the Company also established specific whistle-blowing system, the "Operating Procedures for Reporting of Unethical Behaviors", which clearly stipulates the operating procedures such as the principles of complaints and whistle-blowing, reporting channels, and investigation principles and procedures. The "Ethical Operation Promotion Team" affiliated to the board of directors is also responsible for supervising the implementation and reporting the implementation status to the board of directors on a regular basis (at least once a year).</p>	
<p>(II) Ethical Operation Implementation</p> <p>1. Whether the Company assesses corresponding parties' past credit histories and explicitly sets up</p>	✓		<p>1. The Company has established the "Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct", which were approved</p>	No significant divergence



List of Assessments	Implementation Status			Divergence from the regulated Best Practices and Reasons of the Divergence
	Yes	No	Summary & Explanation	
<p>ethical behavior clause in any of the contracts signed with the corresponding parties?</p> <p>2. Whether the Company establishes a unit that is exclusively responsible for promoting corporate ethical operation and reporting its ethical operation policies, manners used to prevent unethical conducts and the supervision on the execution status to Board of Directors regularly (at least once a year)?</p>	✓		<p>by the board of directors.</p> <p>Contents of the Procedures include the prohibition of dishonest behavior, avoidance of interests, prohibition of insider trading and confidentiality agreements, and prohibition of engaging in unfair competition, etc. The procedures also regulates to avoid engaging in commercial transactions with dishonest agents, suppliers, customers, or other business contacts, and the content of the contract signed with others shall include that if the counterparty of the transaction is found to be involved in dishonest behavior, the Company may terminate or rescind the contract at any time.</p> <p>The company has established an assessment mechanism for its customers and outsourcing counter-parties, and when signing a contract with such, the rights and obligations of both parties are detailed in the contract</p> <p>2.</p> <p>(1) The company has set up a dedicate unit, the "Ethical Operation Promotion Team", under the board of directors as a full-time unit, which is composed of the Chairman's Office and the CEO Office, and the senior supervisor of the Chairman's Office serves as the convener and supervisor. The team is responsible for assisting the board of directors and management in formulating and supervising the implementation of integrity management policies and prevention plans according to the work duties and scope of each department to ensure the implementation of the integrity management policy.</p> <p>(2) The report by the dedicate unit in relation to the implementation status of the integrity management policy on November 4, 2022: please see Note 1 and Note 2 for detailed information. (Please refer to page 73 to page 74 of this annual report).</p>	

List of Assessments	Implementation Status			Divergence from the regulated Best Practices and Reasons of the Divergence
	Yes	No	Summary & Explanation	
3. Whether the Company establishes conflicts of interest prevention policy, provides proper declaration channels, and truly carries out the policy?	✓		3. The “Rules for Ethical Management” and “Procedures for Ethical Management and Guidelines for Conduct” clearly set out policies to prevent conflicts of interest, provide appropriate reporting channels, and require relevant units of the Company to implement.	
4. Whether the Company has already established effective accounting system and internal control system to implement ethical operations, and empowers internal audit unit to establish according audit plans based on the assessment results in relation to the risks of unethical conducts, and to verify the compliance status of the plans to prevent unethical conducts according to the audit plans or entrust accountants to execute such verification?	✓		4. For ensuring the implementation of integrity management, besides establishing effective accounting system and internal control system, the Company also establishes an assessment mechanism for the risk of dishonesty behaviour to regularly analyze and assess the risk of high dishonesty behaviour in the business scope, and draw up relevant audit plans when necessary based on the risk assessment results, and internal auditors will regularly check the compliance of the preceding system according to the plan.	
5. Whether the company regularly holds internal or external education training in the light of ethical operations?	✓		5. Please refer to Note1 (please refer to page 73 of this annual report).	
(III) The Operation of the Company’s Whistling Blowing System				No significant divergence
1. Whether the Company establishes specific whistling blowing and awarding system and	✓	1	(1) The Company has set up the “Ethical Corporate Management Best Practice Principles”,	

List of Assessments	Implementation Status			Divergence from the regulated Best Practices and Reasons of the Divergence
	Yes	No	Summary & Explanation	
<p>creates convenient reporting channels, and whether proper personnel are appointed to investigate the being reported person and handle the case?</p> <p>2. Whether the Company sets up standardized investigation work procedures after accepting claims, regulates actions to take after the investigation and establishes related security system while handing the accusation cases?</p> <p>3. Whether the Company adopts some protection mechanism to protect reporter from encountering improper punishment?</p>	<p>✓</p> <p>✓</p>		<p>“Procedures for Ethical Management and Guidelines for Conduct”, and “Operating Procedures for Reporting of Unethical Behaviors” to carry out the practices of integrity management and operation and report the implementation status to the board of directors regularly.</p> <p>(2) The Company sets up channels such as the “Appointment with the CEO”, “E Suggestion Box”, and “Integrity Mailbox” in the Company’s internal website. Employees are able to reflect their opinions through multiple channels connecting with the management and human resources units, and the communication channels are smooth.</p> <p>(3) The Company has set up physical suggestion box and the online suggestion boxes, and at external website, we have established contact lines for interested parties, and have appointed dedicated personnel to accept and follow the reporting cases.</p> <p>(4) The “Ethical Operation Promotion Team” under the board of directors is responsible for accepting and executing the suggestions and reporting cases.</p> <p>2. The Company formulates complaint procedures, responsible units for case acceptance, and incident handling procedures, and abides by the law to keep personal information confidential and strictly prohibits retaliation against colleagues. The Company's "Procedures for Ethical Management and Guidelines for Conduct" and "Operating Procedures for Reporting of Unethical Behaviors" stipulate clearly the standard operating procedures for accepting and reporting matters and related confidentiality mechanisms.</p> <p>3. The “Procedures for Ethical Management and Guidelines for Conduct” and “Operating Procedures for Reporting of Unethical Behaviors” stipulate clearly the standard operating procedures for accepting and reporting matters and related confidentiality mechanisms to protect reporter from being treated improperly due to his/her reporting.</p>	

List of Assessments	Implementation Status			Divergence from the regulated Best Practices and Reasons of the Divergence
	Yes	No	Summary & Explanation	
(IV) Information Disclosure Enhancement Whether the Company discloses the contents of ethical operation criteria and the implementation efficacy on the Company's website and on the Market Observation Post System?	✓		Besides disclosing in the annual report, the implementation status of the Company's ethical management policy is also disclosed on the Company's website under the section of Corporate Governance. Please refer to the website: <a href="http://www.adgroup.com.tw">www.adgroup.com.tw</a> Disclosure matters include: 1. Disclosure of the promotion and implementation status of integrity operation on the Company's website. 2. Reporting channels for dishonest behaviors in relation to integrity management are established on the Company's website under the section of Sustainable Operation.	No significant divergence
<p>(V) If the Company follows "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" to establish the Company's ethical management rules, then the Company should also state the implementation status and the divergence between the real practices and the rules.</p> <p>1. Regularly promote the concept of integrity management to all employees  (1) Regularly promote the concept of honest management to all employees  Because of the risk control of "covid epidemic" and the principle of compliance to epidemic prevention rules, the Company mainly used the manner of online publicity. Hence, on September 30, 2022, we handled the publicity activity with manners including group-wide email announcements, internal websites (the latest news), KM Platform, etc. The theme of the integrity management publicity is "Corporate Integrity and Social Responsibility", so that all employees can clearly understand the Company's integrity management philosophy and the norms.  (2) Arrange directors to participate in publicity or seminars: please refer to page 75 of this annual report for directors' training and education.</p> <p>2. Express the terms of integrity operation behavior in the contract with the counter-party.</p> <p>3. Establish and announce internal independent reporting mailboxes and dedicated lines on the company website and internal website: update the Company website and internal website in real time. Establish and announce internal independent reporting mailboxes and dedicated lines.  (1) The Company has not received reports in relation to integrity behavior in 2022.  (2) The execution is based on the Company's "Ethical Corporate Management Best Practice Principles", and there is no difference in the actual implementation status.</p>				
<p>(VI) Other important information that might help to understand the operation of the Company's ethical management practices (such as the review and revision of the established Ethical Corporate Management Best Practice Principles, etc...):</p> <p>1. The "Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct": There was no amendment in 2022.</p> <p>2. Report to the board of directors regarding the actual operation of integrity management on November 4, 2022.</p>				

Note 1:

(1) Law compliance and publicity:

The Company conducts education and publicity on the "Procedures for the Prevention of Insider Trading" and related laws and regulations for current directors, supervisors, managers and employees, and for new directors, supervisors and managers, related education and publicity is arranged within 3 months after taking office.

(2) Regular publicity and education training

A. For protecting employees' health and preventing cluster infection, the Company carried out publicity activity in the manner of online promotion on September 30, 2022 to publicize the integrity operation policy themed at "Corporate Integrity and Social Responsibilities". The popularizing objects included all the Company's employees with the purpose to popularize to clearly understand the Company's idea and norms of integrity operation. Besides publicity, the popularizing course also included topics on the prevention of fair trade, advertising and competition, collusion, conspiracy, intellectual property, etc., as well as on insider trading and short-swing trading that are often heard in the market due to unfamiliarity with the details of laws and regulations, and on the relevant provisions of the "Securities and Exchange Act", the prevention suggestions and examples.

Number of employees browsing the page and the manner of publicity are as follows:

December 31, 2022

List	Training Topic	Publicity Method	Class duration	Number of viewers
1	Integrity and Ethics	Online Publicity	20 minutes	382
2	Insider Trading	Online Publicity	20 ~ 30 minutes	224
3	Fair Trade	Online Publicity	20 minutes	89
4	Personal data protection	Online Publicity	20 minutes	79
5	Intellectual Property and Confidential Information Protection	Online Publicity	20 minutes	198
6		Physical Course	2 hours	23

B. In response to the competent authority's promotion of insider trading and related information such as ownership rights, the Company provided audio-visual files and materials (PDF files) to insiders and directors for reference on November 10, 2022. The contents include relevant laws and case analysis of insider trading, relevant laws and case analysis of stock price manipulation, relevant laws and case analysis of short-term trading, acquisition of a large amount of equities, treasury stocks, and insider's equity changes, etc...

Note 2:

(1) The Company engages in business activities based on the principles of fairness, honesty, trustworthiness, and transparency. In order to implement the integrity management policy and actively prevent dishonest behavior, the "Procedures for Ethical Management and Guidelines for Conduct" was formulated, approved by all the presenting directors in

the meeting, and reported to shareholders' meeting.

Based on this, the Company formulated the "Operating Procedures for Moral Risk Assessment" to establish an assessment mechanism for the risk of dishonesty and for the Integrity Operation Promotion Team to implement integrity management and to regularly analyze and assess the risk of dishonesty within the scope of business, and as a basis to formulate plans to prevent dishonesty behaviour.

After completing relevant risk assessments, the Integrity Operation Promotion Team compiles the relevant comprehensive risk assessment results, and conducts follow-up actions on relevant improvements based on the risk level of the risk index formulated in the "Operation Procedures for Moral Risk Assessment", which serves as the basis for risk management.

And in October 2022, according to the five categories of "moral hazard categories", such as integrity management and information disclosure, intellectual property protection, fair trade, advertising and competition, and privacy, identity protection and prevention of retaliation, assessment was carried out in each business department and staff unit. The assessment result summary showed that there was no major risk, so the topic does not need to be included in the annual audit plan.

(2) Regarding whistle-blower system and whistle-blower protection, specific whistle-blower's policies are formulated in the "Ethical Corporate Management Best Practice Principles", "Procedures for Ethical Management and Guidelines for Conduct", and "Operating Procedures for Reporting of Unethical Behaviors" to actively prevent dishonesty and encourage internal and external personnel to report dishonesty or misconduct.

A. Complaints and Reporting channels: The Company establishes and announces independent reporting mailboxes and dedicated lines on external and internal websites, and entrusts other external independent organizations to provide reporting mailboxes and dedicated lines for the use by internal and external personnel of the Company.

B. The Company also appointed the "Ethical Operation Promotion Team" as the unit responsible for accepting reporting cases. Should a reporting case involving directors or senior managers, the case shall be reported to independent directors or supervisors. The identity and content of the whistle-blower are kept confidential. The specific practices are based on the whistle-blower's protection system as stated in the "Procedures for Ethical Management and Guidelines for Conduct" and "Operating Procedures for Reporting of Unethical Behaviors".

C. In 2022, the Company did not receive reporting cases that involved dishonest behavior or dishonest interests.

7. If the Company has established its own ethical corporate management principles and related policies, then the inquiry method should also be addressed:

Please refer to the following methods to view the Company's Corporate Governance Code of Practice and the related regulations:

- (1) TWSE's Market Observation Post System ( <http://mops.twse.com.tw/mops/web/index> ) , under the Corporate Governance section.
- (2) Company website (<http://www.adgroup.com.tw>), under the section of Investor Relations/Corporate Governance.

8. Other significant information that will provide a better understanding of the implementation of corporate governance:

- (1) The Company regularly performs audits and regularly analyzes and reviews the financial and business information of subsidiaries in accordance with the regulations stipulating the supervision and management of subsidiaries as stated in the “Regulations Governing Establishment of Internal Control Systems by Public Companies.
- (2) Related license, which is issued by competent authorities, obtained by personnel in charge of financial information transparency: None.
- (3) Directors’ training status in 2022:

Category	Courses
Corporate Governance, Economic	A. The Great Future of China-U.S. Convergence, The Response of the Board of Directors B. Release of reference guidelines for independent directors and audit committees to exercise their powers, and advocacy meeting for directors and supervisors C. Insider shareholding publicity briefing for companies listed in TPEX and emerging stock market. D. Publicity meeting for the prevention of insider trading E. International Twin Summit on-line seminar F. Trends and Challenges of Information Security Governance G. Important Powers and Responsibilities of Directors and Supervisors H. Business Leader Academy Forum-Reboot under the new reality - see the digital new Taiwan I. Corporate Governance Lecture No.150 J. Corporate Governance 3.0 Blueprint for Sustainable Development
Environment	A. Transform to Net Zero 2030 Summit by Taishin Group B. Carbon Management Trends and Countermeasures towards Net-Zero
Society	Sustainable Development Road map Publicity Conference

Title	Name	Types and Numbers of Refresher Courses			
		Governance, Economic	Environment	Society	Hours of training
Chairman, representative of corporate director	Cheng, Hsi-Chien	●	●		6
Vice Chairman, representative of corporate director	Liu, An-Hao	●	●		6
Representative of corporate director	Lin, Jui-Chang	●		●	7
Director	Tu, Hsiao-Fen	●	●		6
Independent director	Hung, Li-Jung	●	●		9
Independent director	Chang, Hsueh-Pin	●	●	●	11
Independent director	Ho, Yao-Hung	●			6
Independent director	Chen, Yu-Lin	●	●	●	14

9. Regarding the implementation of internal control system, the followings should be disclosed:

(1) Statement of Internal Control System

## **Advanced International Multitech Co., Ltd. Statement of Internal Control System**

Date: February 23, 2023

In the light of the Company's 2022 internal control system, the Company is hereby made the following statement based on the results of self-assessment:

1. The Company acknowledges that the Board of Directors and management personnel are responsible for establishing, performing, and maintaining an Internal Control System. The system has already been duly established in the Company with purposes to provide a reasonable assurance of the Company's efficient and effective operations (including the profits, performance and safeguard of assets, etc...), to ensure the reliability of financial reports, and to reasonably assure the compliance to applicable laws and regulations.
2. The Company also acknowledges that the Internal Control System has inherent constraints irrespective of how comprehensive the system design is and therefore could only provide a reasonable assurance on the three above-mentioned goals. In addition, due to changes in the environment and circumstances, the effectiveness of the Internal Control System may vary accordingly. Nevertheless, the Internal Control System is equipped with self-monitoring mechanisms. Should any flaws be recognized, the Company would enforce corrective measures immediately.
3. The Company evaluates the effectiveness and execution of its Internal Control System according to the guidelines defined in the "Regulations Governing Establishment of Internal Control Systems by Public Companies ("the Guidelines" hereinafter) set forth by the Financial Supervisory Commission. The Guidelines divide the internal control system into 5 major elements: (1) Control environment; (2) Risk assessments; (3) Control operations; (4) Information and communication; (5) Monitoring. Each element includes certain factors. Please refer to "the Guidelines" for the detailed factors.
4. The Company has assessed and evaluated the design and execution effectiveness based on above-mentioned internal control system assessing elements.
5. On the basis of the self-assessment, the Company is of the opinion that the Company's Internal Control System (including the governance to its subsidiaries) on Dec. 31st, 2022, including the understanding of the efficiency and effectiveness of operations and achievements, reliability, timing, and transparency of the company's report, and the compliance to applicable laws and regulations due to the design and execution of its Internal Control System, is effective and provides a reasonable assurance of achieving the above-mentioned goals.
6. The Statement of Internal Control System will be a prominent feature of the Company's annual report and prospectus. It will also be released to the public. Should any statement herein involve forgery, concealment or any other illegalities, liabilities stated in Articles 20, 32, 171, and 174 of the Securities and Exchange Act shall apply.
7. The statement has been approved in the Board of Director's Meeting on February 23<sup>rd</sup>, 2023 with 7 directors presenting at the meeting and 0 holding objection opinion on the contents of this Statement of Internal Control System

Advanced International Multitech Co., Ltd.



Chairman: Cheng, Hsi-Chien



CEO: Chou, I-Nan





(2) If the Company is requested by the Securities and Futures Bureau to entrust accountants to audit its internal control system, the Company should also disclose the accountant's audit report: None.

10. Regulatory authorities' legal penalties to the Company and its employees, and the Company's punishment to its employees due to violation to the Company's internal control policy in the most current fiscal year and the current fiscal year until the printing date of this annual report; and if such punishment may bring significant effect on shareholders' interest or stock price, the Company shall state the content of the punishment, major deficiency, and the status of the improvement: None.

11. Important resolutions made in the Shareholders Meeting and Board of Director's Meeting in the most recent fiscal year and up until the printing date of this annual report.

Date of Meeting (m/d/y)	Type of Meeting	Important resolutions	Execution status
1/7/2022	Board of Director's Meeting	To approve the proposal for appointment of the Remuneration Committee members	Handled following the resolution
1/20/2022	Board of Director's Meeting	<ul style="list-style-type: none"> <li>(1) To approve the amendment of Rules Governing Share Buyback and Transfer to Employees.</li> <li>(2) To approve the plan of 2021 H2 managers' performance bonus.</li> <li>(3) To approve the plan of managers' 2021 year-end bonus.</li> <li>(4) To approve the 2022 salary adjustment plan to managers.</li> <li>(5) To approve the company's treasury stock transfer to employees.</li> <li>(6) To approve the 2022 operating plan.</li> <li>(7) To approve the establishment of Rules of Procedure of the Audit Committee.</li> <li>(8) To approve the amendment of some clauses of the Remuneration Committee Charter.</li> <li>(9) To approve the revision of 2022 audit plan.</li> <li>(10) To approve the amendment of Regulatory System and Budget Management.</li> <li>(11) To approve the amendment of Sustainable Development Best Practice Principles.</li> </ul>	Handled following the resolution
2/7/2022	Board of Director's Meeting	To approve the amendment of Rules Governing Share Buyback and Transfer to Employees.	Handled following the resolution
2/25/2022	Board of Director's Meeting	<ul style="list-style-type: none"> <li>(1) To approve employees, directors and supervisors' remuneration of 2021.</li> <li>(2) To approve 2021 Business Report and Financial Reports.</li> <li>(3) To approve 2021 dividend distribution.</li> <li>(4) To approve 2021 Internal Control Statements.</li> <li>(5) To approve the amendment of some clauses of the Regulations Governing the Acquisition and Disposal of Assets.</li> <li>(6) To approve the amendment of some clauses of the Articles of Incorporation.</li> <li>(7) To approve the amendment of some clauses of the Rules of Procedure for Shareholders Meetings.</li> <li>(8) To approve the convening of 2022 Annual Shareholders' Meeting.</li> </ul>	Handled following the resolution

Date of Meeting (m/d/y)	Type of Meeting	Important resolutions	Execution status	
		(9) To approve the amendment of some clauses of the Regulatory System and Budget Management. (10) To approve the independence and competence assessment of Certified Public Accountant. (11) To approve the appointment of Certified Public Accountant.		
4/18/2022	Board of Director's Meeting	(1) To approve the rescission of the Non-Competition Agreement for the company's directors. (2) To approve the third issue of domestic unsecured convertible corporate bonds.	Handled following the resolution	
5/10/2022	Board of Director's Meeting	(1) To approve 2022 Q1 Financial Reports. (2) To approve the amendment of some clauses of the Rules of Procedure for Shareholders Meetings. (3) To approve the company's sub-subsidiary Advanced Sporting Goods (Dongguan) Co Ltd. to sign short-term financing related matters. (4) To approve the project of Greenhouse Gases Inventory and the schedule of verification. (5) To approve to apply for banking facilities and derivative quota. (6) To approve the amendment of some clauses of of the circulation of Property, Plant and Equipment.	Handled following the resolution	
5/31/2022	General Shareholders' Meeting	Matters for acknowledge	(1) The 2021 Business Report and Financial Reports.	Handled following the resolution
			(2) The 2021 Earning distribution.	Set June 28, 2022 as the ex-dividend record date, and all the distribution was completed on July 20, 2022 in accordance with the resolution of the shareholders' regular meeting (distribute cash of \$5.5 for each share).
		Matters for Discussion	(1) The amendment of some clauses of the Articles of Incorporation.	Was approved on June 18, 2022 for registration by the Ministry of Economic Affairs and announced on the Company's website.
			(2) The amendment of some clauses of the Rules of Procedure for Shareholders Meetings.	Announced on the Company's website on May 31, 2022, and handled in accordance with the revised procedures.
			(3) The amendment of some clauses of the Regulations Governing the Acquisition and Disposal of Assets.	
(4) The rescission of the Non-Competition Agreement for the Company's director and its representatives.	Handled following the resolution			
8/4/2022	Board of Director's Meeting	(1) To approve the change of the company's CPA. (2) To approve 2022 Q2 Financial Reports. (3) To approve the change of the company's Spokesperson and General Manager. (4) To approve the 2021 Remuneration Plan to Independent Directors.	Handled following the resolution	

Date of Meeting (m/d/y)	Type of Meeting	Important resolutions	Execution status
		(5) To approve the 2021 Remuneration Plan to Directors (excluding Independent Directors) and Supervisors. (6) To approve the 2021 Remuneration Plan to Managers. (7) To approve the 2022 H1 Performance Bonus Plan to Managers. (8) To approve the amendment of some clauses of the Rules for remuneration of the Employee and Directors and Supervisors. (9) To approve to apply for banking facilities and derivative quota. (10) To approve the company's subsidiary ADVANCED INTERNATIONAL MULTITECH (VIETNAM) CORPORATION LTD. to sign short-term financing related matters with Taishin International Bank. (11) To approve the amendment of some clauses of the Rules for remuneration of the Employee and Directors and Supervisors.	
11/4/2022	Board of Director's Meeting	(1) To approve 2022 Q3 Financial Reports. (2) To approve the 2023 audit plan. (3) To approve the amendment of the Information System Processing Cycle. (4) To approve to apply for banking facilities and derivative quota. (5) To approve the amendment of some clauses of the Management of Operation of Board Meeting. (6) To approve the amendment of some clauses of the Procedures for Handling Material Inside Information.	Handled following the resolution

12. Whether any director or supervisor has different opinions on the approved important resolutions during the Board of Directors' Meetings in the most recent fiscal year and up until the date of printing of this annual report and such different opinions were recorded or taken down as written statement: None.
13. The summary of post resignation or dismissal of personnel whose job might be relating to the Company's financial reports, who may include the Chairman, CEO, Accounting supervisor, financial supervisor, internal audit supervisor, corporate governance supervisor, and R&D supervisor, etc., in the most recent fiscal year and up until the date of printing of this annual report: Yes, as showed in the following table.

Summary table of resignation and dismissal of relevant persons in the company

April 28, 2023

Job Title	Name	Date of Appointment	Date of Dismissal	Reason for Resignation or Dismissal
CEO	Cheng, Hsi-Chien	October 1, 2009	September 1, 2022	Job adjustment
CEO	Chou, I-Nan	September 1, 2022	NA	Job adjustment

(V) Information on the fees paid to certified accountants

1. The amount of audit fees paid, non-audit public fees paid and content of the non-audit services to certified accountants and their affiliated firms and affiliated enterprises shall be disclosed. If one of the following circumstances occurs, the following matters shall be disclosed:

(1) If the accounting firm is replaced and the audit fee paid in the replacement year is less than the audit fee in the previous year, the amount and reasons for the audit fee before and after the replacement shall be disclosed: No such situation.

(2) If the audit fee has decreased by more than 10% compared with the previous year, the amount decreased, proportion and reason of the audit fee reduction shall be disclosed: No such situation.

2. Fees paid to certified accountants

Unit: NT\$1,000

Name of Accounting Firm	Name of Accountant	Review Period	Audit Fee	Non-Audit Fee	Total	Note
PwC Taiwan	Wang, Chun-Kai	1/1/2022~12/31/2022	2,681	1,577	4,258	Note
	Wu, Chien-Chih					

Note: the non-audit fee was mainly paid for the service of transfer pricing and the Group's master file report.

(VI) Information on the Replacement of Accountants:

Information on the replacement of certified accountants in the most two recent fiscal years: During the last two years, the Company changed its certified accountants because of PwC Taiwan's internal organization adjustment and manpower scheduling. The Company did not change the certified accounting firm.

1. About the former accountant: Not applicable.

2. About the successor accountant: Not applicable.

3. Reply letter from the former accountant regarding item 1 and item 3 of Clause 6 of Article 10 of this Standard: Not applicable.

(VII) Whether the Company's chairman, chief executive officer, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm: No such situation.

(VIII) Information on share transfer and pledge of stock right changes by directors, managers, and shareholders that hold more than 10 % of the Company's outstanding shares at the most recent fiscal year and up until the printing date of this report.

1. Change in shareholding status of Director, Supervisor, Manager, and Shareholders that hold more than 10% of the Company's outstanding shares

Unit: share

Job Title	Name	2022		January 1~March 31, 2023	
		Increase (Decrease) of shares held	Increase (Decrease) of shares pledged	Increase (Decrease) of shares held	Increase (Decrease) of shares pledged
Representative of legal person, the Chairman	Ming An Investment Co., Ltd.	0	0	0	0
	Representative: Cheng, Hsi-Chien	0	0	0	0
Representative of legal person, the Vice Chairman	Yuan Hong Investment Co., Ltd.	0	0	0	0
	Representative: Liu, An-Hao	0	0	(400,000)	0
Director and Assistant Manager	Tu, Hsiao-Fen	9,000	0	9,000	0
Representative of legal person, director	Fu Yuan Investment Co., Ltd.	0	0	0	0
	Representative: Lin, Jui-Chang	0	0	0	0
Independent Director	Hung, Li-Jung	0	0	0	0
Independent Director	Ho, Yao-Hung	0	0	0	0
Independent Director	Chang, Hsueh-Pin	0	0	0	0
Independent Director	Chen, Yu-Lin	0	0	0	0
CEO(Note1)	Chou, I-Nan	15,000	0	15,000	0
Deputy General Manager	Lee, Mei-Chuan	20,000	0	(35,000)	0
Deputy General Manager	Yang, Chih-Ming	12,000	0	2,000	0
Deputy General Manager	Lu, Ying-Cheng	15,000	0	15,000	0
Financial superintendent and accounting superintendent and Assistant Manager	Kuo, Yi-Miao	9,000	0	4,000	0
Assistant Manager	Sasamoto Akunori	0	0	0	0
Assistant Manager	Lin, Tien-Chien	0	0	8,000	0
Assistant Manager	Hsueh, Hung-Jung	10,000	0	10,000	0
Assistant Manager	Wang, Chih-Wen	9,000	0	10,000	0
Assistant Manager	Liu, Chih-Jung	7,000	0	8,000	0
Assistant Manager	Chen, Chun-Chung	8,000	0	8,000	0
Assistant Manager	Cheng, Feng-Yao	8,000	0	8,000	0

Note 1: Job adjusted on September 1, 2022.

2. The counter-party of the share transfer is the relative of director, supervisor, manager, and shareholders holding more than 10% of the Company's outstanding shares: No such situation.
3. Circumstances where the counter-party of the equity pledge is a related party: no such situation.

(IX) Information on the relationship among the top ten shareholders who are related persons or spouses or relatives within the second degree

Information on the top ten shareholders and their interrelationships:

March 31, 2023; Unit: share/%

Name	Shares held in person		Shares held by spouse and minor children		Shares held under others name		RELATIONSHIP AMONG TOP 10 SHAREHOLDERS INCLUDING SPOUSE AND WITHIN 2ND DEGREE RELATIVE AS STATED IN NO.6 OF THE ACCOUNTING STANDARD		Note
	Shares	Stake(%)	Shares	Stake(%)	Shares	Stake(%)	Title (or Name)	Relations	
Cheng, Hsi-Chien, representative of Ming An Investment Co., Ltd.	12,134,838	8.66%	0	0.00%	0	0.00%	Cheng, Feng-Yao Liu, An-Hao	Father-son Affinity	
Cheng, Feng-Yao, representative of Shang Ming Investment Co., Ltd.	6,575,000	4.69%	0	0.00%	0	0.00%	Cheng, Hsi-Chien	Father-son	
Liu, Yen-Liang, Representative of An Yen Investment Co., Ltd.	5,000,000	3.57%	0	0.00%	0	0.00%	Liu, An-Hao	Father-son	
HSBC Bank (Taiwan) Ltd. entrusted by international investment account in Morgan Stanley	3,178,000	2.27%	0	0.00%	0	0.00%	None	None	
Cheng, Hsi-Chien, representative of Ming Feng Investment Co., Ltd.	2,587,339	1.85%	0	0.00%	0	0.00%	Cheng, Feng-Yao Liu, An-Hao	Father-son Affinity	
Wang, Mei-Chen, representative of Ming Yu Investment Co., Ltd.	2,560,003	1.83%	0	0.00%	0	0.00%	None	None	
Lu, Wan-Jung	2,280,609	1.63%	0	0.00%	0	0.00%	None	None	
Liu, An-Hao, Representative of Yuan Hong Investment Co., Ltd.	2,263,415	1.61%	0	0.00%	0	0.00%	Cheng, Hsi-Chien Liu, Yen-Liang	Affinity Father-son	
Malaysian Freedom Investment Co., Ltd., representative of Freedom Investment Co., Ltd.	2,115,380	1.51%	0	0.00%	0	0.00%	None	None	
Cheng, Hsi-Chien, representative of Ming Fa Investment Co., Ltd.	2,000,000	1.43%	0	0.00%	0	0.00%	Cheng, Feng-Yao Liu, An-Hao	Father-son Affinity	

Number of treasury shares as of March 31, 2023: 2,629,000 shares

- (X) The number of shares held by the Company, its directors, supervisors, managers, and enterprises directly or indirectly via enterprises that the Company holds controlling power over in the same reinvestment enterprise, and the composite shareholding status.

Composite Shareholding Ratio

December 31, 2022; Unit: share/%

Re-investment (Note)	Invest by the Company		Invest by the Company's directors, supervisors, managers, and directly or indirectly via controlled enterprises		Composite Investment	
	Shares	Shareholding %	Shares	Shareholding %	Shares	Shareholding %
ADVANCED GROUP INTERNATIONAL (BVI) CO., LTD.	4,584,815	100%	0	0%	4,584,815	100%
ADVANCED INTERNATIONAL MULTITECH (VN) CORPORATION LTD.	14,000,000	100%	0	0%	14,000,000	100%
Launch Technologies Co., Ltd.	28,518,424	55.93%	0	0%	28,518,424	55.93%
MUNICH COMPOSITES GMBH	21,003	27.27%	0	0%	21,003	27.27%
Advanced Sporting Goods (Dongguan) Co., Ltd.	0	0%	0	100%	0	100%
Baoji Zatech Material Co., Ltd.	0	0%	0	25%	0	25%
Maya Metal Technology Co., Ltd.	750,000	30%	0	0%	750,000	30%
Technology on Prototyping Ultimate Co., Ltd.	1,200,000	25.66%	0	0%	1,200,000	25.66%

Note: Investment of the Company using the equity method.

## IV. Capital Raising Activities

### (I) Capital and Shares

#### 1. Source of Capital

March 31, 2023

Unit: NT\$1/share

Month/Year	Issue Price	Authorized capital stock		Paid-in-Capital		Note		
		Number of shares (share)	Amount (dollar)	Number of shares (share)	Amount (dollar)	Source of capital stock	Non-cash stock subscription	Other (Approval letter No.)
02/1996	\$10	8,509,000	85,090,000	8,509,000	85,090,000	Capital increase by cash	--	85.03.20(85) Shang-Di-No. 103677
07/1998	\$10	18,717,012	187,170,120	18,717,012	187,170,120	Merge of Da An and Ming An	--	87.09.11(87)Shang-Di-No.087119823
12/1998	\$10	40,620,012	406,200,120	40,620,012	406,200,120	Capital increase by cash	--	87.12.02(87)Tai-Cai-Zheng(1)Zi-Di-No.97995
10/1999	\$10	55,620,012	556,200,120	55,620,012	556,200,120	Capital increase by cash	--	88.10.30(88)Tai-Cai-Zheng(1)Zi-Di-No.94843
07/2000	\$10	57,844,812	578,448,120	57,844,812	578,448,120	Capital increase by capital reserve	--	89.07.15(89)Tai-Cai-Zheng(1)Zi-Di-No.61843
07/2001	\$10	63,629,294	636,292,940	63,629,294	636,292,940	Capital increase by retained earnings	--	90.07.27(90)Tai-Cai-Zheng(1)Zi-Di-No.148681
07/2002	\$10	116,300,000	1,163,000,000	66,810,759	668,107,590	Capital increase by retained earnings	--	91.07.05(91) Tai-Cai-Zheng(1)Zi-Di-No.0910136844
07/2003	\$10	116,300,000	1,163,000,000	70,934,236	709,342,360	Capital increase by retained earnings (incl. Employee bonus)	--	92.07.04(92)Tai-Cai-Zheng(1)Zi-Di-No.0920129884
08/2004	\$10	146,300,000	1,463,000,000	85,629,863	856,298,630	Capital increase by retained earnings (incl. Employee bonus)	--	93.08.23Jing-Shou-Shang-Zi-Di-No.09301153530
01/2005	\$10	146,300,000	1,463,000,000	87,241,326	872,413,260	Conversion of corporate bond Employee stock option	--	94.01.25Jing-Shou-Shang-Zi-Di-No.09401008090
04/2005	\$10	146,300,000	1,463,000,000	89,032,803	890,328,030	Conversion of corporate bond Employee stock option	--	94.04.13Jing-Shou-Shang-Zi-Di-No.09401060590
09/2005	\$10	146,300,000	1,463,000,000	94,944,607	949,446,070	Capital increase by retained earnings (incl. Employee bonus) Employee stock option	--	94.09.08Jing-Shou-Shang-Zi-Di-No.09401176760
10/2005	\$10	146,300,000	1,463,000,000	95,616,891	956,168,910	Conversion of corporate bond Employee stock option	--	94.10.25Jing-Shou-Shang-Zi-Di-No.09401212400
01/2006	\$10	146,300,000	1,463,000,000	96,059,641	960,596,410	Employee stock option	--	95.01.16Jing-Shou-Shang-Zi-Di-No.09501009210
04/2006	\$10	146,300,000	1,463,000,000	97,080,641	970,806,410	Employee stock option	--	95.04.17Jing-Shou-Shang-Zi-Di-No.09501066950
08/2006	\$10	146,300,000	1,463,000,000	102,901,923	1,029,019,230	Capital increase by retained earnings (incl. Employee bonus) Employee stock option	--	95.08.25Jing-Shou-Shang-Zi-Di-No.09501186570



Month/Year	Issue Price	Authorized capital stock		Paid-in-Capital		Note		
		Number of shares (share)	Amount (dollar)	Number of shares (share)	Amount (dollar)	Source of capital stock	Non-cash stock subscription	Other (Approval letter No.)
10/2006	\$10	146,300,000	1,463,000,000	103,028,423	1,030,284,230	Employee stock option	--	95.10.24Jing-Shou-Shang-Zi-Di-No.09501239350
01/2007	\$10	146,300,000	1,463,000,000	104,210,023	1,042,100,230	Employee stock option	--	96.01.25Jing-Shou-Shang-Zi-Di-No.09501018310
04/2007	\$10	146,300,000	1,463,000,000	106,843,313	1,068,433,130	Conversion of corporate bond Employee stock option	--	96.04.17Jing-Shou-Shang-Zi-Di-No.09601077630
07/2007	\$10	146,300,000	1,463,000,000	108,305,210	1,083,052,100	Conversion of corporate bond Employee stock option	--	96.07.18Jing-Shou-Shang-Zi-Di-No.09601163620
09/2007	\$10	146,300,000	1,463,000,000	111,643,138	1,116,431,380	Capital increase by retained earnings (incl. Employee bonus) Conversion of corporate bond Employee stock option	--	96.09.05Jing-Shou-Shang-Zi-Di-No.09601218630
10/2007	\$10	146,300,000	1,463,000,000	114,780,567	1,147,805,670	Conversion of corporate bond Employee stock option	--	96.10.22Jing-Shou-Shang-Zi-Di-No.09601254980
01/2008	\$10	146,300,000	1,463,000,000	115,548,707	1,155,487,070	Conversion of corporate bond Employee stock option	--	97.01.21Jing-Shou-Shang-Zi-Di-No.09701011550
04/2008	\$10	146,300,000	1,463,000,000	115,561,951	1,155,619,510	Conversion of corporate bond	--	97.04.18Jing-Shou-Shang-Zi-Di-No.09701091500
07/2008	\$10	146,300,000	1,463,000,000	116,334,575	1,163,345,750	Conversion of corporate bond	--	97.07.24Jing-Shou-Shang-Zi-Di-No.09701183940
09/2008	\$10	146,300,000	1,463,000,000	119,645,814	1,196,458,140	Capital increase by retained earnings (incl. Employee bonus)	--	97.09.15Jing-Shou-Shang-Zi-Di-No.09701236020
11/2008	\$10	146,300,000	1,463,000,000	118,785,058	1,187,850,580	Conversion of corporate bond Retirement of treasury stock	--	97.11.06Jing-Shou-Shang-Zi-Di-No.09701281280
01/2009	\$10	146,300,000	1,463,000,000	118,789,924	1,187,899,240	Conversion of corporate bond	--	98.01.08Jing-Shou-Shang-Zi-Di-No.09801001810
04/2009	\$10	146,300,000	1,463,000,000	118,975,109	1,189,751,090	Conversion of corporate bond	--	98.04.09Jing-Shou-Shang-Zi-Di-No.09801067780
07/2009	\$10	146,300,000	1,463,000,000	125,397,905	1,253,979,050	Conversion of corporate bond	--	98.07.21Jing-Shou-Shang-Zi-Di-No.09801151010
10/2009	\$10	146,300,000	1,463,000,000	129,355,126	1,293,551,260	Conversion of corporate bond	--	98.10.16Jing-Shou-Shang-Zi-Di-No.09801240030
01/2010	\$10	146,300,000	1,463,000,000	129,937,359	1,299,373,590	Conversion of corporate bond	--	99.01.19Jing-Shou-Shang-Zi-Di-No.09901009280
04/2010	\$10	146,300,000	1,463,000,000	131,213,663	1,312,136,630	Conversion of corporate bond	--	99.04.02Jing-Shou-Shang-Zi-Di-No.09901066280
01/2011	\$10	146,300,000	1,463,000,000	135,041,722	1,350,417,220	Conversion of corporate bond	--	100.01.19Jing-Shou-Shang-Zi-Di-No.10001013520
03/2012	\$10	146,300,000	1,463,000,000	134,342,722	1,343,427,220	Retirement of treasury stock	--	101.03.26Jing-Shou-Shang-Zi-Di-No.10101051510
12/2015	\$10	146,300,000	1,463,000,000	133,375,722	1,333,757,220	Retirement of treasury stock	--	104.12.24Jing-Shou-Shang-Zi-Di-No.10401269350
10/2017	\$10	146,300,000	1,463,000,000	135,312,722	1,353,127,220	Employee stock option	--	106.10.20Jing-Shou-Shang-Zi-Di-No.10601144720
07/2019	\$10	180,000,000	1,800,000,000	135,312,722	1,353,127,220	Increase of authorized capital	--	108.07.04Jing-Shou-Shang-Zi-Di-No.10801072630
03/2023	\$10	180,000,000	1,800,000,000	137,192,926	1,371,929,260	Conversion of corporate bond	--	112.03.09Jing-Shou-Shang-Zi-Di-No.11230035620

March 31, 2023

Unit: share

Type of Shares	Authorized capital stock			Note
	Outstanding shares(Note1)	Un-issued shares (note2)	Total	
Common shares	137,192,926 shares	42,807,074 shares	180,000,000 shares	(note 3)

Note 1: 137,192,926 outstanding shares includes 2,629,000 shares of treasury stock.

Note 2: 42,807,074 un-issued shares include 3,007,346 shares that have not been registered for change.

Note 3: stocks that listed in TPEX.

Related information regarding shelf registration system: Not applicable.

## 2. Shareholding structure

March 31, 2023

Shareholding structure Amount	Government	Financial institutions	Other judicial persons	Individual	Foreign institution and judicial persons	Total
Number of person	0	1	111	12,528	141	12,781
Shares hold	0	117,000	59,257,154	61,343,340	19,482,778	140,200,272
Shareholding status (%)	0	0.08	42.27	43.76	13.89	100

## 3. Dispersion of shareholding

### (1) Dispersion of shareholding - common stock

March 31, 2023

Unit: ppl/share

Face value per share / NT\$10

Range of shareholding	Number of shareholders	Number of shares held	Shareholding %
1 ~ 999	3,830	410,398	0.29
1,000 ~ 5,000	7,336	13,100,229	9.34
5,001 ~ 10,000	785	6,283,183	4.48
10,001 ~ 15,000	239	3,048,705	2.17
15,001 ~ 20,000	130	2,439,037	1.74
20,001 ~ 30,000	126	3,198,454	2.28
30,001 ~ 40,000	65	2,285,645	1.63
40,001 ~ 50,000	50	2,304,423	1.64
50,001 ~ 100,000	87	6,060,736	4.32
100,001 ~ 200,000	49	6,990,674	4.99
200,001 ~ 400,000	27	7,827,922	5.58
400,001 ~ 600,000	14	6,759,934	4.82
600,001 ~ 800,000	9	6,373,471	4.55
800,001 ~ 1,000,000	5	4,670,913	3.33
> 1,000,001	29	68,446,548	48.84
Total	12,781	140,200,272	100

Number of treasury stock as of March 31, 2023: 2,629,000 shares

### (2) The Company does not issue special stock.

4. Name list of Major shareholders

Shareholders with a shareholding ratio of 5% or more; if there are less than ten shareholders, the names, shareholding amount and percentage of the top ten shareholders:

March 31, 2023  
Unit: share/%

Shareholding status Name of Major shareholders	Amount of shares held	Shareholding %
Ming An Investment Co., Ltd.	12,134,838	8.66%
Shang Ming Investment Co., Ltd.	6,575,000	4.69%
An Yen Investment Co., Ltd.	5,000,000	3.57%
HSBC Bank (Taiwan) Ltd. entrusted by international investment account in Morgan Stanley	3,178,000	2.27%
Ming Feng Investment Co., Ltd.	2,587,339	1.85%
Ming Yu Investment Co., Ltd.	2,560,003	1.83%
Lu, Wan-Jung	2,280,609	1.63%
Yuan Hong Investment Co., Ltd.	2,263,415	1.61%
Freedom Investment Co., Ltd.	2,115,380	1.51%
Ming Fa Investment Co., Ltd.	2,000,000	1.43%

Number of treasury stock as of March 31, 2023: 2,629,000 shares

5. Share prices, net worth, earnings, dividends, and other related information in the most recent two fiscal years

Information on market price per share, net worth, earnings, and dividend

Unit: NTD  
1,000 shares / %

Item		Year	2021 (Distribute in 2022)	2022 (distribute in 2023)	Current year until March 31, 2023
Market price per share	Highest		93.30	114.50	119
	Lowest		39.05	72.20	94.60
	Average		73.76	90.97	106.59
Net worth per share	Before distribution		39.09	52.13	Not applicable
	After distribution		33.58	42.93	Not applicable
Earnings per share	Weighted average number of shares		134,654	132,419	135,968
	Earnings per share		10.01	16.92	Not applicable
Dividend per share	Cash dividend		5.5	8.97481203	Not applicable
	Stock grants	From retained earnings	0	0	Not applicable
		From capital reserve	0	0	Not applicable
	Accumulated unpaid dividend		0	0	Not applicable
Return on investment analysis	P/E Ratio(Noe 1)		7.36	5.38	Not applicable
	Price to dividend ratio ( Note 2)		13.41	10.14	Not applicable
	Cash dividend yield (Note3)		7.46%	9.87%	Not applicable

Note 1: P/E Ratio = average price per share of the current year / Earnings per share.

Note 2: Price to dividend ratio = average price per share of the current year / cash dividend per share.

Note 3: Cash dividend yield = Cash dividend per share / average price per share of the current year

6. Dividend policy and the implementation

(1) Dividend policy

The Company adopts a residual dividend policy for sustainable operation and profits increase. If the Company has a surplus after accounts close each year, in addition to paying income tax and making up for losses in previous years, 10% of the statutory reserve shall be set aside first, except for the situation when the statutory reserve has reached the total capital. After the special reserve is set aside or reversed in accordance with the laws or regulations of the competent authority, the earnings of the current period along with the undistributed earnings at the beginning of the same period are calculated to be the accumulated distributable earnings. The amount to be distributed or reserved shall be prepared by the board of directors as earnings distribution plan, which then shall be submitted to the shareholders' meeting for resolution and distribution. The amount of distribution shall not be less than 50% of the distributable earnings for the current year, and cash dividends shall not be less than 10% of the total dividend distribution for the year.

The Company's dividend policy is determined based on factors such as earnings stability, cash receipts and payments, future business evaluation, appropriate earnings retention, and shareholders' tax burden. In the future, a balanced dividend policy will be the goal. In the long run, such policy can not only protect the rights and interests of investors, but also can control the flow of funds and maintain the Company's image.

(2) Dividend distribution proposed at the shareholders meeting:

It is planned to distribute a cash dividend of \$8.97481203 per share, for a total of NT\$1,234,676,307, from the distributable earnings in 2022, according to the number of shares recorded in the shareholder register on the dividend distribution base date. In case of changes in the number of common shares, resulting in changes in the proportion of dividends per share, the board of directors is authorized to discuss and handle accordingly.

(3) When a major change in the dividend policy is expected, it should be stated: Not applicable.

7. The impact of stock grants proposed at the shareholders' meeting on the company's operating performance and earnings per share: Not applicable.

8. Remunerations paid to employees, directors and supervisors

(1) The ratio or range of remuneration for employees, directors and supervisors as stated in the Company's articles of incorporation:

The Company shall distribute employee remuneration at no less than 1% of the current year's earnings and shall distribute directors' remuneration at no more than 5% of the current year's earnings. However, if the Company still has accumulated losses, it shall make up losses first.

Employee remuneration may be paid in stock or cash, and the recipients of the stock or cash may include employees of affiliated companies who meet certain conditions.

The earnings of the current year referred to the current year's pre-tax profit after deducting remunerations paid to employees and directors. The distribution of employee

remuneration and director remuneration shall be made by the board of directors with the resolution of more than two-thirds of the directors present and the approval of more than half of the directors presenting in the meeting, and shall report to the shareholders' meeting.

In addition, the regular evaluation of the remuneration of directors and managers will be made based on the degree of participation in the Company's operations and personal performance and contributions, and will be handled in accordance with the Company's "Rules for remuneration of the Employee and Directors". If a director or manager has moral related hazards or other risk, events that may cause negative impacts on the Company's image and goodwill, or involves in other risk issues, such as improper internal management, and personnel malpractice, etc., such are all considered along with director and manager's goal achievement rate, operation efficiency, level of contribution, to make a comprehensive consideration in the calculation of the proportion of remuneration for providing reasonable compensations to directors and managers. And the system is reviewed in a timely manner at any time depending on the actual operation conditions and relevant laws and regulations.

- (2) The basis for the estimation of the remuneration of employees, directors and supervisors in the current period, the basis for calculating the number of shares of employee remuneration distributed by stock, and the accounting treatment when the actual distribution amount is different from the estimated amount:

In 2022, the Company proposed to distribute \$128,650,000 as employee remuneration and NT\$10,400,000 as director's remuneration; the remuneration distribution proposal is made in conformity with the Company's Articles of Incorporation. If there is a difference between the actual remuneration distribution as adopted in the shareholders' meeting, the difference in the estimated amount and actual distributed amount changes will be recorded as changes in accounting estimates and listed as the profit or loss in the year of actual distribution.

- (3) The approval of remuneration distribution by the board of directors.

- A. Cash or stock distribution of employee remuneration and the amount of remuneration for directors and supervisors. If there is a discrepancy from the estimated amount of the recognized expense in the year, the discrepancy, reason and handling situation shall be disclosed:

Unit: NT\$1,000

Proposed distribution items	2022			
	Estimated amount	Distributed amount proposed by the Board	Difference	Reason of difference
Cash remuneration for employees	128,650	128,650	0	None
Remunerations for directors and Supervisor	10,400	10,400	0	None

- B. The amount of proposed distribution of employee stock bonuses, and the size of such an amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial

reports for the current period and total employee bonuses: Not applicable, because employee remuneration is planned to distribute by cash only.

- (4) The actual distribution of employee bonuses and director/supervisor compensation in the previous fiscal year (with an indication of the number of the shares distributed, dollar amount, and stock price), and, if there is any discrepancy between the actual distribution and the recognized employee bonuses and director/supervisor compensation, shall also state the amount of the difference, the cause, and how it is treated.

Unit: NT\$1,000

Proposed distribution items	2021			
	Estimated amount	Distributed amount proposed by the Board	Difference	Reason of difference
Cash remuneration for employees	80,090	80,090	0	None
Remunerations for directors and Supervisor	11,600	11,600	0	None

9. Share buyback situation

Share buyback situation (already executed)

Term of share buyback	The 4 <sup>th</sup> time
Purpose of share buyback	For transfer to employee
Buyback period	September 24, 2021 To November 22, 2021
Range of buyback price	\$60 to \$110
Type and amount of re-purchased shares	3,379,000 common shares
Dollar amount of re-purchased shares	\$258,234,917
The ratio of the quantity bought back to the quantity scheduled to be bought back (%)	50.43%
Number of shares that have been canceled and transferred	1.Has transferred 400,000 shares to employees on March 4, 2022. 2.Has transferred 350,000 shares to employees on March 2, 2023.
Cumulative number of shares held in the Company	2,629,000 shares
The ratio of the cumulative number of shares held in the Company to the total number of issued shares (%)	1.92%



## (II) Issuance of Corporate Bond:

## 1. The handling of corporate bond

Type of corporate bond		The 3 <sup>rd</sup> domestic unsecured convertible corporate bond
Date of issuance (handling)		July 20, 2022
Face value		NT\$100,000
Place of Issuance and Transaction		R.O.C.
Issuance price		NT\$102
Total amount		NT\$1billion
Interest rate		0% coupon rate
Duration		3 years, will expire on July 20, 2025
Guarantee agency		Not applicable
Trustee		Taishin International Bank Co., Ltd.
Underwriter		Taishin Securities Co., Ltd.
Lawyer		Lawyer Shih, Li-Fei
Certified accountant		PwC Taiwan Accountant Liao, A-Shen Accountant Wu, Chien-Chih
Repayment method		Except that the holders of the convertible corporate bonds are converted into ordinary shares of the Company in accordance with Article 10 of the Issuance and Conversion Method of the Third Domestic Unsecured Convertible Corporate Bonds, or the Company redeems them in advance in accordance with Article 18 of the Method, or the Company repurchase and from the securities company and cancel the bonds, the Company shall repay at the bond's face value in cash in one lump sum within the fifth business day from the day after the convertible corporate bond matures.
Principal outstanding		None
Clause of redemption or early settlement		Please refer to Article 18 of the Company's "Issuance and Conversion Method of Advanced International Multitech Co., Ltd.'s 3 <sup>rd</sup> Domestic Unsecured Convertible Corporate Bond".
Restrictions		None
Name of credit rating agency, rating date, and corporate bond rating result		Not applicable
With other rights	Amount of converted (exchanged or subscribed) ordinary shares, overseas depository receipts or other securities as of the publication date of the annual report	None
	Issuance and conversion (exchange or subscription) method	Please refer to TWSE's Market Observation Post System (Investment Section - Corporate Bond)
Issuance and conversion, exchange or subscription methods, issuance conditions on possible dilution of equity and impact on existing shareholders' rights and interests		The total face value of this issuance of convertible corporate bonds is NT\$1 billion. Since the issuance period of the Company's bonds is 3 years, and creditors may request conversion at different times, which may delay the result of earnings per share but shall not have a major impact on existing shareholders' rights and interests.
Name of the Exchange Subject Entrusted Custody Institution		Not applicable

2. Information regarding convertible corporate bond

Type of corporate bond		The 3 <sup>rd</sup> domestic unsecured convertible corporate bond	
Item		Year	
		2022	Current year (2023) until March 31, 2023
Market price of the convertible bond	Highest	138	145
	Lowest	104.75	116.20
	Average	113.5	126.96
Date of Issuance (handling) and the conversion price at issuance		Date of Issuance: July 20, 2022 Conversion price at issuance: NT\$81	
Fulfillment of conversion obligation		Issuance of new shares	

(III) Issuance of Preferred Stock: None.

(IV) Issuance of Global Depository Receipt: None.

(V) Employee Stock Option: None.

(VI) Restriction on employee's right and the handling of new shares: None.

(VII) Mergers or acquisitions, and issuance of new shares due to acquisition of shares of other companies: None.

(VIII) The implementation of fund utilization plan:

The 3<sup>rd</sup> Domestic Unsecured Convertible Corporate Bond

1. Content of the Plan

(1) Date of approval by the competent authority and the Correspondence No.: On May 25, 2022 by the Financial Supervisory Commission via the Correspondence Jin-Guan-Zheng-Fa-Zi-Di No.1110342552.

(2) Total amount of fund required for this project: NT\$1,000,000,000.

(3) Source of the fund: To issue unsecured convertible corporate bond in the open market

and total amount raised is NT\$1 billion.

(4) Use of the fund: To increase working capital.

(5) Planned purpose and the expected execution timeline:

Unit: NT\$1,000

Purpose	Expected date of completion	Total amount required	Scheduled fund utilization progress		
			2022		2023
			Q3	Q4	Q1
To increase working capital	Q1 / 2023	1,000,000	400,000	400,000	226,225

(6) Expected possible benefits:

The funds raised will be used to support the funds required for daily operations, strengthen the financial structure and enhance market competitiveness. In addition to increasing the stability of long-term funds and improving the flexibility of fund allocation, it can also reduce the Company's operating risks and help the Company's future medium and long-term development. Based on current average interest on bank loans, it is expected to save 4,000 thousand dollars interest expenses in 2022 and thereafter to save 8,000 thousand dollars in interest expenses each year.

(7) Change of project content, reason of the change, and the effect of the change:

Not applicable.

(8) Date required by the FSC to enter into the designated information reporting website:

On July 19, 2022.

## 2. The implementation situation

(1) Progress of the use of funds

Unit: NT\$1,000 ; %

Planned purpose	Implementation Status		2022 Q3	Reasons for the fund use progress ahead or behind the plan, and improvement plan
Increase working capital	Amount spent	Planned	400,000	As of the third quarter of 2022, the estimated fund use progress and implementation progress were NT\$400,000,000 and 38.98% respectively, and the actual expenditure and implementation progress were NT\$1,026,225,000 and 100%, respectively. The implementation has been completed and the progress is ahead of the schedule with the main reason to response to the rapid rise in interest rates in the international market resulting in gradual increase in borrowing rates. Therefore, the Company used the raised fund to pay cash dividends and payment for goods in advance, and the use of funds is reasonable.
		Actual	1,026,225	
	Progress	Planned	38.98%	
		Actual	100%	
Total	Amount spent	Planned	400,000	
		Actual	1,026,225	
	Progress	Planned	38.98%	
		Actual	100%	

(2) Achievement of the benefits:

The Company completed the collection of the raised funds in mid-July 2022, and immediately invested the fund in enriching working capital. As of the third quarter of 2022, the actual execution amount and progress were NT\$1,026,225,000 and 100%, and the execution has been completed. The progress is ahead of schedule mainly due to the rapid rise in interest rates in the international market, resulting in a gradual increase in borrowing rates. Therefore, the Company uses debts to pay cash dividends and payment for goods in advance. If we look at the interest expenses that can be saved after the fundraising is completed, the expected benefits and actual results are both achieved and is not materially different.

## V. Operation Overview

### (I) Content of Business

#### 1. Business Scope

##### (1) Main contents of the scope of business

- A. Process, manufacture, and trade of carbon fiber prepreg and carbon fiber products (including baseball bat, cue sticks, arrows, golf clubs and club heads, fishing tackle, bicycles and their accessories);
- B. Supply of composite materials for aerospace industry. Process, manufacture, and trade of “carbon fiber fabric”;
- C. Import and export above-mentioned products;
- D. Sporting Goods Manufacturing;
- E. Copper Casting;
- F. Copper Rolling, Drawing, and Extruding;
- G. Valves Manufacturing;
- H. Mechanical Equipment Manufacturing;
- I. Enterprise Management Consultancy;
- J. Information Software Services;
- K. International Trade;
- L. Wholesale and Retail Sale of Clerical Machinery Equipment;
- M. Other Rubber Products Manufacturing
- N. Other Plastic Products Manufacturing
- O. Wholesale and Retail Sale of Culture, Education, Musical Instruments and Educational Entertainment Supplies
- P. Mold and Die Manufacturing and Wholesale of Molds;
- Q. Reinforced Plastic Products Manufacturing;
- R. Wholesale and Retail Sale of Computers and Clerical Machinery Equipment;

##### (2) Proportion of main products in sales in 2022

Unit: %

Business Item	Proportion of product sales in 2022(%)
GOLF equipment	70.25%
GOLF ball	16.80%
Composite products	12.95%
Total	100%

##### (3) Current product and service of the Company

- A. Golf wood club head, iron head, putter head.
- B. Carbon fiber golf clubs.
- C. Golf club set.
- D. Carbon fiber prepreg, glass fiber prepreg and reinforcement patch.
- E. Range balls.
- F. Two-layer golf ball.
- G. Three-layer golf ball.

- H. Four-layer golf ball.
  - I. High-end game ball.
  - J. Other golf balls of special specifications.
  - K. 3C product-related composite material components.
  - L. AR/VR composite material components.
  - M. Sporting goods related composite material components.
  - N. Application of recycled carbon fiber technology on related composite component.
  - O. Composite components related to artificial exoskeleton.
- (4) Planned development of new products and new technologies
- A. Sports and leisure products
    - ①Development of multi-stage resin infusion technology.
    - ②Development of 3D printing molding technology.
    - ③Light weight and highly rigid carbon fiber top and bottom cover.
    - ④Development of high-strength stainless steel and titanium alloy casting materials.
    - ⑤Establishment of forging technology and the products.
    - ⑥Development of metal injection molding technology.
    - ⑦Establishment of plastic injection forming technology.
    - ⑧Development of wrap-around carbon fiber molding.
    - ⑨The recycle of carbon fiber impregnated bulk molding compound.
  - B. Composite products
    - ①Forward-looking green bio-based nano-composite technology and the application on products.
    - ②Technology development and product application of green, environmentally friendly, lightweight and high-strength thermoplastic carbon fiber composites.
    - ③Technology development and product application of high-vibration and high-strength nano-composite carbon materials.
    - ④Development of carbon fiber recycling technology and the application on products.
    - ⑤Epoxy resin technology and product application for winding.
    - ⑥Intelligent production technology and equipment development of carbon fiber prepreg.
2. Industry Overview
- (1) Industry's current status and the development
- A. Sports and leisure products
 

Golf club products are mainly sold to the United States and Japan. Big domestic brands, including Taylor Made, Callaway, Ping, Titleist, Cobra and Cleveland in the U.S. and Srixon, Maruman, Bridgestone, Mizuno, Yamaha and PRGR in Japan, have already established brand advantages and almost dominated the global golf equipment consumption market.

Most Taiwanese manufacturers mainly undertake OEM orders. Taiwanese golf equipment manufacturers have more than 40 years of manufacturing experience, strong product research and development capabilities, and possess cost advantages. Therefore, Taiwan has become the most important golf club

manufacturing center in the world.

For the global operation model of the golf industry, except for a few brands that specialize in the production of golf balls, most of the brands adopt a multi-modal operation, backed by the brand, and their business tentacles cover the sales of all kinds of golf products, including clubs, balls, etc. , equipment and even jerseys, etc. Most of these brands have outsourced clubs and other products to Asian manufacturers, especially Taiwanese OEMs. In the field of golf equipment manufacturing, Taiwanese OEMs, with superb manufacturing technology and excellent development and design ability, proficient manpower experience and sufficient capital production capacity, have won more than 80% of the OEM market, making brand manufacturers more dependent on Taiwanese manufacturers, and the division of labor between marketing-design-manufacturing between industries is more clear. Taiwanese manufacturers have become an inseparable partnership.

Today's golf clubs are increasingly complex in terms of material application, appearance, and process design. Therefore, a complete supply system is required in the production process. Major brands are also actively forming close cooperation systems with major domestic manufacturers, and such close cooperation system also forms competition barriers for external entrants.

In response to geopolitical issues, major brands have adopted various countermeasures on the issue of origin. Taiwan and Vietnam have taken a lot of focus and advantages in this wave of trade wars.

Since 2020, the covid epidemic has caused changes in life and exercise habits, and the golf population has increased significantly. As the epidemic situation in various countries gradually slows down and policies are eased, whether people's social and exercise behaviors will change again will be a continuous observation focus.

#### B. Composite product

##### ① Composite materials (the application in 3C):

With the global advocacy of the circular economy, corporate social responsibility and EPEAT (Electronic Product Environmental Assessment Tool) legal factors, composite materials are bound to become more and more important in response to recyclable issues and will impact the development trend of TS (Thermoset) or TP (Thermoplastic).

##### ② Portable device:

With the characteristics of light weight, high rigidity, and dimensional stability, the new application in the market will bring another wave of demand for composite materials. Several leading brands will also use carbon fiber in AR (Augmented Reality Augmented Reality Technology) and other fields.

##### ③ Automotive field:

As the world's environmental laws and regulations become more and more stringent, under the pressure of energy conservation, emission reduction and low carbon requirements, lightweight for automobile has become an urgent need for global automobile companies.

Carbon fiber composite materials have the advantages of good plasticity, strong impact resistance, high rigidity and ultra-light weight. It is one of the most effective ways for automobile companies to reduce fuel consumption, reduce emissions, and improve the cruising range of new energy vehicles.

As an important part of new energy vehicles, carbon fiber composite materials can maintain high strength while reducing weight; hence, their development prospects are extremely broad.

Especially automotive carbon fiber rims, carbon fiber composite interior and exterior trims and structural parts have great development and market demand.

Carbon fiber prepreg material (PPG):

In recent years, the application of carbon fiber composite materials in cutting-edge industries has become increasingly widespread. For example, high-tech products such as sports equipment, aerospace structures, automotive components, electronic printed circuit boards and construction materials all contain a large amount of carbon fiber composite materials. With the government's full planning and encouragement and the strong cooperation of academic and research institutions, Taiwan's composite material industry is currently facing a complete transformation and upgrading, and the application of carbon fiber are becoming wider and wider; the rapid growth of the industry is quite impressive.

In order to meet the needs to deep cultivate in the industry, the prepreg developed by the Company is gradually developing into the field of mass-customization with a small amount of big varieties, and to deepen and meet the needs of different industries as a niche for future competition.

(2) The relationship between the upstream, mid-stream and downstream of the industry

A. Sports and leisure industry

Upstream industry	Midstream industry	Downstream industry
Iron and steel smelting industry metal manufacturing industry Carbon fiber industry Rubber manufacturing industry Resin Manufacturing industry	Manufacturing of golf balls, ball heads, clubs, and golf equipment	Major golf equipment factories

B. Composite material industry

Upstream industry	Midstream industry	Downstream industry
Carbon fiber industry Steel industry Metal industry Chemical industry Rubber raw material industry Plastic raw material industry Paint industry Hardware parts industry	3C components frame hub the chain brake transmission	Major electronic product manufacturer Bicycle manufacturer

### (3) Product development trend and market competitions

#### A. Sports and leisure products

Golf heads can be roughly divided into three categories: wood club heads, iron heads and putters. With the continuous advancement of material technology, the manufacturing of golf heads has become increasingly complex. The traditional precision casting molding with single materials can no longer meet the needs of the market. The golf industry has begun to devote itself to the development of new materials, high-function and multi-material composite structures.

As far as the current product development trend is concerned, the following points can be summarized:

- ①The demand for customized products is increasing, and the complexity is high.
- ②The sweet spot of hitting the ball is large, and the rebound coefficient is improved to meet the general low-handicape territory users.
- ③In addition to functional requirements, aesthetic appearance is also the focus of requirements, so products with electroplating products and surface treatment are increasing.

After more than 40 years of development, Taiwan's golf industry has become a global manufacturing center, and has become a major OEM and ODM partner of the world's major manufacturers. In addition to the Company, currently Taiwan's golf club head manufacturers include Fusheng , Ota and Dynamic. And because of the following niches, The Company holds competitive advantage among its peers:

- ①Provide customers with one-stop shop integrative services.
- ②Short product development time to quickly meet customer's needs.
- ③Has the technological basis of composite materials, good for product development and mass production.
- ④Stable product quality.
- ⑤Establish strategic alliance with the source of technology to solidify market position.
- ⑥The construction of an information network system to enhance the overall competitive advantage.

Golf ball is a product with complex physical characteristics, and its product types are quite diverse. For example, its material, structure, size, weight, and shell design will cause differences in ball specifications, and slight differences in distance, speed, wind resistance, etc will also occur with swing reactions, thus affect the result of the competition. The early golf ball's core system adopted liquid materials, and the outer layer was covered with winding coils, and now the production has evolved to the current structure where the inner and outer layers are made of rubber and resin respectively. The designed physical characteristics are also oriented toward precise material calculations. Since the development of golf balls, the product specifications have been integrated into set standards. The current global standard of golf ball specifications is formulated by the United States Golf Association (USGA), which regulates that the diameter of golf ball must not be less than 42.627mm, the weight must not exceed 45.93g, and there are also restrictions on ball speed.



In addition to standard specifications, golf balls also have different structures and materials according to the research and development of manufacturers. Generally speaking, when market users choose ball types, they mostly use the structure of the ball to roughly distinguish them, which can be divided into the following types:

- ① Single layer ball: called one-piece ball, the ball is pressed and formed by hard rubber, and then printed and painted for protection. Because of its durable characteristics, it is mostly used as practice ball products.
- ② Two-layer ball: A ball consisting of a large rubber core and a relatively thin shell. Because of its excellent performance and affordable price, it is the most common golf ball design. The ball shell is made of special plastic material.
- ③ Three-layer ball: The center and the middle layer are made of rubber or plastic, and the outer shell is made of special plastic material or PU material, so it is able to cope with both the distance required by the long rod and the spin performance control required by the short rod. Most of today's balls with the highest spin and best feel still feature this already proven three-layer structure.
- ④ Multiple-layer ball: balls with multiple layers are designed to produce the best results with any hitting strength. The core is designed to drive the ball as far as possible with the tee cup, while the mid layer accommodates hard iron hits and the shell for optimal feel and backspin control on half-swings, chips and putts.

In terms of application selection, single-layer balls are generally only used for driving ranges, while double-layer balls are softer, spin faster, fly farther, and are cheaper, and are very popular among ordinary consumers. The three-layer ball and the four-layer ball require a high degree of swing skills, because they take into account various hitting situations and are easy to control, so they are loved by high-level golfers. Although the structure of golf balls has become more and more complex with the R&D and innovation of manufacturers, all types of golf balls currently on the market have their ranges of use and use groups, and they are developed in parallel rather than to replace each other.

Due to the refinement of rubber formula and manufacturing technology in recent years, products with soft hitting feel and long distance can be manufactured, which is of great help to ordinary golfers in pursuit of distance and hitting tolerance. The product design in the market has been adjusted towards a softer overall play feeling, which is the development trend of golf products today.

#### B. Composite products

Carbon fiber prepreg material (PPG): In order to meet the needs to deep cultivate the industry, the prepreg developed by the Company is gradually developing in the field of mass-customization with a small amount of varieties, and to deepen and meet the needs of different industries as a niche for future competition.

Composite material components: The Company has been a long-term partner of brand manufacturer of 3C and sporting goods. We specialize in composite material thermoforming technology to provide customized and solutions for mass production.

3. Our technology and R&D

(1) R&D expenses

Unit: NT\$1,000

Year	2022	Current year until March 31, 2023
R&D expenses	756,715	172,024

Note: the 2023 Q1 number has not been audited by accountants.

(2) Successfully developed technology

A. Sports and leisure product

R&D results	Application	Effects
Compression molding self-made materials in mass production of ball head composites	New material	Improve the competitiveness of self-made materials for compression molding and the efficiency of molding processes
High Strength Stainless Steel Castings	New material	Improve product value and competitiveness
High density counterweight heterogeneous material combine technology	New structure	Improve product design freedom and the performance
Multi-directional angle changeable pole structure	New structure	Improve product function and customer's adherence
Thermoplastic molding technology	New process	Improve process capability and product performance

B. Composite products

R&D results	Application	Effects
Technical development of automotive composite products	New process	Improve product value and competitiveness
Graphene Added to the applications of composites	New material	Improve the performance and competitiveness of PPG self-made materials
Carbon fiber weaving technology	New process	Improve composite lamination technology and expand process capabilities
Development of recyclable carbon fiber	3C/Sports products	Reduce material waste in the manufacturing process and achieve sustainable development of material recycling
Stamping process of composite materials	3C products	Improve processing efficiency and product competitiveness
Automatic deburring process	3C/Sports products	Replace manual deburring, greatly improve efficiency and reliability

4. Long-term and Short-term business development plan
  - (1) Short-term plan
    - A. Marketing plan
      - ① Strengthen the relationship with existing customers by responding quickly to customer needs and diversifying specifications.
      - ② Grasp the pulse of the market, respond to different market needs, make breakthroughs from point to plane, and enter new markets.
      - ③ Develop niche markets and products, and increase the overall gross margin by mixing and matching product portfolios.
      - ④ Strengthen supply chain management and strategic alliance with upstream and downstream customers to shorten the process, provide real-time information, and make capital operation more efficient.
    - B. Production plan
      - ① Continuously improve the production process, improve manufacturing technology, introduce automation, improve quality and efficiency, and reduce labor costs.
      - ② Continue to develop new manufacturing methods to diversify products to meet the needs of markets.
      - ③ Take advantage of the differentiated production advantages of Taiwan, China, and Vietnam to carry out production and sales division to achieve the goal of optimizing production allocation.
      - ④ Strengthen pre-employment and on-the-job education and training for employees to develop their abilities to cope with the trend of mass-customization.
    - C. R&D plan
      - ① Strengthen the construction of R&D manpower, set up a talent pool for new markets, and invest in the development of new applications and new products.
      - ② Implement the basic skills of research and development, from the point of theory, practice to link to application, and interact applications as a plane.
      - ③ Strengthen cooperation with customers to develop new products to increase the proportion of ODM (Original Design Manufacturer) business.
      - ④ Strengthen knowledge management, integrate existing data, share technical resources, and improve technical standards.
    - D. HR and Informatization plan
      - ① Multi-capacity training for existing personnel, encourage attempts and tries, and strengthen employee experience and skills.
      - ② Recruit personnel from different fields and diverse ideas to stimulates existing organizations, integrate internal resources of the Company, and improve work efficiency.
    - E. Financial plan
      - ① Use appropriate derivative financial products to cooperate with export-oriented sales plans to avoid the risk of exchange rate fluctuations.
      - ② Strengthen business management, reduce the risk of stagnant accounts receivable and inventory, and increase the turnover rate of accounts receivable and inventory.

- (2) Medium- and long-term plan
- A. Estimate the market trend and demand in the next 3 years, quickly enter the early development and market penetration.
  - B. Extend the use of core technologies such as "precision casting" and "composite material production and application", and enhance the overall value of the company through cross-industry cooperation.
  - C. Lean production and management, creating a high-performance organization, and gradually moving towards an intelligent factory through labor-saving and automated manufacturing.
  - D. Strengthen human resource development and talent cultivation programs, enhance the work value and sense of belonging of colleagues, and strengthen corporate competitiveness.

(II) Market and the Production-Marketing Situation

1. Market analysis

(1) Analysis of major products and sales regions in the last two years

Unit: NT\$1,000/%

Sales region		2022		2021	
		Sales amount	%	Sales amount	%
Domestic sales		981,652	4.58%	818,419	4.84%
Exports	America	15,026,056	70.14%	11,775,292	69.64%
	Asia	4,547,380	21.23%	3,855,901	22.81%
	Other region	867,697	4.05%	458,412	2.71%
	Total	20,441,133	95.42%	16,089,024	95.16%
Total		21,422,785	100%	16,908,024	100%

(2) Main competitors and Market Share

A. Sports and leisure market

Although the golf equipment market is already a mature market, almost 80% of the global OEM orders are taken by Taiwanese manufacturers. At present, the top four major golf club head industries in Taiwan are Fusheng, Advanced, Ota, and Dynamic. The common layout model is to receive orders in Taiwan and mass-produce in Taiwan, Mainland China or Vietnam.

B. Composite material market

① 3C field

The development of TP casing led by Dell has turned mature. In addition to the original international companies, Bond and TenCate (PMC), and Taiwan's CompLam, the Catcher in Taiwan has also entered the competition.

② Metaverse is the future trend, and wearable devices are an indispensable part of it. Major brand manufacturers have adopted carbon fiber composite materials as the main structure design of their products, making use of the characteristics of high rigidity, dimensional stability, and lightweight.

Composites will be widely developed and applied in the market.

③ In the fields of industrial products, aviation and automobiles

While the BMW introduced a large number of vehicles that adopted the use of

carbon fibers in the car body structure (i3, i8, 7 series), and many major car manufacturers followed to launch gasoline-electric/pure electric models, which will also become the pursuit of carbon fiber composite materials, as a major indicator of lightweight, in the automotive industry. At the same time, carbon fiber rims have also become another development focus of the automotive industry in light-weighting area. In addition to the original aeronautical structural parts, secondary structural parts and interior parts that are planned to be put into production at present, we will also step into the field of electric vehicles in the future.

- ④ In the market of running shoes, Nike is the leading brand, and its products have been differentiated. In the future, we will continue to develop in the field of recycled carbon fiber composite materials to meet the needs and trends of sustainability.

(3) Future Market Demand and the Growth

A. Future market demand

As far as the supply side is concerned, Taiwan's golf products have experienced more than 40 years of development. The accumulated technology, experience and market sensitivity, coupled with a complete and sound peripheral industry support system, have made Taiwan an important supply base. Taking the United States and Japan, the major consumers of golf supplies in the world, as examples, the main supply regions and amounts of golf clubs in 2022 are as follows:

U.S. golf club import statistics in 2022

Unit: US\$1,000

Import from	Import Amount	The proportion(%)
Mainland China	769,174	48.02%
Vietnam	314,296	19.63%
Taiwan	268,451	16.77%
Maxico	121,020	7.56%
Japan	42,348	2.64%
Thailand	30,065	1.88%
Korea	15,947	1.00%
Others	39,956	2.50%
Total	1,601,257	100%

Note: Statistics above do not include golf balls

Data Source: Usitc trade database

Japan golf club import statistics in 2022

Unit: JPY\$1,000

Import from	Import Amount	The proportion(%)
Mainland China	28,218,267	60.18%
Vietnam	6,930,021	14.78%
Taiwan	7,983,490	17.02%

Import from	Import Amount	The proportion(%)
U.S.	2,499,538	5.33%
Thailand	1,069	-
Others	1,263,614	2.69%
Total	46,895,999	100%

Note: Statistics above do not include golf balls

Data Source: Investigated by Center for Economic Research of Japan

According to the data in the above two tables, Mainland China, Taiwan and Vietnam have become the main supplying areas of golf equipment to the United States and Japan. Due to the increasing labor costs in Taiwan, some Taiwanese companies have moved their production to Mainland China to produce and directly export to clients from China, making Mainland China an important golf products' supply area for the United States and Japan.

#### B. Future growth potential

##### ① Sports and leisure products

The golf club head industry is currently in a mature stage. The market mainly in the United States, Japan, and Europe, altogether accounting for more than 90% of the entire market. In addition to the vigorous development of golf sport in the United States and Japan, the sports population and female golf population in Asia and other regions have increased. From the introduction of female soft-colored appearance and high-fault-tolerant golf equipment by various brand manufacturers, it can be seen that they attach importance to the female market. In addition, a significant trend in recent years shows that the high-value-added customization market has continued to grow significantly, and major brands are actively cultivating this market.

With the professional education of consumers in brand management, the development of online communities, and the effect of professional golf equipment for professional players, consumers' professional knowledge and specification requirements for golf equipment are becoming more and more mature. Under this environment, the need for customization and professional golf equipment has significant growth.

The added value of this market is higher than that of the general consumer market, and major brand manufacturers are all trying their best to package and attract the unique needs of this market. In contrast, the reliance on the manufacturing speed and quality stability of golf equipment manufacturers can also be expected to increase.

##### ② Composite products

Carbon Fiber Prepreg (PPG): Advanced grasps a stable source of carbon fiber raw materials, and has the ability to independently develop and impregnate various UD and woven fabrics in the factory, as well as a complete R&D team, a stable OEM reputation and other niches, and so is able to obtain orders from world-renowned manufacturers. The issue of energy saving is getting more and more attention. Carbon fiber products with light weight and strong

texture have the advantage of low energy consumption, and have the opportunity to replace products made with other metal products.

Composite components: Compared with traditional metal and plastic materials, composite materials have the advantages of high rigidity/high strength/low weight. The application of composite material products in 3C and sports-related wearables has increased significantly. AR/VR's desire for lightweight and the introduction of composite material shoe boards have made great progress in athletes' performance; the application of composite materials has once again ushered in vigorous development. The diversity of products and the development of mass production technology will be a big challenge.

(4) Competitive niche

A. Professional management team

In addition to being familiar with the past, present and future development of products, the Company's operation and management team is also highly sensitive to market demand, so the management can fully grasp the changes in the overall market and flexibly utilize production strategies, making the company a major leading manufacturer.

B. Excellence pursuit in R&D and production capabilities

The Company's Dept. of Research and Development continues to improve existing products, and is committed to the development and design of new styles and new materials to improve product quality, upgrade technology and pursue product innovation and diversification.

C. Good management system and harmonious labor-capital relationship

The Company knows that in order to occupy a place in the increasingly competitive and changing environment, and to seek sustainable operation and development, the strengthening of the company's management system and the training of human resources are important guidelines for implementation. In addition, a harmonious labor-capital relationship is also a very important part, which needs to be maintained by a good employee welfare system. In view of this, in addition to establishing a reasonable and sound management system through written and standardized systems, the Company also pays special attention to employee benefits and team morale incentives in order to maintain harmonious labor-capital relations, improve business performance, and jointly to create the Company's largest profit.

(5) Favorable factors and unfavorable factors that might affect the company's future operations

A. Sports and leisure products

① Favorable factors

(A) Global layout

Following the rapid changes in global trade and geographical relations, the Company is committed to establish the layout of multiple production bases in Taiwan, Mainland China and Vietnam. In the past few years, we have

achieved remarkable results, and still continue to realize the layout and deep cultivate it. Nevertheless, the geopolitical risks evidence the importance of multiple production bases. Manufacturers with production bases set up in different areas and better risk management capabilities will be listed as an important strategic partner in the market.

(B) Complete product system

At present, domestic golf equipment manufacturers mainly produce club heads, and the Company is one of the few manufacturers in Taiwan that has the ability to produce golf heads, clubs, balls and club sets at the same time, so we can provide customers with one-stop shopping service, which reduces the trouble of purchasing from multiple manufacturers and minimizes the complexity of logistics. Besides, while we are able to provides customers with more sufficient product information in product design and development, we can maintain a closer cooperative relationship with customers.

(C) Emphasis on research and development, possess rich production experience

The Company has accumulated many years of manufacturing experiences. In addition to being committed to continuous improvement of production technology and NPS (New Production System) production process management, we have also introduced SAP ERP system to integrate different internal processes among different modules for consistency and management. Furthermore, the Company has always adhered to the principle of customer satisfaction; by adopting a dedicated service team for each customer, we can more precisely grasp and implement the product intellectual property rights, quality requirements, team culture and market demand of different customers.

② Unfavorable factors and the countermeasures

(A) High labor cost

The golf head manufacturing is highly dependent on manpower, due to its cumbersome processing procedures and the complexity of models, especially when partial processing stages are not easy to automate. Because of the gradual increase of labor costs year by year, the production cost of this industry cannot be significantly reduced. And yet, with the rising trend of labor costs, the Company has invested in the development of automation equipment for key processes and key tasks a few years ago, and has put it into mass production.

On the other hand, through the automated production of key processes, the Company also improves the stability of product quality

(B) High proportion of export sales, the impact of exchange rate changes is relatively large

Most of the Company's products are mainly for export, and exchange rate fluctuations closely affect the order acceptance and profitability.

Countermeasures: Keep close contact with banks, keep abreast of the trend



of exchange rate, and use appropriate foreign exchange operation tools to avoid the risk of exchange rate changes, or negotiate with customers on the limit of price adjustments, and reflect the impact of exchange rate fluctuations at any time.

(C)Origin risk dispersion management:

When there are drastic changes in global trade relations and policies, with limited resources, how can the strategy of direct supply chain in product origin avoid the impact of tariffs due to trade wars and geopolitical risks on customers.

Countermeasure: Increase the proportion of production in Vietnam to diversify risks.

B. Composite products

①Favorable factors

(A)Advanced grasps a stable source of carbon fiber raw materials, and has the ability to independently develop and impregnate various UD and woven fabrics in the factory, as well as has a complete R&D team, a stable OEM reputation and other niches, and so is able to obtain orders from world-renowned manufacturers.

(B)The issue of energy saving is getting more and more attention. Carbon fiber products with light weight and strong texture have the advantage of low energy consumption, and have the opportunity to replace metal products made with other materials.

②Unfavorable factors and the countermeasures

(A)The application of carbon fiber in the aerospace industry and other industries continues to increase. Under the continuous imbalance between supply and demand, the source of carbon fiber for sporting goods is squeezed, causing the price of raw materials to continue to rise.

(B)New competitors keep joining the market.

Countermeasures: a. Develop various material sources to disperse the risk of materials supply.

b.Strengthen R&D and innovation and differentiate products to capture different customer segments with high-end and low-end products. ◦

c.Integrate the application technology of carbon fiber and actively develop various products in the niche market.

2. Important functions of major products and the production process

(1) Sport and leisure products

A. Important uses of golf club heads, clubs and balls:

Golf club heads and clubs are the most important spare parts in the manufacture of golf equipment, both of which have a great influence on the performance of the golf equipment.

As one of the products in golf sport industry, golf balls used as objects for players to control their swing ability and skills. ◦

B. Production process

① Golf club head

Mold making ⇒ wax shooting ⇒ hook ⇒ dipping ⇒ dewaxing ⇒ casting ⇒ cutting off ⇒ heat treatment ⇒ processing ⇒ polishing ⇒ coating ⇒ finished product.

② Carbon fiber club

Carbon fiber yarn + resin ⇒ carbon fiber cloth ⇒ cutting ⇒ laminate ⇒ roll cloth ⇒ roll OPP tape ⇒ hardened ⇒ abrasive ⇒ coating ⇒ finished product.

③ Golf ball

Ingredient mix ⇒ Roll chain ⇒ Extrude forming ⇒ Thermoforming ⇒ Center grinding ⇒ Injection molding ⇒ painting ⇒ finished product.

(2) Composite products

A. Carbon fiber prepreg(Prepreg)

① Important usage

A large amount of carbon fiber composites are used and applied in high-tech products such as sports equipment, aerospace structures, automotive components, electronic printed circuit boards and construction materials contain a large amount of carbon fiber composite materials.

② Production process

Material preparation ⇒ material mixing ⇒ coating ⇒ impregnate

B. Composite moldings for 3C products and sports shoes

① Important usage

3C structural parts (Including internal components and casing exterior parts): Portable PC/Tablet, Metaverse, 3C accessories.

Sneaker board: running shoes, track shoes, hiking shoes.

② Production process

Prepreg Lamination and Cutting ⇒ Compression Molding and Curing ⇒ Net Size Processing ⇒ Coating

3. Supply of major raw materials

At present, the Company's raw material supply is quite stable and the quality is also good. Most of the raw materials are not from a single supplier to ensure safe supply. The supply status of the main raw materials is as follows:

Item	Raw Materials	Main source(Supplier)	Supply condition
1	Titanium material and stainless steel ingot	Taiwan, and partial from abroad	Good supply condition

Item	Raw Materials	Main source(Supplier)	Supply condition
2	Blank	Taiwan and abroad	Good supply condition
3	Carbon fiber	Taiwan and abroad	In 2021, there were minor shortage in supply caused by unstable market supply and demand, and has returned to normal after adjustment.
4	Rubber, ionized resin, acrylic zinc salt, paint and ink	Taiwan, and partial from abroad	Depending on customer order requirements, the overall supply situation is good.

4. Suppliers that accounted to 10% or above of the total procurement amount in the most recent 2 years, and state the reason of increase(decrease).

- (1) Suppliers that accounted to 10% or above of the total procurement amount in the most recent 2 years: None, there wasn't single supplier that supplied 10% or more of the total procurement amount in the most recent 2 years.
- (2) Customers that accounted to 10% or above of the total sales revenues in any year during the past 2 years.

Unit: NT\$1,000

Item	2021				2022			
	Name	Amount	% of total sales in the year	Relationship with the Issuer	Name	Amount	% of total sales in the year	Relationship with the Issuer
1	10986	6,217,036	36.77%	None	10986	7,829,404	36.55%	None
2	10008	4,054,521	23.98%	None	10008	5,185,939	24.21%	None
	Others	6,636,467	39.25%		Others	8,407,442	39.24%	
	Net sales	16,908,024	100%		Net sales	21,422,785	100%	

5. Production volume and value over the past two years

Unit: NT\$1,000

Production volume and value	Year	2021			2022		
		Capacity	Volume	Value	Capacity	Volume	Value
Main products							
	Golfe quipment(pc)	16,191,456	14,887,123	9,637,019	16,577,520	15,305,868	12,458,849
	Golf ball (pc)	232,065,000	222,351,000	2,210,421	278,832,000	267,879,000	2,862,775
	Composite product (pc)	44,950,040	48,884,909	2,656,569	83,650,896	48,737,881	2,373,682
	Total	293,206,496	286,123,032	14,504,009	379,060,416	331,922,749	17,695,306

6. Sales volume and value over the past two years

Unit: NT\$1,000

Sale volume and value Main products	Year		2021				2022			
			Domestic sales		Export sales		Domestic sales		Export sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value		
Golfe quipment(pc)	305,641	189,736	13,376,636	11,108,803	547,765	394,529	14,920,235	14,656,506		
Golf ball (pc)	475,414	5,774	221,530,778	2,601,687	147,192	4,037	269,134,048	3,593,983		
Composite product (pc)	2,184,638	622,909	42,694,607	2,379,115	1,993,967	583,086	45,413,211	2,190,644		
Total	2,965,693	818,419	277,602,021	16,089,605	2,688,924	981,652	329,467,494	20,441,133		

(III) Number of employees, the average years of services, average age, and education analysis over the past two years and during the current fiscal year until the date of printing of this annual report.

Year		2021	2022	Jan.1~March 31, 2023
Total number of employees (ppl)	Management	550	820	771
	Technology and R&D	442	511	563
	Sales, administration and Others	6,682	7,632	6,981
	Total	7,674	8,963	8,315
Average age (year-old)		36.40	36.42	36.68
Average year of service (year)		5.43	5.25	5.62
Education analysis (%)	PhD	0.22	0.23	0.21
	Master	4.16	5.95	6.39
	Bachelor	23.69	21.54	22.60
	High school	47.26	33.53	33.56
	Below high school	24.67	40.29	38.89

#### (IV) Expenditures on environmental protection

1. Total significant expenditures or losses from environmental pollution in the most recent fiscal year and the current fiscal year until the printing date of this annual report:

Pollution status (type, degree)	2021	2022	Jan. 1 ~ Mar. 31, 2023
Compensation to or Punished by	No major incident	No major incident	No major incident
Amount of compensation and Disciplinary situation	No major incident	No major incident	No major incident
Other losses	No major incident	No major incident	No major incident

2. Responding actions and plan of improvement

The importance of environmental sustainability makes enterprise operations duty-bound to do a good job in waste classification and possible recycling, so that the life cycle of resources can be extended to reduce resource consumption. This has become a necessary issue.

- (1) Has the company disclosed its annual greenhouse gas emissions, water consumption and total waste in the past three years?

- A. In greenhouse gas (GHG): The Company conducts inventory investigation in accordance with ISO 14064 to understand the main sources of greenhouse gases. Currently, we continue to improve the energy efficiency of the production line through regular inspections, energy-saving effect tracking, and improved operation introduction. In the future, the primary goal will be to reduce the waste of energy and resources, and gradually promote energy-saving measures for high-power-consuming equipment.

Advanced's greenhouse gas emissions in the past 3 years: (2021 is the base year for carbon reduction)

Year	2020	2021	2022
Scope 1 (ton CO <sub>2</sub> e)	1,579.6	2,530.2	2,609.7
Scope 2 (ton CO <sub>2</sub> e)	10,033.68	13,276.72	13,025.7
Total GHG emissions (ton CO <sub>2</sub> e)	11,613.28	15,806.92	15,635.33
Annual sales (millions)	12,075.35	16,908.02	21,422.78
Emission intensity per unit of revenue (ton / million dollar)	0.96	0.93	0.73
Annual increase/reduction rate		-3.13%	-21.5%
Note 1: main energy used in Scope 1 are liquefied natural gas and diesel. Note 2: Scope 2 refers to electricity purchased from Taipower.			

- B. In waste water treatment:

The wastewater produced by Advanced is collected into pipes, and is not directly discharged into surface water bodies. The wastewater in the factory is mainly divided into two types: industrial wastewater and domestic sewage, and both are treated by wastewater treatment facilities to meet the water quality standards, and then discharge to industrial sewage treatment plant for further treatment.

Advanced's water use situation in the past 3 years:

Unit: ton

Item	Year		
	2020	2021	2022
Total water used (mn liter)	25.82	69.64	71.17
Annual sales (billion dollar)	120.75	169.08	214.22
Water use intensity per unit of revenue (million liter/billion dollars)	0.21	0.41	0.33
Annual increase/reduction rate		95.24%	-19.51%

All Advanced's factories' waste water discharge situation in the past 3 years:

Unit: ton

Factory	Discharge Destination	2020	2021	2022
Kaojia plant	Central area wastewater treatment plant	5,139.80	5,509.30	4,399.40
Daye plant	Kaohsiung Linhai Linyuan and Dafa Industrial Parks Combined Wastewater Treatment Plant	5,327	4,655	6,865
Zhonglin plant		14,966	29,311	29,038
Total		25,432.80	39,475.30	40,302.40

- C. In waste disposal: For wastes that cannot be recycled and reused, we entrust qualified waste disposal and treatment companies to legally and properly handle the back-end treatment, and check whether the waste disposal and treatment company receives and processes wastes normally and whether the waste disposal and treatment company meets the requirements of laws and regulations. The wastes produced by different factories are also different. Among them, the main hazardous wastes are waste liquids with a flash point of less than 60°C produced by Zhonglin factory. Currently, appropriate physical disposal is carried out in accordance with the regulations of the competent authority. In the future, we will actively move towards the goals of resource recycling and waste reduction.

All Advanced's factories' waste disposal situation in the past 3 years:

Unit: ton

Name	Hazardous/ Non-hazardous	Year			Method of Disposal
		2020	2021	2022	
Waste plastic mixture	Non-Hazardous	32.70	53.42	64.59	Incineration
Waste wood mixture	Non-Hazardous	0.22	0.42	0.39	Incineration
Waste paper	Non-Hazardous	62.80	5.61	5.975	Recycle
Waste plastics	Non-Hazardous	12.12	22.26	24.444	Recycle
Waste iron, aluminum	Non-Hazardous	5.59	3.89	3.328	Recycle
Waste liquid (flashing point less than 60°C)	Hazardous	10.79	15.24	14.38	Incineration, Physical
Inorganic sludge	Non-Hazardous	18.86	16.32	27.48	Heat treatment, solidification
Non-hazardous waste dust or the mixtures	Non-Hazardous	154.04	341.22	343.15	Bury, solidification
waste lubricating oil	Non-Hazardous	1.20	2.66	2.29	Physical

Name	Hazardous/ Non-hazardous	Year			Method of Disposal
		2020	2021	2022	
waste oil mixture	Non-Hazardous	6.77	6.72	3.74	Physical
Waste foundry sand	Non-Hazardous	1155.74	2014.55	1904.84	Reuse
Induction furnace slag (stone)	Non-Hazardous	215.88	311.33	267.7	Reuse
Household garbage	Non-Hazardous	551.35	802.46	905.58	Incineration
Waste fiber	Non-Hazardous	17.12	18.70	2.04	Incineration
Waste paper mixture	Non-Hazardous	42.80	21.46	35.51	Incineration
Non-hazardous organic waste liquid or waste solvent	Non-Hazardous	-	-	5.02	Physical
General waste chemical mixture	Non-Hazardous	0.65	0.63	0.62	Physical
Fertilizer, feces and other wastes	Non-Hazardous	1.12	1	0	Waste (sewage) water treatment facilities outside the plant

(2) Does the company formulate greenhouse gas reduction, water reduction or other waste management policies, including goals of reduction, promotion measures and achievement status, etc.?

A. Based on product's characteristics, the Company products are classified into golf equipment and composite products. Advanced has passed the ISO 14001 environmental management system in 2006 (validity period: 11/21/202~11/21/2024), qualified as environmental protection and green production plant, and is committed to reducing the impacts on the environment resulting from the manufacturing process.

The Company's Environmental Safety and Health Policy: law compliance, environment sustainability, continuous improvement.

B. The Company's main environmental precautions are as follows:

① In waste disposal: The Company entrusts a legitimate waste disposal and treatment company recognized by the environmental protection agency to clean up wastes, declare online and actively track the flow of waste disposal. Advanced International is well aware of the importance of environmental sustainability, so we sort out waste and do recycle and reuse as much as possible for extending the life cycle of resources and reducing resource consumption. For waste that cannot be recycled and reused, we entrust qualified disposal companies to handle it.

② In wastewater treatment: In order to properly handle the wastewater produced in the manufacturing process, the Company has equipped with wastewater pre-treatment equipment, and regularly monitors and tests the quality of the discharged water. After being processed to meet the discharge standards of environmental protection laws, wastewater then is discharged to the Kaohsiung Linhai Linyuan and Dafa Industrial Parks Combined Wastewater Treatment Plant for treatment to avoid pollution and ecological impacts.

③ In air pollution prevention: The Company regularly monitors and maintains the treatment efficacy of air pollution prevention and control equipment, effectively grasps the status of exhaust gas in the factory, and regularly completes the declaration of air emissions and pays air pollution control fees in accordance with the law. The particle pollutants, sulfur oxides, nitrogen oxides, and volatile organic compounds are all treated through air pollution prevention and control equipment such as pulse bag dust collectors and water-washing dust collectors, and main the operation within a reasonable range to ensure that the discharged pollutants comply with regulatory requirements.

④ In energy saving and carbon reduction: while pursuing business performance, Advanced is also committed to reducing the impact on the natural environment. In order to mitigate the impact of greenhouse gases and energy depletion on the environment, Advanced actively manages the carbon emissions generated in product design, production, manufacturing and in other business procedures, as well as the use of hydropower resources, so as to implement relevant green energy policies. Advanced regularly traces the power consumption in per unit product and compares with the use in the previous year to understand the reasons for the difference and manage the energy usage of the factory area on a monthly basis.

C. Measures for energy saving and carbon reduction:

① Ability, training, and awareness:

The Company's energy management personnel and those related to major energy use must receive corresponding training, or have appropriate skills or experience. The Company should also ensure that these personnel can enhance their professional skills and awareness of the energy management system through internal and external training. °

② The design for energy saving and carbon reduction:

When designing, modifying and renovating major energy-consuming facilities, equipment, systems and operations, all the energy-saving and high efficiency related elements should be considered in order to provide opportunities for energy performance improvement.

③ Procurement of energy, energy services and energy-consuming products:

While purchasing energy-intensive energy services and energy-consuming products, and equipment, the Company should inform suppliers that energy efficiency is one of the factors for procurement consideration. Where the Company purchases products such as lighting, electrical appliances, computers, business machines, and other equipment, the relevant units should evaluate the energy use, consumption, and efficiency, and give priority to purchasing energy-saving and high-efficiency equipment.



D. Achievements:

① Resource efficiency:

In order to achieve effective management of climate risks, Advanced adopted the electricity use in 2021 as the base to set the goal of saving 5% of electricity use in 2022 and carried out a number of improvement measures (intelligent integrated control of process of ice water machines, CNC on-site operation time adjustment, installation of frequency converter for central ice water machine, and LED lamp replacement, etc.). The result of equipment replacement and management showed that in 2022 a total of 611,158 kilowatt-hours of electricity was saved, saving about \$1,772,358 in power consumption expenditure.

The total amount of GHG emissions decreased by 1.08% annually, and by analyzing the emission intensity per unit of revenue, the annual decrease rate was 21.5%.

In 2022, due to the substantial increase in production capacity and production output, and the increase of water consumption due to the launch of new factory, the GHG emission statistics showed a growing trend. However, the water intensity per unit of revenue in 2022 was reduced by 19.51% compared with that in 2021, showing that the water saving effect is excellent, and we strive to reduce the water consumption per unit product by 1% every year.

② Green energy:

At present, all the relevant electricity is sold in gross to Taipower, which can increase revenue by about \$70,000 per year. In the future, if we generate green energy and use by ourselves, we are able to reduce the cost in electricity procurement. Based on the calculation of about 123,582 degrees of electricity generated by solar photovoltaic equipment set up in Advanced in 2022, if all of them are self-generated and used, we are able to save electricity expenses of \$358,387.

(3) Disclose the losses suffered (including compensation and environmental protection audit results in violation of environmental protection laws and regulations, should specify the date of disposition, name of disposition, violation of laws and regulations, content of violations of laws and regulations, content of punishment), and disclose the estimated amount and response that may occur at present and in the future. If it is not able to be reasonably estimated, the fact that it cannot be reasonably estimated shall be stated: None.

4. In the next three years, capital expenditures expected to add pollution prevention equipment for environmental protection purpose in the next 3 years:

Unit: NT\$1,000

Year	2024	2025	2026
Investment amount	3,000	3,000	3,000

5. According to the characteristics of the industry, the Company is not affected by the European Union's Restriction on Hazardous Substances (ROHS).

(V) Labor-Capital Relationship

1. The Company's various employee welfare measures, advanced education, training, and retirement systems and their implementation, as well as the agreement between labor and the capital and various employee rights protection measures:

(1) The list of employee welfare measures is as follows :

Bonuses, allowances, insurance and benefits	Employee bonus (earnings distribution)
	Award money for three major holidays; about 20% of salary as holiday bonus along with gift money of 1,000 are provided as holiday bonus for Moon Festival and Dragon Boat Festival.
	\$3,000 is provided for wedding cash award and childbirth subsidy each.
	Injury allowance/funeral condolences, the maximum amount is \$11,000 and a flower basket is also presented.
	Birthday cash gift is \$500.
	Labor insurance, health insurance and employee group insurance (including life insurance, accident insurance, medical insurance, cancer insurance, etc.).
	Pension contribution.
	Charity funding project: Charity Funding Project: To assist single parents/poor families, or employees in urgent difficulties, encourage employees to participate in public welfare activities or improve humanistic quality, with a maximum of \$20,000 per case.
	Up to \$2,000 for children's scholarships.
	Provide a complete talent training plan and subsidy for education and training expenses.
Reward outstanding employees: select outstanding Advanced people of the Company and the annual outstanding Advanced people of the Group every year, and award each bonuses of \$5,000 and \$20,000 and trophies respectively.	
Physical and Mental Health Promotion Measures	Regular annual health check.
	Arts and cultural activities contest and ticket giveaway.
	Paid vaccine leave: half a day/dose.
	No-pay parental leave system.
	Staff cohesion activities: including team building activities such as year-end and staff family day.
	Domestic and foreign travel subsidies, provide subsidy up to \$ 6,000.
Club activities: golf club, yoga club, boxing aerobic club.	

(2) Labor-capital meetings: labor-capital meeting is convened each regularly.

(3) Talent training and cultivation plan: Advanced Academy is established to cultivate outstanding talents.

(4) Staff's education, training and the implementation status:

In terms of talent cultivation, in addition to designing necessary training courses or activities in line with the six core functions, management functions, and professional functions, Advanced also from time to time dispatches employees to receive various certificate training courses in accordance with laws and regulations and operational needs to ensure production and work safety. Advanced planned to establish the Advanced Academy in 2008. With the purpose of cultivating talents, establishing values and consensus, self-inspiration and learning, and combining activities, publicity

and rules and regulations, Advanced's vision and values are implemented in order to deepen and activate the corporate culture of Advanced and provide an environment and atmosphere for Advanced employees to fully utilize their talents. Advanced Academy system was also planned, which starts from the training of newcomers, with joint training, class-specific management training, and professional training to improve the abilities of colleague step by step, so that Advanced employees can grow with the development of the Company.

Advanced Academy has also been awarded the silver medal of the corporate version of the Training Quality Evaluation System (TTQS) from the Workforce Development Agency of the Executive Yuan since September 2011, and the silver medal has continued till now.

(5) Related information regarding the Advanced Academy as below:

A. Purpose of the establishment of the Advanced Academy

- ① Improve the quality of personnel and establish a talent training mechanism for the Group that can fully stimulate the enthusiasm of employees.
- ② Fully develop and utilize human resources to maintain the rapid and stable development of the Group.
- ③ The supply of successors is endless, in line with the continuous growth and sustainable operation of the Group.

B. The overall execution status of the Advanced Academy

① Talent cultivation

In addition to providing general functional training such as management system, problem analysis and decision-making, Advanced's talent training courses also provide suitable training for different work needs in the light of engineering, secretarial staff, and management; such courses include customer service, goal management, QC, etc., to ensure that personnel in different departments, business functions and ranks can grow and utilize their talents.

② Values and Consensus Building

Advanced attaches great importance to corporate culture and regards it as an important factor to unite the Company's centripetal force. Therefore, we ensure that corporate culture and values are implemented in the daily work through communication and publicity, employee interaction activities and related regulations.

③ Self-inspiration and study

Besides the cultivation in career capabilities, the Advanced also attach great importance to the cultivation of employee's individual soft abilities. Through the organization of communities, reading clubs, and life seminars, we'd like to ensure the whole-person development of our employees.

C. The relevant information on the Company's education and training hours and expenses in 2021 and 2022 is as follows:

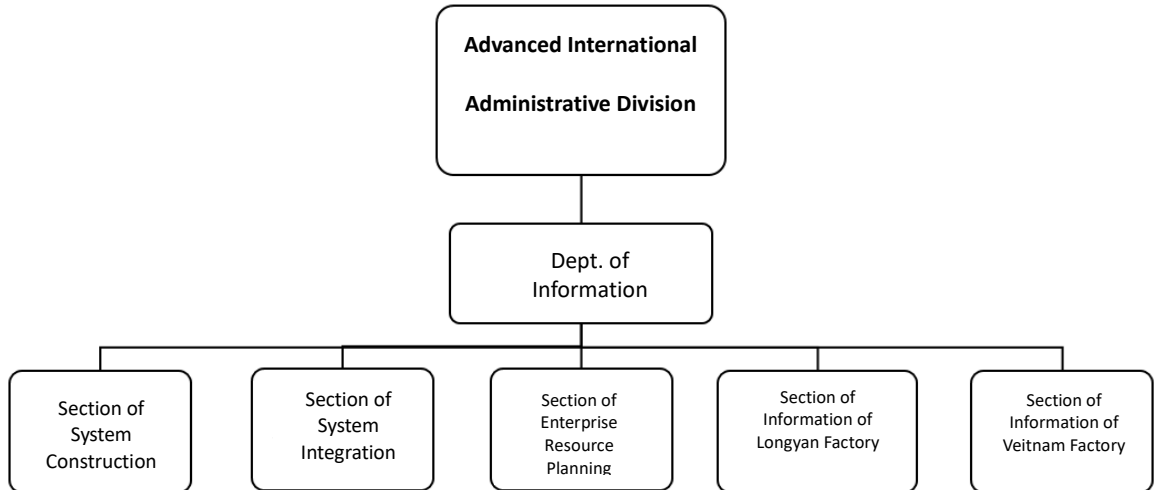
Year	2021	2022
Total number of employees	1,464	1,818
Total training expenses (\$1)	1,317,732	1,063,395
Per capita training fee	900	585
Total training house (hours)	13,797	10,476
Per capital training hour (hour)	9.40	5.76

- (6) Retirement system
    - A. The Company has established employee retirement methods and formed a Labor Retirement Reserve Fund Supervision Committee. 2% of the employee's total monthly salary is allocated to the special account in the the Central Trust of China according to the laws and regulations.
    - B. Starting from July 1, 2005, in response to the implementation of the "Enforcement Rules of the Labor Pension Act", the Company appropriates pension fund each month and deposit into employee's personal special account for pension fund established by the Bureau of Labor Insurance. The appropriation rate is 6 of employee's monthly salary. The Company's employees may voluntarily appropriate addition pension fund with the amount up to % of his/her monthly salary and deposit to his/her personal pension account.
  - (7) In order to smooth the communication channels, we specially formulated the proposal system, set up a suggestion box, and set up an internal EIP website on April 6, 2005. Through the use of various methods to give everyone the opportunity to express, it is hoped to establishing and maintaining harmonious labor relations in the Company.
  - (8) Work environment and the protection measures for employee's personal safety  
The Company adheres to the spirit of continuous improvement and pursuit of perfection. In addition to continuous investment in hardware to improve various pollution prevention and fire safety equipment to directly reduce pollutant emissions and improve production safety, the Company has successively introduced environmental management systems (ISO 14001) and occupational safety and health management system (ISO 45001), to establish a good management system through planning, implementation, auditing, improvement and other actions to provide employees with a safe and healthy working environment.  
In terms of personal safety protection for employees, in addition to providing personal protective gears, such as goggles, earplugs and earmuffs for employees to use, we also provide employees with education and training on safety in normal times, so as to ensure the safe operation of equipment and the smooth achievement in the production goals.
  - (9) Code of Conduct or Ethics for Employees  
In accordance with the provisions of the Labor Standards Act and related laws and regulations, we've formulated work rules and various management systems to maintain employee work discipline and order.
2. Other important agreements: None.
  3. Loss incurred due to labor disputes in the most recent year and up to the publication date of the annual report, the estimated amount of loss due to possible occurrence of labor dispute at present or in the future, and the countermeasure: parent company and its subsidiaries have not had any labor disputes:  
Since the establishment of the Company in 1987, the relationship between labor and capital has been harmonious, and there has been no loss caused by labor disputes.

## (VI) Information Security

1. Describe the information security risk management framework, information security policies, specific management plans, and resources invested in information security management, et...

- (1) Information security risk management framework



- (2) Information security policy

In order to strengthen information security management, ensure the confidentiality, integrity and availability of information related to the operation process, so as to provide an information environment in which the Company can continue to operate, and comply with relevant regulations and contractual obligations, as well as the requirements of interested parties (such as customers or shareholders) to protect it from internal and external deliberate or accidental threats.

- (3) Specific management plan

- A. Risk prevention:

- ① Regularly publicize the information security policy to all employees of the Group every year.
- ② In the event of a major global information security event, immediately notify all employees of the group by email.
- ③ The Dept. Of Information conducts a group-wide review of information security every month.
- ④ As for external network, the Company works with the telecommunications company for long-term cooperation to monitor the weaknesses of the circuit and patch the loopholes in due course.
- ⑤ Carry out a comprehensive antivirus software health check every quarter, and make timely policy revisions.

- B. Protection facilities:

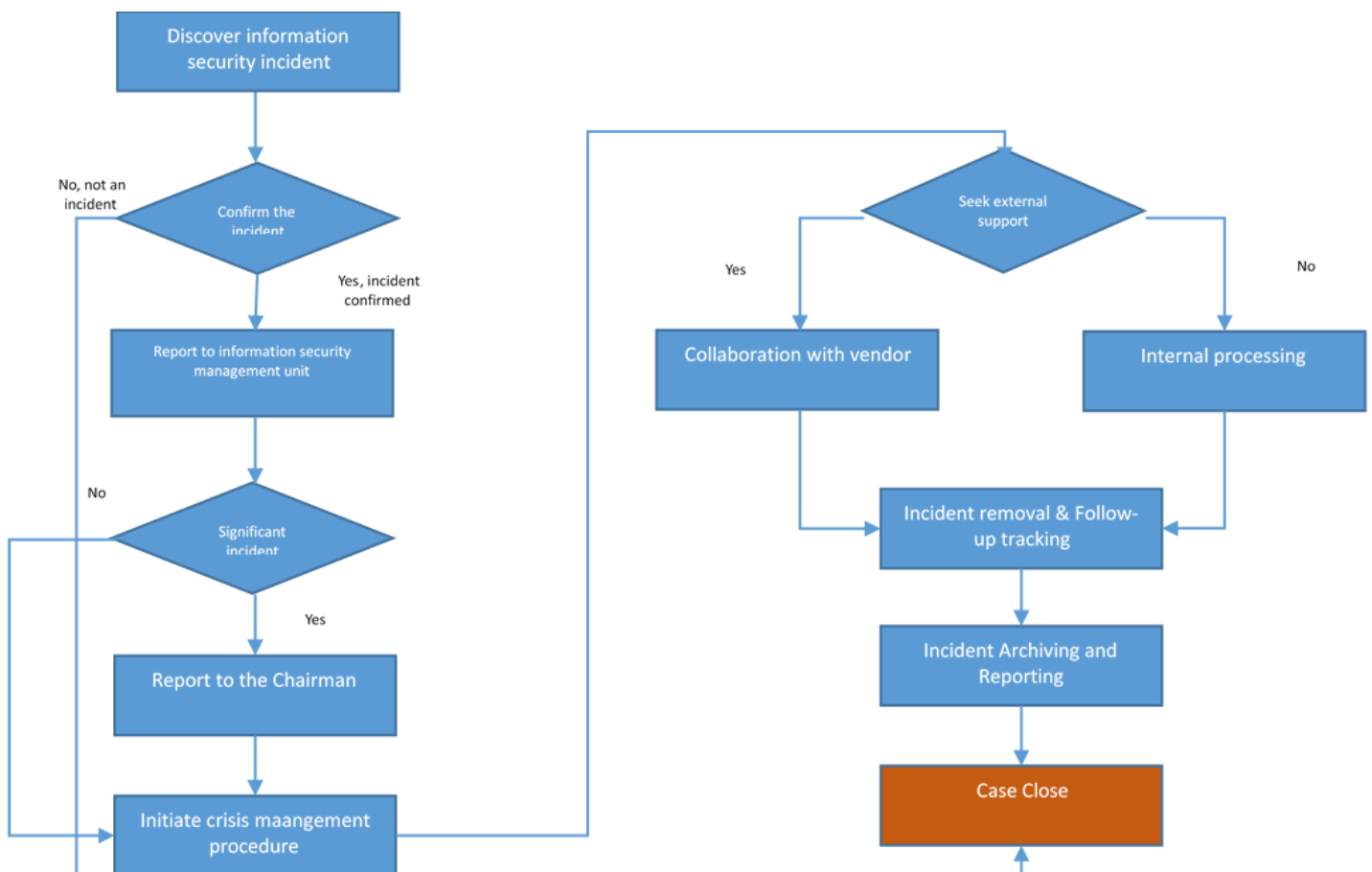
- ① Independent air-conditioning system in the information control room with independent power system for backup.
- ② The headquarters collects firewall data of each factory, analyzes and formulates appropriate defense policies to ensure that each factory is free from external attacks.

- ③The headquarters centrally regulates the use permissions of all endpoints in each factory (such as USB control, cloud hard disk, Bluetooth, and external mail).
- ④The headquarters and all factories control all external devices (such as employees' personal NBs, mobile phones, tablets, and all devices of visitors, etc.), and all unauthorized external devices are prohibited from connecting to the Company's network.

C. Emergency response measures:

- ①Disaster recovery mechanism for important hosts, and restoration and verification is performed every year to ensure the restoreability of important systems.
- ②The VPN circuit backup mechanism of each factory of the Group ensures that the operation of the Company will not be affected due to circuit abnormalities.
- ③Daily backup of important systems, databases and files for data recovery in emergencies.

D. Information Security Incident Reporting Mechanism



(4) Resources invested in the information security management

A. Information security related certification and software are listed below:

Name	Amount
① Build a network access control system	\$1.7756 million
② Information security certificate ISO27001	
③ Renewal of anti-virus software	
④ Renewal of information security management system, SMART IT	
⑤ Maintenance contract of firewalls	

B. The company has 4 information security personnel.

C. Information security meetings were held regularly, and a total of 9 information security meetings were held in 2022.

D. Irregularly promote information security information on the company's intranet, a total of 4 information security promotions in 2022.

2. Losses incurred, possible impacts, and countermeasures in relation to major information security incident in current year until the printing date of this annual report: as of April 28, 2023, the Company does not suffer from losses due to major information security related incident.

(VII) Important contracts

Contract type	Counter-party	Contract period	Main content	Restrictions
Manufacturing and Supplier Agreement	Client A	6.1.2018~	Golf head OEM products	None
Supplier Acknowledgement And Agreement	Client B	8.25.2017~	Golf head OEM products	None
Manufacture and Supply Agreement	Client C	4.26.2019~	The supply of bicycle parts	None

## VI. Financial Situation

(I) Condensed Balance Sheets and Composite Statements of Income over the Past 5 Years, and state the name of accountants and the audit opinions.

1. Condensed balance sheets and composite statement of income

Condensed consolidated balance sheet statement -adopted the IFRS reporting standard

Unit: NT\$1,000

Account		Year	Financial information over the past 5 years (note)				
			2018	2019	2020	2021	2022
Current assets			5,564,955	5,671,588	7,028,293	8,803,309	11,767,530
Property, plant and equipment			1,794,729	2,197,452	2,607,969	3,099,062	3,789,767
Intangible assets			18,516	13,206	7,533	12,539	17,828
Other assets			225,869	386,182	1,172,445	1,116,097	1,242,270
Total assets			7,604,069	8,268,428	10,816,240	13,031,007	16,817,395
Current liabilities	Before distribution		3,072,962	3,163,167	4,949,193	6,473,300	6,838,185
	After distribution		3,370,650	3,474,386	5,314,537	7,201,135	8,072,861
Non-current liabilities			318,009	598,271	998,173	905,224	2,242,114
Total liabilities	Before distribution		3,390,971	3,761,438	5,947,366	7,378,524	9,080,299
	After distribution		3,688,659	4,072,657	6,312,710	8,106,359	10,314,975
Equity attributable to shareholders of the parent company			3,847,482	4,102,501	4,460,340	5,157,551	6,996,275
Share capital			1,353,127	1,353,127	1,353,127	1,353,127	1,371,929
Capital reserve			781,236	781,236	781,236	781,236	973,927
Retained earnings	Before distribution		1,788,404	2,101,966	2,468,973	3,449,189	4,967,728
	After distribution		1,490,716	1,790,747	2,103,629	2,721,354	3,733,052
Other equities			(75,285)	(133,828)	(142,996)	(167,766)	(89,642)
Treasury stock			-	-	-	(258,235)	(227,667)
Non-controlling interests			365,616	404,489	408,534	494,932	740,821
Total equities	Before distribution		4,213,098	4,506,990	4,868,874	5,652,483	7,737,096
	After distribution		3,915,410	4,195,771	4,503,530	4,924,648	6,502,420

Note: Statistics of 2018 to 2022 have been reviewed and certified by accountants.



Condensed parent company only balance sheet statement - adopted the IFRS reporting standard

Unit: \$1,000

Account \ Year		Financial information over the past 5 years (note)				
		2018	2019	2020	2021	2022
Current assets		3,305,173	3,568,811	4,700,832	5,460,117	7,125,294
Property, plant and equipment		551,457	728,579	936,049	1,241,819	1,437,913
Intangible assets		13,430	8,475	2,492	6,162	12,714
Other assets		2,364,641	2,200,030	2,485,244	2,470,912	3,252,710
Total assets		6,234,701	6,505,895	8,124,617	9,179,010	11,828,631
Current liabilities	Before distribution	2,168,210	2,152,510	2,968,112	3,326,341	3,233,821
	After distribution	2,465,898	2,463,729	3,333,456	4,054,176	4,468,497
Non-current liabilities		219,009	250,884	696,165	695,118	1,598,535
Total liabilities	Before distribution	2,387,219	2,403,394	3,664,277	4,021,459	4,832,356
	After distribution	2,684,907	2,714,613	4,029,621	4,749,294	6,067,031
Equity attributable to shareholders of the parent company		3,847,482	4,102,501	4,460,340	5,157,551	6,996,275
Share capital		1,353,127	1,353,127	1,353,127	1,353,127	1,371,929
Capital reserve		781,236	781,236	781,236	781,236	973,927
Retained earnings	Before distribution	1,788,404	2,101,966	2,468,973	3,449,189	4,967,728
	After distribution	1,490,716	1,790,747	2,103,629	2,721,354	3,733,052
Other equities		(75,285)	(133,828)	(142,996)	(167,766)	(89,642)
Treasury stock		-	-	-	(258,235)	(227,667)
Non-controlling interests						
Total equities	Before distribution	3,847,482	4,102,501	4,460,340	5,157,551	6,996,275
	After distribution	3,549,794	3,791,282	4,094,996	4,429,716	5,761,599

Note: Statistics of 2018 to 2022 have been reviewed and certified by accountants.

## 2. Condensed Composite Statements of Income

### Condensed Consolidated Composite Statement of Income - Adopted IFRS reporting standard

Unit: NT\$1,000

Account	Year	Financial information over the past 5 years (note)				
		2018	2019	2020	2021	2022
Sales revenue		11,114,807	11,756,861	12,075,353	16,908,024	21,422,785
Gross Profits		1,601,178	1,983,326	2,167,565	3,216,612	4,354,834
Operating income(loss)		689,051	952,419	1,139,059	1,946,674	2,828,026
Non-operating income and expenses		114,031	(7,185)	(204,496)	(125,101)	416,576
Net income before tax		803,082	945,234	934,563	1,821,573	3,244,602
Current profit from continuing operations		604,398	672,513	713,963	1,451,840	2,500,237
Loss from discontinued operations		-	-	-	-	-
Profit (loss) of current period		604,398	672,513	713,963	1,451,840	2,500,237
Other comprehensive income (loss) -net of tax		(15,649)	(62,955)	(11,647)	(26,675)	83,718
Total comprehensive income (loss)		588,749	609,558	702,316	1,425,165	2,583,955
Net income attributable to shareholders of the mother company		568,820	615,662	680,705	1,347,465	2,240,780
Net income attributable to non-controlling interest		35,578	56,851	33,258	104,375	259,457
Total comprehensive income(loss) attributable to shareholders of the mother company		553,171	552,707	669,058	1,320,790	2,324,498
Total comprehensive income(loss) attributable to non-controlling interest		35,578	56,851	33,258	104,375	259,457
Earnings Per Share		4.20	4.55	5.03	10.01	16.92

Note: Statistics of 2018 to 2022 have been reviewed and certified by accountants.

Condensed Parent Company Only Composite Statement of Income - Adopted IFRS reporting standard

Unit: NT\$1,000

Account	Year	Financial information over the past 5 years (note)				
		2018	2019	2020	2021	2022
Sales revenue		9,534,856	9,944,446	10,488,746	14,300,562	17,824,766
Gross Profits		962,004	994,316	1,348,728	2,126,470	2,639,379
Operating income(loss)		390,804	331,381	678,376	1,332,192	1,673,573
Non-operating income and expenses		309,010	347,057	130,711	244,769	1,046,790
Net income before tax		699,814	678,438	809,087	1,576,961	2,720,363
Current profit from continuing operations		568,820	615,662	680,705	1,347,465	2,240,780
Loss from discontinued operations		-	-	-	-	-
Profit (loss) of current period		568,820	615,662	680,705	1,347,465	2,240,780
Other comprehensive income (loss) -net of tax		(15,649)	(62,955)	(11,647)	(26,675)	83,718
Total comprehensive income (loss)		553,171	552,707	669,058	1,320,790	2,324,498
Net income attributable to shareholders of the mother company		568,820	615,662	680,705	1,347,465	2,240,780
Net income attributable to non-controlling interest		-	-	-	-	-
Total comprehensive income(loss) attributable to shareholders of the mother company		553,171	552,707	669,058	1,320,790	2,324,498
Total comprehensive income(loss) attributable to non-controlling interest		-	-	-	-	-
Earnings Per Share		4.20	4.55	5.03	10.01	16.92

Note: Statistics of 2018 to 2022 have been reviewed and certified by accountants.

3. The name and audit opinion of the certified accountant in the last five years :

Year	Name of Accounting Firm	Name of Certified Accountants	Audit Opinion
2018	PwC Taiwan	Liao, A-Shen Wang, Kuo-Hua	Unqualified opinion
2019	PwC Taiwan	Liao, A-Shen Wu, Chien-Chih	Unqualified opinion
2020	PwC Taiwan	Liao, A-Shen Wu, Chien-Chih	Unqualified opinion
2021	PwC Taiwan	Liao, A-Shen Wu, Chien-Chih	Unqualified opinion
2022	PwC Taiwan	Wang, Chun-Kai Wu, Chien-Chih	Unqualified opinion with explanatory notes

(II) Financial Analysis for the past 5 years

1. Financial analysis

Analysis on Consolidated Financial Statistics- Adopted IFRS reporting standard

Analysis items		Year	Financial analysis for the past 5 years				
		2018	2019	2020	2021	2022	
Financial Structure	Debt ratio (%)	45	45	55	57	54	
	Ratio of long term fund to fixed assets, plants, and equipment(%)	252	232	225	212	263	
Solvency	Current ratio (%)	181	179	142	136	172	
	Quick ratio (%)	108	115	93	82	109	
	Times interest earned	13.13	90.47	26.66	62.68	54.08	
Operating Ability	Receivables turnover rate (times)	4.40	4.35	4.15	4.63	4.66	
	Average collection days	83	84	88	79	78	
	Inventory turnover rate (times)	5.14	4.80	4.65	4.93	4.62	
	Account payable turnover rate (times)	6.67	6.72	6.32	6.91	7.89	
	Average days sales in inventory	71	76	79	74	79	
	Fixed assets, plant, and equipment turnover rate (times)	6.79	5.89	5.03	5.93	6.22	
	Total asset turnover rate (times)	1.56	1.48	1.27	1.42	1.44	
Profitability	Return on assets (%)	8.50	8.58	7.78	12.37	17.07	
	Return on equity (%)	14.74	15.42	15.23	27.60	37.35	
	Ratio of NIBT to paid-in-capital (%)	59.35	69.86	69.07	134.62	236.50	
	Net profit margin (%)	5.44	5.72	5.91	8.59	11.67	
	Earnings per share (dollar)	4.20	4.55	5.03	10.01	16.92	
Cash Flow	Cash flow ratio (%)	13.30	32.70	27.50	11.60	34.60	
	Cash flow adequacy ratio (%)	94	91	94	66	65	
	Cash reinvestment ratio(%)	0.86	10.63	14.81	4.84	13.92	
Leverage	Degree of operating leverage	4.10	3.35	3.02	2.41	2.18	
	Degree of financial leverage	1.00	1.01	1.03	1.02	1.02	

Analysis on the changes in the ratios over the past two years (if the change of increase or decrease does not reach 20%, the analysis can be exempted):

- (1) Change in the Ratio of long term fund to fixed assets, plants, and equipment: mainly due to the impact of capital injections including profit growth and the issuance of convertible corporate bonds.
- (2) Change in Current ratio: mainly due to profit growth.
- (3) Change in quick ratio: mainly due to profit growth.
- (4) Change in Return on Assets: mainly due to profit growth.
- (5) Change in Return on equity: mainly due to profit growth.
- (6) Change in the ratio of NIBT to Paid-in-Capital: mainly due to profit growth.
- (7) Change in Net Profit Ratio: mainly due to profit growth.
- (8) Change in Earnings per Share: mainly due to profit growth.
- (9) Change in Cash flow ratio: mainly due to the increase of cash from operating activities resulting from profit growth.
- (10) Change in Cash re-investment ratio: the increase of fixed assets, plant, and equipment mainly due to the response to increase production capacity.

Note: the financial data of the years listed above have been reviewed and certified by accountants.

**Analysis on Parent Company Only Financial Statistics- Adopted IFRS reporting standard**

Analysis items		Year	Financial analysis for the past 5 years				
		2018	2019	2020	2021	2022	
Financial structure	Debt ratio (%)	38	37	45	44	41	
	Ratio of long term fund to fixed assets, plants, and equipment (%)	737	598	551	471	598	
Solvency	Current ratio(%)	152	166	158	164	220	
	Quick ratio(%)	129	141	139	137	188	
	Times interest earned	-	359.69	133.64	315.20	223.04	
Operating Ability	Receivables turnover rate (times)	4.07	4.01	3.98	4.40	4.34	
	Average collection days	90	91	92	83	84	
	Inventory turnover rate (times)	19.61	17.67	16.61	17.39	16.95	
	Account payable turnover rate (times)	5.69	6.30	5.33	6.00	8.11	
	Average days sales in inventory	19	21	22	21	22	
	Fixed assets, plant, and equipment turnover rate (times)	19.97	15.54	12.60	13.13	13.30	
	Total asset turnover rate (times)	1.59	1.56	1.43	1.65	1.70	
Profitability	Return on assets (%)	9.49	9.69	9.37	15.62	21.43	
	Return on equity (%)	15.18	15.49	15.90	28.02	36.87	
	Ratio of NIBT to paid-in-capital (%)	51.72	50.14	59.79	116.54	198.29	
	Net profit margin (%)	5.97	6.19	6.49	9.42	12.57	
	Earnings per share (dollar)	4.20	4.55	5.03	10.01	16.92	
Cash flow	Cash flow ratio (%)	6.7	8.9	37.1	8.3	29.6	
	Cash flow adequacy ratio (%)	97	72	108	71	62	
	Cash re-investment ratio(%)	(4.60)	(2.23)	15.51	(1.49)	2.60	
Leverage	Degree of operating leverage	2.87	3.45	2.30	1.79	1.76	
	Degree of financial leverage	1.00	1.01	1.10	1.00	1.01	

Analysis on the changes in the ratios over the past two years (if the change of increase or decrease does not reach 20%, the analysis can be exempted):

- (1) Change in the Ratio of long term fund to fixed assets, plant, and equipment: mainly due to the impact of capital injections including profit growth and the issuance of convertible corporate bonds.
- (2) Change in Current ratio: mainly due to profit growth.
- (3) Change in Quick ratio: mainly due to profit growth.
- (4) Change in Times interest earned: mainly due to profit growth.
- (5) Change in Account payable turnover rate: mainly due to the shortage of bulk raw materials, price increases, and the development of alternative manufacturers; prepayments were made in certain proportions for meeting with production needs, or the advance plans to store raw materials, etc.
- (6) Change in Return on Asset: mainly due to profit growth.
- (7) Change in Return on equity: mainly due to profit growth.
- (8) Change in the ratio of NIBT to Paid-In-Capital: mainly due to profit growth.
- (9) Change in Net Profit Margin: mainly due to profit growth.
- (10) Change in Earnings per Share: mainly due to profit growth.
- (11) Change in Cash Flow Ratio: mainly due to the increase of cash from operating activities resulting from profit growth.
- (12) Change in Cash re-investment ratio: the increase of fixed assets, plant, and equipment mainly due to the response to increase production capacity.

Note: the financial data of the years listed above have been reviewed and certified by accountants.

## Formula to calculate financial ratios

### 1. Financial structure

- (1) Debt ratio =  $\frac{\text{Total liabilities}}{\text{Total assets}}$ .
- (2) Ratio of Long term fund to fixed assets, plant, and equipment =  $\frac{(\text{Total equities} + \text{Non-current liabilities})}{\text{Fixed assets, plant, and equipment - net amount}}$ .

### 2. Solvency

- (1) Current ratio =  $\frac{\text{Current assets}}{\text{Current liabilities}}$ .
- (2) Quick ratio =  $\frac{(\text{Current assets} - \text{Inventories} - \text{Prepaid expenses})}{\text{Current liabilities}}$ .
- (3) Times Interest Earned =  $\frac{\text{Net income before income tax and interest expenses}}{\text{Total interest expense of current period}}$ .

### 3. Operating ability

- (1) Receivables (including account receivable and note receivables from operating activities) turnover rate =  $\frac{\text{Net sales}}{\text{Average balance of receivables (including account receivables and note receivables from operating activities)}}$ .
- (2) Average collection days =  $\frac{365}{\text{Account receivable turnover}}$ .
- (3) Inventory turnover rate =  $\frac{\text{Cost of goods sold}}{\text{Average inventories}}$ .
- (4) Account payable turnover rate (including account payable and note payable from operating activities) =  $\frac{\text{Cost of goods sold}}{\text{Average balance of payable (including account payable and note payable from operating activities)}}$ .
- (5) Average days sales in inventory =  $\frac{365}{\text{Inventory turnover rate}}$ .
- (6) Fixed assets, plant, and equipment turnover rate (times) =  $\frac{\text{Net sales}}{\text{Average balance of fixed assets, plant, and equipment - net amount}}$ .
- (7) Total asset turnover rate =  $\frac{\text{Net sales}}{\text{Average total assets}}$ .

### 4. Profitability

- (1) Return on assets =  $\frac{[\text{Net income after tax} + \text{Interest expense} \times (1 - \text{tax rate})]}{\text{Average total asset}}$ .
- (2) Return on equity =  $\frac{\text{Net income after tax}}{\text{Average shareholders' equity}}$ .
- (3) Net profit margin =  $\frac{\text{Net income after tax}}{\text{Net sales}}$ .
- (4) Earnings per share =  $\frac{(\text{Profit/loss attributable to shareholders' of the parent company} - \text{Preferred dividends})}{\text{Weighted average shares outstanding}}$ .

### 5. Cash Flow

- (1) Cash flow ratio =  $\frac{\text{Cash flow from operations}}{\text{Current liabilities}}$ .
- (2) Net cash flow adequacy ratio =  $\frac{\text{Cash flow from operations of the most current 5 years}}{(\text{Capital expenditures} + \text{Increase in inventory} + \text{cash dividends}) \text{ of the most current 5 years}}$ .
- (3) Cash re-investment ratio =  $\frac{(\text{Net cash flow from operation activities} - \text{Cash dividends})}{(\text{Gross amount of fixed assets, plant, and equipment} + \text{Long-term inventories} + \text{Other non-current assets} + \text{Working capital})}$ .

### 6. Leverage:

- (1) Degree of operating leverage =  $\frac{(\text{Net sales revenue} - \text{Variable operating cost and expenses})}{\text{Operating margin}}$ .
- (2) Degree of financial leverage =  $\frac{\text{Operating margin}}{(\text{Operating margin} - \text{Interest expenses})}$ .

(III) Audit Committee's Review Report of the most current year

## **Advanced International Multitech Co., Ltd. Review Report of Audit Committee**

Attn: Advanced International Multitech Co., Ltd. 2023 General Shareholders' Meeting

The board of directors submitted the Company's 2022 Business of Report, parent company only financial statements, consolidated financial statements, and Earnings Distribution Plan among which the financial statements were audited and completed with an audit report by the PwC Taiwan, appointed by the Company's board of directors.

The above Business of Report, parent company only financial statements, consolidated financial statements, and Earnings Distribution Plan have been verified by the Audit Committee, and there are no discrepancies. Accordance to the Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

February 23, 2023

Audit Committee of Advanced International Multitech Co., Ltd.

Convener: Hung, Li-Jung 洪麗蓉



- (IV) Financial reports of the most current year: please refer to page 147 to page 220 Attachment 1)
  
- (V) The CPA certified mother company only financial reports of the most current year: please refer to page 221 to page 286 (Attachment 2)
  
- (VI) In the most current fiscal year and up until the printing date of this annual report, if the Company and its affiliated companies have financial difficulties, and what's the influences on the Company's financial situation: None.

## VII. The Review and Analysis of the Company's Financial Situation, Financial Performance, and the related Risks

### (I) Financial situation

Two-year comparisons on financial situation

Unit: NT\$1,000

Item \ Year	2021	2022	Difference	
			Dollar amount	%
Current assets	8,803,309	11,767,530	2,964,221	33.67%
Fixed asset, plant and equipment	3,099,062	3,789,767	690,705	22.29%
Intangible assets	12,539	17,828	5,289	42.18%
Other assets	1,116,097	1,242,270	126,173	11.30%
<b>Total assets</b>	<b>13,031,007</b>	<b>16,817,395</b>	<b>3,786,388</b>	<b>29.06%</b>
Current liabilities	6,473,300	6,838,185	364,885	5.64%
Non-current liabilities	905,224	2,242,114	1,336,890	147.69%
<b>Total liabilities</b>	<b>7,378,524</b>	<b>9,080,299</b>	<b>1,701,775</b>	<b>23.06%</b>
Share capital	1,353,127	1,371,929	18,802	1.39%
Capital reserve	781,236	973,927	192,691	24.66%
Retained earnings	3,449,189	4,967,728	1,518,539	44.03%
Other equities	(167,766)	(89,642)	78,124	(46.57%)
Treasury stock	(258,235)	(227,667)	30,568	(11.84%)
Non-controlling interests	494,932	740,821	245,889	49.68%
<b>Total shareholders' equity</b>	<b>5,652,483</b>	<b>7,737,096</b>	<b>2,084,613</b>	<b>36.88%</b>

- Analysis on the % changes of 20% or above and the amount of change reached NT\$10millions over the past 2 years:
  - Increase in Current asset: mainly due to the increase both in account receivable and inventories in 2022 compared with 2021, and both increase were due to sales growth.
  - Increase in Fixed assets, plant, and equipment: mainly due to the construction of additional factories and the expansion of production lines in response to production needs.
  - Increase in Total assets: mainly due to the increase of Current assets and the Fixed assets, plant and equipment in 2022 compared to last year. Please refer to the analysis listed in 1 and 2 above.
  - Increase of Non-current liabilities: mainly due to the issuance of convertible corporate bond.
  - Increase in Total liabilities: mainly due to the increase of non-current liabilities of current year compared to last year, please refer to 4 above.
  - Increase in Capital reserve: mainly due to the increase amount of capital reserves arising from the issuance of convertible corporate bonds and the conversion of corporate bonds into equity.
  - Increase in Retained earnings: mainly due to the impact of profit growth compared with the same period last year.
  - Increase in Other equities: mainly due to the exchange difference in the translation of financial statements of foreign operating institutions.
  - Increase in Non-controlling interest: mainly due to the profit growth of subsidiaries.
  - Increase of Total equities: mainly due to the impact of substantial growth in profits.
- Future plans to meet significant impacts: none.

## (II) Financial performance

## Two-Year Comparison on the Financial Performance

Unit: NT\$1,000

Item \ Year	2021	2022	Amount of Increase (Decrease)	Change ratio
Sales revenue - Net	16,908,024	21,422,785	4,514,761	26.70%
Operation cost	(13,691,412)	(17,067,951)	(3,376,539)	24.66%
Gross margin	3,216,612	4,354,834	1,138,222	35.39%
Operation expenses	(1,448,332)	(1,664,172)	(215,840)	14.90%
Other income and expenses	178,394	137,364	(41,030)	(23.00%)
Operation profit	1,946,674	2,828,026	881,352	45.27%
Non-operation income and expenditures	(125,101)	416,576	541,677	(432.99%)
Net income before tax	1,821,573	3,244,602	1,423,029	78.12%
Tax (Expense) Income	(369,733)	(744,365)	(374,632)	101.33%
Total comprehensive income	1,451,840	2,500,237	1,048,397	72.21%
<p>1. Analysis on the % changes of 20% or above over the past 2 years:</p> <p>(1) Increase in Sales revenue: mainly due to the impact of covid epidemic, which increased the number of people playing golf resulting in the growth of golf industry.</p> <p>(2) Increase in Operation cost, Operation profit, and Net income before tax: mainly due to the injection of revenue growth.</p> <p>(3) Increase in Gross margin: mainly due to the combined effects of the substantial growth in sales of golf products, selling prices, and the depreciation of the Taiwan dollar and the RMB, resulting in better gross margin.</p> <p>(4) Decrease in Other income and expenses: mainly due to the significantly injected value from the development of golf carbon sheet in 2021, and that has been transferred to mass production in 2022, resulting in the decrease in other income of the year.</p> <p>(5) Increase in Non-operation income and expenditures: mainly due to the impact of exchange gains.</p> <p>(6) Increase in Income tax expenses: mainly due to profit growth.</p> <p>(7) Increase in Total comprehensive income: mainly due to the impact to profit growth.</p> <p>2. Estimated sales volume in the future year, the basis of the estimation, possible influence to future financial operation, and the countermeasures: please refer to the section of Operation Overview of this annual report and the Letters to Shareholders.</p>				

(III) Cash flow

1. Analysis on the changes of cash flows in the most current fiscal year, the plan of improvement on insufficient liquidity, and the analysis on the following year's cash liquidity.

(1) Analysis on the changes of cash flows in the most current fiscal year (2022):

Unit: NT\$1,000

Balance of cash in the beginning of the period(1)	Net cash flow from operating activities during the year(2)	Net cash flows of the year(3)	Remaining (Insufficient) cash amount (1)+(2)-(3)	Remedial measures for projected cash shortfalls	
				Investment plan	Financing plan
\$833,023	\$2,363,335	\$904,558	\$2,291,800	-	-
Analysis on the change of cash flows in 2022:					
① Cash inflow of \$2,363,335 from operating activities: Mainly came from Net income after tax, depreciation expenses, and amortization expenses.					
② Cash outflow of \$966,635 from investing activities: mainly due to the addition of the newly constructed factory and procurement of equipment.					
③ Cash inflow of \$59,266 from financing activities: mainly due to the distribution of cash dividend, issuance of corporate bond, and reduction in financing.					
④ Cash inflow of \$2,811 from the changes of exchange rate: caused by the fluctuation of NTD and RMB exchange rate.					

(2) Plan of improvement on insufficient liquidity: Not applicable.

(3) Analysis on the following year's cash liquidity.

Unit: NT\$1,000

Cash balance in the beginning of the period(1)	Estimated net cash flow from operating activities of the year(2)	Estimated cash outflow of the year(3)	Estimated remaining cash amount (1)+(2)-(3)	Remedial measures for projected cash shortfalls	
				Investment plan	Financing plan
\$2,291,800	\$1,728,511	\$2,330,827	\$1,689,484	-	-
Analysis on the change of cash flow in 2023:					
① Operating activity: it is expected to have good operation situation this year, the expected net cash inflow arising from operating activities.					
② Investing activity: expected factory construction and machinery and equipment procurement of the year.					
③ Financing activity: expected to pay off debts and distribute dividends of the year.					
④ Remedial measure for insufficient cash and the analysis of liquidity: Not applicable.					

(IV) Significant capital expenditure of the most current fiscal year and the impact to financial operation:

1. The use status of significant capital expenditure and the source of capital

Unit: NT\$1,000

Projected plan	Actual or expected source of fund	Total fund needed	Actual or expected fund use status		
			2020	2021	2022
Fixed asset, plant and equipment	Self-owned fund and bank financing	2,296,187	613,927	925,680	756,580

2. Expected possible effects: It is expected to increase production capacity, improve product quality, and reduce production costs.

(V) Main reason for the profit or loss of its invested company in the current year, and the improvement plan and investment plan in the future year:

1. Reinvestment policy:

The main purpose is to cooperate with the development of the industry and construct the upstream and downstream supply chain relationship to grasp the source of purchase, strengthen customer after-sales service and maintain long-term cooperative relationship with customers to facilitate future business development.

2. Main reasons for profit or loss, and the improvement plan:

With the changes in life patterns during the epidemic, golf is an outdoor sport that maintains a moderate social distance. Hence, golf has become a fast-growing sport under the epidemic. Due to the continuous increase in the number of new golfers and the frequency of game plays, and the low inventory level in the customer's site, brand customers were actively chasing orders and pulling goods. Strong demands maintained the business during the low season, resulting in an increase in orders and filled production capacity. The reduced production cost per unit and favorable impacts resulting from exchange rates had promoted the growth of profits.

The demand of composite materials were also increased because of the need of social distance, and so the growth in the order promoted the growth in the profit.

3. Investment in the future year:

The Company currently does not have important re-investment plan, and will cautiously evaluate all the investment plan from the perspective of medium to long term strategy.

(VI) Risk matter should analyze and evaluate the following issues in the most current fiscal year and up to the printing date of this annual report:

1. The impact of the changes in the interest rate and exchange rate, the situation of inflation on the Company's profit and loss, and the future countermeasures

- (1) The impact of interest rate and exchange rate changes on the Company's profit and loss and future countermeasures

Unit: NT\$1,000; %

Item	Impact on the Company's profit and loss		Future countermeasures
	Account	2022	
Interest rate	Interest expense	(61,130)	Evaluate bank borrowing rates on a regular basis and keep in touch with banks to obtain more favorable borrowing rates.
Exchange rate	Exchange gain (loss)	438,559	(1) Has established foreign exchange operation strategies and strict control procedures to monitor the change of currency rates. (2) Risk-averse derivative financial product operations, such as pre-sale of foreign exchange, are used to avoid exchange rate risks depending on the changes in the foreign exchange market and the demand for foreign funds.

- (2) The impact of inflation on the company's profit and loss and future countermeasures

Under the government's policy of stabilizing the order of financial market and maintaining stable consumer prices, the Company's operation and profit and loss of the latest year and up to the date of publication of this annual report have not been affected by inflation. In the future, information on inflation and government price policies will be collected at all times for appropriate response measures.

2. Policies for engaging in high-risk, high-leverage investments, lending funds to others, making endorsement guarantees, and carrying out derivatives transactions, the main reasons for profit or loss, and future countermeasures

(1) The Company does not engage in high risk, high leverage investments.

(2) Status of lending funds to others:

Unit: NT\$1,000

Company that lend loans	Borrower	Account of Transaction	Related Party (Y/N)	High amount of the current period (Note1)	Balance at the end of the period (Note2)	Actual spending amount (Note3)	Range of interest rate	Nature of the loan (Note4)	Business transaction amount	Reasons for the need for short-term financing	Provision for bad debt	Collateral		Loan amount and limit for individual object	Total loan limit
												Name	Value		
Advanced	ADVANCED INTERNATIONAL MULTITECH (VIETNAM)	Other receivable-related party	Yes	304,000	304,000	0	-	2	0	As operating capital	0	-	0	699,627	2,798,510

Note: In accordance with the Company's "Operation Procedure for Loaning Funds to others and Operation Procedure for Making of Guarantee/Endorsement", the total amount of the Company's funds loaning to others shall not exceed 40% of the Company's net worth stated in the latest financial statement. As for the loan limit for individual objects, it shall not exceed 10% of the Company's net worth stated in the latest financial statement.

Note 1: Is the amount authorized by the board of directors on February 23, 2022.

Note 2: Is the declared balance at the end of the period with the loan amount.

Note 3: Unused until the printing date of this annual report (April 28, 2023).

Note 4: The nature of the loan is explained as below: Please enter "1" if there are business contacts, and enter "2", if there is need of short-term financing.

3. In recent years (2022) and as of the publication date of the annual report (April 28, 2023), the Company has not endorsed or guaranteed for others.

4. The Company engages in derivatives transactions in accordance with the regulations of the competent authority and the "Regulations Governing the Acquisition and Disposal of Assets" stipulated by the Company. The current derivative financial product transactions are mainly to sign forward foreign exchange trading contracts with financial institutions in response to exchange rate changes, so as to avoid the risk of exchange rate changes. The currency held must be consistent with the Company's actual foreign currency demand for import and export transactions and shall be balanced with the Company's overall internal currency position (referring to foreign currency receipts and payments) is the principle of derivative transactions in order to reduce the Company's overall foreign exchange risk and save cost in foreign exchange operations.

### 3. Future R&D plan and the projected investment as R&D expenses

Unit: NT\$1,000

Future R&D Plan	Current progress	Expected R&D expenses invested	Completion and Mass Production	The main factors influencing the success of future R&D
Development of Multi-stage Resin Transfer Wheel Forming Technology	Ongoing	10million	2023Q4	Equipment, production efficiency, cost
3D printing molding technology development	Ongoing	10million	2024Q3	Equipment investment, cost control, production efficiency
Light and highly rigid carbon fiber top and bottom covers	Ongoing	4million	2024Q2	Material development, structure design, cost control
Development of high-strength stainless steel and titanium alloy casting materials	Ongoing	3million	20244	Material development, continuous development and resources input
Establishment of forging technology and the development of related products	Ongoing	5million	2024Q4	Equipment, production efficiency, cost
Establishment of metal injection molding technology	Ongoing	3million	2024Q4	Equipment, material development, cost
Establishment of Plastic Injection Molding Technology	Ongoing	3million	2024Q4	Equipment, material development, cost
Wrapped Carbon Fiber Molding Development	Continuous development testing and verifying	5million	2023Q4	Equipment, material development, cost
The recyclable of carbon fiber impregnated bulk molding compound	Continuous development testing and verifying	9million	2024Q2	Equipment, material
Technology Development and Product Application of Biomass Epoxy Resin	Continuous development testing and verifying	3.15million	2024Q4	1.The Group's green strategy in sustainable operation. 2.The Group's material design and application power, both are controllable abilities.
Technology development and product application of carbon fiber surface modification	Continuous development testing and verifying	4million	2024Q4	The Group's material design and application power, both are controllable abilities.
5G nanocomposite material technology development and product application	Continuous development testing and verifying	3million	2023Q2	1.Material technology development and design planning are all capabilities that the R&D team can master. 2.Possess rich operating capabilities of domestic and foreign carbon fiber and AD brands, and master market demand and change experience.
Development plan of heavy-duty industrial robot system with low energy consumption and high load ratio	Continuous development testing and verifying	10million	2023Q2	1.Going lightweight for robotic arm meets the requirement of green environmental protection and energy saving trend. 2.Material technology development and design planning are all capabilities that the R&D team can master. 3.The Company has mastered the preparation technology of carbon fiber composite materials and the production and development capabilities of automated intelligent manufacturing.
Green environmental protection thermoplastic continuous carbon fiber composite material technology development (TP UD Tech.) and product application	Continuous development testing and verifying	10million	2023Q1	1.Meeting the trend of green product for environmental protection (recycling and reuse) is also the Group's green and sustainable operation strategy. 2.Material technology development and design planning are all capabilities that the R&D team can master. 3.The Company has mastered the key technology of carbon fiber composite material preparation

4. The impact of major policy and legal changes at home and abroad on the Company's financial operation and the countermeasures:  
The Company always pays attention to important policy and legal changes at home and abroad, evaluates its impact on the Company, and takes appropriate countermeasures. As of the publication date of the annual report, the Company and its subsidiaries have not been affected by major domestic and foreign policy and legal changes that affect financial operation.
  
5. The impact of technological changes (including information security risks) and industrial changes on the company's financial operation and the countermeasures:  
The Company always pays attention to the changes in technology related to the industry in which it is located, and evaluates its impact on the Company's operations. In addition, the Company also formulates information security policies (please refer to Information Security Management on page 121 to page 123 of this annual report).
  
6. The impact of corporate image change on corporate crisis management and the countermeasures:  
The Company has always adhered to the business philosophy of integrity, law-abiding and fulfilling social responsibilities, and there has been no change in corporate image in recent years.
  
7. Expected benefits, possible risks and countermeasures of mergers and acquisitions:  
Not applicable.
  
8. Expected benefits, possible risks and countermeasures of plant expansion:
  - (1) Land lease and plant construction in Hofa Industrial Park:  
The Company obtained the factory registration licence in June 2022 and completed relocation works and started production in November. The new factory will be able to meet the demand for increased orders and the addition of new customers, and will enhance the Company's revenue and profit in the future.  
The development of composite materials is the overall demand and trend of the industry in the future, and there are no major risks at present.
  - (2) Factory expansion of the Company's subsidiary, ADVANCED INTERNATIONAL MULTITECH (VIETNAM) CORPORATION LTD:
    - ① On November 06, 2020, the resolution regarding the procurement of two pieces of land for business use and the building of new factory were approved by the board of directors : one of the lands that measured 16250.6 M<sup>2</sup> was started construction in June, 2021. However, the construction was suspended temporary during the epidemic period and postponed until November at the same year to resume the work. At present, the factory was expected to start mass production in the 3<sup>rd</sup> quarter, 2023.
    - ② On January 29, 2021, the resolution regarding the construction of the Factory E in the present factory site was approved by the board of directors: Has started mass production in the 2<sup>nd</sup> quarter, 2022.



The above capacity expansion will be able to meet the needs of future orders, which will help revenue growth and increase profits. There are no major risks.

- (3) The expansions were carried out in accordance with the Company's "Regulations governing the Acquisition and Disposal of Assets", and were cautiously reviewed and evaluated by dedicated units with the considerations of investment benefits and possible risks.

9. Risks and Countermeasures of concentrated Purchase or Sales:

(1) Purchase: The Company's main raw materials are titanium, stainless steel ingots, carbon fiber, rubber, ionized resin, etc., with sufficient supply sources, many manufacturers to choose from, and productions both in Taiwan and abroad. In addition, we maintain good cooperative relations with various suppliers to ensure stable source of supply.

(2) Sales: The Company's main products are golf clubs, composite material products, golf balls, etc. We are a professional OEM manufacturer in the market with flexible advantages in technology, quality and price. In addition, we have a large number of customers from different areas; important customers locate in US, Japan, EU, etc...

10. Impact of a large amount of share transfer or replacement by the Company's director, supervisor, or shareholders that holding more than 10% of the Company's share on the Company, the risk, and the countermeasures:

In 2022 and as of the date of publication of the annual report, the directors of the Company or major shareholders holding more than 10% of the shares did not have a large amount of equity transfer.

11. The impact, risks and countermeasures of the change of management rights on the Company: Not applicable.

12. Major litigious, non-litigious or administrative disputes, regardless of being concluded by means of a final and un-appealable judgment or is still under the litigation process, that involves the Company and/or the Company's director, supervisor, the Chief Executive Officer, any person with actual responsibility for the Company, any major shareholder holding a stake of greater than 10 percent, and a subordinate company, and is possibly materially affect shareholders' equity or the prices of the Company's securities: None.

13. Other significant risk and the countermeasures: none.

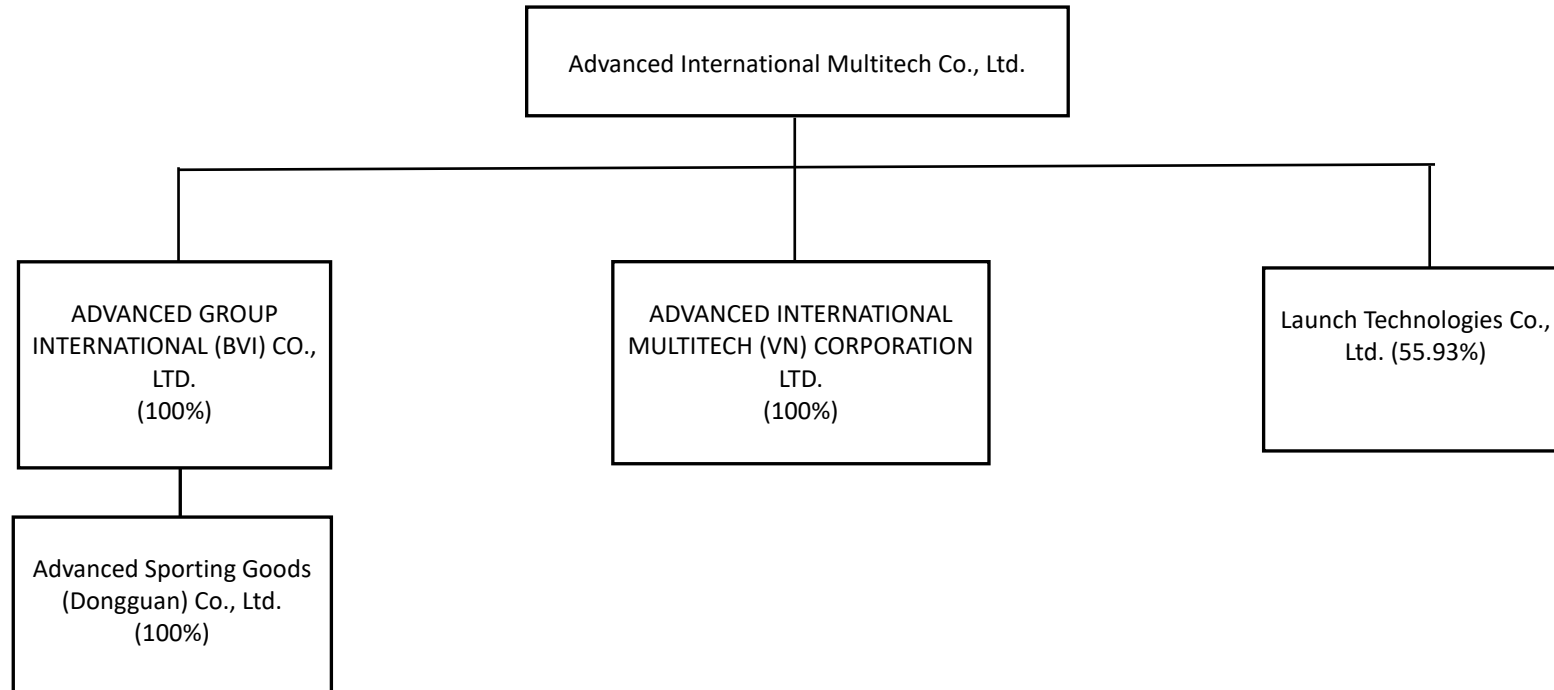
(VII) Other important issues: None.

## VIII. Special Notes

(I) Relation information of Affiliated Companies:

1. Organization Overview of Affiliated Companies

(1) Organization chart of affiliated companies:



1. Company that is concluded as the existence of the controlling and subordinate relation according to Article 369-3 of the Company Act: No such situation.

2. Companies directly controlled by the Company in terms of personnel, finance, or business operations in accordance with Article 369-2, Paragraph 2 of the Company Act: No such situation.

## 2. Information on affiliated companies

Enterprise Name	Date of Establishment	Address	Paid-in-Capital (Note1)	Main business or production item
ADVANCED GROUP INTERNATIONAL (BVI) CO., LTD.	1998.08.27	1st, Floor, Lake Building, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands	NT\$149,434 thousand	Make investment in other region.
ADVANCED INTERNATIONAL MULTITECH (VN) CORPORATION LTD.	2005.01.01	KCN Nhon Trach 3, H.NhonTrac, Dong Nai, Vietnam (Taiwan Business Division)	NT\$447,331 thousand	Engage in the production and sales of various golf heads, clubs, and club sets.
Launch Technologies Co., Ltd. (Note 2)	2006.7.28	No. 28, Jingjian Rd., Chienchin Village, Pingtung City, Pingtung County, Taiwan R.O.C.	NT\$509,900 thousand	Engage in the manufacturing of sporting goods and other plastic products, and international trade, etc.
Advanced Sporting Goods (Dongguan) Co., Ltd. (Note 2)	1998.11.16	Longyan Industrial Dist., Humen, Dongguan, Mainland China	NT\$149,446 thousand	Engage in the production and import/export of carbon fiber prepreg materials and sporting goods.

Note 1: If the affiliated enterprise is a foreign company, the capital is listed in NT dollars based on historical exchange rates.

Note 2: The company has a factory in the local area, and the name, date of establishment, address and main production items of the factory are the same as the name, date of establishment, address and main business production items of the company.

3. Having the same shareholders in the controlling and affiliated company defined in the Company Act: none.

4. Industries involved by the overall affiliated companies

(1) The business of the Company and its affiliated companies mainly includes sports equipment manufacturing and import and export trade, as well as the production, sales and import and export of carbon fiber prepreg materials, man-made fibers, glass products and sporting goods.

(2) The Company is mainly engaged in the manufacturing, processing and sales of carbon fiber prepreg materials, carbon fiber golf clubs, club heads, bicycle front forks and frames.

As of December 31, 2022, the transaction with related companies is explained as follows:

The Company is a labor-intensive industry. In view of the fact that domestic labor costs are increasing year by year, in order to reduce production costs, after the Company receives the order, in accordance with the planning of production capacity and production process, some of the raw materials are sold by the company to Advanced Sporting Goods (Dongguan) Co., Ltd. or raw materials or semi-finished products are purchased on behalf of the Company and sold to Advanced Sporting Goods (Dongguan) Co., Ltd. For the company to produce carbon fiber prepreg materials and related sports products, and the finished products are sold to the Company to save production costs and improve the competitiveness of the Company's products.

5. Information on directors, supervisors and chief executive officer of affiliated companies

Name of Enterprise	Job Title	Name or Representative	Unit:NT\$1,000/shares/%	
	(Note 1)		Shareholding (Note2)(Note3)	Shares/Contribution
ADVANCED GROUP INTERNATIONAL (BVI) CO., LTD.	Director	Advanced International Multitech Co., Ltd. (Representative: Cheng, Hsi-Chien)	4,584,815shares	100%
ADVANCED INTERNATIONAL MULTITECH (VN) CORPORATION LTD.	Chairman	Advanced International Multitech Co., Ltd. (Representative: Cheng, Hsi-Chien)	14,000,000shares	100%
	Director	Advanced International Multitech Co., Ltd. (Representative: Cheng, Hsi-Kun)		
	Director	Advanced International Multitech Co., Ltd. (Representative: Chou, I-Nan)		
	Director	Advanced International Multitech Co., Ltd. (Representative: Liu, An-Hao)		
	CEO	Chen, Chun-Chung		
Launch Technologies Co., Ltd.	Chairman	Advanced International Multitech Co., Ltd. (Representative: Liu, An-Hao)	28,518,424shares	55.93%
	Representative of Corporate Director	Advanced International Multitech Co., Ltd. (Representative: Cheng, Hsi-Chien)	28,518,424shares	55.93%
	Representative of Corporate Director	Advanced International Multitech Co., Ltd. (Representative: Lu, Ying-Cheng)	28,518,424shares	55.93%
	Representative of Corporate Director	Advanced International Multitech Co., Ltd. (Representative: Cheng, Shao-Ting)	28,518,424shares	55.93%
	Representative of Corporate Director	Fu Zhi Investment Development Co., Ltd. (Representative: Lin, Jui-Chang)	3,734,752shares	7.32%
	Representative of Corporate Director	Frankson Rubber Corporation (Representative: Wang, Cheng-I)	963,115shares	1.89%
	Independent Director	Hsieh, Kuo-Huang	—	—
	Independent Director	Lin, I-Lang	90,000	0.18%
	Independent Director	Wei, Chia-Min	—	—
	CEO	Lu, Ying-Cheng	100,000	0.20%
Advanced Sporting Goods (Dongguan) Co., Ltd.	Chairman	ADVANCED GROUP INTERNATIONAL (BVI) CO., LTD. (Representative: Cheng, Hsi-Chien)	\$149,446 thousand	100%
	Director	ADVANCED GROUP INTERNATIONAL (BVI) CO., LTD. (Representative: Chou, I-Nan)		
	Director	ADVANCED GROUP INTERNATIONAL (BVI) CO., LTD. (Representative: Wang, Chih-Wen)		
		CEO	Wang, Chih-Wen	-

Note 1: If the affiliated company is a foreign enterprise, the position of the same rank is presented.

Note 2: If the invested company is a limited company, number of shares and the shareholding percentage is filled; for all others, the contribution amount and ratio of contribution is filled.

Note 3: If the affiliated company is a foreign enterprise, the contribution is presented in NT dollars based on historical exchange rate.

## 6. Operation overview of Affiliated Companies

Financial situation and operation resulting of all affiliated companies:

Unit: NT\$1,000

Name of Enterprise	Capital amount (Note 1)	Total asset (Note 2)	Total liabilities (Note2)	Net worth	Sales revenue (Note 2)	Operation Profit (Note2)	Profit/Loss (After tax)(Note2)	EPS (loss)(dollar) (after tax) (Note 2)
ADVANCED GROUP INTERNATIONAL (BVI) CO., LTD.	149,434	1,016,712	-	1,016,712	-	-	301,669	Note 3
ADVANCED INTERNATIONAL MULTITECH (VN) CORPORATION LTD.	447,331	2,213,425	1,527,633	685,792	3,760,448	147,419	91,415	Note 3
Launch Technologies Co., Ltd.	509,900	3,231,324	1,604,412	1,626,912	3,598,019	663,694	588,731	11.55
Advanced Sporting Goods (Dongguan) Co., Ltd.	149,446	3,932,192	2,915,499	1,016,693	9,963,896	343,245	301,667	Note 3

Note 1: If the affiliated enterprise is a foreign company, its capital is presented in NT dollars based on historical exchange rates.

Note 2: If the affiliated company is a foreign company, its total assets and total liabilities are presented in NT dollars at the exchange rate on the reporting date; its operating income, operating profit, and current profit and loss are presented in NT dollars at the annual average exchange rate for the current year.

Note 3: Not applicable, the company does not issue shares.

7. Consolidated financial report of affiliates

## Declaration

Affiliated companies of the Company that should be included in the preparation of the 2022 (from January 1, 2022 to December 31, 2022) consolidated financial statements of affiliated companies in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" are the same with the affiliated companies that should be included in the preparation of the consolidated financial statement of the parent and subsidiary companies in accordance with IFRS No.10. And the relevant information that should be disclosed in the consolidated financial statements of the affiliated enterprises has been disclosed in the consolidated financial statements of the parent and subsidiary companies as disclosed above; consequently the consolidated financial statements of the affiliated enterprises will not be prepared separately.

Company Name: Advanced International Multitech Co., Ltd.



Person in Charge: Cheng, Hsi-Chien



Date: February 23, 2023

8. Affiliation report: The Company is not an affiliated company, so there is no need to compile affiliation report.

(II) The handling of privately placed securities in the most recent year and as of the publication date of the annual report: None.

(III) In the most recent year and as of the publication date of the annual report, the holding or disposal of the Company's stocks by subsidiaries: None.

(IV) Other necessary supplementary explanations: None.

IX. In the most recent year and up to the date of publication of the annual report, whether there is any event that has a significant impact on shareholders' equity or securities prices as specified in Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act: None.

# Attachment 1 : 2022 and 2021 Consolidated Financial Report of Advanced International Multitech Co., Ltd. and its Subsidiaries and Accountant's Audit Report

Advanced International Multitech Co., Ltd.

## Letter of Representation for Consolidated Financial Statements

For the year 2022 (from January 1 to December 31, 2022), the Company's entities that are required to be included in the consolidated financial statements of affiliated enterprises under the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" are the same as those required to be included in the parent-subsiidiary consolidated financial statements under the International Financial Reporting Standards 10. Moreover, the related information required to be disclosed for the consolidated financial statements of affiliated enterprises has been fully disclosed in the aforementioned parent-subsiidiary consolidated financial statements. Therefore, consolidated financial statements of affiliated enterprises will not be prepared.

Represented by

Company Name: Advanced International Multitech Co.,Ltd.

Responsible Person: Hsi-Chien Cheng

February 23, 2023

## Independent Auditor's Report

To Advanced International Multitech Co., Ltd.

### **Auditor's Opinions**

Advanced International Multitech Co., Ltd. and Subsidiaries' ("the Group" hereinafter) consolidated balance sheets ended December 31, 2022 and 2021, consolidated statements of comprehensive income, the consolidated statements of changes in equity, consolidated statements of cash flows from January 1 to December 31, 2022 and 2021, and the notes to the consolidated financial statements (including the summary of significant accounting policies) have been reviewed by the auditor.

In our opinion, based on our audits and the reports from other auditors (please refer Other Matters item), the aforementioned consolidated financial statements present fairly, in all material respects, the consolidated financial position of Advanced International Multitech Co., Ltd. as of December 31, 2022 and 2021, and its consolidated financial performance and consolidated cash flows from January 1 to December 31, 2022 and 2021 are presented in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," as well as International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations, and SIC Interpretations endorsed and effected by the Financial Supervisory Commission.

### **Basis for Audit Opinion**

We planned and conducted our audits in accordance with the "Rules Governing the Auditing and Attestation of Financial Statements by Certified Public Accountants" and Generally Accepted Auditing Standards in 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 have stayed independent from Advanced Group as required by the Code of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled other responsibilities as stipulated by the Code. Based on our audits and the reports from other auditors, we believe that we have obtained sufficient and appropriate audit evidence to serve as 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 2022 consolidated financial statements of Advanced Group. Such matters have been dealt with in the course of auditing and compiling the consolidated financial statements and in the preparation of our audit opinion. As such, we do not respond to each key matter individually.



Key Audit Matters for the consolidated financial statements of Advanced Group for 2022 are stated as follows:

### **Assessment of Impairment of Accounts Receivable**

#### Descriptions

Please refer to Note IV(X) and (XI) to the consolidated financial statements for accounting policies regarding accounts receivables and impairment assessment; please refer to Note V(II) to the consolidated financial statements for uncertainties of accounting estimates and assumptions regarding accounts receivables; and please refer to Note VI(IV) to the consolidated financial statements for net accounts receivables.

In measuring the expected credit losses, Advanced Group must use its judgment to identify the factors that affect the future recoverability of the accounts receivable, and consider the time value of money, the information that is reasonable and available to prove the forecast of future economic conditions, and the supporting documents obtained by the management. Therefore, we identified the evaluation of impairment for accounts receivables as a key audit matter for Advanced Group.

#### Audit Procedures

The procedures we have performed on the aforementioned key audit matter are summarized as follows:

1. Based on our understanding of Advanced Group's operation and its sales counter-party, we have determined the reasonableness of the policy and procedures regarding provision of loss allowance for accounts receivables, including the objective evidence that determine the loss rate, e.g. characters of customers, assessment of past payment collection experience, and future economic conditions. We have also compared whether the policy for provision of loss allowance for accounts receivables is consistent throughout the reporting period.
2. We have assessed the reasonableness of the supporting documents based on the expected loss rates for different days past due as provided by the management.
3. We have also verified the correctness of the aging of accounts receivables in order to ensure the agreement of the financial information with its policy.
4. We have also tested the recovery of accounts receivables after the audit period so as to evaluate the possibility of recovery.

### **Inventory Valuation**

#### Descriptions

Refer to Note IV(XIII) to the consolidated financial statements for accounting policies regarding inventory valuation; Note V(II) for uncertainty of accounting estimates and assumptions regarding inventory valuation; and Note VI(V) for details of inventory accounting subjects.

The main business of Advanced Group is to undertake the production of consumer products for the world's major brands. The inventory of such products, owing to rapid changes in technology

and a high degree of customization, possesses higher risk of Inventory valuation loss or obsolescence. Advanced Group measures the value of inventory through the employment of an item by item approach which recognizes the value at the lower of cost and net realizable value. Advance Group also 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 realizable value. Since the assessment process may involve the management's judgment based on the relevant supporting documents obtained, which is an area to be determined in an audit, we have identified the inventory valuation as the key audit matter for Advanced Group.

#### Audit Procedures

The procedures we have performed on the aforementioned key audit matter are summarized as follows:

1. We have compared whether the policy for provision of allowance of inventory valuation loss is consistent throughout the reporting period and assessed the reasonableness of its provision policy.
2. We have examined the inventory management process, reviewed the annual inventory plan and participated in annual inventory counts in order to assess the effectiveness of management's judgment and control of obsolete inventory.
3. We have sampled and tested the net realizable value of individual inventory item to assess the reasonableness of the allowance to reduce inventory to market.

#### **Other Matters – reference to other accountants' audits**

We did not audit the financial statements of certain associates and joint ventures accounted for under the equity method. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions expressed herein are based solely on the audit reports of the other auditors. The total investment amount of those aforementioned companies accounted for under equity method amounted to NT\$15,568 thousand, representing 0.09% of total consolidated assets as of 31 December 2022. The total operating revenues(losses) of those aforementioned companies accounted for under equity method amounted to NT\$(32) thousand, representing 0% of total consolidated comprehensive profit or loss for the period from January 1 to December 31, 2022.

#### **Other Matters - parent company only financial statements**

Advanced International Multitech Co., Ltd. has also compiled parent company only financial statements for 2022 and 2021, and issued an unqualified audit opinion with other matter paragraph and an unqualified audit opinion report respectively from our CPA for reference.

#### **Responsibility of the management and the governing body for the consolidated financial statements**

It is the management's responsibility to fairly present the Consolidated Financial Statements in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities

Issuers," as well as International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations, and SIC Interpretations endorsed and effected by the Financial Supervisory Commission, and to maintain internal controls which are necessary for the preparation of the Consolidated Financial Statements so as to avoid material misstatements due to fraud or errors therein.

In preparing the consolidated financial statements, the responsibility of management includes assessing Advanced Group's ability to continue as a going concern, disclosing going concern matters, as well as adopting going concern accounting, unless the management intends to liquidate Advanced Group or terminate the business, or no practicable measure other than liquidation or termination of the business can be taken.

The governing bodies of Advanced Group (including Audit Committee) have the responsibility to oversee the financial reporting process.

### **The Accountants' Responsibility in Auditing the Consolidated Financial Statements**

The purpose of our audit is to provide reasonable assurance that the consolidated financial statements as a whole contains no material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. "Reasonable assurance" refers to a high level of assurance. Nevertheless, our audit, which was carried out in accordance with the Generally Accepted Auditing Standards in the Republic of China does not guarantee that a material misstatement(s) in the consolidated financial statements will be detected. There may still be material misstatements due to fraud or errors, which are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users of the consolidated financial statements.

We have exercised professional judgment and maintained professional skepticism while abiding by the Generally Accepted Auditing Standards in the Republic of China in our audit. The following tasks have also been performed:

1. Identify and evaluate the risk of material misstatements due to fraud or error in the consolidated financial statements; design and carry out appropriate countermeasures for the evaluated risk; and obtain sufficient and appropriate evidence as the basis for the audit opinion. As fraud may involve collusion, forgery, deliberate omissions, false statements, or violations of internal controls, the risk of an undetected material misstatement due to fraud is greater than that due to errors.
2. Acquired necessary understanding of internal controls pertaining to the audit in order to develop audit procedures appropriate under the circumstances. Nevertheless, the purpose of such understanding is not to provide any opinion on the effectiveness of the internal controls of Advanced Group.
3. Assess the appropriateness of the accounting policies adopted by the management level, as well as the reasonableness of their accounting estimates and relevant disclosures.
4. Concluded, based on the audit evidence acquired, on the appropriateness of the management's use of the going-concern basis of accounting, and determined whether a material uncertainty exists where events or conditions that might cast significant doubt on the ability of Advanced Group to continue as going concerns. If we believe there are events

or conditions indicating the existence of a material uncertainty, we are required to remind the users of the consolidated financial statements in our audit report of the relevant disclosures therein, or to amend our audit opinion in the event that any inappropriate disclosure was found. Our conclusion is based on the audit evidence obtained as of the date of the audit report. However, future events or circumstances may cause Advanced Group to cease to continue as a going concern.

5. Evaluate the overall expression, structure and contents of the consolidated financial statements (including relevant Notes), and whether the consolidated financial statements fairly present relevant transactions and items.
6. Acquired sufficient and appropriate audit evidence regarding the financial information of entities within Advanced Group in order to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and execution of auditing the Group, and for formation of an audit opinion.

Communications between us and the company's governing body take account of the scope and timing of the planned audit and significant audit findings, including any significant deficiencies in the internal controls during the audit process.

We have also provided the governing body with our statement of independence in accordance with the Code of Professional Ethics for Certified Public Accountant of the Republic of China, and communicated with the governing body all relationships and other matters that may be deemed to have an influence on our independence (including safeguard measures).

From the matters communicated with those charged with governance, we determined the key audit matters of the 2022 consolidated financial statements of Advanced Group. Such matters have been explicitly stated in our audit report, unless laws or regulations prevent their disclosures, or, in extremely rare cases, we decide not to communicate such matters in our audit report in consideration that the reasonably anticipated adverse impacts of such communication would be greater than the public interest it would promote.

PwC Taiwan

Chun-Kao Wang

CPA:

Chien-Chih Wu

Financial Supervisory Commission, R.O.C. (Taiwan)

Approval No.: Jin Guan Zheng Shen Zi No. 1110349013

Jin Guan Zheng Shen Zi No. 1030027246

February 23, 2023

Advanced International Multitech Co., Ltd. and Subsidiaries  
Consolidated Balance Sheets  
December 31, 2022 and 2021

Unit: In Thousands of New Taiwan Dollars

Assets	Notes	December 31, 2022		December 31, 2021		
		Amount	%	Amount	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	VI (I)	\$ 2,291,800	14	\$ 833,023	7
1110	Financial assets at fair value through profit or loss – current	VI(II)	10,037	-	139	-
1136	Financial assets at amortized cost – current	VI (III) and VIII	23,788	-	283,323	2
1150	Notes receivable – net	VI(IV)	5,983	-	9,567	-
1170	Account receivable – net	V and VI(IV)	5,043,280	30	4,132,586	32
1200	Other receivables		48,440	-	17,169	-
130X	Inventories	V and VI(V)	4,106,782	25	3,178,869	24
1410	Prepayments	VI(VII)	216,928	1	319,016	3
1470	Other current assets		20,492	-	29,617	-
11XX	<b>Total current assets</b>		<u>11,767,530</u>	<u>70</u>	<u>8,803,309</u>	<u>68</u>
<b>Non-current assets</b>						
1510	Financial assets at fair value through profit or loss – non-current	VI(II)	19,448	-	-	-
1517	Financial assets at fair value through other comprehensive income – non-current	VI(VI)	55	-	55	-
1535	Financial assets at amortized cost – non-current	VI(III) and VIII	5,630	-	3,860	-
1550	Investment accounted for using the equity method	VI(VIII)	34,344	-	3,200	-
1600	Property, plant and equipment	VI(IX)and VIII	3,789,767	23	3,099,062	24
1755	Right-of-use assets	VI(X)	846,828	5	768,513	6
1780	Intangible assets	VI(XI)	17,828	-	12,539	-
1840	Deferred income tax assets	VI(XXX)	89,642	1	65,354	-
1915	Prepayment for business facilities		67,754	-	128,540	1
1990	Other non-current assets – others	VIII	178,569	1	146,575	1
15XX	<b>Total non-current assets</b>		<u>5,049,865</u>	<u>30</u>	<u>4,227,698</u>	<u>32</u>
1XXX	<b>Total assets</b>		<u>\$ 16,817,395</u>	<u>100</u>	<u>\$ 13,031,007</u>	<u>100</u>

(Continue to next page)

Advanced International Multitech Co., Ltd. and Subsidiaries  
Consolidated Balance Sheets  
December 31, 2022 and 2021

Unit: In Thousands of New Taiwan Dollars

Liabilities and equities	Notes	December 31, 2022		December 31, 2021		
		Amount	%	Amount	%	
<b>Current liabilities</b>						
2100	Short-term loans	VI(XII) and VIII	\$ 1,515,967	9	\$ 1,901,873	15
2120	Financial liabilities at fair value through profit or loss - current	VI(II)	417	-	-	-
2150	Notes payable		1,622	-	3,821	-
2170	Accounts payable	VII	2,230,307	13	2,088,622	16
2200	Other payable	VI(XIII)	2,246,177	13	1,874,926	14
2230	Income tax liabilities		650,310	4	348,802	3
2280	Lease liabilities -current		61,870	1	30,639	-
2300	Other current liabilities	VI(XIV)(XVI)(XXII) (XXV) and VIII	131,515	1	224,617	2
21XX	<b>Total current liabilities</b>		<u>6,838,185</u>	<u>41</u>	<u>6,473,300</u>	<u>50</u>
<b>Non-current liabilities</b>						
2530	Convertible bonds payable	VI(XV)	1,286,647	8	-	-
2540	Long-term loans	VI(XVI) and VIII	78,221	1	137,536	1
2570	Deferred income tax liabilities	VI(XXX)	243,594	1	164,860	1
2580	Lease liabilities – non-current		567,788	3	528,689	4
2630	Long-term deferred income	VI(XVI)	456	-	159	-
2640	Net defined benefit liabilities – non-current	VI(XVII)	64,719	-	73,348	1
2670	Other non-current liabilities - other		689	-	632	-
25XX	<b>Total non-current liabilities</b>		<u>2,242,114</u>	<u>13</u>	<u>905,224</u>	<u>7</u>
2XXX	<b>Total liabilities</b>		<u>9,080,299</u>	<u>54</u>	<u>7,378,524</u>	<u>57</u>
<b>Equities</b>						
<b>Equity attributable to shareholders of the parent company</b>						
Share capital						
3110	Capital of common shares	VI(XIX)	1,371,929	8	1,353,127	10
Capital surplus						
3200	Capital surplus	VI(XV)(XX)	973,927	6	781,236	6
Retained earnings						
3310	Legal reserve	VI(XXI)	1,063,914	6	929,358	7
3320	Special reserve		167,767	1	142,996	1
3350	Undistributed earnings		3,736,047	22	2,376,835	18
Other equities						
3400	Other equities		( 89,642)	-	( 167,766)	( 1)
3500	Treasury stock	VI(XIX)	( 227,667)	( 1)	( 258,235)	( 2)
31XX	<b>Total equity attributable to shareholders of the parent company</b>		<u>6,996,275</u>	<u>42</u>	<u>5,157,551</u>	<u>39</u>
36XX	<b>Non-controlling interests</b>	IV(III)	<u>740,821</u>	<u>4</u>	<u>494,932</u>	<u>4</u>
3XXX	<b>Total equities</b>		<u>7,737,096</u>	<u>46</u>	<u>5,652,483</u>	<u>43</u>
Significant contingent liabilities and unrecognized contractual commitments						
Significant subsequent event						
3X2X	<b>Total liabilities and equities</b>		<u>\$ 16,817,395</u>	<u>100</u>	<u>\$ 13,031,007</u>	<u>100</u>

The accompanying notes to the Consolidated financial statements are an integral part of the consolidated financial. Please refer to them as well.

Chairman : His-Chien Cheng

Manager : I-Nan Chou

Accounting Manager : Yi-Miao Kuo

Advanced International Multitech Co., Ltd. And Subsidiaries  
Consolidated Statement of Comprehensive Income  
January 1 to December 31, 2022 and 2021

Unit: In Thousands of New Taiwan Dollars  
(Except for Earnings Per Share Presented in New Taiwan Dollars)

Item	Notes	2022		2021	
		Amount	%	Amount	%
4000 Sales revenue	VI(XXII)	\$ 21,422,785	100	\$ 16,908,024	100
5000 Cost of goods sold	VI(V)(XI) (XXVIII) (XXIX)	( 17,067,951)	( 80)	( 13,691,412)	( 81)
5900 Gross Profits		<u>4,354,834</u>	<u>20</u>	<u>3,216,612</u>	<u>19</u>
Operating expenses	VI(XI)(XXVIII) (XXIX) and VII				
6100 Sales and marketing expenses		( 291,829)	( 1)	( 259,389)	( 2)
6200 Administrative expenses		( 613,757)	( 3)	( 518,665)	( 3)
6300 Research and development expenses		( 756,715)	( 4)	( 669,909)	( 4)
6450 Expected credit impairment loss	XII(II)	( 1,871)	-	( 369)	-
6000 Total operating expenses		<u>( 1,664,172)</u>	<u>( 8)</u>	<u>( 1,448,332)</u>	<u>( 9)</u>
6500 Other income and expenses – net	VI(XXIII)	<u>137,364</u>	<u>1</u>	<u>178,394</u>	<u>1</u>
6900 Operating income		<u>2,828,026</u>	<u>13</u>	<u>1,946,674</u>	<u>11</u>
Non-operating income and expenses					
7100 Interest income	VI(XXIV)	16,271	-	3,787	-
7010 Other income	VI(XXV)	7,088	-	24,796	-
7020 Other gain and losses	VI(II)(XXVI)	460,289	2	( 122,637)	( 1)
7050 Finance costs	VI(IX)(X)(XXVII)	( 59,741)	-	( 28,578)	-
7060 Share of the profit (loss) of associates and joint ventures accounted for using the equity method	VI(VIII)	( 7,331)	-	( 2,469)	-
7000 Total non-operating income and expenses		<u>416,576</u>	<u>2</u>	<u>( 125,101)</u>	<u>( 1)</u>
7900 <b>Net income before tax</b>		<u>3,244,602</u>	<u>15</u>	<u>1,821,573</u>	<u>10</u>
7950 Income tax expenses	VI(XXX)	( 744,365)	( 3)	( 369,733)	( 2)
8200 <b>Net income</b>		<u>\$ 2,500,237</u>	<u>12</u>	<u>\$ 1,451,840</u>	<u>8</u>

(Continue to next page)

Advanced International Multitech Co., Ltd. And Subsidiaries  
Consolidated Statement of Comprehensive Income  
January 1 to December 31, 2022 and 2021

Unit: In Thousands of New Taiwan Dollars  
(Except for Earnings Per Share Presented in New Taiwan Dollars)

Item	Notes	2022		2021	
		Amount	%	Amount	%
<b>Other comprehensive income</b>					
<b>Items that will not be re-classified to profit or loss</b>					
8311	Defined benefit plan re-measurements	VI(XVII)	\$ 6,993	-	(\$ 2,381) -
8349	Income tax-related items that are not reclassified subsequently to profit or loss	VI(XXX)	( 1,399)	-	476 -
8310	Total of items that will not be re-classified to profit or loss		5,594	-	( 1,905) -
<b>Items that may be re-classified subsequently to profit or loss</b>					
8361	Exchange differences on translation of foreign financial statements		78,124	-	( 24,770) -
8300	<b>Other comprehensive income - net</b>		\$ 83,718	-	(\$ 26,675) -
8500	<b>Total comprehensive income</b>		\$ 2,583,955	12	\$ 1,425,165 8
Net income(loss) attributable to:					
8610	Shareholders of the parent		\$ 2,240,780	11	\$ 1,347,465 7
8620	Non-controlling interests		259,457	1	104,375 1
	Total		\$ 2,500,237	12	\$ 1,451,840 8
Comprehensive income(loss) attributable to:					
8710	Shareholders of the parent		\$ 2,324,498	11	\$ 1,320,790 7
8720	Non-controlling interests		259,457	1	104,375 1
	Total		\$ 2,583,955	12	\$ 1,425,165 8
Earnings per Share					
		VI(XXXI)			
9750	Basic		\$ 16.92		\$ 10.01
9850	Diluted		\$ 16.20		\$ 9.92

The accompanying notes to the Consolidated financial statements are an integral part of the consolidated financial statements. Please refer to them as well.

Chairman : His-Chien Cheng

Manager : I-Nan Chou

Accounting Manager : Yi-Miao Kuo



Advanced International Multitech Co., Ltd. And Subsidiaries  
Consolidated Statements of Changes in Equity  
January 1 to December 31, 2022 and 2021

Unit : In Thousands of New Taiwan Dollars

	Equity attributable to shareholders of the parent company												Non-controlling interest	Total equity
	Notes	Capital Reserve					Retained Earnings			Exchange difference on translation of foreign financial statements	Treasury stock	Total		
		Capital of common shares	Share premium	Recognized value of changes in equity of subsidiaries	Stock option	Others	Legal reserve	Special reserve	Undistributed earnings					
<u>2021</u>														
Balance as of January 1, 2021		\$ 1,353,127	\$739,866	\$ 16,480	\$ -	\$ 24,890	\$ 861,536	\$133,828	\$ 1,473,609	(\$ 142,996)	\$ -	\$ 4,460,340	\$ 408,534	\$ 4,868,874
Net income		-	-	-	-	-	-	-	1,347,465	-	-	1,347,465	104,375	1,451,840
Other comprehensive income(loss)		-	-	-	-	-	-	( 1,905)	( 24,770)	-	( 26,675)	-	( 26,675)	
Total comprehensive income(loss)		-	-	-	-	-	-	-	1,345,560	( 24,770)	-	1,320,790	104,375	1,425,165
Earnings appropriation and allocation for 2020	VI(XXI)													
Provision of legal reserve		-	-	-	-	-	67,822	-	( 67,822)	-	-	-	-	-
Provision of special reserve		-	-	-	-	-	-	9,168	( 9,168)	-	-	-	-	-
Cash dividends for common shares		-	-	-	-	-	-	-	( 365,344)	-	-	( 365,344)	-	( 365,344)
Cash dividends from subsidiaries		-	-	-	-	-	-	-	-	-	-	-	( 17,977)	( 17,977)
Treasury stock buyback	VI(XIX)	-	-	-	-	-	-	-	-	( 258,235)	( 258,235)	-	( 258,235)	
Balance as of December 31, 2021		\$ 1,353,127	\$739,866	\$ 16,480	\$ -	\$ 24,890	\$ 929,358	\$142,996	\$ 2,376,835	(\$ 167,766)	(\$258,235)	\$ 5,157,551	\$ 494,932	\$ 5,652,483
<u>2022</u>														
Balance as of January 1, 2022		\$ 1,353,127	\$739,866	\$ 16,480	\$ -	\$ 24,890	\$ 929,358	\$142,996	\$ 2,376,835	(\$ 167,766)	(\$258,235)	\$ 5,157,551	\$ 494,932	\$ 5,652,483
Net Income		-	-	-	-	-	-	-	2,240,780	-	-	2,240,780	259,457	2,500,237
Other comprehensive income(loss)		-	-	-	-	-	-	-	5,594	78,124	-	83,718	-	83,718
Total comprehensive income(loss)		-	-	-	-	-	-	-	2,246,374	78,124	-	2,324,498	259,457	2,583,955
Earnings appropriation and allocation for 2021	VI(XXI)													
Provision of legal reserve		-	-	-	-	-	134,556	-	( 134,556)	-	-	-	-	-
Provision of special reserve		-	-	-	-	-	-	24,771	( 24,771)	-	-	-	-	-
Cash dividends for common shares		-	-	-	-	-	-	-	( 727,835)	-	-	( 727,835)	-	( 727,835)
Cash dividends from subsidiaries		-	-	-	-	-	-	-	-	-	-	-	( 56,179)	( 56,179)
Recognized equity items due to the issuance of convertible bond- from stock option	VI(XV)	-	-	-	65,084	-	-	-	-	-	-	65,084	42,611	107,695
Conversion of convertible bonds	VI(XV)	18,802	137,519	-	( 9,912)	-	-	-	-	-	-	146,409	-	146,409
Treasury stock transfer to employees	VI(XVIII)(XIX)	-	-	-	-	-	-	-	-	-	30,568	30,568	-	30,568
Balance as of December 31, 2022		\$ 1,371,929	\$877,385	\$ 16,480	\$ 55,172	\$ 24,890	\$ 1,063,914	\$167,767	\$ 3,736,047	(\$ 89,642)	(\$227,667)	\$ 6,996,275	\$ 740,821	\$ 7,737,096

The accompanying notes to the Consolidated financial statements are an integral part of the consolidated financial statements. Please refer to them as well.

Advanced International Multitech Co., Ltd. And Subsidiaries  
Consolidated Statements of Cash Flows  
January 1 to December 31, 2022 and 2021

Unit : In Thousands of New Taiwan Dollars

	Notes	2022	2021
<u>Cash flows from operating activities</u>			
Net income before tax		\$ 3,244,602	\$ 1,821,573
Adjustments			
Income and expense items			
Depreciation expenses	VI(IX)(X)(XXVIII)	638,409	523,384
Amortization expenses	VI(XXVIII)	66,602	25,256
Expected credit impairment loss	XII(II)	1,871	369
Net loss(gain) from financial assets and liabilities at fair value through profit or loss	VI(II)(XXVI)	6,512	( 1,857 )
Interest expense	VI(XXVII)	59,584	28,391
Interest income	VI(XXIV)	( 16,271 )	( 3,787 )
Share of the profit(loss) of associates and joint ventures accounted for using the equity method	VI(VIII)	7,331	2,469
Loss on non-financial assets impairments	VI(VIII)(XXVI)	-	42,407
Loss on disposal and retirement of property, plant and equipment	VI(XXVI)	243	7,950
Reclassification of property, plant and equipment to expense	VI(XXXII)	1,377	1,002
Gains on lease modification	VI(X)	( 1,596 )	( 204 )
Changes in operating assets and liabilities			
Net changes in operating assets			
Financial assets at fair value through profit or loss – current		( 6,311 )	7,462
Notes receivables		3,584	( 1,759 )
Account receivables		( 845,224 )	( 1,001,056 )
Other receivables		( 31,249 )	599
Inventories		( 832,054 )	( 949,792 )
Prepayments		106,557	( 119,476 )
Other current assets		9,369	( 21,638 )
Net changes in operating liabilities			
Financial liabilities at fair value through profit or loss – current		( 6,117 )	( 5,295 )
Notes payable		( 2,199 )	573
Account payable		75,719	237,193
Other payable		299,137	407,379
Other current liabilities		( 23,824 )	( 21,810 )
Long-term deferred income		297	159
Net defined benefit liabilities – non-current		( 1,933 )	( 14,854 )
Cash provided by operating activities		2,754,416	964,638
Income tax paid		( 391,081 )	( 212,610 )
Net cash provided by operating activities		2,363,335	752,028

(Continue to next page)

Advanced International Multitech Co., Ltd. And Subsidiaries  
Consolidated Statements of Cash Flows  
January 1 to December 31, 2022 and 2021

Unit : In Thousands of New Taiwan Dollars

	Notes	2022	2021
<u>Cash provided by investing activities</u>			
Financial assets at fair value through profit or loss – increase in non-current		(\$ 21,586 )	\$ -
Financial assets at amortized cost – decrease in current		259,535	181,765
Financial assets at amortized cost – decrease (increase) in non-current		( 1,770 )	40,789
Acquisition of investments accounted for using the equity method		( 37,890 )	-
Acquisition of property, plant, and equipment	VI(XXXII)	( 711,372 )	( 930,363 )
Increase in prepayments for business facilities		( 370,711 )	( 121,826 )
Proceeds from disposal of property, plant, and equipment		2,543	3,964
Acquisition of intangible assets	VI(XI)	( 12,620 )	( 10,410 )
Increase in refundable deposits		-	( 6 )
Decrease in refundable deposits		22,352	12,306
Other non-current assets – increase in others		( 111,387 )	( 61,844 )
Interest received		16,271	3,787
Net cash outflows from investing activities		( 966,635 )	( 881,838 )
<u>Cash provided by (used in) financing activities</u>			
Increase in short-term loans	VI(XXXIII)	15,635,914	15,432,107
Decrease in short-term loans	VI(XXXIII)	( 16,107,130 )	( 14,533,888 )
Repayment of the principal amount of rentals	VI(XXXIII)	( 61,436 )	( 128,438 )
Increase in long-term loans	VI(XXXIII)	93,200	27,700
Repayment in long-term loans	VI(XXXIII)	( 221,680 )	( 96,012 )
Increase in deposits received		44	87
Interest paid		( 56,861 )	( 21,668 )
Issuance of corporate bond	VI(XXXIII)	1,530,661	-
Cash dividend distributed	VI(XXI)	( 727,835 )	( 365,344 )
Cash dividend distributed by subsidiaries		( 56,179 )	( 17,977 )
Treasury stock buyback cost	VI(XIX)	-	( 258,235 )
Transfer of treasury stock to employees	VI(XVIII)(XIX)	30,568	-
Net cash provided by (used in) financing activities		59,266	38,332
Effect of exchange rate changes on cash and cash equivalents		2,811	( 6,054 )
Increase(Decrease) in cash and cash equivalents for the current period		1,458,777	( 97,532 )
Cash and cash equivalents, beginning of the period		833,023	930,555
Cash and cash equivalents, end of the period		\$ 2,291,800	\$ 833,023

The accompanying notes to the Consolidated financial statements are an integral part of the consolidated financial statement. Please refer to them as well.

Chairman : His-Chien Cheng

Manager : I-Nan Chou

Accounting Manager : Yi-Miao Kuo

Advanced International Multitech Co., Ltd. And Subsidiaries  
Notes to the Consolidated Financial Statements  
For the Year of 2022 and 2021

Unit : NT\$1,000  
(Unless otherwise specified)

I. Company History

- (I) Advanced International Multitech Co., Ltd. ("the Company" hereinafter) , originally known as Advanced Composite Design Co., Ltd., obtained its establishment approval on July 20, 1987 and started operation in January 1988. The Company merged with its subsidiaries, Da-an Precision Casting Co., Ltd. and Advanced International Co. Ltd., on July 1, 1998. The Company and its subsidiaries ("the Group" hereinafter) are mainly engaged in the manufacturing, processing, trading, import and export of carbon fiber prepackaged materials, and carbon fiber products (e.g., baseball bat, billiard stick, arrow target, golf club shaft and head, fishing tools, bicycle and accessories), as well as composite materials, namely carbon fiber fabrics, for the aviation industry.
- (II) The Company's stocks have been traded on the Taipei Exchange ("TPEX" hereinafter) since December 2002.

II. Approval Date and Procedure of Financial Statements

The consolidated financial statements were released on February 23, 2023, after being approved by the Board of Directors.

III. Application of New and Amended Standards and the Interpretations

(I) Effects of the Adoption of New and Amended IFRSs Endorsed by the Financial Supervisory Commission ("FSC" hereinafter)

The following table summarizes the new, revised, and amended standards and interpretations of IFRSs endorsed by the FSC that are applicable in 2022:

<u>New/Revised/Amended Standards and Interpretations</u>	<u>Effective date issued by the International Accounting Standards Board (IASB)</u>
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022
Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022
Amendments to IAS 37 "Onerous contract - the cost of fulfilling the contract"	January 1, 2022
Annual Improvements to 2018-2020 Cycle	January 1, 2022

The Group assessed the effects of adopting the aforementioned standards and interpretations and found no significant effects on the Group's financial position and financial performance.

(II) Effects of Not Yet Applying the Newly Announced and Revised IFRSs Endorsed by the FSC

The following table summarizes the new, revised, and amended standards and interpretations of IFRSs endorsed by the FSC that are applicable in 2023:

<u>New/Revised/Amended Standards and Interpretations</u>	<u>Effective date issued by the International Accounting Standards Board (IASB)</u>
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 Group assessed the effects of adopting the aforementioned standards and interpretations and found no significant effects on the Group's financial position and financial performance.

(III) Effects of IFRSs Issued by IASB but Not Yet Endorsed by the FSC

The following table summarizes the new, amended, revised standards and interpretation of IFRSs that have been issued by IASB but not yet endorsed by the FSC:

<u>New/Revised/Amended Standards and Interpretations</u>	<u>Effective date issued by the International Accounting Standards Board (IASB)</u>
Amendments to IFRS 10 and IAS 28 "Sales or Contributions of Assets between Its Associate/Joint Venture"	Yet to be determined by the IASB
Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback"	January 1, 2024
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17 relating to "Transition Requirement for Issuers Applying IFRS 17 and IFRS 9 for the First Time – 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 Group assessed the effects of adopting the aforementioned standards and interpretations and found no significant effects on the Group's financial position and financial performance

#### IV. Summary of Significant Accounting Policies

Significant accounting policies adopted to compile this consolidated financial statement are stated as below. Unless otherwise specified, the policies shall be applicable to all reporting periods presented.

##### (I) Statement of Compliance

The consolidated financial statements have been prepared in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers," as well as International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), the Interpretations, and the Interpretations endorsed by the Financial Supervisory Commission (collectively "IFRSs" hereinafter).

##### (II) Basis of Preparation

1. Except for the following significant items, these consolidated financial statements have been prepared under the historical cost convention:
  - (1) Financial assets and liabilities at fair value through profit or loss (including derivative instruments).
  - (2) Financial assets at fair value through other comprehensive income.
  - (3) Defined benefit liability that is derived from retirement plan assets less the present value of net defined benefit obligation.
2. Critical accounting estimates are required in preparing a set of financial statements in compliance with the IFRSs. Management judgments are also required in the process of applying the Group's accounting policies. For items that are highly judgmental, complex, or related to significant assumptions and estimates of the consolidated financial statements, please refer to Note V.

##### (III) Basis of Consolidation

1. Principles for the Preparation of Consolidated Financial Statements
  - (1) Group includes all subsidiaries as entities in the consolidated financial statements. Subsidiaries refer to entities controlled by the Group. Control is achieved 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. Subsidiaries are included in the consolidated financial statements from the date on which the Group obtains control, and are excluded from the consolidated financial statements from the date when such control ceases.
  - (2) Transactions, balances and unrealized gains or losses between companies within the Group are eliminated. Accounting policies of subsidiaries are adjusted, when necessary, to remain consistent with those of the Group.
  - (3) The profit or loss and each component of other comprehensive income is attributed to the owners of the parent company and to the non-controlling interest. Total comprehensive income is also attributed to the owners of the parent company and non-controlling interest even if this results in the non-controlling interests having a deficit balance.

- (4) A change in the ownership interest of a subsidiary without a loss of control (transactions with non-controlling interests) is accounted for as an equity transaction, 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 recognized directly in equity.

2. Subsidiaries included in the consolidated financial statements:

Investor	Subsidiary	Main Business Activities	Ownership(%)		Note
			December 31, 2022	December 31, 2021	
Advanced International Multitech Co., Ltd.	Advanced Group International (BVI) Co., Ltd.	Overseas investment	100	100	
Advanced International Multitech Co., Ltd.	Advanced International Multitech (VN) Corporation Ltd.	Engaged in the production and sales of various golf club shafts and heads, golf sets	100	100	
Advanced International Multitech Co., Ltd.	Launch Technologies Co., Ltd.	Engaged in the production of sports products, other plastic products and international trade	55.93	55.93	
Advanced Group International (BVI) Co., Ltd.	Advanced Sporting Goods (Dongguan) Co., Ltd.	Engaged in the production, import and export of carbon fiber prepreg materials and sports products	100	100	

3. Subsidiaries that are not included in the consolidated financial statements: None.  
4. Different accounting and adjustments adopted by subsidiaries in the accounting period: None.  
5. Significant restrictions: None.  
6. Subsidiaries with material non-controlling interests to the Group:

As of December 31, 2022 and 2021, the Group's non-controlling interests totaled \$740,821 and \$494,932 respectively. The following table showed information on the Group's material non-controlling interests and its subsidiaries:

Subsidiary	Principal place of business	Non-Controlling Interests			
		December 31, 2022		December 31, 2021	
		Amount	Ownership (%)	Amount	Ownership (%)
Launch Technologies Co., Ltd.	Taiwan	\$740,821	44.07	\$ 494,932	44.07

Summary of the financial information of subsidiaries is as follows:

### Balance Sheets

	Launch Technologies Co., Ltd. (LTC)	
	December 31, 2022	December 31, 2021
Current assets	\$ 1,953,266	\$ 1,001,013
Non-current assets	1,278,058	1,192,609
Current liabilities	( 991,077 )	( 861,103 )
Non-current liabilities	( 613,335 )	( 209,474 )
Total net assets	\$ 1,626,912	\$ 1,123,045

### Statements of Comprehensive Income

	Launch Technologies Co., Ltd. (LTC)	
	2022	2021
Revenue	\$ 3,598,019	2,608,496
Net income before tax	724,411	289,580
Income tax expense	135,680	52,743
Net income	588,731	236,837
Other comprehensive income (loss) (net amount after tax)	-	-
Total comprehensive income (loss)	\$ 588,731	236,837

### Statement of Cash Flows

	Launch Technologies Co., Ltd. (LTC)	
	2022	2021
Net cash provided by operating activities	749,026	380,691
Net cash used in investing activities	220,970	176,838
Net cash provided by (used in) financing activities	65,394	136,831
Increase in cash and cash equivalents for the current period	593,450	67,022
Cash and cash equivalents, beginning of the period	131,709	64,687
Cash and cash equivalents, end of the period	725,159	131,709

### (IV) Foreign Currency Translation

All items on the financial statements of each entity of the Group are measured at the currency of the principal economic environment in which the entity operates (i.e., functional currency). The Consolidated Financial Statements are presented and reported in the Group's functional currency, New Taiwan Dollars (NT\$).

#### 1. Foreign Currency Transaction and Balance

- (1) Foreign currency transaction is translated to the functional currency by using the spot exchange rate on the trade date or measurement date. Any translation differences occurred are to be recognized in the current profit or loss.
- (2) Balances of monetary assets and liabilities denominated in foreign currencies are adjusted at the spot exchange rates prevailing at the balance sheet date. Exchange gains or losses arising from such adjustments are recognized in profit or loss.



- (3) Balances of non-monetary assets and liabilities denominated in foreign currency, if they are measured at fair value through profit or loss, they are adjusted using the spot exchange rate prevailing at the balance sheet date and any exchange differences arising from there are recognized as profit or loss; if such are measured at fair value through other comprehensive income, they are adjusted using the spot exchange rate prevailing at the balance sheet date and any exchange differences arising from there are recognized in other comprehensive income or loss; and if such are not measured at fair value, they are measured at the historical exchange rates on initial transaction dates.
  - (4) All exchange gains and losses are presented as “Other gains and losses” on the statement of comprehensive income.
2. Translation from Foreign Operations
- The operating results and financial position of all entities within the Group that have a functional currency different from the presentation currency are translated into the presentation currency by applying the following approaches:
- (1) Assets and liabilities presented on each balance sheet are translated using the closing exchange rate prevailing at the balance sheet date;
  - (2) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
  - (3) All the resulting exchange differences are recognized in other comprehensive income.
  - (4) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, if the Group still retains partial interests in the former foreign subsidiary but has lost its controlling power over the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in these foreign operations.

(V) Classification of Current and Non-Current Assets and Liabilities

1. Assets that meet one of the following criteria are classified as current assets:
  - (1) Assets that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle.
  - (2) Assets held primarily for trading purposes.
  - (3) Assets that are expected to be realized within 12 months after the balance sheet date.
  - (4) Cash and cash equivalents, excluding those that are restricted, or to be exchanged or used to settle liabilities at least twelve months after the balance sheet date.

Otherwise, they are classified as non-current assets.
2. Liabilities that meet one of the following criteria are classified as current liabilities:
  - (1) Liabilities that are expected to be settled within the normal operating cycle.
  - (2) Is held primarily for trading purposes.
  - (3) Liabilities that are expected to be settled within 12 months after the balance sheet date.
  - (4) Liabilities for which the repayment date cannot be extended unconditionally to more than 12 months after balance sheet date. Settlement by the issue of equity instruments based on transaction party's choice does not impact classification.

Otherwise, they are classified as non-current liabilities.

(VI) Cash Equivalents

Cash equivalents refer to the investments that are short-term, highly liquid, subject to low risk of changes in value, and readily convertible to known amount of cash. Time deposits satisfying the aforementioned definition and for which the objective of holding is to meet the short-term operating cash commitment are classified as the cash equivalent.

(VII) Financial Assets Measured at Fair Value through Profit or Loss

1. Financial assets that are neither measured at amortized cost nor measured at fair value through other comprehensive income.
2. For financial assets measured at fair value through profit or loss in transactions that meet regular purchase or sale rules, the Group adopts settlement date accounting to recognize such financial assets.
3. Financial assets at fair value through profit or loss are initially recognized at fair value with related transaction costs recognized in profit or loss, and subsequently measured at fair value with related gains or losses recognized in profit or loss.
4. The Group recognizes dividends income when the rights of shareholders to receive payment are established, provided that the economic benefits related to such dividends are probable to flow to the Group and the amount of such benefits can be reliably measured.

(VIII) Financial Assets measured at Fair Value through Other Comprehensive Income

1. Refers to the irrevocable election made at initial recognition that allows the Group to present fair value changes of equity investment not held for trading in other comprehensive income; or debt investment that meets all the criteria simultaneously:
  - (1) Financial assets held within a business model of which the objective of holding is to collect the contractual cash flows and to sell.
  - (2) The cash flows on specific dates that are generated from the contractual terms of the financial assets are solely payments of the principle and interest on the principle amount outstanding.
2. For financial assets measured at fair value through other comprehensive income in transactions that meet regular purchase or sale rules, the Group adopts settlement date accounting to recognize such financial assets.
3. Financial assets measured at fair value through other comprehensive income are initially measured at fair value plus transaction costs, and subsequently such are measured at fair value with fair value changes in equity instruments recognized in other comprehensive income. Upon de-recognition, the cumulative gains or losses previously recognized in other comprehensive income shall not be reclassified to profit or loss, but to be transferred to retained earnings. The Group recognizes dividends income when the rights of shareholders to receive payment are established, provided that the economic benefits related to such dividends are probable to flow to the Group and the amount of such benefits can be reliably measured.

(IX) Financial Assets Measured at Amortized Cost

1. Financial assets at amortized cost are those that meet all of the following criteria:
  - (1) The objective of the Company's business model is achieved by collecting contractual cash flows of the financial assets;

- (2) The cash flows on specific dates that are generated from the contractual terms of the financial assets are solely payments of the principle and interest on the principle amount outstanding.
2. For financial assets measured at amortized cost in transactions that meet regular purchase or sale rules, the Group adopts settlement date accounting to recognize such financial assets.
3. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. In subsequent periods, interest income and impairment loss is recognized using the effective interest method based on amortization procedures during the circulation period. Upon de-recognition, the gain or loss is recognized in profit or loss.

(X) Account Receivables and Notes Receivables

1. Accounts receivables and notes receivables are receivables and notes of which the contractual right to consideration for goods sold or services rendered is unconditional.
2. However, short-term accounts/notes receivables without interest payment, given insignificant effects of their discounting, are subsequently measured at the invoice price.

(XI) Impairment of Financial Assets

The Group measures the loss allowance for financial assets measured at amortized cost after taking into account all reasonable and proving information (including foreseeing information) at each balance sheet date; where the credit risk has not significantly increased since initial recognition, the loss allowance is measured at the 12-month expected credit losses; where the credit risk has increased significantly since initial recognition, the loss allowance is measured at full lifetime expected credit losses; and where they are accounts receivables or contract assets that do not comprise any significant financing components, the loss allowance is measured at full lifetime expected credit losses

(XII) De-Recognition of Financial Assets

The Group de-recognizes an asset when its contractual rights to receive cash flows from the financial asset expire.

(XIII) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted moving average method. The costs of work in progress and finished goods include the cost of raw materials, direct labor, other direct cost and a proportion of manufacturing overheads (based on normal operating capacity), excluding borrowing cost. The item by item approach is employed when evaluating the lower of costs and net realizable value. Net realizable value is the balance of estimated selling price in the normal operating course less the estimated cost of completion and applicable variable selling expenses.

(XIV) Investments accounted for using the Equity Method

1. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20% or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.
2. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate

equals or exceeds its interest in the associate (including any other unsecured receivables), the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

3. Any changes in equity of associates are recognized as “capital surplus” by the Group in proportion to its shareholding ratio, provided that such changes are not attributable to profit or loss, or to other comprehensive income, or affect the Group’s shareholding percentage.
4. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group’s interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates are adjusted, when necessary, to remain consistent with those of the Group.
5. When the Group disposes its investment in an associate and loses significant influence over this associate, the accounting treatment for amounts previously recognized in other comprehensive income in relation to the associate are the same as the one required if the relevant assets or liabilities were directly disposed of. That is, if gain/loss previously recognized in other comprehensive income will be reclassified to profit or loss upon disposal of relevant assets or liabilities, such gain/loss will be reclassified from equity to profit or loss when the Group loses significant influence over the associate. If it still retains significant influence over this associate, then the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

**(XV) Property, Plant and Equipment**

1. Property, plant, and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
2. Subsequent costs are included in the asset’s carrying amount or recognized 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 de-recognized. All other repairs and maintenance are recognized in profit or loss when incurred.
3. Except for land which is not depreciated, other property, plant, and equipment are subsequently measured using the cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. If the property, plant, and equipment comprise any significant components, they are depreciated individually.
4. The Group reviews each assets' residual values, useful lives and depreciation methods at the end of each financial year. 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:

Housing and structures	1 year to 56 years
Machinery and equipment	1 year to 30 years
Utility equipment	1 year to 41 years
Transportation equipment	6 years to 10 years
Office equipment	1 year to 10 years
Other equipment	1 year to 30 years

(XVI) Lease Transaction in a Capacity of a Lease - Right-of-Use Assets/Lease Liabilities

1. A right-of-use asset and a lease liability are recognized for a leased asset on the date when it becomes readily available for the Group's use. When a lease contract is a short-term lease or when it is a lease of which the underlying asset is of low value, lease payments are recognized as an expense on a straight-line basis over the lease term.
2. A lease liability is recognized at the commencement date of the lease in the amount equal to the present value of the remaining lease payments (i.e. the remaining lease payments discounted at the Group's incremental borrowing rate.) Lease payments include:
  - (1) Fixed payments, less any lease incentives receivables;
  - (2) Variable lease payments that based on the current value of an index or a rate;
  - (3) Lease payments expected to be payable by the Group under the residual value guarantee; and
  - (4) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequently, lease liabilities are measured at the amortized cost using the effective interest rate method, and interest expense is allocated over the lease term. When a change in the lease term or lease payments occurs due to reasons other than lease modifications, lease liabilities are reassessed and the re-measurements are adjusted to the right-of-use assets.

3. At the commencement date, the right-of-use asset should be measured at cost. Cost comprises:
  - (1) The amount of the initial measurement of the lease liability;
  - (2) Any lease payments made at or before the commencement date;
  - (3) Any initial direct costs incurred; and
  - (4) 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.

A right-of-use asset is subsequently measured using the cost model and depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset and the end of the lease term. When a lease liability is reassessed, the right-of-use asset is adjusted for any re-measurements of the lease liability.

(XVII) Intangible Assets

Computer software is recognized at acquisition cost, amortized by the straight-line method, with an estimated useful life of 3 to 5 years

(XVIII) 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 recognized when the asset's carrying amount exceeds its recoverable amount. The recoverable amount of an asset is the greater of its 'fair value minus costs to sell' and its 'value in use'. When circumstances contributed to the recognition of impairment loss of an asset in the previous period do not exist or are decreased, the recognized impairment loss is reversed to the carrying amount of an asset to the extent that it does not exceed the carrying amount (net of depreciation and amortization) if the impairment loss had not been recognized.

(XIX) Borrowings

Borrowings are short-term and long-term loans borrowed from banks. Borrowings are recognized initially at fair value, net of transaction costs incurred. Subsequently, borrowing expenses are recognized in profit or loss based on the difference amounts between the proceeds (net of any transaction costs) and the redemption value that are amortized over the lives of borrowings using the effective interest method.

(XX) Account Payable and Notes Payable

1. These refer to the debts incurred by purchase of materials, goods, or services on credit, and the notes payable incurred by both operating and non-operating activities.
2. However, short-term accounts/notes payable without interest payment, given insignificant effects of their discounting, are subsequently measured at the invoice price.

(XXI) Financial Liabilities at Fair Value through Profit or Loss

1. Financial liabilities at fair value through profit or loss refer to financial liabilities designated upon initial recognition to be measured at fair value through profit or loss. Financial liabilities that meet one of the following criteria are designated to be measured at fair value through profit or loss on initial recognition:
  - (1) Hybrid (combined) contracts; or
  - (2) Can be eliminated or has a significant reduction in measurement or being recognition inconsistency; or
  - (3) Such are managed and their performance are evaluated on a fair value basis in accordance with a documented risk management policy.
2. Financial assets at fair value through profit or loss are initially recognized at fair value with related transaction costs recognized in profit or loss, and subsequently measured at fair value with related gains or losses recognized in profit or loss.

(XXII) Convertible Bond Payable

The convertible bond issued by the Group was embedded with conversion right (meaning the bondholders can exercise the right to convert the bond into common shares of the Group and the conversion was preset to convert a fixed amount for a fixed number of shares) and call option. At the time of initial issuance, the issue price is classified into financial assets or equity according to the issuance terms and conditions, and the accounting treatment is as follows:

1. Embedded Call Option: At the time of initial recognition, the net amount of the fair value is recorded as "financial assets measured at fair value through profit and loss"; then on the balance sheet date, it is evaluated at the current fair value, and the amount difference is recognized as "gains or losses of financial assets measured at fair value through profit or loss".
2. Host Contract of the Corporate Bond: It is measured at fair value at the time of initial recognition, and the difference between the redemption value, and a premium or discount of corporate bonds payable is recognized when there is a difference between the fair value and the redemption value. The effective interest method is subsequently used to recognize gain or loss within the bond circulation period according to the amortization procedure and is deemed as adjustment to "financial costs".
3. Embedded Conversion Right (meet the definition of equity): At the time of initial recognition,

the residual value after deducting the above mentioned “financial assets measured at fair value through profit and loss” and “corporate bond payable” from the issuance amount is recorded as “capital reserve-stock option” and will not re-evaluate thereafter.

4. Any directly-linked transaction costs of the issuance are allocated in proportion to the elements of each liability and equity based on the above-mentioned element’s initial book value.
5. When bondholders convert, the elements of liability on the book (including “corporate bond payable” and “financial assets measured at fair value through profit and loss”) are treated in accordance with the subsequent measurement of the associated classification, and the book value of the aforementioned liability elements is added with the book value of “capital reserve-stock option” to be the issuance cost of the common stock conversion.

(XXIII) The De-Recognition of Financial Liabilities

The Group de-recognizes a liabilities, when the Group fulfills, cancels or expires the obligations specified in the contract.

(XXIV) The Offsetting of Financial Assets and Financial Liabilities

Financial assets and financial liabilities may be offset only when an entity has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously, and the net amount is presented in the balance sheet.

(XXV) Non-Hedgeing Derivatives

Non-hedging derivatives are initially measured at the fair value of the date when contracts are executed and presented as financial assets or liabilities measured at fair value through profit or loss. Subsequently, they are measured at fair value with gains or losses recognized in profit or loss.

(XXVI) Employee Benefits

1. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid and should be recognized as expenses in the period when the employees render service.

2. Pensions

(1) Defined contribution plan

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

(2) Defined benefit plans

A. The net obligation under a defined benefit plan is defined as the present value of pension benefits that employees will receive on retirement for their services with the Company in the current period or prior periods. The amount recognized 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 computed by independent actuaries every year using the projected unit credit method. The discount rate employed is by reference either to the market yields on high quality corporate bonds of which the currency and duration are consistent with the currency and duration of the defined

benefit plan, or to the market yields on government bonds (on the balance sheet date) in countries where there is no deep market for high quality corporate bonds.

- B. The re-measured amount of defined benefit plans is recognized in other comprehensive income as it arises and presented in retained earnings.
3. Termination benefits  
Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Company's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognizes expenses at the earlier of when it can no longer withdraw the termination contracts or when it recognizes relevant restructuring costs. Benefits due more than 12 months after balance sheet date are discounted to their present value.
4. Employees' compensation, and directors and supervisors' remuneration  
Compensation to employees and remuneration to directors and supervisors are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligations and those amounts can be reliably estimated. If the accrued amounts are different from the actual distributed amounts resolved by the shareholders subsequently, the differences should be accounted for as changes in accounting estimates.

(XXVII) Employee Share-Based Payment

The equity-settled, share-based payment agreement is based on the fair value of the equity instrument given on the grant date to measure the employee services obtained, which are recognized as remuneration costs during the vesting period, and the equity is adjusted accordingly. The fair value of such equity instruments should reflect the impact of market price under vested conditions and non-vested conditions. The recognized remuneration cost is adjusted according to the amount of rewards that are expected to meet the service conditions and non-market vested conditions, until the final recognized amount is recognized based on the vested amount on the date of grant.

(XXVIII) Income Tax

1. Income tax expense includes current income tax and deferred income tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which tax is recognized in other comprehensive income or directly in equity.
2. The 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 Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns 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 shareholders resolve to retain the earnings.
3. Deferred income tax adopts the balance sheet approach. It is recognized as the temporary difference between the tax bases of assets and liabilities and their carrying amounts on the consolidated balance sheet at the reporting date. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or 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 income tax is provided on temporary differences arising on investments in subsidiaries and associates, 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 income 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 income tax asset is realized or the deferred income tax liability is settled.

4. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
5. Current income tax assets and liabilities are offset when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

#### (XXIX) Share Capital

1. Common shares are classified as equity.
2. When the Group buys back the issued shares, the consideration paid and the directly attributable incremental costs are recognized as a deduction from shareholders' equity (net of tax). On subsequent reissues of the repurchased shares, the difference between the consideration received, net of any directly attributable incremental costs and the effect of income taxes, and the carrying amount is recognized as an adjustment to shareholders' Equity.

#### (XXX) Dividend Distribution

Dividends to be distributed in cash to shareholders of the Company are recognized as liabilities in the financial statements when the dividend plan is resolved in Board of Directors' Meeting; dividends to be distributed in stocks to shareholders of the Company, after the dividend plan being resolved in the shareholders' Meeting, are recognized as stock dividends to be distributed, which is transferred to common share on the date when new shares are issued.

#### (XXXI) Revenue Recognition

1. The Group manufactures and sells consumer related products and recognizes sales revenue when the control of products is passed to customers, i.e. when products are delivered to customers and the Group doesn't have further performance obligations that might affect the acceptance of goods by customers. Goods are deemed delivered when the risk of delivery, obsolescence and loss is transferred to customers and customers has accepted the goods in accordance with the contractual terms, or when any objective evidence suggests that all criteria for acceptance have been satisfied.
2. Sales revenue is recognized at the contract price, net of business tax, and sales returns, discounts and allowances. The payment terms of most sales transaction are usually due within 60~90 days after the shipping date. Since the time interval between when the committed goods or services are transferred to customers and when customers pay is shorter than one year, the Group does not adjust the transaction price to reflect the time value of money.
3. The Group provides allowance for defective products sold and estimates discounts on a historical basis. A refund liability is recognized upon sales of products.

4. Accounts receivable is recognized when goods are delivered to customers because at which time the Group's right to the consideration for contracts from customers is unconditional, except for passage of time.

(XXXII) Government Grants

Government grants are recognized at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. If a government grant is to compensate the Group's expense, then when the related expenses occur, the grant is recognized as profit or loss on a systematic basis.

(XXXIII) Operating Segments

Information on the operating segments is reported in a manner that is consistent with other information reported in the internal management reports for the chief operating decision makers. The chief operating decision makers are responsible for allocating resources to the operating segments and assessing their performance.

V. The Primary Sources of Uncertainties in Major Accounting Judgments, Estimates, and Assumptions

When preparing the consolidated financial statement, management of the Group had determined its accounting policies based on its judgments and made accounting estimates and assumptions based on a rational expectation of future events depending on the circumstances at the balance sheet date. If there is any difference between any major accounting estimates and assumptions made and actual results, the historical experience, the impact of COVID-19 and other factors will be taken into account in order to continue assessment and adjustment. Such estimates and assumptions may result in a risk of a material adjustment to the carrying amount of assets and liabilities in the next year. Description of the uncertainties in major accounting judgments, estimates, and assumptions is as follows:

(I) Major Judgement in Adopting the Accounting Policies

None.

(II) Major Accounting Estimates and Assumptions

1. Expected credit loss of accounts receivable

A loss allowance for accounts receivable is provided based on their full lifetime expected credit losses. In measuring the expected credit losses, the Group must use its judgment to identify the factors that affect the future recoverability of the accounts receivable (e.g., customers' operation condition and historical transaction records that may affect customers' ability to pay), and consider the time value of money, and the information that is reasonable and available to prove the forecast of future economic conditions. The said judgments and factors may significantly affect the measurement of the expected credit losses.

As of December 31, 2022, the carrying amount of the Group's accounts receivable was \$5,043,280.

2. Evaluation of inventories

As inventories are stated at the lower of cost and net realizable value, the Group must determine the net realizable value of inventories on balance sheet date using judgments and estimates. Due to the rapid technological changes, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on the balance sheet date, and writes down the cost of inventories to the net realizable value. Since the inventory valuation is estimated based on demands for products in a specific future period, it may be subject to significant changes.

As of December 31, 2022, the carrying amount of the Group's inventory was \$4,106,782.

## VI. Description of Major Accounting Subjects

### (I) Cash and Cash Equivalents

	December 31, 2022	December 31, 2021
Cash on hand and revolving funds	\$ 1,142	\$ 895
Checking deposit and demand deposit	1,522,150	757,128
Cash equivalents - time deposit	588,508	75,000
Cash equivalents - Repo bonds	180,000	-
	<u>\$ 2,291,800</u>	<u>\$ 833,023</u>

1. The Group work with financial institutions having high credit quality. The Group also deals with various financial institutions for credit risk diversification. Therefore, the expected risk of default is pretty low.
2. The Group's demand deposits of which being restricted for specific use due to the provision of pledges or overseas fund returned to Taiwan and deposited in special bank accounts have been transferred to "financial assets at amortized cost - current" and "financial assets at amortized cost - non-current". Please refer to Note VI (III) for more detailed information.
3. No cash or cash equivalents were pledged as collateral by the Group.

### (II) Financial Assets and Liabilities at fair value through profit or loss

Item	December 31, 2022	December 31, 2021
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Non-hedging derivatives	\$ -	\$ 139
Convertible bond redemption right	2,641	-
Convertible bond contract	7,396	-
	<u>\$ 10,037</u>	<u>\$ 139</u>
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Private fund	\$ 21,586	\$ -
Valuation adjustment	( 2,138 )	-
	<u>\$ 19,448</u>	<u>\$ -</u>
Current items:		
Financial liabilities held for trading		
Non-hedging derivatives	\$ 417	\$ -

1. Financial assets and liabilities measured at fair value through profit or loss recognized in profit or loss are detailed as below:

	2022	2021
Financial assets mandatorily measured at fair value through profit or loss		
Non-hedging derivatives	\$ 946	\$ 10,448
Private funds	( 2,138 )	-
Convertible bond redemption right	1,214	-
Financial liabilities held for trading		
Non-hedging derivatives	( 6,534 )	( 8,591 )
	<u>( \$ 6,512 )</u>	<u>\$ 1,857</u>

2. Below states the Group's engagement in transactions and contracts of derivative financial assets and liabilities that do not apply hedge accounting:

	December 31, 2022	
Derivative Financial Assets	Contract Amount (Nominal Principal)	Contract Period
Current item: None		
Derivative Financial Liabilities		
Current item:		
Forward foreign exchange contract	<u>USD 5,000 thousand</u>	December 8, 2022~January 18, 2023
	December 31, 2021	
Derivative Financial Assets	Contract Amount (Nominal Principal)	Contract Period
Current item:		
Forward foreign exchange contract	<u>USD 2,000 thousand</u>	December 15, 2021~January 21, 2022
Derivative Financial Liabilities		
Current item: none		

The Group entered into foreign exchange forward contracts to sell US dollars in order to hedge the risk arising from purchase and sales of goods. However, such transactions did not apply hedge accounting.

3. For information on the credit risks of financial assets at fair value through profit or loss, please refer to Note XII(II).

(III) Financial Assets at Amortized Cost

Item	December 31, 2022	December 31, 2021
Current item:		
Demand deposit - special account of overseas fund	\$ 21,286	\$ 282,135
Restricted bank deposits	2,502	1,188
	\$ 23,788	\$ 283,323
Non-current item:		
Restricted bank deposits	\$ 5,630	\$ 3,860

1. As of December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortized cost was its carrying amount.
2. The Group had financial assets at amortized cost pledged as collateral to others, and please refer to Note VIII.
3. Demand deposit - special account of overseas fund is the amount deposited in the bank's special account by the Group in accordance with the Regulations Governing the Management, Utilization and Taxation of Overseas Fund Repatriation, and the use of funds is limited to the amount approved for the plan.
4. For information on the credit risk of financial assets measured by amortized cost, please refer to Note XII(II). The group work with financial institutions having high credit quality. Therefore, the expected risk of default is pretty low.

(IV) Notes Receivables and Account Receivables

	December 31, 2022	December 31, 2021
Notes Receivables	5,983	9,567
Account Receivables	5,047,328	4,134,762
Less: loss allowance	4,048	2,176
	5,043,280	4,132,586

1. Aging analysis of account receivables and note receivables is stated as follows:

	December 31, 2022		December 31, 2021	
	Notes Receivables	Account Receivables	Notes Receivables	Account Receivables
Not overdue	\$ 5,983	\$ 4,945,224	\$ 9,567	\$ 3,962,561
Overdue:				
Within 30 days	-	89,260	-	120,904
31-90 days	-	6,979	-	48,787
91-180 days	-	5,385	-	2,510
More than 181 days	-	480	-	-
	\$ 5,983	\$ 5,047,328	\$ 9,567	\$ 4,134,762

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

- 2.As of December 31, 2022, December 31, 2021, and January 1, 2021, the Group's account receivables and contract receivables (including notes receivable) amounted to \$5,053,311, \$4,144,329, and \$3,162,361 respectively.
- 3.Neither account receivables nor notes receivables were pledged as collateral by the Group.
- 4.As of December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the notes and accounts receivable was its carrying amount.
- 5.For information on the credit risks of notes receivables and accounts receivables, please refer to Note XII(II).

(V) Inventories

	December 31, 2022		
	Cost	Allowance for price decline	Carry amount
Raw materials	\$ 1,544,679	( \$ 31,308 )	\$ 1,513,371
Work in progress	736,328	( 1,157 )	735,171
Finished goods	1,787,425	( 16,815 )	1,770,610
Inventory in transit	87,630	-	87,630
	<u>\$ 4,156,062</u>	<u>( \$ 49,280 )</u>	<u>\$ 4,106,782</u>

	December 31, 2021		
	Cost	Allowance for price decline	Carry amount
Raw materials	\$ 1,037,025	( \$ 28,075 )	\$ 1,008,950
Work in progress	651,980	( 2,755 )	649,225
Finished goods	1,459,919	( 30,710 )	1,429,209
Inventory in transit	91,485	-	91,485
	<u>\$ 3,240,409</u>	<u>( \$ 61,540 )</u>	<u>\$ 3,178,869</u>

The Group's inventory cost recognized as an expense for the current period:

	2022	2021
Cost of inventories sold	\$ 17,090,190	\$ 13,671,486
(Recovery gain) loss from price decline	12,260 ) (	8,640
Idle cost	-	36,854
Disposition loss	13,319	6,270
Others	( 23,298 ) (	14,558)
	<u>\$ 17,067,951</u>	<u>\$ 13,691,412</u>

In 2022 and 2021, a decrease in the cost of sales was recognized due to the recovery of the net realizable value of inventories contributed by the well-performed liquidation of excess stocks and retirement of some inventories

(VI) Financial Assets at Fair Value through Other Comprehensive Income

Item	December 31, 2022	December 31, 2021
Non-current items:		
Unlisted stocks	\$ 55	\$ 55
Valuation adjustments	-	-
	\$ 55	\$ 55

1. The Group elects to classify strategic equity investments as financial assets at fair value through other comprehensive income (FVTOCI). The fair value of such investments as of December 31, 2022 and 2021 both totaled \$1,009.
2. No financial asset measured at fair value through other comprehensive income was pledged by The Group as collateral.

(VII) Prepayments

	December 31, 2022	December 31, 2021
Input tax	\$ 44,670	\$ 150,979
Tax overpaid retained	59,621	81,954
Prepaid expenses	62,030	59,630
Prepayment for purchase	50,607	26,453
	\$ 216,928	\$ 319,016

(VIII) Investments accounted for using Equity Method

	December 31, 2022	December 31, 2021
Maya Metal Technology Co., Ltd.	\$ 15,228	\$ -
Technology on Prototyping Ultimate Co., Ltd.	15,568	-
Baoji Zatech Material Co., Ltd.	3,548	3,200
Munich Composites GmbH	-	-
	\$ 34,344	\$ 3,200

1. As at December 31, 2022 and 2021, the Group did not have any significant associates.
2. The carrying amount and operating results of the Group's individually insignificant associates are summarized as follows:  
As of December 31, 2022 and 2021, the carrying amounts of the Group's individually insignificant associates totaled \$34,344 and \$3,200 respectively.

	2022	2021
Net loss for the Period	( \$ 7,331 )	( \$ 2,469 )
Other comprehensive income or loss (net of tax)	-	-
Total comprehensive income or loss	( \$ 7,331 )	( \$ 2,469 )

3. The Group holds 27.27% equity interest in Munich Composites GmbH and is the single largest shareholder of the Company. As it only holds one out of four seats of directors, the Group has no practical ability to direct the relevant activities, and thus it is judged that the Group has no control but only significant influence over the Company.
4. The Group assessed the recoverable value of Munich Composites GmbH's continued operations in accordance with the "IAS 36" with the discount rate of 11%. As a result of the assessment, the recoverable amount was less than the carrying amount, so an

- impairment loss of \$42,407 was recognized in 2021 and listed under "other gains and losses". Up until December 31, 2022, the Group assesses there wasn't significant changes.
5. The Group holds 25.66% equity interest in Technology on Prototyping Ultimate Co., Ltd. and is the single largest shareholder of the Company. As there is other shareholder (no a related party) holding more of the Company's shares than the Group, and the Group does not obtain any of the director seats, showing that the Group has no practical ability to direct the relevant activities, and thus it is judged that the Group has no control but only significant influence over the Company.
6. The Group's investment in Technology on Prototyping Ultimate Co., Ltd. is based on the evaluation of the financial report audited by the accountant appointed by the Company. In 2022, the profit (loss) of its subsidiaries, affiliated enterprises and joint venture recognized by the equity method was (\$32). The balance of the investments using the equity method on December 31, 2022 was \$15,568.

(IX) Property, Plant and Equipment

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Land	\$ 162,544	\$ 162,544
Housing and structures	1,553,376	990,817
Machinery equipment	1,286,533	1,011,340
Utility equipment	143,852	117,555
Transportation equipment	1,821	2,047
Office equipment	27,180	23,845
Other equipment	243,651	193,482
Equipment to be inspected /	370,810	597,432
Construction in progress		
	<u>\$ 3,789,767</u>	<u>\$ 3,099,062</u>



2022

Cost						
Name of Assets	January 1	Addition	Disposal	Reclassification	Net exchange difference	December 31
Land	\$ 162,544	\$ -	\$ -	\$ -	\$ -	\$ 162,544
Housing and structures	1,670,272	289,136	( 27,455)	355,714	47,745	2,335,412
Machinery equipment	2,058,239	393,493	( 89,073)	179,144	49,804	2,591,607
Utility equipment	329,585	44,212	( 5,024)	10,431	6,161	385,365
Transportation equipment	3,478	350	( 225)	-	21	3,624
Office equipment	74,838	14,446	( 4,475)	130	2,044	86,983
Other equipment	475,612	97,876	( 41,938)	41,597	9,641	582,788
Equipment to be inspected/Construction in progress	597,432	( 82,933)	-	( 157,280)	13,591	379,810
	<u>\$ 5,372,000</u>	<u>\$ 756,580</u>	<u>(\$ 168,190)</u>	<u>\$ 429,736</u>	<u>\$ 129,007</u>	<u>\$ 6,519,133</u>

## Accumulated Depreciation &amp; Impairments

Name of Assets	January 1	Depreciation expenses and impairment loss	Disposal	Reclassification	Net exchange difference	December 31
Housing and structures	\$ 679,455	\$ 112,083	(\$ 27,424)	\$ -	\$ 17,922	\$ 782,036
Machinery equipment	1,046,899	314,050	( 86,346)	-	30,471	1,305,074
Utility equipment	212,030	29,893	( 4,996)	-	4,586	241,513
Transportation equipment	1,431	581	( 225)	-	16	1,803
Office equipment	50,993	11,597	( 4,475)	-	1,688	59,803
Other equipment	282,130	91,893	( 41,938)	-	7,052	339,137
	<u>\$ 2,272,938</u>	<u>\$ 560,097</u>	<u>(\$ 165,404)</u>	<u>\$ -</u>	<u>\$ 61,735</u>	<u>\$ 2,729,366</u>
	<u>\$ 3,099,062</u>					<u>\$ 3,789,767</u>

2021

Cost						
Name of Assets	January 1	Addition	Disposal	Reclassification	Net exchange difference	December 31
Land	\$ 162,544	\$ -	\$ -	\$ -	\$ -	\$ 162,544
Housing and structures	1,637,706	57,293	( 107,921)	93,368	( 10,174)	1,670,272
Machinery equipment	1,937,235	243,950	( 194,714)	83,109	( 11,341)	2,058,239
Utility equipment	331,957	2,344	( 3,761)	433	( 1,388)	329,585
Transportation equipment	4,005	1,168	( 1,688)	-	( 7)	3,478
Office equipment	77,617	6,719	( 9,014)	-	( 484)	74,838
Other equipment	422,610	86,604	( 38,540)	6,933	( 1,995)	475,612
Equipment to be inspected/Construction in progress	217,145	527,602	-	( 145,838)	( 1,477)	597,432
	<u>\$ 4,790,819</u>	<u>\$ 925,680</u>	<u>355,638</u>	<u>\$ 38,005</u>	<u>(\$ 26,866)</u>	<u>\$ 5,372,000</u>
			<u>(\$</u>			

Accumulated Depreciation & Impairments						
Name of Assets	January 1	Depreciation expenses and impairment loss	Disposal	Reclassification	Net exchange difference	December 31
Housing and structures	\$ 692,494	\$ 98,575	(\$ 107,378)	\$ -	(\$ 4,236)	\$ 679,455
Machinery equipment	999,668	239,933	( 185,283)	-	( 7,419)	1,046,899
Utility equipment	190,553	26,247	( 3,754)	-	( 1,016)	212,030
Transportation equipment	2,535	588	( 1,688)	-	( 4)	1,431
Office equipment	50,051	10,322	( 9,007)	-	( 373)	50,993
Other equipment	247,549	72,827	( 36,614)	-	( 1,632)	282,130
	<u>\$ 2,182,850</u>	<u>\$ 448,492</u>	<u>(\$ 343,724)</u>	<u>\$ -</u>	<u>(\$ 14,680)</u>	<u>\$ 2,272,938</u>
	\$ 2,607,969					\$ 3,099,062

1. Capitalized amount and interest range of borrowing costs attributable to property, plant and equipment:

	2022	2021
Capitalization amount	\$ 1,546	\$ 1,141
Range of capitalized interest rate	0.569%~1.645%	0.4392%~1.145%

2. Significant components of the Group's buildings and structures include buildings and air conditioning engineering works, which are respectively depreciated over the periods of 36~ 56 years and 3~21 years.

3. For the information about property, plant and equipment pledged as collateral, please refer to Note VIII for details.

(X) Lease Transaction - Lessee

- The Group's leased underlying assets comprise lands and buildings, of which the lease term is usually between 2 years to 50 years. Lease contracts are individually negotiated and include various terms and conditions that impose no other restrictions except that the leased assets shall not be collateralized against any borrowings, nor shall they be subleased, co-leased, lent out for others' use, nor the right of lease be transferred to others.
- Below is the carrying amounts of right-of-use assets and their recognized depreciation expenses:

	December 31, 2022	December 31, 2021
	Carrying amount	Carrying amount
Land	\$ 731,802	\$ 753,337
Housing and structures	113,070	15,176
Machinery equipment	1,072	-
Transportation equipment	884	-
	<u>\$ 846,828</u>	<u>\$ 768,513</u>
	2022	2021
	Depreciation expense	Depreciation expense
Land	\$ 26,862	\$ 28,095
Housing and structures	51,068	46,797
Machinery equipment	357	-
Transportation equipment	25	-
	<u>\$ 78,312</u>	<u>\$ 74,892</u>

3. Additions to the Group's right-of-use assets for the years ended December 31, 2022 and 2021 amounted to \$163,835 and \$8,783 respectively.

4. Profit or loss items in connection with lease contracts are stated as follows:

	<u>2022</u>	<u>2021</u>
<u>Items that affect current profit or loss</u>		
Interest expense on lease liabilities	\$ 8,368	\$ 7,078
Expenses on lease of low-value asses	34,307	26,842
Gain on lease modification	1,596	204

5. The cash outflow used in the Group's leases for the years ended December 31, 2022 and 2021 totaled \$104,111 and \$162,358 respectively.

6. The option to extend a lease and the option to terminate a lease

(1) Contracts of which the underlying assets are types of land, buildings and structures contain a lease extension option exercisable by the Group.

(2) The Group determines the lease term by taking into consideration all relevant facts and circumstances that create an economic incentive for the Group to exercise the extension option. The lease term is reassessed if there occur significant events that affect the assessment as to whether the Company would exercise the option to extend the lease or would not exercise the option to terminate the lease.

(XI) Intangible Assets

	<u>Computer Software</u>	
	<u>2022</u>	<u>2021</u>
January 1		
Cost	24,198	19,829
Accumulated amortization	11,659	12,296
	<u>12,539</u>	<u>7,533</u>
January 1	12,539	7,533
Addition - separately acquired	12,620	10,410
De-recognition - reduce in cost	1,258	6,041
Reclassification	150	-
Amortization expenses	8,008	5,282
De-recognition - reduce in accumulated amortization	1,258	6,041
Effect of exchange rate changes	527	122
December 31	<u>17,828</u>	<u>12,539</u>
December 31		
Cost	35,710	24,198
Accumulated amortization	17,882	11,659
	<u>17,828</u>	<u>12,539</u>

Amortization of intangible assets are detailed as below:

	<u>2022</u>	<u>2021</u>
Operating costs	3,033	415
Administration expenses	1,883	2,864
R&D expenses	<u>3,092</u>	<u>2,003</u>
	<u>8,008</u>	<u>5,282</u>

(XII) Short-Term Borrowings

<u>Type of Loans</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Bank credit loan	\$ 1,485,401	\$ 1,822,451
Loans against letter of credit	<u>30,566</u>	<u>79,422</u>
	<u>\$ 1,515,967</u>	<u>\$ 1,901,873</u>
Range of interest rates	<u>0%~5.10%</u>	<u>0.42%~1.35%</u>

1. For collateral against the said short-term loans, please refer to Note VIII - Pledged Assets.
2. For information on the Group's interest expense of bank loans recognized in profit or loss, please refer to Note VI(XXVII).

(XIII) Other Payable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Payroll and bonus payable	\$ 1,087,737	\$ 832,490
Processing fee payable	420,609	410,950
Employee, director and supervisors remuneration payable	185,183	113,601
Equipment expense payable	108,156	62,948
Other payable	<u>444,492</u>	<u>454,937</u>
	<u>\$ 2,246,177</u>	<u>\$ 1,874,926</u>

(XIV) Other Current Liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Receipt under custody	\$ 64,856	\$ 102,418
Long-term borrowings due within 1 year	29,512	99,338
Contract liabilities - current	33,977	18,887
Others	<u>3,170</u>	<u>3,974</u>
	<u>\$ 131,515</u>	<u>\$ 224,617</u>

(XV) Corporate Bond Payable

	December 31, 2022
Bonds payable	\$ 1,347,700
Less: Discount on bonds payable	( 61,053 )
	1,286,647
Less: Bonds mature within 1 year or 1 operation cycle	-
	\$ 1,286,647

On December 31, 2021: None.

1. The Company issued the 3<sup>rd</sup> domestic unsecured convertible bond

(1) Terms and Conditions:

- A. Upon competent authority's approval, the Company raised and issued the third domestic unsecured convertible corporate bond, which was issued at 102% of the face value of \$1,000,000. The total amount raised was \$1,026,225 with 0% coupon rate. The circulation period is 3 years, starting from July 20, 2022 to July 20, 2025. When the convertible corporate bonds mature, bondholders will be repaid in cash in one lump sum according to the face value of the bonds. The convertible corporate bonds were listed and traded on July 20, 2022 at the Taipei Exchange.
- B. Except for the periods specified in the prospectus or the temporary suspension periods required by regulations, starting from the following day (October 21, 2022) of three full months after the bond issuance date till the date of mature, the bondholders can exercise the right to convert into the Company's common stocks, which have the same rights and obligations with the generally issued common stock.
- C. The conversion price of this convertible corporate bond is determined according to the pricing model stipulated in the conversion method. The conversion price at the time of issuance was NT\$81 per share, which may be adjusted following the pricing model stipulated in the conversion method if there is circumstance of anti-dilution; subsequently, on the base date stated on the conversion method, the company will re-adjust the conversion price based on the pricing model stipulated in the conversion method. If the adjusted price is higher than the initially set conversion price, then the conversion price will not be adjusted. Up until December 31, 2022, the conversion price has not been adjusted.
- D. Within the period starting from the day following the 3 full months of the issuance date of the convertible bonds (October 21, 2022) to 40 days before the expiration of the issuance period (June 10, 2025), if the closing price of the Company's common stock exceeds 30% of the initially set conversion price for consecutive 30 transaction days, the Company is able to notify bondholders and buyback all the bonds in cash with the face value stated on the bond within 30 business days. Or within the period starting from the day following the 3 full months of the issuance date of the convertible bonds (October 21, 2022) to 40 days before the expiration of the issuance period (June 10, 2025), if the amount of the remaining outstanding bonds is lower than 10% of the total issuance amount, the Company may buy back all the remaining outstanding bonds in cash with the face value stated on the bonds at any time.
- E. According to the conversion method, all the converted corporate bonds that the company has collected (including repurchased from the TPEx), repaid or converted will be canceled, and all the rights and obligations attached to the bonds will also be extinguished, and will

- no longer be issued.
- (2) Up until December 31, 2022, the convertible corporate bonds with a face value of \$152,300 had been converted into 1,880 thousand common shares, and is recorded as common stock share capital of \$18,802 and in the account of capital reserve-converted bond conversion premium of \$137,519.
  - (3) Up until December 31, 2022, the convertible bonds have not been bought back from the Taipei Exchange.
  - (4) When issuing convertible bonds, the Company separated equity type conversion right from all the liabilities components and recorded \$65,084 in the account of “Capital Reserve-Stock Option” according to IAS 32 “Financial Instrument - Presentation”. Up until December 31, 2022, the balance of the account “Capital Reserve - Stock Option” was \$55,172 due to the conversion of bonds into common stock. Besides, according to IFRS 9 “Financial Instruments”, the embedded call right is treated separately when the liability product’s financial character and risk is not closely linked, and the net value is recorded as “financial assets or liabilities measured at fair value through profit and loss”. After the separation, the effective interest rate of the liability on the main contract is 1.4745%.
2. Launch Technologies Co., Ltd., a subsidiary of the Company, issued the 1<sup>st</sup> domestic unsecured convertible bond
- (1) Terms and Conditions as below:
    - A. The Company’s subsidiary, Launch Technologies Co., Ltd., upon competent authority’s approval, raised and issued the 1<sup>st</sup> domestic unsecured convertible corporate bond, which was issued at 102.98% of the face value of \$500,000. The total amount raised was \$514,901 with 0% coupon rate. The circulation period is 3 years, starting from October 7, 2022 to October 7, 2025. When the convertible corporate bonds mature, bondholders will be repaid in cash in one lump sum according to the face value of the bonds on the 5<sup>th</sup> business day from the day following the mature day. The convertible corporate bonds were listed and traded on October 7, 2022 at the Taipei Exchange.
    - B. Except for the periods specified in the prospectus or the temporary suspension periods required by regulations, starting from the following day (January 8, 2023) of three full months after the bond issuance date till the day of mature, the bondholders can exercise the right to convert into common stocks of Launch Technologies Co., Ltd., a subsidiary of the Company, which have the same rights and obligations with the generally issued common stock.
    - C. The conversion price of this convertible corporate bond is determined according to the pricing model stipulated in the conversion method. The conversion price at the time of issuance was NT\$75 per share, which may be adjusted following the pricing model stipulated in the conversion method if there is circumstance of anti-dilution; subsequently, on the base date stated on the conversion method, Launch Technologies Co., Ltd., a subsidiary of the Company, will re-adjust the conversion price based on the pricing model stipulated in the conversion method. If the adjusted price is higher than the initially set conversion price, then the conversion price will not be adjusted.
    - D. Within the period starting from the day following the 3 full months of the issuance date of the convertible bonds (January 8, 2023) to 40 days before the expiration of the issuance period (August 28, 2025), if the closing price of Launch Technologies Co., Ltd.’s, the Company’s subsidiary, common stock exceeds 30% of the initially set conversion price for consecutive 30 transaction days, or within the period starting from the day following the 3 full months of the issuance date of the convertible bonds (January 8, 2023) to 40 days before the expiration of the issuance period (August 28, 2025), if the amount of the remaining outstanding bonds is lower than 10% of the total issuance amount, Launch Technologies Co., Ltd., the Company’s subsidiary, may buy back all the remaining outstanding bonds in cash with the face value stated on the bonds at any time.
    - E. According to the conversion method, all the converted corporate bonds that Launch

Technologies Co., Ltd., the company's subsidiary, has collected (including repurchased from the TPEX), repaid or converted will be canceled, and all the rights and obligations attached to the bonds will also be extinguished, and will no longer be issued.

- (2) Up until December 31, 2022, the convertible corporate bonds have not been converted into common stock or adjust in its conversion price.
- (3) Up until December 31, 2022, Launch Technologies Co., Ltd., the Company's subsidiary, does not have the situation of buying back the convertible bonds from the Taipei Exchange.
- (4) When issuing convertible bonds, Launch Technologies Co., Ltd., the Company's subsidiary, separated equity type conversion right from all the liabilities components and recorded \$42,611 in the account of "Non-controlling interest" according to IAS 32 "Financial Instrument - Presentation". Besides, according to IFRS 9 "Financial Instruments", the embedded call right is treated separately when the liability product's financial character and risk is not closely linked, and the net value is recorded as "financial assets measured at fair value through profit and loss". After the separation, the effective interest rate of the liability on the main contract is 2.2563%.

#### (XVI) Long-Term Loans

Type of loans	Loan period and repayment method	Interest rate range	Collateral	December 31, 2022
Long-term bank loans				
Secured loan	Duration from March 2021 to March 2026 and interest paid on a monthly basis. In addition, from May 2021 onwards, the remaining amounts are paid back in 59 installments on a monthly basis. (Note)	1.125%	Demand deposit, housing and structures	\$ 40,331
Secured loan	Duration from June 2022 to March 2026 and interest paid on a monthly basis. In addition, from April 2023 onwards, the remaining amounts are paid back in 36 installments on a monthly basis. (Note)	1.125%	Housing and structures, machinery equipment, and other equipment	67,402
				107,733
Less: long-term loan due within one year				( 29,512 )
				<u>\$ 78,221</u>

Type of loans	Loan period and repayment method	Interest rate range	Collateral	December 31, 2021
Long-term bank loans				
Secured loan	Duration from June 2018 to June 2023 and interest paid on a monthly basis. In addition, from September 2020 onwards, the remaining amounts are paid back in 12 installments on a quarterly basis.	0.945% ~1.145%	Machinery equipment and other equipment	\$ 91,982
Secured loan	Duration from July 2018 to July 2025 and interest paid on a monthly basis. In addition, from October 2020 onwards, the remaining amounts are paid back in 20 installments on a quarterly basis.	1.145%	Housing and structures	119,925
Secured loan	Duration from March 2021 to March 2026 and interest paid on a monthly basis. In addition, from May 2021 onwards, the remaining amounts are paid back in 59 installments on a monthly basis. (Note)	0.500%	Demand deposit, Housing and structures	24,967
				236,874
Less: long-term loan due within one year				( 99,338 )
				<u>\$ 137,536</u>

Note: From March 15, 2021 to June 15, 2022, the Group obtained a low-interest loan from the Executive Yuan for the Accelerated Investment Project of Taiwan Enterprises. The loan period is 5 years, and the loan amount is \$120,900. Upon receipt of the loan amount, we recognized a deferred government subsidy benefit of \$1,333. As of December 31, 2022 and 2021, the balances of the deferred government subsidy benefits were \$930 and \$269 respectively (separately listed under "Other Current Liabilities - Others" were \$474 and \$111 respectively and under "long-term deferred income" were \$456 and \$159 respectively), and in the year of 2022 and 2021, we respectively recognized government subsidy income of \$347 and \$55 respectively based on the interest amortization during the loan period.

1. For collateral against the said long-term loans, please refer to Note VIII - Pledged assets.
2. Please refer to Note XII (II) 3. (3) for explanations on the said loan repaid ahead of time.
3. For information on the Group's interest expenses of bank loans recognized in profit or loss, please refer to Note VI (XXVII).

(XVII) Pension Fund

1. (1) In compliance with the requirements set forth in the Labor Standards Law, the Company has stipulated a defined benefit pension plan, which is applicable to the years of service rendered by regular employees prior to, and after (if employees elect to continue to apply the Labor Standards Law), the implementation of the Labor Pension Act on July 1, 2005. Pension payments for employees qualified for the aforementioned retirement criteria are calculated in accordance with the years of service rendered and the average salaries or wages of the last 6 months prior to retirement. Two base points are given for each full year of service over (including) the first 15 years, and one base point is given for every additional year of service thereafter, provided that the ceiling of the total base points is forty-five (45). The Company contributes, on a monthly basis, 2% of the total salary (wages) as the pension fund, which is deposited in a designated account with the Bank of Taiwan under the name of the Supervisory Committee of Workers' Retirement Fund. Prior to the end of each annual period, the Company assesses the balance of the aforementioned designated account for the labor pension fund. If the balance is determined insufficient to pay off the pension amount computed by the aforementioned approach for employees qualified for retirement within the next year, the Company will make a lump sum contribution to make up the shortfall before the end of March of the following year.

	December 31, 2022	December 31, 2021
Present value of defined benefit obligations	104,993	111,955
Fair value of planned assets	40,274	38,607
Net defined benefit liabilities	<u>64,719</u>	<u>73,348</u>



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

	Present value of defined benefit obligations	Fair value of planned assets	Net defined benefit liabilities
<u>2022</u>			
Balance on January 1	\$ 111,955	(\$ 38,607)	\$ 73,348
Service cost in the current period	143	-	143
Interest expenses (income)	784	( 270)	514
	<u>112,882</u>	<u>( 38,877)</u>	<u>74,005</u>
Re-measurement:			
Return of planned asset (exclude interest income or expense)			
Effect of changes in financial assumptions	( 4,846)	-	( 4,846)
Experience adjustment	319	( 2,466)	( 2,147)
	<u>( 4,527)</u>	<u>( 2,466)</u>	<u>( 6,993)</u>
Provision of pension fund	-	( 2,293)	( 2,293)
Pension paid	( 3,362)	3,362	-
Balance on December 31	<u>\$ 104,993</u>	<u>(\$ 40,274)</u>	<u>\$ 64,719</u>
	Present value of defined benefit obligations	Fair value of planned assets	Net defined benefit liabilities
<u>2021</u>			
Balance on January 1	\$ 108,696	( \$ 26,646)	\$ 82,050
Service cost in the current period	146	-	146
Interest expenses (income)	326	( 80)	246
	<u>109,168</u>	<u>( 26,726)</u>	<u>82,442</u>
Re-measurement:			
Return of planned asset (exclude interest income or expense)			
Effect of change in population assumption	102	-	102
Effect of changes in financial assumptions	( 4,567)	-	( 4,567)
Experience adjustment	7,252	( 406)	6846
	<u>2,787</u>	<u>( 406)</u>	<u>2,381</u>
Provision of pension fund	-	( 11,475)	( 11,475)
Pension paid	-	-	-
Balance on December 31	<u>\$ 111,955</u>	<u>(\$ 38,607)</u>	<u>\$ 73,348</u>

(4) The fund asset of the Company's defined benefit pension plan (the "Fund") is entrusted to the Bank of Taiwan, which manages, or entrusts others to manage, the Fund in accordance with entrusted items enumerated in Article 6 of the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund (i.e. deposit in domestic or foreign institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, and investment in domestic or foreign real estate and its securitization products) to the extent of limitations on investment percentage and amount as stipulated in the Fund's annual utilization plan. The status of utilization of the Fund is subject to supervision by the Labor Pension Fund Supervisory Committee. With regard to utilization of the Fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts

accrued from two-year time deposits with the interest rates offered by local banks. In case any deficiency in the earnings arises, Treasury Funds can be used to cover the deficits after the approval of the competent authority. Since the Company has no right to participate in the operation and management of the Fund, it is not able to disclose the classification of the fair value of plan assets as required in IAS 19 paragraph 142. For the fair value of the total retirement fund as at December 31, 2022 and 2021, please refer to the Labor Retirement Fund Utilization Report published by the government each year.

(5) Actuarial assumptions on pensions are summarized as follows:

	<u>2022</u>	<u>2021</u>
Discount rate	<u>1.20%</u>	<u>0.70%</u>
Future salary increase rate	<u>2.50%</u>	<u>2.50%</u>

Future mortality rate is estimated based on the 6th Taiwan Standard Ordinary Experience Mortality Table.

Analysis of the present value of defined benefit obligation affected by changes in primary actuarial assumptions is as follows:

	<u>Discount rate</u>		<u>Future salary rate</u>	
	<u>Increase by 0.25%</u>	<u>Decrease by 0.25%</u>	<u>Increase by 0.25%</u>	<u>Decrease by 0.25%</u>
December 31, 2022				
Effect on the present value of defined benefit obligation	(\$ <u>2,309</u> )	\$ <u>2,384</u>	\$ <u>2,086</u>	(\$ <u>2,035</u> )
	<u>Discount rate</u>		<u>Future salary rate</u>	
	<u>Increase by 0.25%</u>	<u>Decrease by 0.25%</u>	<u>Increase by 0.25%</u>	<u>Decrease by 0.25%</u>
December 31, 2021				
Effect on the present value of defined benefit obligation	(\$ <u>2,671</u> )	\$ <u>2,763</u>	\$ <u>2,428</u>	(\$ <u>2,364</u> )

The sensitivity analysis presented above is an analysis of effects resulted from changes in a single assumption while other assumptions are held constant. In practice, quite a few changes in assumptions are correlated. The method employed for sensitivity analysis is the same as the method used to calculate the net pension liability presented on the balance sheet.

The method and assumptions used for the preparation of the sensitivity analysis for the current period are the same as those used in the previous period.

- (6) The Company expects to make contributions of \$2,231 to the pension plans within one year.
- (7) As of December 31, 2022, the weighted average duration of the retirement plan is 9 years.
- 2.(1) Starting from July 1, 2005, the Company and subsidiaries have set up a defined contribution plan for all employees with ROC citizenship in accordance with the Labor Pension Act. Where the employees have elected to apply the labor pension system as stipulated in the Labor Pension Act, the Company and subsidiaries make a contribution in an amount equal to 6% of the employees' monthly salaries or wages to their individual accounts in the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

- (2) Advanced Sporting Goods (Dong Guan) Co., Ltd. and Advanced Sporting Goods (Sha Tian, Dong Guan) Co., Ltd. make a pension contribution on a monthly basis in an amount equal to a certain percentage of the employees' monthly salaries and wages in accordance with the requirements as set forth in the pension system of the People's Republic of China. The contribution percentage for 2022 and 2021 were both 13%. The pension for each employee is managed by the government, hence the Group doesn't have further obligations except for making a monthly contribution.
- (3) As required by the Vietnamese government, Advanced International Multitech (VN) Corporation Ltd. makes a monthly contribution in an amount equal to one month of an employee's minimum wages to the retirement plan, which is managed by the various responsible departments of the Vietnamese government. Other than making a monthly contribution, the Company has no further obligations.
- (4) For the years ended December 31, 2022 and 2021, the Group's net pension costs recognized under the defined contribution plan were \$136,440 and \$119,531 respectively.

**(XVIII) Share-Basis Contribution**

1. In the year of 2022, the Group's share-based payment agreement (show in 1000 shares) is as follows:

<u>Type of agreement</u>	<u>Grant Date</u>	<u>Amount Given</u>	<u>Contract Period</u>	<u>Vesting Condition</u>
Treasury stock transfer to employees	January 20,2022	400	26 days	Immediate

2. Details of the above share-based payment agreement are as follows (show in 1,000 share):

	2022		2021	
	<u>Quantity subscribed</u>	<u>Weighted average exercise price (\$1)</u>	<u>Quantity subscribed</u>	<u>Weighted average exercise price (\$1)</u>
Outstanding shares at beginning of the period on January 1	-	\$ -	-	\$ -
Total grant during the period	400	76.42	-	-
Exercised during the period	( 400 )	76.42	-	-
Outstanding shares at the end of the period on September 30	-	-	-	-

3. The weighted average stock price of the stock options executed in 2022 was \$73.7 on the date of execution

(XIX) Share Capital

As of December 31, 2022, the Company had an authorized capital in the amount of \$1,800,000, comprising 180,000 thousand shares (including 5,000 thousand shares of employee stock option certificates and 10,000 thousand shares of convertible corporate bonds), and a paid-in capital in the amount of \$1,371,929 with each share priced at NT\$10. Share payments for the Company's issued stocks have been collected in full.

1. Number of the Company's outstanding common shares at the beginning of periods and the end of the periods were adjusted as below (in thousand shares):

	<u>2022</u>	<u>2021</u>
January 1	131,934	135,313
Corporate bonds conversions (Note)	1,880	-
Treasury stock transfer to employees	400	-
Treasury stock buyback	-	3,379
December 31	<u>134,214</u>	<u>131,934</u>

Note: In the year of 2022, the company's convertible corporate bonds were converted into 1,880 thousand common shares. As of the audit report date, upon the resolution during the board of directors' meeting on February 23, 2022, it was resolved to use this date as the base date for conversion and issuance of new shares, and the relevant change registration procedures are now in progress.

2. Treasury stock:

(1) Reasons for recovery of shareholding and its quantity:

		<u>December 31, 2022</u>	
<u>Name of investor company</u>	<u>Reasons for recovery</u>	<u>Number of shares (in thousand shares)</u>	<u>Carrying amount</u>
The Company	Available for transfer of shares to employees (Note)	<u>2,979</u>	<u>\$ 227,667</u>

		<u>December 31, 2021</u>	
<u>Name of investor company</u>	<u>Reasons for recovery</u>	<u>Number of shares (in thousand shares)</u>	<u>Carrying amount</u>
The Company	Available for transfer of shares to employees (Note)	<u>3,379</u>	<u>\$ 258,235</u>

Note: On September 22, 2021, the Company's board of directors resolved to buy back treasury stocks; it was estimated to buy back 6,700 thousand shares in total and the execution period started from September 23, 2021 to November 22, 2021. In consideration of fund planning and effective utilization, the Company bought back shares in batches depending on the changes of the Company's stock price. Hence, the treasury buyback plan this time wasn't fully executed and the actual shares repurchased totaled 3,379 thousand shares. On January 20, 2022, the board resolved to set the average buyback price, NT\$76.42 to be the transfer price. There were 400 thousand shares transferred to employees.

(2) The Securities and Exchange Act stipulates that the proportion of the Company's repurchase of outstanding shares shall not exceed 10% of the Company's total issued shares, and the total amount of shares purchased shall not exceed the retained earnings plus the premium of issued shares and the amount of realized capital reserve.

(3) The treasury stocks held by the Company shall not be pledged in accordance with the regulations of the Securities and Exchange Act, and shall not be entitled for shareholder rights before being transferred.

- (4) According to the regulations stated in the Securities and Exchange Act, the shares repurchased for the transfer of shares to employees shall be transferred within five years on the date of the repurchase. Those are not transferred within the time limit shall be deemed to have not issued by the Company, and shall be written off and removed from the registration.

(XX) Capital Reserve

Under the Company Act, capital surplus arising from shares issued at the premium or from donation may be used for offsetting the deficit. Furthermore, if the Company has no accumulated loss, the capital surplus may be used for issuing new shares or distributing cash in proportion to shareholders' original holdings. In addition, according to the regulations stated in the Securities and Exchange Act, when the above-mentioned capital surplus is used for capitalization, the total amount every year shall not exceed 10% of the paid-in capital. The Company may use the capital surplus to offset loss only when the number of earnings and reserves are insufficient to offset the loss.

(XXI) Retained Earnings

1. The Articles of Incorporation requires that earnings after the final account, if any, be used in the first place to pay off the profit-seeking enterprise income tax and to offset the previous deficits according to law; and 10% of the remainder, if any, be set aside as its legal reserve, except in cases when the legal reserve has reached the capital amount. If there are any remaining earnings, a special reserve shall be provided or reversed in accordance with laws or regulations imposed by the competent authority; the remaining amount, if any, shall be added up to the undistributed earnings of the prior periods to serve as the distributable earnings, of which the amount of distribution and retention shall be indicated in the earnings distribution proposal which is made by the Board of Directors before submitting to the Shareholders' Meeting for approval. The cash dividends distributed shall not less than 10% of the total dividends distributed of the period.  
The Company, following the regulations in the Company Act, authorizes the dividends, bonuses, capital reserve or legal reserve in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors, and thereto a report shall be submitted to the shareholders' meeting. The provisions of the preceding paragraph that must be resolved by the shareholders' meeting are not applicable.
2. The Company's dividend policy is stated as below: for continuous operation and profit enhancement, the Company adopts a residual dividend policy.
3. Legal reserves may only be used for offsetting deficits and issuing new shares or distributing cash in proportion to shareholders' original holdings. However, when new shares are issued or cash is distributed, the amount shall be limited to 25% of the reserves in excess of the paid-in capital.
4. The Company may allocate earnings only after providing a special reserve for debit balance in other equity on the date of the balance sheet, and the reversal of debit balance in other equity, if any, may be stated into allocable earnings.
5. The following table shows the 2022 and 2021 earnings distribution proposals, where were approved in the Company's general shareholders' meeting on May 31, 2022 and July 12, 2021 respectively.

	2021		2020	
	Amount	Dividend per share (\$1)	Amount	Dividend per share (\$1)
Legal Reserve	\$ 134,556		\$ 67,822	
Special Reserve	24,770		9,168	
Cash Dividends	727,835	\$ 5.5	365,344	\$ 2.7

The resolution of the aforementioned earning distribution proposal in the general shareholders' meeting maybe look up in the website of the Market Observation Post System

6. On February 23, 2022, the board meeting proposed a earnings distribution plan for the year of 2022 as below:

	2022	
	Amount	Dividend per share (\$1)
Legal reserve	\$ 224,637	
Cash dividend	1,234,676	\$ 9.1

As of February 23, 2023, the above-mentioned 2022 earnings distribution proposal has not been resolved by the shareholders' meeting.

## (XXII) Operating Revenues

### 1. Detailed contracts with customers

All the Group's revenue comes from contracts with customers under which revenue is generated by transferring goods at a certain point of time. Revenue can be sub-divided by geographical areas as follows:

Customer by geographical areas	2022	2021
Americas	15,026,056	11,775,292
Asia	5,529,032	4,674,320
Others	867,697	458,412
	<u>21,422,785</u>	<u>16,908,024</u>

### 2. Contract liabilities

- (1) The contract liabilities recognized by the Group in relation to contracts with customers are as follows:

	December 31, 2022	December 31, 2021	January 1, 2021
Consumer products	<u>\$ 33,977</u>	<u>\$ 18,887</u>	<u>\$ 20,221</u>

(2) Income recognized in the current period for opening contract liabilities

	2022	2021
Consumer products	18,874	20,212

(XXIII) Other Income and Expenses - Net

	2022	2021
Income from molds	53,462	34,203
Income from samples	31,577	21,429
Other income	52,325	122,762
	<u>137,364</u>	<u>178,394</u>

(XXIV) Interest Income

	2022	2021
Interest from bank deposits	16,271	3,787

(XXV) Other Income

	2022	2021
Government subsidy income	4,769	22,712
Others	2,319	2,084
	<u>7,088</u>	<u>24,796</u>

1. In June 2021, the Group received government subsidies of \$13,937 for traditional industry innovation and R&D as well as the construction plan of the golf smart manufacturing and supply chain integration platform. As the Group is reasonably assured that it will comply with the conditions attached in the government subsidies, the government recognized subsidy income of \$13,937 in 2021 and the accumulated subsidy income of this item were \$13,937.
2. In December 2020, the Group received a government subsidy of \$11,273 from the "Taiwan Industry Innovation Platform Program," which has been transferred to profit or loss upon the occurrence of expenses associated with the implementation of the program, and recognized the government subsidy income amounted to \$6,125 in 2021, and the accumulated amount in association with this item was \$11,273.
3. In August 2022, the Group received a government subsidy totaled \$24,000 from Ministry of Economic Affairs in association with its A+ Industrial Innovative R&D Program. The first installment of the government subsidy of \$3,250 was transferred into a special account in December 2022 and was recorded as "other current liabilities", which will be transferred in profit or loss upon the occurrence of expenses associated with the implementation of the program. In 2022, the Group recorded a government subsidy income of \$2,535.

(XXVI) Other Gain and Losses

	2022	2021
Loss on disposal and retirement of property, plant and equipment	243	7,950
Gain (loss) on foreign exchange, net	438,559	98,872
Net gains (loss) from financial assets and liabilities at fair value through profit or loss	6,512	1,857
Loss on impairments(Note)	-	42,407
Others	28,485	24,735
	<u>460,289</u>	<u>122,637</u>

Note: Please refer to Note VI(VIII) for detailed explanation.

(XXVII) Financial Cost

	<u>2022</u>	<u>2021</u>
Interest expense	42,553	28,391
Interest on lease liabilities	8,368	-
Amortization of corporate bond discount	8,663	-
Other financing costs	157	187
	<u>59,741</u>	<u>28,578</u>

(XXVIII) Additional Information in relation to Expenses

	<u>2022</u>	<u>2021</u>
Employee benefits expense	4,095,044	3,325,906
Depreciation expenses	638,409	523,384
Amortization expenses	66,602	25,256

(XXIX) Employee Benefit Expenses

	<u>2022</u>	<u>2021</u>
Salary and wages	3,550,508	2,850,263
Labor and health insurance premiums	222,418	179,470
Pension expense	137,097	119,923
Remuneration to directors	15,580	12,700
Other personnel cost	169,441	163,550
	<u>4,095,044</u>	<u>3,325,906</u>

1. The Articles of Incorporation requires that the Company allocate no less than one percent (1%) of its annual earnings as employee compensation, and no greater than five percent (5%) of its annual earnings as remuneration for directors and supervisors. However, if the Company still has an accumulated deficit, the earnings should be used to make up the loss.
2. In the year of 2022 and 2021, the Company recognized compensation to employees in the accrued amounts equal to \$128,650 and \$80,090 respectively; remuneration to directors and supervisors in the accrued amounts equal to \$10,400 and \$11,600 in 2022 and 2021 respectively, and the above mentioned amounts were presented under payroll expense.

The amounts for the year of 2022 were estimated at certain percentages based on the profits earned by the end of the period.

The amounts of compensation to employees and remuneration to directors and supervisors for 2021 that had been resolved by the Board of Directors are the same as the amounts stated on the 2021 financial statements. The above-mentioned employee compensation was distributed in cash. Compensation to employees in 2021 have not yet fully distributed.

Information about employee compensation and remuneration to directors and supervisors approved by the Board of Directors is available on the Market Observation Post System.



(XXX) Income Tax

1. Income tax expense

(1) Components of income tax expenses:

	<u>2022</u>	<u>2021</u>
Current income tax:		
Income tax arising from the current period	668,348	382,696
Underestimation (overestimation) of income taxes in prior year	<u>2,336</u>	<u>47,199</u>
Total current income tax	690,684	335,497
Deferred income tax:		
Originating and reversed temporary differences	<u>53,681</u>	<u>34,236</u>
Income tax expense	<u><u>744,365</u></u>	<u><u>369,733</u></u>

(2) Income tax amount associated with other comprehensive income

	<u>2022</u>	<u>2021</u>
Re-measurement of defined benefit obligation	<u><u>1,399</u></u>	<u><u>476</u></u>

2. Relations between income tax expense and accounting profits

	<u>2022</u>	<u>2021</u>
Income tax calculated by applying the statutory tax rate to net income before tax	\$ 812,381	\$ 454,151
Tax exempted income pursuant to the taxation law	( 1,052 )	( 1,230 )
Effects from items prohibited from being recognized by laws and regulations	( 62,868 )	( 30,542 )
Overestimation of prior year's income taxes	2,336	( 47,199 )
Effect of investment tax credit	( <u>6,432</u> )	( <u>5,447</u> )
Income tax expense	<u><u>\$ 744,365</u></u>	<u><u>\$ 369,733</u></u>

3. Deferred income tax assets or liabilities arising from temporary differences and tax losses are stated as follows:

	2022				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	Net exchange difference	December 31
Temporary differences:					
Deferred income tax assets:					
Inventory valuation & obsolescence loss	\$ 12,105	(\$ 2,672 )	\$ -	\$ 140	\$ 9,573
Pensions	14,669	( 327 )	( 1,399 )	-	12,943
Difference between financial and book depreciation	15,435	1,702	-	345	17,482
Unrealized exchange losses	1,542	11,903	-	-	13,445
Others	21,603	14,447	-	149	36,199
	<u>65,354</u>	<u>25,053</u>	<u>( 1,399 )</u>	<u>634</u>	<u>89,642</u>
Deferred income tax liabilities:					
Differences in investment gains or losses recognized	( 152,945 )	( 78,636 )	-	-	( 231,581 )
Liability of land value increment tax	( 11,598 )	-	-	-	( 11,598 )
Others	( 317 )	( 98 )	-	-	( 415 )
	<u>( 164,860 )</u>	<u>( 78,734 )</u>	<u>-</u>	<u>-</u>	<u>( 243,594 )</u>
	<u>\$ 99,506</u>	<u>( \$ 53,681 )</u>	<u>( \$ 1,399 )</u>	<u>\$ 634</u>	<u>( \$ 153,952 )</u>

	2021				
	January 1	Recognize d in profit or loss	Recognize in other comprehen sive income	Net exchange difference	December 31
Temporary differences:					
Deferred income tax assets:					
Inventory valuation & obsolescence loss	\$ 13,821	(\$ 1,681 )	\$ -	(\$ 35 )	\$ 12,105
Pensions	16,410	( 2,217 )	476	-	14,669
Difference between financial and book depreciation	16,626	( 1,103 )	-	( 88 )	15,435
Unrealized exchange losses	10,939	( 9,397 )	-	-	1,542
Others	14,386	7,237	-	( 20 )	21,603
	<u>72,182</u>	<u>( 7,161 )</u>	<u>476</u>	<u>( 143 )</u>	<u>65,354</u>
Deferred income tax liabilities:					
Differences in investment gains or losses recognized	( 125,851 )	( 27,094 )	-	-	( 152,945 )
Liability of land value increment tax	( 11,598 )	-	-	-	( 11,598 )
Others	( 336 )	19	-	-	( 317 )
	<u>( 137,785 )</u>	<u>( 27,075 )</u>	<u>-</u>	<u>-</u>	<u>( 164,860 )</u>
	<u>( 65,603 )</u>	<u>( \$ 34,236 )</u>	<u>\$ 476</u>	<u>( \$ 143 )</u>	<u>( \$ 99,506 )</u>

4. The profit-seeking enterprise income tax of the Company is approved by the taxation authority through 2020.



(XXX) Changes in Liabilities from financing activities

	Short-term loans	Corporate bonds payable	Long-term loans (including 1- year due)	Lease liabilities	Total financing liabilities
January 1, 2022	\$ 1,901,873	\$ -	\$ 236,874	\$ 559,328	\$ 2,698,075
Changes in financing cash flows	( 471,216 )	1,530,661	( 128,480 )	( 61,436 )	869,529
Effect of exchange rate changes	85,310	-	-	544	85,854
Other non-cash changes	-	( 244,014 )	( 661 )	131,222	( 113,453 )
December 31, 2022	<u>\$ 1,515,967</u>	<u>\$ 1,286,647</u>	<u>\$ 107,733</u>	<u>\$ 629,658</u>	<u>\$ 3,540,005</u>

	Short-term loans	Long-term loans (including 1-year due)	Lease liabilities	Total financing liabilities
January 1, 2021	\$ 1,016,201	\$ 305,455	\$ 680,605	\$ 2,002,261
Changes in financing cash flows	898,219	( 68,312 )	( 128,438 )	701,469
Effect of exchange rate changes	( 12,547 )	-	( 1,418 )	( 13,965 )
Other non-cash changes	-	( 269 )	8,579	8,310
December 31, 2021	<u>\$ 1,901,873</u>	<u>\$ 236,874</u>	<u>\$ 559,328</u>	<u>\$ 2,698,075</u>

VII. Related-Party Transactions

(I) Name and relationship of related party

<u>Name of related party</u>	<u>Relationship with the Group</u>
Munich Composites GmbH	Associates of the Group
Maya Metal Technology Co., Ltd. (hereinafter "Maya Metal")	Associates of the Group

(II) Important transactions with related party

1. Purchases

	<u>2022</u>	<u>2021</u>
Merchandise purchase:		
Maya Metal	<u>\$ 22,688</u>	<u>\$ -</u>

The Group's purchase price with the related parties is negotiated by both parties with reference to market conditions, and the payment terms are not significantly different from those of non-related parties.

2. Transaction amount with related party

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts Payable		
Maya Metal	\$ 6,895	\$ -

The amount payable to related parties mainly comes from the purchase of materials, and the payment terms are 45 days after acceptance in monthly settlement, and there is no interest payment on the payable amount.

3. Operating expense - R&D expenses

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Munich Composites GmbH	\$ 27,936	\$ 29,959

(III) Information about remunerations paid to major management

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Salary and other employee benefits	97,912	65,995

VIII. Pledged assets

Assets pledged as collateral by the Group are enumerated as follows:

<u>Assets</u>	<u>Carrying amount</u>		<u>Guarantee Use</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>	
Demand deposit (presented as "financial asset at amortized cost")	\$ 8,132	\$ 5,048	Long-term loans and credit facility guarantee
Land	125,648	125,648	Short-term loans
Housing and structures	220,905	235,171	Long and Short-term loans and credit facility guarantee
Machinery equipment	79,872	168,813	Long-term loans and credit facility guarantee
Other equipment	1,758	3,796	Long-term loans and credit facility guarantee
Pledged time deposit (presented as "other no-current assets-others")	7,963	31,563	Lease deposit, others
	<u>\$ 444,278</u>	<u>\$ 570,039</u>	

IX. Significant Contingent Liabilities and Unrecognized Contractual Commitments

(I) Contingency

None.

(II) Commitments

1. Balance of outstanding letter of credit

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Raw materials imported	\$ 75,755	\$ 114,370

2. Capital expenditures committed but yet to incur	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Property, plant and equipment	<u>\$ 239,122</u>	<u>\$ 1,077,760</u>

3. Operating lease agreement

Please refer to explanations on Note VI(X).

4. The Group signed a partnership agreement with Taishin Health Investment Ltd. on August 31, 2021 to establish a limited partnership of Taishin Health. The purpose is to invest in domestic and foreign biotechnology and pharmaceutical industries with development potential. The group promised to invest in \$55,000 according to the agreement. As of December 31, 2022, the Group has invested \$21,586.

X. Significant Losses from Disasters

None.

XI. Significant Subsequent Events

- (I) On February 23, 2023, the board of directors proposed and approved the 2022 earnings distribution plan. Please refer to Note VI(XXI) for explanations.
- (II) On February 23, 2023, the board of directors resolved to set the record date for the issuance of new shares upon the conversion of the convertible bonds of the Company's 3<sup>rd</sup> domestic unsecured convertible bond. Please refer to Note VI (XIX) for explanations.

XII. Others

(I) Capital management

The objective of the Group's capital management is to ensure that the Group can continue as a going concern, that an optimal capital structure is maintained to lower the cost of capital, and that rewards are provided to shareholders. To sustain or adjust the capital structure, the Group might adjust dividends paid to shareholders, refund capital to shareholders, or issue new shares or dispose of assets in order to lower its debt. The Group monitors its capital by looking at the debt-to-capital ratio, which is calculated by dividing the total debt by the total capital. The Group's strategies employed for 2022 were the same as those for 2021, i.e., striving to strike a balance for the overall capital structure. The Group's debt-to-capital ratios as at December 31, 2022 and 2021 are stated below:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Total debt	<u>\$ 9,080,299</u>	<u>\$ 7,378,524</u>
Total capital	<u>\$ 16,817,395</u>	<u>\$ 13,031,007</u>
Debt-to-Capital ratio	<u>54</u>	<u>57</u>

## (II) Financial instruments

### 1. Type of financial instruments

	December 31, 2022	December 31, 2021
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 29,485	\$ 139
Financial assets at fair value through other comprehensive income		
Election of the designated equity instrument investment	55	55
Financial assets measured at amortized cost		
Cash and cash equivalents	2,291,800	833,023
Financial assets measured at amortized cost	29,418	287,183
Notes receivable	5,983	9,567
Accounts receivable	5,043,280	4,132,586
Other receivables	48,440	17,169
Refundable deposits	29,825	51,574
	<u>\$ 7,478,286</u>	<u>\$ 5,331,296</u>
	December 31, 2022	December 31, 2021
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	\$ 417	\$ -
Financial liabilities measured at amortized cost		
Short-term loans	1,515,967	1,901,873
Notes payable	1,622	3,821
Accounts payable	2,230,307	2,088,622
Other payable	2,246,177	1,874,926
Long-term loans (including with 1-year due)	107,733	236,874
Corporate bond payable	1,286,647	-
Deposits received	689	632
	<u>\$ 7,389,559</u>	<u>\$ 6,106,748</u>
Lease liabilities (including non-current)	<u>\$ 629,658</u>	<u>\$ 559,328</u>

### 2. Risk management policy

- (1) The Group's daily operations are affected by various financial risks, e.g. market risks (including exchange rate risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management policy focuses on unpredictable matters on the financial markets, seeking to lower the potential adverse effects on the Group's performance.
- (2) Risk management is carried out by the Group's finance department in compliance with relevant policies. Through cooperation with the Group's operating units, the finance department is responsible for identifying, evaluating and hedging financial risks. With respect to the overall risk management, the Group has established principles in writing, as well as policies in writing concerning specified scope and matters, e.g. exchange risk, credit risk, utilization of derivatives and non-derivatives, and investment of residual working capital.

### 3. The nature and degree of significant financial risk

#### (1) Market Risk

##### Foreign exchange rate risk

- A. Since the Group operates in different countries, it is subject to foreign exchange risk arising from various currencies, mainly USD, RMB, and EURO among others. The foreign exchange rate risk mainly comes from future business transactions, recognized assets and liabilities, and net investment in foreign operations.
- B. The management has set up a policy to require the Company to manage their foreign exchange risk against their functional currency. The Company is required to hedge the risk based on the overall foreign exchange risks through the finance department. To manage the foreign exchange risk arising from future business transactions, as well as recognized assets and liabilities, the Company's finance department uses forward foreign exchange contracts. When future commercial transactions, as well as recognized assets or liabilities are calculated in a foreign currency other than the functional currency of the entity, exchange rate risk may arise.
- C. The Group's business involves the use of various non-functional currencies (the Company and partial subsidiaries' functional currency is NTD, whereas some subsidiaries' functional currency is RMB), it is subject to effects arising from currency exchange rate fluctuations. Assets and liabilities that are denominated in foreign currencies and significantly affected by changes in exchange rates are stated as below:

December 31, 2022			
	Foreign currency (in thousands)	Exchange rate	Carrying amount (NTD)
<b>(Foreign currency: Functional currency)</b>			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 199,761	30.71	\$ 6,134, 660
USD:RMB	45,290	6.9026	1,390,856
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	63,065	30.71	\$ 1,936,726
USD:RMB	26,519	6.9026	814,398
December 31, 2021			
	Foreign currency (in thousands)	Exchange rate	Carrying amount (NTD)
<b>(Foreign currency: Functional currency)</b>			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 170,550	27.68	\$ 4,720,816
USD:RMB	54,289	6.3565	1,502,726
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	83,215	27.68	2,303,391
USD:RMB	45,878	6.3565	1,269,903

- D. The monetary items of the Group are significantly affected by currency fluctuations; for the years of 2022 and 2021, the Group recognized total exchange gain (loss) of \$438,559 and (\$98,872) respectively.



E. The analysis on the Group's foreign currency market risk due to significant currency rate fluctuations is listed as below:

		2022		
		Sensitivity analysis		
		Range of change	Effects on profit or loss	Effects on other comprehensive income
<b>(Foreign currency: Functional currency)</b>				
<u>Financial assets</u>				
<u>Monetary items</u>				
	USD:NTD	1%	\$ 61,347	\$ -
	USD:RMB	1%	13,909	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
	USD:NTD	1%	19,367	-
	USD:RMB	1%	8,144	-
		2021		
		Sensitivity analysis		
		Range of change	Effects on profit or loss	Effects on other comprehensive income
<b>(Foreign currency: Functional currency)</b>				
<u>Financial assets</u>				
<u>Monetary items</u>				
	USD:NTD	1%	\$ 47,208	\$ -
	USD:RMB	1%	15,027	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
	USD:NTD	1%	23,034	-
	USD:RMB	1%	12,699	-

### Price Risk

The Group is not exposed to price risks from products.

### Cash Flow Interest Rate Risk and Fair Value Interest Rate Risk

A. The Group's interest rate risk mainly comes from the issuance of short-term and long-term loans with floating interest rates that have resulted in the exposures to cash flow interest rate risks. For the years of 2022 and 2021, the Group's issuance of short-term and long-term loans with floating interest rates was mainly denominated in New Taiwan Dollars.

B. If the borrowing interest rate of NTD increases or decreases by 0.25%, holding other variables constant, the net income after tax for the years of 2022 and 2021 will decrease or increase by \$3,062 and \$1,923, respectively, primarily due to changes in interest expense incurred by borrowings with floating interest rates.

### (2) Credit Risk

Credit risk refers to the risk of financial loss to the Group arising from default by customers or counter-parties of financial instruments on the contract obligations. The internal risk control assesses customers' credit quality by taking into account their financial position, historical experience, and other factors.

#### Cash and cash equivalents and financial derivatives

Required by the transaction policy adopted, the Group trades only with counter-parties having good credit ratings, and so there hasn't been any default on cash and cash equivalents or financial derivatives.

### Accounts receivable

- A. The Group has established a specific internal credit policy, which requires entities within the Group to manage and conduct credit analysis on every new customer before stipulating the terms and conditions for payments and delivery. The internal risk control assesses customers' credit quality by taking into account their financial position, historical experience, and other factors.
- B. The Group adopts the presumption that the credit risk of a financial asset is deemed significantly increased since initial recognition when contractual payments are more than 90 days past due, and that a default is deemed to have occurred when the contractual payments are more than 180 days past due.
- C. The Group's accounts receivables are due from ordinary enterprises. The Group assesses the credit quality of an individual customer by type by taking into account such customer's financial position, historical transaction records, and current economic status, and estimates the expected credit losses on the basis of the provision matrix using the simplified approach.
- D. After the recourse process, the Group writes off the financial asset to the extent of the recovery amount that can not be reasonably expected; nonetheless, the Group will keep legal recourse to secure its creditor's rights.
- E. Expected credit losses on the Company's accounts receivable as of December 31, 2022 and 2021 are as follows:

	Not overdue	Over due						
		Within 30 days	31 to 60 days	61 to 90 days	91 to 120 days	121 to 150 days	151 to 180 days	Over 180 days
<u>December 31, 2022</u>	0.00%~ 0.01%	0.04%~ 0.22%	0.04%~ 1.49%	0.08%~ 3.56%	0.38%~ 7.03%	3.72%~ 26.01%	22.31%~ 51.78%	100%
<u>December 31, 2021</u>	0.00%~ 0.02%	0.02%~ 0.23%	0.02%~ 1.94%	0.04%~ 4.77%	0.19%~ 10.32%	1.86%~ 34.37%	22.31%~ 67.99%	100%

The Group's balance of accounts overdue for 31 days and more as of December 31, 2022 and 2021 accounted for approximately 0.25% and 1.24 % of the total amount respectively.

- F. Changes in loss allowance for notes receivable and accounts receivable using the simplified approach are stated as follow

	2022	
	Notes receivable	Accounts receivable
January 1	-	2,176
Reversal of impairment loss	-	1,872
December 31	-	4,048
	2021	
	Notes receivable	Accounts receivable
January 1	-	1,807
Provision of impairment loss	-	369
December 31	-	2,176

### (3) Liquidity Risk

- A. Cash flows forecasting is carried out by the Group's Office of Finance and Accounting in order to ensure that sufficient funds are readily available, both for the operating needs and for the unused loan commitments.

- B. The Group’s remaining cash in excess of its operating needs is invested in demand deposits bearing interests, time deposits, bonds sold under repurchase agreements, and marketable securities, all of which are instruments either with appropriate maturity or with sufficient liquidity so as to satisfy the said forecasting and provide sufficient position for dispatching of funds. As of December 31, 2022 and 2021, the Group had a money market position in the amounts equal to \$2,290,658 and \$832,128 respectively.
- C. The table below shows an analysis of the non-derivative financial liabilities held by the Group with defined repayment terms based on maturity dates and un-discounted payment at maturity:

	December 31, 2022		
	Less than 1 year	1-2 years	Over 2 years
<u>Non-derivative financial liabilities:</u>			
Short-term loans	\$ 1,537,133	\$ -	\$ -
Notes payable	1,622	-	-
Accounts payable	2,230,307	-	-
Other payable	2,246,177	-	-
Lease liabilities (including non-current)	65,862	55,244	681,615
Long-term loans	30,604	35,887	47,431
Corporate bond payable	-	-	1,347,700
<u>Derivative financial liabilities:</u>			
Forward foreign exchange contracts	417	-	-
December 31, 2021			
	Less than 1 year	1-2 years	Over 2 years
<u>Non-derivative financial liabilities:</u>			
Short-term loans	\$ 1,907,718	\$ -	\$ -
Notes payable	3,821	-	-
Accounts payable	2,088,622	-	-
Other payable	1,874,926	-	-
Lease liabilities (including non-current)	35,619	24,759	577,775
Long-term loans	101,332	69,489	69,937
Derivative financial liabilities: None			

- D. Up until December 31, 2021, principals of long-term loans that is “due within 1 year”, “due in 1~2 years” and “due at more than 2 years” were totaled \$200,907 (excluding a total interest of \$3,342). The Group has continually paid off principals and interests that are totaled to the amount of \$215,249 ahead of time in October 2022. In addition, the Group does not expect a maturity analysis of which the cash flows timing would be significantly earlier, or the actual amount would be significantly different.

### (III) About Fair Value

1. Below states the definition of different levels of valuation techniques used to measure the fair value of financial and non-financial instruments:

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 is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Assets or liabilities' direct or indirect observable input value, however, this does not include the quoted price as stated in Level 1. The fair value of the Group's investment in derivatives is all Level 2 inputs.

Level 3: Un-observable inputs of assets or liability. The Group's investment in privately offered fund, hybrid instruments, convertible bond's redemption rights, and equity instruments in non-active markets are all Level 3 inputs.

2. Financial instrument not measured at fair value

The carrying amount of the group's financial instruments, including cash and cash equivalents, financial assets measured at amortized cost, notes receivable, accounts receivable, other receivables, refundable deposit, short-term loan, notes payable, accounts payable, other payable, lease liabilities, long-term loans (including those due within 1 year), and guarantee deposit received, are reasonable approximation of fair value.

	December 31, 2022			
	<u>Carrying value</u>	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>
Financial Liabilities				
Corporate bond payable	<u>\$ 1,286,647</u>	<u>\$ -</u>	<u>\$ 1,295,207</u>	<u>\$ -</u>

On December 31, 2021: None.

Binomial tree model is used to assess the fair value of above convertible bonds.

3. For financial instruments measured at fair value, the Group carries out basic classification based on the nature of assets and liabilities, character risk and the defined level of fair value, and summarizes the information as below:

- (1) Classified by nature of assets or liabilities:

December 31, 2022	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
<u>Recurring fair value</u>				
Financial assets at fair value through profit or loss				
Redemption right of convertible bonds	\$ -	\$ -	\$ 2,641	\$ 2,641
Privately offered funds	-	-	19,448	19,448
Convertible bond contracts	-	-	7,396	7,396
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	1,009	1,009
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,494</u>	<u>\$ 30,494</u>
<b>Liabilities</b>				
<u>Recurring fair value</u>				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	\$ -	\$ 417	\$ -	\$ 417

December 31, 2021	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
<u>Recurring fair value</u>				
Financial assets at fair value through profit or loss				
Forward foreign exchange contract	\$ -	\$ 139	\$ -	\$ 139
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	1,009	1,009
	<u>\$ -</u>	<u>\$ 139</u>	<u>\$ 1,009</u>	<u>\$ 1,148</u>

(2) Methods and assumptions adopted by the Group for measurement of fair value are stated as follows:

A. The fair value of equity instruments without active market transactions (such as shares of non-listed companies) is estimated using the market method, which is based on the price and other relevant information generated by the market transactions of the same or comparable company equity instruments (such as the discount factor of lacking of liquidity, or input values like stock market's price-to-earnings ratio or price-to-book value ratio) to estimate the fair value. In addition, for equity instruments that lack sufficient or appropriate observable market information and comparable objects, the Group adopts the net asset value method to have a better view on the current profitability of the investment target.

B. The evaluation of derivative financial instruments is based on evaluation models widely accepted by market users, such as discount method and option pricing model. Forward foreign exchange contracts are usually evaluated based on the current forward exchange rate.

C. Please refer to Note XII(III)7 for explanation of the impact of non-market observable parameters on the evaluation of financial instruments.

4. There were no transfer between Level 1 and Level 2 of the fair value hierarchy for the periods in the years of 2022 and 2021.

5. The following table shows the Level 3 changes in the year of 2022.

	2022				
	Privately offered fund	Hybrid instrument	Derivative instrument	Equity Securities	Total
January 1	\$ -	\$ -	\$ -	\$ 55	\$ 55
Invest - current	21,586	7,396	-	-	28,982
Issue - current	-	-	1,700	-	1,700
Conversion -current	-	-	( 273 )	-	( 273 )
Loss recognized in profit or loss					
Recorded as non-operating profit and loss	( 2,138 )	-	1,214	-	( 924 )
December 31	<u>\$ 19,448</u>	<u>\$ 7,396</u>	<u>\$ 2,641</u>	<u>\$ 55</u>	<u>\$ 29,540</u>
	2021				
	Privately offered fund	Hybrid instrument	Derivative instrument	Equity Securities	Total
January 1 (and December 31)	\$ -	\$ -	\$ -	\$ 55	\$ 55

6. Valuation process regarding the fair value of Level 3 is conducted by the Group's finance department, by which the independence of fair value of financial instruments is verified through the use of independent data source in order that such valuation results are close to market conditions, and that the data source is independent, reliable, consistent with other resources, and representative of the exercisable price. In addition, multiple actions are regularly taken to ensure the reasonableness of the fair value valuation, e.g., calibrating the valuation model, conducting retrospective testing, updating the inputs and data for the valuation model, and making any necessary fair value adjustments.

7. Below states the quantitative information about the significant unobservable inputs of the valuation model used in the measurements categorized within Level 3 of the fair value hierarchy, as well as the sensitivity analysis of changes in significant unobservable inputs:

	December 31, 2022 Fair Value	Valuation technique(s)	Significant unobservable inputs	Interval (weighted- average)	Relations between input value and fair value
Derivative instrument: Convertible bond embedded option	\$ 2,641	Binomial tree model	Volatility	33.91%~45.30%	Higher volatility higher fair value
Non-derivative equity instruments:					
Shares of venture capital company	1,009	Net asset value method	Not applicable	Not applicable	Not applicable
Privately offered fund	19,448	Net asset value method	Not applicable	Not applicable	Not applicable
Hybrid instrument:					
Contract of convertible bond	7,396	Discount cash flow method	Discount rate	Note applicable	Higher discount rate lower fair value
	December 31, 2021 Fair Value	Valuation technique(s)	Significant unobservable inputs	Interval (weighted- average)	Relations between input value and fair value
Non-derivative equity instruments:					
Shares of venture capital company	\$ 1,009	Net asset value method	Not applicable	Not applicable	Not applicable

8. The Group elects to adopt the valuation model and valuation parameters through cautious assessment. Nonetheless, using different valuation models or valuation parameters may lead to different valuation results. For financial assets categorized as Level 3 of the fair value hierarchy, changes in valuation parameters will not have a significant influence on either profit or loss or other comprehensive income.

#### (IV) Other Matters

The Group's major customers are in the United States and Japan, and the products are mainly outdoor recreational and sporting goods and composite materials used for 3C products which can keep appropriate social distance. The Group has complied with the disease control guidelines of the Ministry of Health and Welfare and instructions by the local government in various regions. It was assessed that the Group's operations and financial performance were not affected by the COVID-19 pandemic.

### XIII. Additional Disclosures

#### (I) Information about significant transaction

1. Loans to Others: None.
2. Endorsements and Guarantees: None.
3. Marketable Securities Held at the End of the Period (Excluding Investment in Subsidiaries, Associates and Joint Ventures): Please refer to Table 1.
4. The Aggregate Trading Value on the Same Securities (Including Purchase and Sales) Reaching NT\$300 Million or Exceeding 20% of the Paid-in Capital: None.
5. Acquisition of Property Amounting to at Least NT\$300 Million or Exceeding 20% of Paid-in Capital: None.
6. Disposal of Property Amounting to at Least NT\$300 Million or Exceeding 20% of Paid-in Capital: None.
7. Purchases from and Sales to Related Parties Amounting to at Least NT\$100 Million or Exceeding 20% of Paid-in Capital: Please refer to Table 2.
8. Receivables from Related Parties Amounting to at Least NT\$100 Million or Exceeding 20% of Paid-in Capital: Please refer to Table 3.
9. Engagement in Derivatives Transactions: Please refer to Notes VI(II) and XII(III).
10. Parent-Subsidiary and Subsidiary-Subsidiary Business Relations and Significant Transactions and Amounts Thereof: Please refer to Table 4.

#### (II) Information about reinvestment

Name, Location, and Information on Investee Companies (Excluding Investee Companies in China): Please refer to Table 5

#### (III) Information about Mainland China Investment

1. Basic Information: Please refer to Table 6.
2. Significant Transactions between the Company and Investees in Mainland China Directly or Indirectly through Entities in a Third Area: Please refer to Table 7.

#### (IV) Information of major shareholders

Please refer to Table 8.

### XIV. Segment Information

#### (I) General Information

The Group is primarily engaged in the manufacturing of consumer products for prestigious brands around the world. The chief operating decision-makers conduct performance evaluation and resources allocation based on the operating profit (loss) of the Division of Consumer Products. According to the requirements as set forth in IFRS 8, the Group is a single reportable segment.

#### (II) Measurement of Segment Information

The Group evaluates the performance of an operating segment by examining the profit before tax of a continuing operation. Such measurement standard precludes the effects from non-recurring expenses of an operating segment. Management of interest income and expenses is not authorized to the operating segments but assigned to the Group's finance department that is responsible for the management of the status of cash.

(III) Information on Segment Profit or Loss, Assets, and Liabilities

The reportable segment information provided to the chief operating decision-makers is the financial statements prepared in accordance with the International Financial Reporting Standards (IFRSs).

(IV) Reconciliation of Segment Profit or Loss

The measurement method used for revenue reported to the chief operating decision makers is the same as that used for revenue as stated on the statement of comprehensive income. The measurement method used for total amount of assets and liabilities reported to the chief operating decision makers is the same as that used for the total amount of assets and liabilities stated on the financial statements.

(V) Information by Products and Services

Revenue from external customers is mainly derived from the manufacturing of consumer products.

(VI) Geographical Information

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

	2022		2021	
	Revenue	Non-current assets	Revenue	Non-current assets
Americas	\$ 15,026,056	\$ -	\$ 11,775,292	\$ -
Asia	5,529,032	4,870,921	4,674,320	4,103,655
Others	867,697	-	458,412	-
	<u>\$ 21,422,785</u>	<u>\$ 4,870,921</u>	<u>\$ 16,908,024</u>	<u>\$ 4,103,655</u>

Non-current assets comprise property, plant and equipment (PP&E), right-of-use asset, intangible assets, prepayments for business facilities, and other non-current assets, excluding refundable deposits.

(VII) Information on Major Customers

The Group's major customers for the years ended December 31, 2022 and 2021 are as follows:

	2022		2021	
	Revenue	% in Net Sales	Revenue	% in Net Sales
Customer 10986	\$ 7,829,404	37	\$ 6,217,036	37
Customer 10008	5,185,939	24	4,054,521	24
	<u>\$ 13,015,344</u>	<u>61</u>	<u>\$ 10,271,557</u>	<u>61</u>



Advanced International Multitech Co., Ltd. and Subsidiaries

Marketable Securities Held at the End of the Period (Excluding Investment in Subsidiaries, Associates and Joint Ventures)

January 1 to December 31, 2022

Unit: In Thousands of New Taiwan Dollars

(Unless Otherwise Specified)

Table 1

Investor	Type and Name of Securities	Relationship with the issuer	General Ledger Account	End of the period				Note
				Number of shares	Carrying amount	Shareholding ratio	Fair value	
Advanced International Multitech Co., Ltd.	Taishin Health LLP	None	Financial assets at fair value through profit or loss - non-current	-	\$ 19,448	8.46%	\$ 19,448	
Advanced International Multitech Co., Ltd.	Hua Nan Venture Capital Co., Ltd.	None	Financial asset at fair value through other comprehensive income - non-current	57,438	55	10.60%	1,009	

Advanced International Multitech Co., Ltd. and Subsidiaries

Purchases from and Sales to Related Parties Amounting to at Least \$100 Million or Exceeding 20% of Paid-in Capital

January 1 to December 31, 2022

Table 2

Unit: In Thousands of New Taiwan Dollars

(Unless Otherwise Specified)

Name of company	Name of the counterparty	Relationship	Transaction Details				Loan period	Situation and reason of why trading conditions are different from general trading		Notes or accounts receivable (payable)		Note
			Purchase (sale)	Amount	Ratio to total purchase (sales) (%)	Unit Price		Loan period	Balance	Ratio on total notes and accounts receivables (payable)		
Advanced International Multitech Co., Ltd.	Advanced Sporting Goods (Dongguan) Co., Ltd.	Second-tier subsidiary	Purchase	\$ 10,036,034	72%	Note 1	Note 1	Note 1	(\$ 1,376,834)	77%	Note 2	
Advanced International Multitech Co., Ltd.	Advanced International Multitech (VN) Corporation Ltd.	Subsidiary	Purchase	3,772,391	27%	Note 1	Note 1	Note 1	( 296,241)	17%	Note 2	
Advanced Sporting Goods (Dongguan) Co., Ltd.	Advanced International Multitech Co., Ltd.	Ultimate parent company	Sale	( 10,036,034)	100%	Note 3	Note 3	Note 3	1,376,834	100%		
Advanced International Multitech (VN) Corporation Ltd.	Advanced International Multitech Co., Ltd.	Parent company	Sale	( 3,772,391)	100%	Note 3	Note 3	Note 3	296,241	100%		

Note 1: The prices and terms of payment of the Company's purchases from Advanced Sporting Goods (Dongguan) Co., Ltd. and Advanced International Multitech (VN) Corporation Ltd. were agreed by both parties and were not comparable to the normal transactions as there were no transactions of similar products.

Note 2: The purchase (sales) amount comprises the sales revenue (sales of raw materials and work-in-progress) and operating costs (purchase of goods) arising from the Company's sales to its subsidiaries and sub-subsidiaries, that's about processing of removal materials, offset by \$1,557,517 for the period between January 1 to December 31, 2022.

Note 3: The price and collection terms of the company's sales to Advanced International Multitech Co., Ltd. were agreed by both parties, which were not comparable to normal transactions as there were no similar counterparties or products.

Advanced International Multitech Co., Ltd. and Subsidiaries

Receivables from Related Parties Amounting to at Least NT\$100 Million or Exceeding 20% of Paid-in Capital  
January 1 to December 31, 2022

Unit: In Thousands of New Taiwan Dollars

(Unless Otherwise Specified)

Table 3

Name of company	Name of the counterparty	Relationship	Balance of receivables from related parties	Turnover rates	Overdue receivables from related parties		Amounts of receivables from related parties received in subsequent period	Allowance for doubtful accounts	Note
					Amount	Action taken			
Advanced Sporting Goods (Dongguan) Co., Ltd.	Advanced International Multitech Co., Ltd.	Ultimate parent company	\$ 1,376,834	6.11	\$ -	-	\$ 1,002,700	\$ -	
Advanced International Multitech (VN) Corporation Ltd.	Advanced International Multitech Co., Ltd.	Parent company	296,241	12.58	-	-	124,665	-	

Advanced International Multitech Co., Ltd. and Subsidiaries

Parent-subsidiary and Subsidiary-subsidiary Business Relations and Significant Transactions and Amounts Thereof

January 1 to December 31, 2022

Table 4

Unit: In Thousands of New Taiwan Dollars  
(Unless Otherwise Specified)

No. (Note1)	Name of the company	Name of the transaction counterparty	Relationship with counterparty (Note2)	Conditions of transactions			Ratio to consolidated total revenue or total assets (%)
				General ledger account	Amount	Transaction terms	
0	Advanced International Multitech Co., Ltd.	Advanced Sporting Goods (Dongguan) Co., Ltd.	1	Purchase	\$ 10,036,034	According to the agreement between both parties	47%
0	Advanced International Multitech Co., Ltd.	Advanced Sporting Goods (Dongguan) Co., Ltd.	1	Account payable	1,376,834	According to the agreement between both parties	8%
0	Advanced International Multitech Co., Ltd.	Advanced International Multitech (VN) Corporation Ltd.	1	Purchase	3,772,391	According to the agreement between both parties	18%
0	Advanced International Multitech Co., Ltd.	Advanced International Multitech (VN) Corporation Ltd.	1	Account payable	296,241	According to the agreement between both parties	2%

Note 1: The information of transactions between the Company and the consolidated subsidiaries should be noted in "Number" column as below:

- (1) The parent company is coded 0.
- (2) The subsidiaries are coded from "1" in the order presented in the table above.

Note 2: Three kinds of relationship with counterparty are as follows:

- (1) Parent company to its subsidiary.
- (2) Subsidiary to its parent company.
- (3) Subsidiary to another subsidiary.

Advanced International Multitech Co., Ltd. and Subsidiaries

Name, Location and Information on Investee Companies (Excluding Investee Companies in Mainland China)

January 1 to December 31, 2022

Table 5

Unit: In Thousands of New Taiwan Dollars

(Unless Otherwise Specified)

Investor	Name of investee company	Location	Primary business	Initial investment amount		Ownership, end of the period			Net profit or loss of the investee company	Investment gain or loss recognized in the period	Note
				End of the period	End of last year	Number of shares	Ownership (%)	Carrying amount			
Advanced International Multitech Co., Ltd.	ADVANCED GROUP INTERNATIONAL (BVI) CO., LTD.	British Virgin Islands	Invest in other regions	\$ 149,434	\$ 149,434	4,584,815	100	1,013,517	\$ 301,669	\$ 302,105	Note 1
Advanced International Multitech Co., Ltd.	ADVANCED INTERNATIONAL MULTITECH (VN) CORPORATION LTD.	Vietnam	Engaged in the production and sales of various golf club shafts and heads, golf sets.	447,331	447,331	14,000,000	100	683,108	91,415	91,074	Note 1
Advanced International Multitech Co., Ltd.	Launch Technologies Co., Ltd. (LTC)	Taiwan	Engaged in production of sports products, other plastic products and international trade	266,495	266,495	28,518,424	55.93	886,091	588,731	329,275	
Advanced International Multitech Co., Ltd.	Munich Composites GmbH	Germany	Engage in design, research, development, and production of carbon fiber bicycle wheels and carbon fiber reinforced polymer product	49,212	49,212	21,003	27.27	-	-	-	Note 2
Advanced International Multitech Co., Ltd.	Technology On Prototyping Ultimate Co., Ltd.	Taiwan	Engage in the system integration engineering design services for aerospace, vehicles, national defense, machinery, energy, electronics, medical, materials and process equipment	15,600	-	1,200,000	25.66	15,568	1,455	( 32)	
ADVANCED INTERNATIONAL MULTITECH (VN) CORPORATION LTD.	Maya Metal Technology Company Limited	Vietnam	Engage in the OEM production of various golf club shafts and heads, golf set	22,290	-	750,000	30	15,228	( 25,251)	( 7,575)	

Note 1: The difference between the profit or loss of the investee for the period and the investment profit or loss recognized by the Company is the unrealized gain or loss arising from inter-company transactions.

Note 2: According to IAS36, it is assessed that Munich Composites GmbH has \$0 recoverable amount, and there is no significant change during the year.

Advanced International Multitech Co., Ltd. and Subsidiaries

Investment in Mainland China - General Information

January 1 to December 31, 2022

Table 6

Unit: In Thousands of New Taiwan Dollars

(Unless Otherwise Specified)

Investee company	Primary business	Actual Paid-in-capital	Method of investment	Beginning balance of accumulated outflow of investment from Taiwan	Remittance or recovery of investment amount		Ending balance of accumulated outflow of investment from Taiwan	Net profit or loss of investee company	Direct or indirect ownership of the Company (%)	Recognized investment gain or loss for the period	Carrying amount of investment, end period	Ending balance of accumulated inward remittance of investment income	Note
					Remittance	Recovery							
Advanced Group International (BVI) Co.,Ltd. : Advanced Sporting Goods (Dongguan) Co., Ltd.	Engaged in production and sale of carbon fiber prepare materials and sports product	\$ 149,446	2	\$ 149,434	\$ -	\$ -	\$ 149,434	\$ 301,667	100	\$ 301,667	\$ 1,016,694	\$ 948,328	Note 1, Note 2
Advanced Sporting Goods (Dongguan) Co., Ltd. : Baoji Zatech Material Co., Ltd.	Engaged in production of materials	17,796	3	-	-	-	-	1,106	25	276	3,548	-	Note 1, Note 3, Note 4, Note 5

Note 1: Investment methods are classified into the following four categories:

1. Remittance to Mainland China through a third region.
2. Investment in Mainland China company through company invested and established in a third-party region.
3. Investment in Mainland China company through reinvestment in existing company in third-party region.
4. Through other methods.

Note 2: Investment gain or loss recognized in accordance with the financial statements reviewed by the parent company in Taiwan.

Note 3: Investment gain or loss recognized in accordance with the investee company's financial statements.

Note 4: The amount of paid-in capital is converted based on the RMB4,000 thousand using exchange rate of 4.449.

Note 5: Is invested directly by the Company's sub-subsidiary, Advanced Sporting Goods (Dongguan) Co., Ltd., in China. The Company does not have actual remittance amount.

Name of company	Accumulated investment remitted from Taiwan to Mainland China at the end of the period	Investment Amounts Authorized by Investment Commission, MOEA	Upper limit on investment authorized by the Investment Commission, M.O.E.A.	
Advanced International Multitech Co., Ltd. (Note 6, Note 7, Note 8)	\$ 149,434	\$ 140,560	\$ 4,642,257	

Note 6: Accumulated outward remittance from Taiwan to Mainland China at the end of the period is translated at the spot exchange rate of USD4,577 thousand at the time of the remittance.

Note 7: The investment amount approved by the Investment Commission of the Ministry of Economic Affairs is USD4,577 thousand, which is translated using the USD exchange rate of 30.71 at the balance sheet date.

Note 8: According to the quota stipulated in letter No. 09704604680 of the Ministry of Economic Affairs on August 29, 2008.

Advanced International Multitech Co., Ltd. and Subsidiaries

Investments in Mainland China - Significant Transactions between the Company and Investee Companies in Mainland China Directly or Indirectly through Entities in a Third Area

January 1 to December 31, 2022

Unit: In Thousands of New Taiwan Dollars

(Unless Otherwise Specified)

Table 7

Investee company	Sales (Purchases)		Property transaction		Account receivable (payable)		Endorsement/guarantee or collateral provided		Financing				Others	
	Amount	%	Amount	%	Balance	%	Ending balance	Purpose	Maximum balance	Ending balance	Interest rate range	Current interest		
Advanced Sporting Goods (Dongguan) Co., Ltd.	(\$ 10,036,034)	(72%)	\$ -	-	(\$ 1,376,834)	(77%)	\$ -	-	\$ -	\$ -	-	\$ -	-	Note

Note: The purchase (sales) amount comprises the sales revenue (sales of raw materials and work-in-progress) and operating costs (purchase of goods) arising from related processing of the Company's sales to Advanced Sporting Goods (Dongguan) Co., Ltd., that's about processing of removal materials, offset by \$1,315,282 for the period between January 1 to December 31, 2022.

Advanced International Multitech Co., Ltd. and Subsidiaries

Information on Major Shareholders

December 31, 2022

Table 8

Name of major shareholders	Shareholding	
	Number of shares	Shareholding ratio
Ming An Investment Co., Ltd.	12,134,838	8.84%

Note: (1) The major shareholders in this table are shareholders holding more than 5% of the common and preference shares that have completed delivery of non-physical registration (incl. treasury shares) on the last business day of each quarter calculated by the Taiwan Depository & Clearing Corporation. However, the share capital recorded in the Company's financial statements and the number of shares actually delivered by the Company without physical registration may differ due to calculation bases.

(2) For the above are shares entrusted by the shareholders, the information thereto shall base on the shares disclosed by the individual trust account of opened by the trustees. For information on shareholders, who declare to be insiders holding more than 10% of shares in accordance with the Securities and Exchange Act and whose shareholdings include their shareholdings plus their delivery of trust and shares with the right to make decisions on trust property, please refer to the Market Observation Post System.



**Attachment 2 : The 2022 and 2021 Parent Company Only Financial Report  
of the Advanced International Multitech Co., Ltd. And the  
Accountant's Audit Report**  
Independent Auditor's Report

To Advanced International Multitech Co., Ltd.

**Auditor's Opinions**

Advanced International Multitech Co., Ltd.'s parent company only balance sheets ended December 31, 2022 and 2021, parent company only statements of comprehensive income, parent company only statements of changes in equity, parent company only statements of cash flows from January 1 to December 31, 2022 and 2021, and the notes to the parent company only financial statements (including the summary of significant accounting policies) have been reviewed by the auditor.

In our opinion, based on our audits and the reports from other auditors (please refer Other Matters item), the aforementioned parent company only financial statements present fairly, in all material respects, the parent company only financial position of Advanced International Multitech Co., Ltd. as of December 31, 2022 and 2021, and its parent company only financial performance and parent company only cash flows from January 1 to December 31, 2022 and 2021 are presented in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

**Basis for Audit Opinion**

We planned and conducted our audits in accordance with the "Rules Governing the Auditing and Attestation of Financial Statements by Certified Public Accountants" and Generally Accepted Auditing Standards in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the parent company only Financial Statements section of our report. We have stayed independent from Advanced International Multitech Co., Ltd. as required by the Code of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled other responsibilities as stipulated by the Code. Based on our audits and the reports from other auditors, we believe that we have obtained sufficient and appropriate audit evidence to serve as 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 2022 parent company only financial statements of Advanced International Multitech Co., Ltd. Such matters have been dealt with in the course of auditing and compiling the parent company only financial statements and in the preparation of our audit opinion. As such, we do not respond to each key matter individually.

Key Audit Matters for the parent company only financial statements of Advanced International Multitech Co., Ltd. for 2022 are stated as follows:

### **Assessment of Impairment of Accounts Receivable**

#### Descriptions

Please refer to Note IV(IX) and (X) to the parent company only financial statements for accounting policies regarding accounts receivables and impairment assessment; please refer to Note V(II) to the parent company only financial statements for uncertainties of accounting estimates and assumptions regarding accounts receivables; and please refer to Note VI(IV) to the parent company only financial statements for net accounts receivables.

In measuring the expected credit losses, Advanced International Multitech Co., Ltd. must use its judgment to identify the factors that affect the future recoverability of the accounts receivable, and consider the time value of money, the information that is reasonable and available to prove the forecast of future economic conditions, and the supporting documents obtained by the management. Therefore, we identified the evaluation of impairment for accounts receivables as a key audit matter for Advanced International Multitech Co., Ltd..

#### Audit Procedures

The procedures we have performed on the aforementioned key audit matter are summarized as follows:

1. Based on our understanding of Advanced International Multitech Co., Ltd. operation and its sales counter-party, we have determined the reasonableness of the policy and procedures regarding provision of loss allowance for accounts receivables, including the objective evidence that determine the loss rate, e.g. characters of customers, assessment of past payment collection experience, and future economic conditions. We have also compared whether the policy for provision of loss allowance for accounts receivables is consistent throughout the reporting period.
2. We have assessed the reasonableness of the supporting documents based on the expected loss rates for different days past due as provided by the management.
3. We have also verified the correctness of the aging of accounts receivables in order to ensure the agreement of the financial information with its policy.
4. We have also tested the recovery of accounts receivables after the audit period so as to evaluate the possibility of recovery.

## **Inventory Valuation**

### Descriptions

Refer to Note IV(XII) to the parent company only financial statements for accounting policies regarding inventory valuation; Note V(II) for uncertainty of accounting estimates and assumptions regarding inventory valuation; and Note VI(V) for details of inventory accounting subjects.

The main business of Advanced International Multitech Co., Ltd. is to undertake the production of consumer products for the world's major brands. The inventory of such products, owing to rapid changes in technology and a high degree of customization, possesses higher risk of Inventory valuation loss or obsolescence. Advanced International Multitech Co., Ltd. measures the value of inventory through the employment of an item by item approach which recognizes the value at the lower of cost and net realizable value. Advance Group also 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 realizable value. Since the assessment process may involve the management's judgment based on the relevant supporting documents obtained, which is an area to be determined in an audit, we have identified the inventory valuation as the key audit matter for Advanced International Multitech Co., Ltd.

### Audit Procedures

The procedures we have performed on the aforementioned key audit matter are summarized as follows:

1. We have compared whether the policy for provision of allowance of inventory valuation loss is consistent throughout the reporting period and assessed the reasonableness of its provision policy.
2. We have examined the inventory management process, reviewed the annual inventory plan and participated in annual inventory counts in order to assess the effectiveness of management's judgment and control of obsolete inventory.
3. We have sampled and tested the net realizable value of individual inventory item to assess the reasonableness of the allowance to reduce inventory to market.

### **Other Matters – reference to other accountants' audits**

We did not audit the financial statements of certain investee companies accounted for under the equity method. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions expressed herein are based solely on the audit reports of the other auditors. The total investment amount of those aforementioned companies accounted for under equity method amounted to NT\$15,568 thousand, representing 0.13% of total assets as of 31 December 2022. The total operating revenues(losses) of those aforementioned companies accounted for under equity method amounted to NT\$(32) thousand, representing 0% of total comprehensive profit or loss for the period from January 1 to December 31, 2022.

## **Responsibility of the management and the governing body for the parent company only financial statements**

It is the management's responsibility to fairly present the parent company only financial statements in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and to maintain internal controls which are necessary for the preparation of the parent company only financial statements so as to avoid material misstatements due to fraud or errors therein.

In preparing the parent company only financial statements, the responsibility of management includes assessing Advanced International Multitech Co., Ltd. ability to continue as a going concern, disclosing going concern matters, as well as adopting going concern accounting, unless the management intends to liquidate Advanced International Multitech Co., Ltd. or terminate the business, or no practicable measure other than liquidation or termination of the business can be taken.

The governing bodies of Advanced International Multitech Co., Ltd. (including Audit Committee) have the responsibility to oversee the financial reporting process.

## **The Accountants' Responsibility in Auditing the Parent Company Only Financial Statements**

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditors' report that includes our opinion. "Reasonable assurance" refers to a high level of assurance. Nevertheless, our audit, which was carried out in accordance with the Generally Accepted Auditing Standards in the Republic of China does not guarantee that a material misstatement(s) in the parent company only financial statements will be detected.

There may still be material misstatements due to fraud or errors. 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 financial statements.

We have exercised professional judgment and maintained professional skepticism while abiding by the Generally Accepted Auditing Standards in the Republic of China in our audit.

The following tasks have also been performed:

1. Identify and evaluate the risk of material misstatements due to fraud or error in the parent company only financial statements; design and carry out appropriate countermeasures for the evaluated risk; and obtain sufficient and appropriate evidence as the basis for the audit opinion. As fraud may involve collusion, forgery, deliberate omissions, false statements, or violations of internal controls, the risk of an undetected material misstatement due to fraud is greater than that due to errors.
2. Acquired necessary understanding of internal controls pertaining to the audit in order to develop audit procedures appropriate under the circumstances. Nevertheless, the purpose of such understanding is not to provide any opinion on the effectiveness of the internal controls of Advanced International Multitech Co., Ltd.
3. Assess the appropriateness of the accounting policies adopted by the management level, as well as the reasonableness of their accounting estimates and relevant disclosures.

4. Concluded, based on the audit evidence acquired, on the appropriateness of the management's use of the going-concern basis of accounting, and determined whether a material uncertainty exists where events or conditions that might cast significant doubt on the ability of Advanced International Multitech Co., Ltd. to continue as going concerns. If we believe there are events or conditions indicating the existence of a material uncertainty, we are required to remind the users of the parent company only financial statements in our audit report of the relevant disclosures therein, or to amend our audit opinion in the event that any inappropriate disclosure was found. Our conclusion is based on the audit evidence obtained as of the date of the audit report. However, future events or circumstances may cause Advanced International Multitech Co., Ltd. to cease to continue as a going concern.
5. Evaluate the overall expression, structure and contents of the parent company only financial statements (including relevant Notes), and whether the parent company only financial statements fairly present relevant transactions and items.
6. Acquired sufficient and appropriate audit evidence regarding the financial information of entities within Advanced International Multitech Co., Ltd. in order to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and execution of auditing the Company, and for formation of an audit opinion.

Communications between us and the company's governing body take account of the scope and timing of the planned audit and significant audit findings, including any significant deficiencies in the internal controls during the audit process.

We have also provided the governing body with our statement of independence in accordance with the Code of Professional Ethics for Certified Public Accountant of the Republic of China, and communicated with the governing body all relationships and other matters that may be deemed to have an influence on our independence (including safeguard measures).

From the matters communicated with those charged with governance, we determined the key audit matters of the 2022 parent company only financial statements of Advanced International Multitech Co., Ltd. Such matters have been explicitly stated in our audit report, unless laws or regulations prevent their disclosures, or, in extremely rare cases, we decide not to communicate such matters in our audit report in consideration that the reasonably anticipated adverse impacts of such communication would be greater than the public interest it would promote.

PwC Taiwan

Chun-Kai Wang

CPA:

Chien-Chih Wu

Financial Supervisory Commission, R.O.C. (Taiwan)

Approval No.: Jin Guan Zheng Shen Zi No. 1110349013

Jin Guan Zheng Shen Zi No. 1030027246

February 23, 2023

Advanced International Multitech Co., Ltd. and Subsidiaries  
Parent Company Only Balance Sheets  
December 31, 2022 and 2021

Unit: In Thousands of New Taiwan Dollars

Assets	Notes	1 December 31, 2022		December 31, 2021		
		Amount	%	Amount	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	VI (I)	\$ 1,461,327	12	\$ 598,209	6
1110	Financial assets at fair value through profit or loss – current	VI(II)	8,837	-	-	-
1136	Financial assets at amortized cost – current	VI (III)	21,286	-	282,135	3
1150	Notes receivable – net	VI(IV)	4,863	-	9,567	-
1170	Account receivable – net	V, VI(IV), and VII	4,542,352	38	3,644,025	40
130X	Inventories	V and VI(V)	944,922	8	802,884	9
1410	Prepayments		88,451	1	93,193	1
1470	Other current assets		53,256	1	30,104	-
11XX	<b>Total current assets</b>		<u>7,125,294</u>	<u>60</u>	<u>5,460,117</u>	<u>59</u>
<b>Non-current assets</b>						
1510	Financial assets at fair value through profit or loss – non-current	VI(II)	19,448	-	-	-
1517	Financial assets at fair value through other comprehensive income – non-current	VI(VI)	55	-	55	-
1550	Investment accounted for using the equity method	VI(VII)	2,598,284	22	1,853,435	20
1600	Property, plant and equipment	VI(XIII)and VIII	1,437,913	12	1,241,819	14
1755	Right-of-use assets	VI(IX)	477,419	4	463,874	5
1780	Intangible assets	VI(X)	12,714	-	6,162	-
1840	Deferred income tax assets	VI(XXVIII)	43,986	1	34,519	1
1900	Other non-current assets	VIII	113,518	1	119,029	1
15XX	<b>Total non-current assets</b>		<u>4,703,337</u>	<u>40</u>	<u>3,718,893</u>	<u>41</u>
1XXX	<b>Total assets</b>		<u>\$ 11,828,631</u>	<u>100</u>	<u>\$ 9,179,010</u>	<u>100</u>

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Advanced International Multitech Co., Ltd. and Subsidiaries  
Parent Company Only Balance Sheets  
December 31, 2022 and 2021

Unit: In Thousands of New Taiwan Dollars

Liabilities and equities	Note	December 31, 2022		December 31, 2021		
		Amount	%	Amount	%	
<b>Current liabilities</b>						
2100	Short-term loans	VI(XI) and VIII	\$ 11,393	-	\$ 316,049	3
2120	Financial liabilities at fair value through profit or loss - current	VI(II)	417	-	-	-
2150	Notes payable		893	-	3,453	-
2170	Accounts payable		115,390	1	207,465	2
2180	Account payable - related party	VII	1,673,075	14	1,743,802	19
2200	Other payable	VI(XII)	893,601	7	691,172	8
2230	Income tax liabilities		440,827	4	241,335	3
2280	Lease liabilities -current		18,359	-	13,246	-
2300	Other current liabilities	VI(XIII) and XX	79,866	1	109,819	1
21XX	<b>Total current liabilities</b>		<u>3,233,821</u>	<u>27</u>	<u>3,326,341</u>	<u>36</u>
<b>Non-current liabilities</b>						
2530	Convertible bonds payable	VI(XIV)	816,573	7	-	-
2570	Deferred income tax liabilities	VI(XXVIII)	243,179	2	164,543	2
2580	Lease liabilities – non-current		474,064	4	457,227	5
2640	Net defined benefit liabilities – non-current	VI(XV)	64,719	1	73,348	1
25XX	<b>Total non-current liabilities</b>		<u>1,598,535</u>	<u>14</u>	<u>695,118</u>	<u>8</u>
2XXX	<b>Total liabilities</b>		<u>4,832,356</u>	<u>41</u>	<u>4,021,459</u>	<u>44</u>
<b>Equities</b>						
Share capital						
3110	Capital of common shares	VI(XVII)	1,371,929	12	1,353,127	15
Capital surplus						
3200	Capital surplus	VI(XVIII)	973,927	8	781,236	8
Retained earnings						
3310	Legal reserve	VI(XIX)	1,063,914	9	929,358	10
3320	Special reserve		167,767	1	142,996	2
3350	Undistributed earnings		3,736,047	32	2,376,835	26
Other equities						
3400	Other equities		( 89,642)	( 1)	( 167,766)	( 2)
3500	Treasury stock	VI(XVII)	( 227,667)	( 2)	( 258,235)	( 3)
3XXX	<b>Total equities</b>		<u>6,996,275</u>	<u>59</u>	<u>5,157,551</u>	<u>56</u>
Significant contingent liabilities and unrecognized contractual commitments						
Significant subsequent event						
3X2X	<b>Total liabilities and equities</b>		<u>\$ 11,828,631</u>	<u>100</u>	<u>\$ 9,179,010</u>	<u>100</u>

The accompanying notes to Parent Company Only financial statements are an integral part of the parent company only financial. Please refer to them as well.

Chairman : His-Chien Cheng

Manager : I-Nan Chou

Accounting Manager : Yi-Miao Kuo

Advanced International Multitech Co., Ltd. And Subsidiaries  
Parent Company Only Statement of Comprehensive Income  
January 1 to December 31, 2022 and 2021

Unit: In Thousands of New Taiwan Dollars  
(Except for Earnings Per Share Presented in New Taiwan Dollars)

Item	Notes	2022		2021	
		Amount	%	Amount	%
4000 Sales revenue	VI(XX)	\$ 17,824,766	100	\$ 14,300,562	100
5000 Cost of goods sold	VI(V)(X) (XXVI) (XXVII) and VII	( 15,185,387)	( 85)	( 12,174,092)	( 85)
5900 Gross Profits		<u>2,639,379</u>	<u>15</u>	<u>2,126,470</u>	<u>15</u>
Operating expenses	VI(X)(XXVI) (XXVII) and VII				
6100 Sales and marketing expenses		( 206,294)	( 1)	( 186,384)	( 1)
6200 Administrative expenses		( 319,604)	( 2)	( 266,857)	( 2)
6300 Research and development expenses		( 561,756)	( 3)	( 516,147)	( 4)
6450 Expected credit impairment loss	XII(II)	( 1,397)	-	( 353)	-
6000 Total operating expenses		( 1,089,051)	( 6)	( 969,741)	( 7)
6500 Other income and expenses – net	VI(XXI)	<u>123,245</u>	<u>-</u>	<u>175,463</u>	<u>1</u>
6900 Operating income		<u>1,693,573</u>	<u>9</u>	<u>1,332,192</u>	<u>9</u>
Non-operating income and expenses					
7100 Interest income	VI(XXII)	12,448	-	2,798	-
7010 Other income	VI(XXIII)	5,948	-	10,456	-
7020 Other gain and losses	VI(II)(XXIV)	318,225	2	( 99,512)	( 1)
7050 Finance costs	VI(XXV)	( 12,252)	-	( 5,019)	-
7070 Share of the profit (loss) of subsidiaries, associates and joint ventures accounted for using the equity method		<u>722,421</u>	<u>4</u>	<u>335,956</u>	<u>3</u>
7000 Total non-operating income and expenses		<u>1,046,790</u>	<u>6</u>	<u>244,769</u>	<u>2</u>
7900 <b>Net income before tax</b>		<u>2,720,363</u>	<u>15</u>	<u>1,576,961</u>	<u>11</u>
7950 Income tax expenses	VI(XXVIII)	( 479,583)	( 2)	( 229,496)	( 2)
8200 <b>Net income</b>		<u>\$ 2,240,780</u>	<u>13</u>	<u>\$ 1,347,465</u>	<u>9</u>

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Advanced International Multitech Co., Ltd. And Subsidiaries  
Parent Company Only Statement of Comprehensive Income  
January 1 to December 31, 2022 and 2021

Unit: In Thousands of New Taiwan Dollars  
(Except for Earnings Per Share Presented in New Taiwan Dollars)

Item	Note	2022		2021	
		Amount	%	Amount	%
<b>Other comprehensive income</b>					
<b>Items that will not be re-classified to profit or loss</b>					
8311	Defined benefit plan re-measurements	VI(XV)	\$ 6,993	-	(\$ 2,381) -
8349	Income tax related items that are not reclassified subsequently to profit or loss	VI(XXVIII)	(1,399)	-	476 -
8310	Total of items that will not be re-classified to profit or loss		5,594	-	(1,905) -
<b>Items that may be re-classified subsequently to profit or loss</b>					
8361	Exchange differences on translation of foreign financial statements		78,124	-	(24,770) -
8300	<b>Other comprehensive income - net</b>		\$ 83,718	-	(\$ 26,675) -
8500	<b>Total comprehensive income</b>		\$ 2,324,498	13	\$ 1,320,790 9
Earnings per Share VI(XXIX)					
9750	Basic		\$ 16.92	\$ 10.01	
9850	Diluted		\$ 16.20	\$ 9.92	

The accompanying notes to the parent company only financial statements are an integral part of the parent company only financial statements. Please refer to them as well.

Chairman : His-Chien Cheng

Manager : I-Nan Chou

Accounting Manager : Yi-Miao Kuo

Advanced International Multitech Co., Ltd. And Subsidiaries  
Parent Company Only Statements of Changes in Equity  
January 1 to December 31, 2022 and 2021

Unit : In Thousands of New Taiwan Dollars

	Note	Capital Surplus				Retained Earnings			Exchange differences on translation of foreign financial statements	Treasury stock	Total	
		Capital of common stock	Share premium	Recognized value of changes in equity of ownership of subsidiaries	Stock option	Others	Legal reserve	Special reserve				Un-distributed earnings
<u>2021</u>												
Balance as of January 1, 2021		\$ 1,353,127	\$ 739,866	\$ 16,480	\$ -	\$ 24,890	\$ 861,536	\$ 133,828	\$ 1,473,609	(\$ 142,996 )	\$ -	\$ 4,460,340
Net income		-	-	-	-	-	-	-	1,347,465	-	-	1,347,465
Other comprehensive income		-	-	-	-	-	-	-	( 1,905 )	( 24,770 )	-	( 26,675 )
Total comprehensive income		-	-	-	-	-	-	-	1,345,560	( 24,770 )	-	1,320,790
Earnings appropriation and allocation for 2020:	VI(XIX)											
Provision of legal reserve		-	-	-	-	-	67,822	-	( 67,822 )	-	-	-
Provision of special reserve		-	-	-	-	-	-	9,168	( 9,168 )	-	-	-
Cash dividends from common shares		-	-	-	-	-	-	-	( 365,344 )	-	-	( 365,344 )
Treasury stock buyback	VI(XVII)	-	-	-	-	-	-	-	-	-	( 258,235 )	( 258,235 )
Balance as of December 31, 2021		\$ 1,353,127	\$ 739,866	\$ 16,480	\$ -	\$ 24,890	\$ 929,358	\$ 142,996	\$ 2,376,835	(\$ 167,766 )	(\$ 258,235 )	\$ 5,157,551
<u>2022</u>												
Balance as of January 1, 2022		\$ 1,353,127	\$ 739,866	\$ 16,480	\$ -	\$ 24,890	\$ 929,358	\$ 142,996	\$ 2,376,835	(\$ 167,766 )	(\$ 258,235 )	\$ 5,157,551
Net income		-	-	-	-	-	-	-	2,240,780	-	-	2,240,780
Other comprehensive income		-	-	-	-	-	-	-	5,594	78,124	-	83,718
Total comprehensive income		-	-	-	-	-	-	-	2,246,374	78,124	-	2,324,498
Earnings appropriation and allocation for 2021:	VI(XIX)											
Provision of legal reserve		-	-	-	-	-	134,556	-	( 134,556 )	-	-	-
Provision of special reserve		-	-	-	-	-	-	24,771	( 24,771 )	-	-	-
Cash dividends from common shares		-	-	-	-	-	-	-	( 727,835 )	-	-	( 727,835 )
Recognized equity items due to the issuance of convertible bond- from stock options	VI(XIV)	-	-	-	65,084	-	-	-	-	-	-	65,084
Conversion of convertible bonds	VI(XIV)	18,802	137,519	-	( 9,912 )	-	-	-	-	-	-	146,409
Treasury stock transfer to employees	VI(XVI)(XVII)	-	-	-	-	-	-	-	-	-	30,568	30,568
Balance as of December 31, 2022		\$ 1,371,929	\$ 877,385	\$ 16,480	\$ 55,172	\$ 24,890	\$ 1,063,914	\$ 167,767	\$ 3,736,047	(\$ 89,642 )	(\$ 227,667 )	\$ 6,996,275

The accompanying notes to the parent company only financial statements are an integral part of the parent company only financial statements. Please refer to them as well.

Advanced International Multitech Co., Ltd. And Subsidiaries  
Parent Company Only Statements of Cash Flows  
January 1 to December 31, 2022 and 2021

Unit : In Thousands of New Taiwan Dollars

	Note	2022	2021
<u>Cash flows from operating activities</u>			
Net income before tax		\$ 2,720,363	\$ 1,576,961
Adjustments			
Income and expenses items			
Depreciation expenses	VI(VIII)(IX) (XXVI)	235,616	200,378
Amortization expenses	VI(XXVI)	24,553	13,672
Expected credit impairment loss	XII(II)	1,397	353
Net loss (gain) from financial assets and liabilities at fair value through profit or loss	VI(II)(XXIV)	3,611	264
Interest expenses	VI(XXV)	12,252	5,019
Interest income	VI(XXII)	( 12,448 )	( 2,798 )
Share of the profit (loss) of subsidiaries, associates, and joint ventures accounted for using equity method		( 722,421 )	( 335,956 )
Loss on non-financial asset impairment	VI(VII)(XXIV)	-	42,407
Loss (gain) on disposal and retirement of property, plant and equipment	VI(XXIV)	( 275 )	7,014
Reclassification of property, plant and equipment to expense	VI(XXX)	1,377	1,002
Gains on lease modification	VI(XXIV)	( 1,596 )	-
Changes in operating assets and liabilities			
Net change in operating assets			
Financial asset at fair value through profit or loss - current		( 7,396 )	( 60 )
Notes receivables		4,704	( 1,759 )
Account receivables		( 899,724 )	( 803,408 )
Inventories		( 142,038 )	( 254,787 )
Prepayments		4,742	( 51,219 )
Other current assets		( 23,152 )	( 17,503 )
Net change in operating liabilities			
Financial liabilities at fair value through profit or loss - current		( 1,670 )	-
Notes payable		( 2,560 )	205
Account payable		( 92,075 )	2,622
Account payable - related party		( 70,727 )	( 148,866 )
Other payable		168,222	185,056
Other current liabilities		( 29,953 )	( 26,026 )
Long-term deferred income		-	( 6,152 )
Net defined benefit liabilities - non-current		( 1,636 )	( 11,083 )
Cash provided by operating activities		1,169,166	375,336
Income tax paid		( 212,321 )	( 98,382 )
Net cash provided by operating activities		956,845	276,954

(Continue to next page)

Advanced International Multitech Co., Ltd. And Subsidiaries  
Parent Company Only Statements of Cash Flows  
January 1 to December 31, 2022 and 2021

Unit : In Thousands of New Taiwan Dollars

	Note	2022	2021
<u>Cash provided by investing activities</u>			
Financial assets at fair value through profit or loss- increase in non-current		(\$ 21,586)	\$ -
Financial assets at amortized cost - decrease in current		260,849	182,953
Financial assets at amortized cost - decrease in non-current		-	44,649
Acquisition of investments accounted for using equity method		( 15,600 )	-
Cash dividends from investments accounted for using equity method		71,296	262,395
Acquisition of property, plant, and equipment	VI(XXX)	( 12,521 )	( 458,404 )
Increase in prepayments for business facilities		( 332,390 )	( 68,191 )
Proceeds from disposal of property, plant, and equipment		976	3,566
Acquisition of intangible assets	VI(X)	( 11,985 )	( 6,920 )
Increase in refundable deposits		-	( 2,284 )
Decrease in refundable deposits		22,441	11,524
Increase in other non-current assets		( 60,032 )	( 24,667 )
Interest received		12,448	2,798
Net cash outflows from investing activities		( 86,104 )	( 52,581 )
<u>Cash flows from financing activities</u>			
Increase in short-term loans	VI(XXXI)	8,399,795	9,438,297
Decrease in short-term loans	VI(XXXI)	( 8,704,451 )	( 9,199,735 )
Repayment of the principal amount of rentals	VI(XXXI)	( 20,687 )	( 23,934 )
Interest paid		( 6,036 )	( 1,303 )
Cash dividend distributed	VI(XIX)	( 727,835 )	( 365,344 )
Issuance of corporate bond	VI(XXXI)	1,021,023	-
Treasury stock buyback cost	VI(XVII)	-	( 258,235 )
Transfer of treasury stock to employees	VI(XVII)	30,568	-
Net cash outflows from financing activities		( 7,623 )	( 410,254 )
Increase (Decrease) in cash and cash equivalents for the current period		863,118	( 185,881 )
Cash and cash equivalents, beginning of the period		598,209	784,090
Cash and cash equivalents, end of the period		\$ 1,461,327	\$ 598,209

The accompanying notes to the parent company only financial statements are an integral part of the parent company only financial statement. Please refer to them as well.

Chairman : His-Chien Cheng

Manager : I-Nan Chou

Accounting Manager : Yi-Miao Kuo

Advanced International Multitech Co., Ltd. And Subsidiaries  
Notes to the Parent Company Only Financial Statements  
For the Year of 2022 and 2021

Unit : NT\$1,000  
(Unless otherwise specified)

I. Company History

- (I) Advanced International Multitech Co., Ltd. ("the Company" hereinafter) , originally known as Advanced Composite Design Co., Ltd., obtained its establishment approval on July 20, 1987 and started operation in January 1988. The Company merged with its subsidiaries, Da-an Precision Casting Co., Ltd. and Advanced International Co. Ltd., on July 1, 1998. The Company is mainly engaged in the manufacturing, processing, trading, import and export of carbon fiber prepackaged materials, and carbon fiber products (e.g., baseball bat, billiard stick, arrow target, golf club shaft and head, fishing tools, bicycle and accessories), as well as composite materials, namely carbon fiber fabrics, for the aviation industry.
- (II) The Company's stocks have been traded on the Taipei Exchange ("TPEX" hereinafter) since December 2002.

II. Approval Date and Procedure of Financial Statements

The parent company only financial statements were released on February 23, 2023, after being approved by the Board of Directors.

III. Application of New and Amended Standards and the Interpretations

- (I) Effects of the Adoption of New and Amended IFRSs Endorsed by the Financial Supervisory Commission ("FSC" hereinafter)

The following table summarizes the new, revised, and amended standards and interpretations of IFRSs endorsed by the FSC that are applicable in 2022:

<u>New/Revised/Amended Standards and Interpretations</u>	<u>Effective date issued by the International Accounting Standards Board (IASB)</u>
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022
Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022
Amendments to IAS 37 "Onerous contract - the cost of fulfilling the contract"	January 1, 2022
Annual Improvements to 2018-2020 Cycle	January 1, 2022

The Company assessed the effects of adopting the aforementioned standards and interpretations and found no significant effects on the Company's financial position and financial performance.

(II) Effects of Not Yet Applying the Newly Announced and Revised IFRSs Endorsed by the FSC

The following table summarizes the new, revised, and amended standards and interpretations of IFRSs endorsed by the FSC that are applicable in 2023:

<u>New/Revised/Amended Standards and Interpretations</u>	<u>Effective date issued by the International Accounting Standards Board (IASB)</u>
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 Company assessed the effects of adopting the aforementioned standards and interpretations and found no significant effects on the Company's financial position and financial performance.

(III) Effects of IFRSs Issued by IASB but Not Yet Endorsed by the FSA

The following table summarizes the new, amended, revised standards and interpretation of IFRSs that have been issued by IASB but not yet endorsed by the FSC:

<u>New/Revised/Amended Standards and Interpretations</u>	<u>Effective date issued by the International Accounting Standards Board (IASB)</u>
Amendments to IFRS 10 and IAS 28 "Sales or Contributions of Assets between Its Associate/Joint Venture"	Yet to be determined by the IASB
Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback"	January 1, 2024
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17 relating to "Transition Requirement for Issuers Applying IFRS 17 and IFRS 9 for the First Time – Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-Current Liabilities with Covenants"	January 1, 2024

The Company assessed the effects of adopting the aforementioned standards and interpretations and found no significant effects on the Company's financial position and financial performance.

#### IV. Summary of Significant Accounting Policies

Significant accounting policies adopted to compile this parent company only financial statement are stated as below. Unless otherwise specified, the policies shall be applicable to all reporting periods presented.

##### (I) Statement of Compliance

The parent company only financial statements are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers

##### (II) Basis of Preparation

1. Except for the following significant items, these parent company only financial statements have been prepared under the historical cost convention:
  - (1) Financial assets and liabilities at fair value through profit or loss (including derivative instruments).
  - (2) Financial assets at fair value through other comprehensive income.
  - (3) Defined benefit liability that is derived from retirement plan assets less the present value of net defined benefit obligation.
2. Critical accounting estimates are required in preparing a set of financial statements in compliance with the IFRSs. Management judgments are also required in the process of applying the Company's accounting policies. For items that are highly judgmental, complex, or related to significant assumptions and estimates of the parent company only financial statements, please refer to Note V.

##### (III) Foreign Currency Translation

All items on the financial statements of each entity of the Company are measured at the currency of the principal economic environment in which the entity operates (i.e., functional currency). The Parent Company Only Financial Statements are presented and reported in the Company's functional currency, New Taiwan Dollars (NT\$).

###### 1. Foreign Currency Transaction and Balance

- (1) Foreign currency transaction is translated to the functional currency by using the spot exchange rate on the trade date or measurement date. Any translation differences occurred are to be recognized in the current profit or loss.
- (2) Balances of monetary assets and liabilities denominated in foreign currencies are adjusted at the spot exchange rates prevailing at the balance sheet date. Exchange gains or losses arising from such adjustments are recognized in profit or loss.
- (3) Balances of non-monetary assets and liabilities denominated in foreign currency, if they are measured at fair value through profit or loss, they are adjusted using the spot exchange rate prevailing at the balance sheet date and any exchange differences arising from there are recognized as profit or loss; if such are measured at fair value through other comprehensive income, they are adjusted using the spot exchange rate prevailing at the balance sheet date and any exchange differences arising from there are recognized as other comprehensive income or loss; and if such are not measured at fair value, they are measured at the historical exchange rates on initial transaction dates.
- (4) All exchange gains and losses are presented as "Other gains and losses" on the statement of comprehensive income.

## 2. Translation from Foreign Operations

The operating results and financial position of all entities within the Company that have a functional currency different from the presentation currency are translated into the presentation currency by applying the following approaches:

- (1) Assets and liabilities presented on each balance sheet are translated using the closing exchange rate prevailing at the balance sheet date;
- (2) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- (3) All the resulting exchange differences are recognized in other comprehensive income.
- (4) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, if the Company still retains partial interests in the former foreign subsidiary but has lost its controlling power over the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in these foreign operations.

## (IV) Classification of Current and Non-Current Assets and Liabilities

1. Assets that meet one of the following criteria are classified as current assets:

- (1) Assets that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle.
- (2) Assets held primarily for trading purposes.
- (3) Assets that are expected to be realized within 12 months after the balance sheet date.
- (4) Cash and cash equivalents, excluding those that are restricted, or to be exchanged or used to settle liabilities at least twelve months after the balance sheet date. Otherwise, they are classified as non-current assets.

2. Liabilities that meet one of the following criteria are classified as current liabilities:

- (1) Liabilities that are expected to be settled within the normal operating cycle.
- (2) Is held primarily for trading purposes.
- (3) Liabilities that are expected to be settled within 12 months after the balance sheet date.
- (4) Liabilities for which the repayment date cannot be extended unconditionally to more than 12 months after balance sheet date. Settlement by the issue of equity instruments based on transaction party's choice does not impact classification. Otherwise, they are classified as non-current liabilities.

## (V) Cash Equivalents

Cash equivalents refer to the investments that are short-term, highly liquid, subject to low risk of changes in value, and readily convertible to known amount of cash. Time deposits satisfying the aforementioned definition and for which the objective of holding is to meet the short-term operating cash commitment are classified as the cash equivalent.

## (VI) Financial Assets Measured at Fair Value through Profit or Loss

1. Financial assets that are neither measured at amortized cost nor measured at fair value through other comprehensive income.
2. For financial assets measured at fair value through profit or loss in transactions that meet regular purchase or sale rules, the Company adopts settlement date accounting to recognize such financial assets.



3. Financial assets at value through profit or loss are initially recognized at fair value with related transaction costs recognized in profit or loss, and subsequently measured at fair value with related gains or losses recognized in profit or loss.
4. The Company recognizes dividends income when the rights of shareholders to receive payment are established, provided that the economic benefits related to such dividends are probable to flow to the Company and the amount of such benefits can be reliably measured.

(VII) Financial Assets measured at Fair Value through Other Comprehensive Income

1. Refers to the irrevocable election made at initial recognition that allows the Company to present fair value changes of equity investment not held for trading in other comprehensive income; or debt investment that meets all the criteria simultaneously:
  - (1) Financial assets held within a business model of which the objective of holding is to collect the contractual cash flows and to sell.
  - (2) The cash flows on specific dates that are generated from the contractual terms of the financial assets are solely payments of the principle and interest on the principle amount outstanding.
2. For financial assets measured at fair value through other comprehensive income in transactions that meet regular purchase or sale rules, the Company adopts settlement date accounting to recognize such financial assets.
3. Financial assets measured at fair value through other comprehensive income are initially measured at fair value plus transaction costs, and subsequently such are measured at fair value with fair value changes in equity instruments recognized in other comprehensive income. Upon de-recognition, the cumulative gains or losses previously recognized in other comprehensive income shall not be reclassified to profit or loss, but to be transferred to retained earnings. the Company recognizes dividends income when the rights of shareholders to receive payment are established, provided that the economic benefits related to such dividends are probable to flow to the Company and the amount of such benefits can be reliably measured.

(VIII) Financial Assets Measured at Amortized Cost

1. Financial assets at amortized cost are those that meet all of the following criteria:
  - (1) The objective of the Company's business model is achieved by collecting contractual cash flows of the financial assets;
  - (2) The cash flows on specific dates that are generated from the contractual terms of the financial assets are solely payments of the principle and interest on the principle amount outstanding.
2. For financial assets measured at amortized cost in transactions that meet regular purchase or sale rules, the Company adopts settlement date accounting to recognize such financial assets.
3. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. In subsequent periods, interest income and impairment loss is recognized using the effective interest method based on amortization procedures during the circulation period. Upon de-recognition, the gain or loss is recognized in profit or loss.

(IX) Account Receivables and Notes Receivables

1. Accounts receivables and notes receivables are receivables and notes of which the contractual right to consideration for goods sold or services rendered is unconditional.
2. However, short-term accounts/notes receivables without interest payment, given insignificant effects of their discounting, are subsequently measured at the invoice price.

(X) Impairment of Financial Assets

The Company measures the loss allowance for financial assets measured at amortized cost after taking into account all reasonable and proving information (including foreseeing information) at each balance sheet date; where the credit risk has not significantly increased since initial recognition, the loss allowance is measured at the 12-month expected credit losses; where the credit risk has increased significantly since initial recognition, the loss allowance is measured at full lifetime expected credit losses; and where they are accounts receivables or contract assets that do not comprise any significant financing components, the loss allowance is measured at full lifetime expected credit losses

(XI) De-Recognition of Financial Assets

The Company de-recognizes an asset when its contractual rights to receive cash flows from the financial asset expire.

(XII) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted moving average method. The costs of work in progress and finished goods include the cost of raw materials, direct labor, other direct cost and a proportion of manufacturing overheads (based on normal operating capacity), excluding borrowing cost. The item by item approach is employed when evaluating the lower of costs and net realizable value. Net realizable value is the balance of estimated selling price in the normal operating course less the estimated cost of completion and applicable variable selling expenses.

(XIII) Investments accounted for using the Equity Method

1. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20% or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.
2. The Company's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate (including any other unsecured receivables), the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
3. Any changes in equity of associates are recognized as "capital surplus" by the Company in proportion to its shareholding ratio, provided that such changes are not attributable to profit or loss, or to other comprehensive income, or affect the Company's shareholding percentage.
4. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates are adjusted, when necessary, to remain consistent with those of the Company.

5. When the Company disposes its investment in an associate and loses significant influence over this associate, the accounting treatment for amounts previously recognized in other comprehensive income in relation to the associate are the same as the one required if the relevant assets or liabilities were directly disposed of. That is, if gain/loss previously recognized in other comprehensive income will be reclassified to profit or loss upon disposal of relevant assets or liabilities, such gain/loss will be reclassified from equity to profit or loss when the Company loses significant influence over the associate. If it still retains significant influence over this associate, then the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
6. Subsidiaries refer to entities controlled by the Company (including structural entities). Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
7. Unrealized gains on transactions between the Company and its subsidiaries are eliminated. Accounting policies of subsidiaries are adjusted, when necessary, to remain consistent with those of the Company.
8. The Company's share of its subsidiaries' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the share of loss from a subsidiary exceeds the carrying amount of Company's interests in that subsidiary, the Company continues to recognize its shares in the subsidiary's loss proportionately.
9. A change in the ownership interest of a subsidiary without a loss of control (transactions with non-controlling interests) is accounted for as an equity transaction, 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 recognized directly in equity.
10. According to Regulations Governing the Preparation of Financial Reports by Securities Issuers, the profit or loss of the period and other comprehensive income presented in parent company only financial statements shall be the same as the allocations of profit or loss of the period and of other comprehensive income attributable to owners of the parent presented in the financial statements prepared on a consolidated basis, and the owners' equity presented in the parent company only financial statements shall be the same as the equity attributable to owners of the parent presented in the financial statements prepared on a consolidated basis.

(XIV) Property, Plant and Equipment

1. Property, plant, and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
2. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is de-recognized. All other repairs and maintenance are recognized in profit or loss when incurred.
3. Except for land which is not depreciated, other property, plant, and equipment are subsequently measured using the cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. If the property, plant, and equipment comprise any significant components, they are depreciated individually.

4. the Company reviews each assets' residual values, useful lives and depreciation methods at the end of each financial year. 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:

Housing and structures	1 year to 56 years
Machinery and equipment	1 year to 15 years
Utility equipment	2 year to 41 years
Transportation equipment	10 years
Office equipment	2 year to 10 years
Other equipment	2 year to 21 years

(XV) Lease Transaction in a Capacity of a Lessee - Right-of-Use Assets/Lease Liabilities

1. A right-of-use asset and a lease liability are recognized for a leased asset on the date when it becomes readily available for the Company's use. When a lease contract is a short-term lease or when it is a lease of which the underlying asset is of low value, lease payments are recognized as an expense on a straight-line basis over the lease term.
2. A lease liability is recognized at the commencement date of the lease in the amount equal to the present value of the remaining lease payments (i.e. the remaining lease payments discounted at the Company's incremental borrowing rate.) Lease payments include:
  - (1) Fixed payments, less any lease incentives receivables;
  - (2) Variable lease payments that based on the current value of an index or a rate;
  - (3) Lease payments expected to be payable by the Company under the residual value guarantee; and
  - (4) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequently, lease liabilities are measured at the amortized cost using the effective interest rate method, and interest expense is allocated over the lease term. When a change in the lease term or lease payments occurs due to reasons other than lease modifications, lease liabilities are reassessed and the re-measurements are adjusted to the right-of-use assets.
3. At the commencement date, the right-of-use asset should be measured at cost. Cost comprises:
  - (1) The amount of the initial measurement of the lease liability;
  - (2) Any lease payments made at or before the commencement date;
  - (3) Any initial direct costs incurred; and
  - (4) 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.

A right-of-use asset is subsequently measured using the cost model and depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset and the end of the lease term. When a lease liability is reassessed, the right-of-use asset is adjusted for any re-measurements of the lease liability.

(XVI) Intangible Assets

Computer software is recognized at acquisition cost, amortized by the straight-line method, with an estimated useful life of 3 to 5 years

(XVII) Impairment of Non-Financial Assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized when the asset's carrying amount exceeds its recoverable amount. The recoverable amount of an asset is the greater of its 'fair value minus costs to sell' and its 'value in use'. When circumstances contributed to the recognition of impairment loss of an asset in the previous period do not exist or are decreased, the recognized impairment loss is reversed to the carrying amount of an asset to the extent that it does not exceed the carrying amount (net of depreciation and amortization) if the impairment loss had not been recognized.

(XVIII) Borrowings

Borrowings are short-term and long-term loans borrowed from banks. Borrowings are recognized initially at fair value, net of transaction costs incurred. Subsequently, borrowing expenses are recognized in profit or loss based on the difference amounts between the proceeds (net of any transaction costs) and the redemption value that are amortized over the lives of borrowings using the effective interest method.

(XIX) Account Payable and Notes Payable

1. These refer to the debts incurred by purchase of materials, goods, or services on credit, and the notes payable incurred by both operating and non-operating activities.
2. However, short-term accounts/notes payable without interest payment, given insignificant effects of their discounting, are subsequently measured at the invoice price.

(XX) Financial Liabilities at Fair Value through Profit or Loss

1. Financial liabilities at fair value through profit or loss refer to financial liabilities designated upon initial recognition to be measured at fair value through profit or loss. Financial liabilities that meet one of the following criteria are designated to be measured at fair value through profit or loss on initial recognition:
  - (1) Hybrid (combined) contracts; or
  - (2) Can be eliminated or has a significant reduction in measurement or being recognition inconsistency; or
  - (3) Such are managed and their performance are evaluated on a fair value basis in accordance with a documented risk management policy.
2. Financial assets at value through profit or loss are initially recognized at fair value with related transaction costs recognized in profit or loss, and subsequently measured at fair value with related gains or losses recognized in profit or loss.

(XXI) Convertible Bond Payable

The convertible bond issued by the Company was embedded with conversion right (meaning the bondholders can exercise the right to convert the bond into common shares of the Company and the conversion was preset to convert a fixed amount for a fixed number of shares) and call option. At the time of initial issuance, the issue price is classified into financial assets or equity according to the issuance terms and conditions, and the accounting treatment is as follows:

1. Embedded Call Option: At the time of initial recognition, the net amount of the fair value is recorded as "financial assets measured at fair value through profit and loss"; then on the balance sheet date, it is evaluated at the current fair value, and the amount difference is recognized as "gains or losses of financial assets measured at fair value through profit or loss".
2. Host Contract of the Corporate Bond: It is measured at fair value at the time of initial recognition, and the difference between the redemption value, and a premium or discount of corporate bonds payable is recognized when there is a difference between the fair value and the redemption value. The effective interest method is subsequently used to recognize gain or loss within the bond circulation period according to the amortization procedure and is deemed as adjustment to "financial costs".
3. Embedded Conversion Right (meet the definition of equity): At the time of initial recognition, the residual value after deducting the above mentioned "financial assets measured at fair value through profit and loss" and "corporate bond payable" from the issuance amount is recorded as "capital reserve-stock option" and will not re-evaluate thereafter.
4. Any directly-linked transaction costs of the issuance are allocated in proportion to the elements of each liability and equity based on the above-mentioned element's initial book value.
5. When bondholders convert, the elements of liability on the book (including "corporate bond payable" and "financial assets measured at fair value through profit and loss") are treated in accordance with the subsequent measurement of the associated classification, and the book value of the aforementioned liability elements is added with the book value of "capital reserve-stock option" to be the issuance cost of the common stock conversion.

(XXII) The De-Recognition of Financial Liabilities

The Company de-recognizes liabilities, when the Company fulfills, cancels or expires the obligations specified in the contract.

(XXIII) The Offsetting of Financial Assets and Financial Liabilities

Financial assets and financial liabilities may be offset only when an entity has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously, and the net amount is presented in the balance sheet.

(XXIV) Non-Hedging Derivatives

Non-hedging derivatives are initially measured at the fair value of the date when contracts are executed and presented as financial assets or liabilities measured at fair value through profit or loss. Subsequently, they are measured at fair value with gains or losses recognized in profit or loss.

(XXV) Employee Benefits

1. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid and should be recognized as expenses in the period when the employees render service.

2. Pensions

(1) Defined contribution plan

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

(2) Defined benefit plans

A. The net obligation under a defined benefit plan is defined as the present value of pension benefits that employees will receive on retirement for their services with the Company in the current period or prior periods. The amount recognized 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 computed by independent actuaries every year using the projected unit credit method. The discount rate employed is by reference either to the market yields on high quality corporate bonds of which the currency and duration are consistent with the currency and duration of the defined benefit plan, or to the market yields on government bonds (on the balance sheet date) in countries where there is no deep market for high quality corporate bonds.

B. The re-measured amount of defined benefit plans is recognized in other comprehensive income as it arises and presented in retained earnings.

3. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Company's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. the Company recognizes expenses at the earlier of when it can no longer withdraw the termination contracts or when it recognizes relevant restructuring costs. Benefits due more than 12 months after balance sheet date are discounted to their present value.

4. Employees' compensation, and directors and supervisors' remuneration Compensation to employees and remuneration to directors and supervisors are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligations and those amounts can be reliably estimated. If the accrued amounts are different from the actual distributed amounts resolved by the shareholders subsequently, the differences should be accounted for as changes in accounting estimates.

(XXVI) Employee Share-Based Payment

The equity-settled, share-based payment agreement is based on the fair value of the equity instrument given on the grant date to measure the employee services obtained, which are recognized as remuneration costs during the vesting period, and the equity is adjusted accordingly. The fair value of such equity instruments should reflect the impact of market price under vested conditions and non-vested conditions. The recognized remuneration cost is adjusted according to the amount of rewards that are expected to meet the service conditions and non-market vested conditions, until the final recognized amount is recognized based on the vested amount on the date of grant.

(XXVI) Income Tax

1. Income tax expense includes current income tax and deferred income tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which tax is recognized in other comprehensive income or directly in equity.
2. The 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 operates and generates taxable income. Management periodically evaluates positions taken in tax returns 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 shareholders resolve to retain the earnings.
3. Deferred income tax adopts the balance sheet approach. It is recognized as the temporary difference between the tax bases of assets and liabilities and their carrying amounts on the balance sheet at the reporting date. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or 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 income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income 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 income tax asset is realized or the deferred income tax liability is settled.
4. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
5. Current income tax assets and liabilities are offset when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(XXVIII) Share Capital

1. Common shares are classified as equity.
2. When the Company buys back the issued shares, the consideration paid and the directly attributable incremental costs are recognized as a deduction from shareholders' equity (net of tax). On subsequent reissues of the repurchased shares, the difference between the consideration received, net of any directly attributable incremental costs and the effect of income taxes, and the carrying amount is recognized as an adjustment to shareholders' Equity.



(XXIX) Dividend Distribution

Dividends to be distributed in cash to shareholders of the Company are recognized as liabilities in the financial statements when the dividend plan is resolved in Board of Directors' Meeting; dividends to be distributed in stocks to shareholders of the Company, after the dividend plan being resolved in the shareholders' Meeting, are recognized as stock dividends to be distributed, which is transferred to common share on the date when new shares are issued.

(XXX) Revenue Recognition

1. The Company manufactures and sells consumer related products and recognizes sales revenue when the control of products is passed to customers, i.e. when products are delivered to customers and the Company doesn't have further performance obligations that might affect the acceptance of goods by customers. Goods are deemed delivered when the risk of delivery, obsolescence and loss is transferred to customers and customers has accepted the goods in accordance with the contractual terms, or when any objective evidence suggests that all criteria for acceptance have been satisfied.
2. Sales revenue is recognized at the contract price, net of business tax, and sales returns, discounts and allowances. The payment terms of most sales transaction are usually due within 60~90 days after the shipping date. Since the time interval between when the committed goods or services are transferred to customers and when customers pay is shorter than one year, the Company does not adjust the transaction price to reflect the time value of money.
3. the Company provides allowance for defective products sold and estimates discounts on a historical basis. A refund liability is recognized upon sales of products.
4. Accounts receivable is recognized when goods are delivered to customers because at which time the Company's right to the consideration for contracts from customers is unconditional, except for passage of time.

(XXXI) Government Grants

Government grants are recognized at their fair value only when there is reasonable assurance that the Company will comply with any conditions attached to the grants and the grants will be received. If a government grant is to compensate the Company's expense, then when the related expenses occur, the grant is recognized as profit or loss on a systematic basis.

V. The Primary Sources of Uncertainties in Major Accounting Judgments, Estimates, and Assumptions

When preparing the consolidated financial statement, management of the Company had determined its accounting policies based on its judgments and made accounting estimates and assumptions based on a rational expectation of future events depending on the circumstances at the balance sheet date. If there is any difference between any major accounting estimates and assumptions made and actual results, the historical experience, the impact of COVID-19 and other factors will be taken into account in order to continue assessment and adjustment. Such estimates and assumptions may result in a risk of a material adjustment to the carrying amount of assets and liabilities in the next year. Description of the uncertainties in major accounting judgments, estimates, and assumptions is as follows:

(I) Major Judgement in Adopting the Accounting Policies

None.

(II) Major Accounting Estimates and Assumptions

1. Expected credit loss of accounts receivable

A loss allowance for accounts receivable is provided based on their full lifetime expected credit losses. In measuring the expected credit losses, the Company must use its judgment to identify the factors that affect the future recoverability of the accounts receivable (e.g., customers' operation condition and historical transaction records that may affect customers' ability to pay), and consider the time value of money, and the information that is reasonable and available to prove the forecast of future economic conditions. The said judgments and factors may significantly affect the measurement of the expected credit losses.

As of December 31, 2022, the carrying amount of the Company's accounts receivable was \$4,542,352.

2. Evaluation of inventories

As inventories are stated at the lower of cost and net realizable value, the Company must determine the net realizable value of inventories on balance sheet date using judgments and estimates. Due to the rapid technological changes, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on the balance sheet date, and writes down the cost of inventories to the net realizable value. Since the inventory valuation is estimated based on demands for products in a specific future period, it may be subject to significant changes. As of December 31, 2022, the carrying amount of the Company's inventories was \$944,922.

VI. Description of Major Accounting Subjects

(I) Cash and Cash Equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand and revolving funds	\$ 249	\$ 191
Checking deposit and demand deposit	846,766	523,018
Cash equivalents - time deposit	434,312	75,000
Cash equivalents - Repo bonds	180,000	-
	<u>\$ 1,461,327</u>	<u>\$ 598,209</u>

1. The Company work with financial institutions having high credit quality. the Company also deals with various financial institutions for credit risk diversification. Therefore, the expected risk of default is pretty low.
2. The Company's demand deposits of which being restricted for specific use due to the provision of overseas fund returned to Taiwan and deposited in special bank accounts have been transferred to "financial assets at amortized cost - current. Please refer to Note VI (III) for more detailed information.
3. No cash or cash equivalents were pledged as collateral by the Company.

(II) Financial Assets and Liabilities at fair value through profit or loss

Item	December 31, 2022	December 31, 2021
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Convertible bond redemption right	\$ 1,441	\$ -
Convertible bond contract	7,396	-
	\$ 8,837	\$ -
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Private fund	\$ 21,586	\$ -
Valuation adjustments	( 2,138 )	-
	\$ 19,448	\$ -
Item	December 31, 2022	December 31, 2021
Current items:		
Financial liabilities held for trading		
Non-hedging derivatives	\$ 417	\$ -
	\$ 417	\$ -

1. Financial assets and liabilities measured at fair value through profit or loss recognized in profit or loss are detailed as below:

	2022	2021
Financial assets mandatorily measured at fair value through profit or loss		
Non-hedging derivatives	\$ -	\$ 5,861
Private funds	( 2,138 )	-
Convertible bond redemption right	614	-
Financial liabilities held for trading		
Non-hedging derivatives	( 2,087 )	( 6,125 )
	( \$ 3,611 )	( \$ 264 )

2. Below states the Company's engagement in transactions and contracts of derivative financial assets and liabilities that do not apply hedge accounting:

	December 31, 2022	
Derivative Financial Assets	Contract Amount (Nominal Principal)	Contract Period
Current item: None		
Derivative Financial Liabilities		
Current item:		
Forward foreign exchange contract	USD 5,000 thousand	December 8, 2022~January 18, 2023
	USD 5,000 thousand	

December 31, 2021: None.

The Company entered into foreign exchange forward contracts to sell US dollars in order to hedge the risk arising from purchase and sales of goods. However, such transactions did not apply hedge accounting.

3. For information on the credit risks of financial assets at fair value through profit or loss, please refer to Note XII(II).

(III) Financial Assets Measured at Amortized Cost

Item	December 31, 2022	December 31, 2021
Current item:		
Demand deposit - special account of overseas fund	<u>\$ 21,286</u>	<u>\$ 282,135</u>

- As of December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortized cost was its carrying amount.
- The Company does not have financial assets at amortized cost pledged as collateral to others, and please refer to Note VIII.
- Demand deposit - special account of overseas fund is the amount deposited in the bank's special account by the Company in accordance with the Regulations Governing the Management, Utilization and Taxation of Overseas Fund Repatriation, and the use of funds is limited to the amount approved for the plan.
- For information on the credit risk of financial assets measured by amortized cost, please refer to Note XII(II). The Company work with financial institutions having high credit quality. Therefore, the expected risk of default is pretty low.

(IV) Notes Receivables and Account Receivables

Item	December 31, 2022	December 31, 2021
Notes Receivables	<u>\$ 4,863</u>	<u>\$ 9,567</u>
Account Receivables	<u>\$ 4,545,909</u>	<u>\$ 3,645,706</u>
Account Receivable - Related Party	<u>-</u>	<u>479</u>
	<u>4,545,909</u>	<u>3,646,185</u>
Less: loss allowance	<u>( 3,557 )</u>	<u>( 2,160 )</u>
	<u>\$ 4,542,352</u>	<u>\$ 3,644,025</u>

1. Aging analysis of account receivables and note receivables is stated as follows:

	December 31, 2022		December 31, 2021	
	Notes Receivables	Account Receivables	Notes Receivables	Account Receivables
Not overdue	\$ 4,863	\$ 4,471,563	\$ 9,567	\$ 3,554,616
Overdue:				
Within 30 days	-	61,982	-	73,571
31-90 days	-	6,979	-	15,488
91-180 days	-	5,385	-	2,510
More than 181 days	-	-	-	-
	<u>\$ 4,863</u>	<u>\$ 4,545,909</u>	<u>\$ 9,567</u>	<u>\$ 3,646,185</u>

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

2. As of December 31, 2022, December 31, 2021, and January 1, 2021, the Company's account receivables and contract receivables (including notes receivable) amounted to \$4,550,772, \$3,655,752, and \$2,850,585 respectively.
3. Neither account receivables nor notes receivables were pledged as collateral by the Company.
4. As of December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the notes and accounts receivable was its carrying amount.
5. For information on the credit risks of notes receivables and accounts receivables, please refer to Note XII(II).

(V) Inventories

	December 31, 2022		
	Cost	Allowance for price decline	Carry amount
Raw materials	\$ 563,698	( \$ 14,945 )	\$ 548,753
Work in progress	36,814	( 1,155 )	35,659
Finished goods	367,408	( 6,898 )	360,510
	<u>\$ 967,920</u>	<u>( \$ 22,998 )</u>	<u>\$ 944,922</u>

	December 31, 2021		
	Cost	Allowance for price decline	Carry amount
Raw materials	\$ 319,262	( \$ 15,245 )	\$ 304,017
Work in progress	42,694	( 1,107 )	41,587
Finished goods	461,884	( 4,604 )	457,280
	<u>\$ 823,840</u>	<u>( \$ 20,956 )</u>	<u>\$ 802,884</u>

The Company's inventory cost recognized as an expense for the current period:

	2022	2021
Cost of inventories sold	\$ 15,190,007	\$ 12,187,096
Valuation Loss (Recovery gain)	2,042	( 6,898 )
Disposition Loss	3,236	4,905
Others	( 9,898 )	( 11,011 )
	<u>\$ 15,185,387</u>	<u>\$ 12,174,092</u>

In 2022 and 2021, a decrease in the cost of sales was recognized due to the recovery of the net realizable value of inventories contributed by the well-performed liquidation of excess stocks and retirement of some inventories

(VI) Financial Assets at Fair Value through Other Comprehensive Income

Item	December 31, 2022	December 31, 2021
Non-current items:		
Unlisted stocks	\$ 55	\$ 55
Valuation adjustments	-	-
	\$ 55	\$ 55

1. the Company elects to classify strategic equity investments as financial assets at fair value through other comprehensive income (FVTOCI). The fair value of such investments as of December 31, 2022 and 2021 both totaled \$1,009.
2. No financial asset measured at fair value through other comprehensive income was pledged by the Company as collateral.

(VII) Investments accounted for using Equity Method

	December 31, 2022	December 31, 2021
Subsidiaries:		
Advanced International Multitech (VN) Corporation Ltd.	\$ 683,108	\$ 530, 902
Advanced Group International (BVI) Co., Ltd.	1,013,517	694,421
Launch Technologies Co., Ltd. (LTC)	886,091	628,112
Associates:		
Technology on Prototyping Ultimate Co., Ltd.	15,568	-
Munich Composites GmbH	-	-
	\$ 2,598,284	\$ 1,853,435

1. For information on the Company's subsidiaries, please refer to Note IV(III) in the consolidated financial statements for the year ended December 31, 2022.

2. Associates

(1) As at December 31, 2022 and 2021, the Company did not have any significant associates.

(2) The carrying amount and operating results of the Company's individually insignificant associates are summarized as follows:

As of December 31, 2022 and 2021, the carrying amounts of the Company's individually insignificant associates totaled \$15,568 and \$0 respectively.

	2022	2021
Net loss for the Period	( \$ 32 )	( \$ 2,340 )
Other comprehensive income or loss (net of tax)	-	-
Total comprehensive income or loss	( \$ 32 )	( \$ 2,340 )

(3) The Company holds 27.27% equity interest in Munich Composites GmbH and is the single largest shareholder of the company. As it only holds one out of four seats of directors, the Company has no practical ability to direct the relevant activities, and thus it is judged that the Company has no control but only significant influence over the company.

(4) The Company assessed the recoverable value of Munich Composites GmbH's continued operations in accordance with the "IAS 36" with the discount rate of 11%. As a result of the assessment, the recoverable amount was less than the carrying amount, so an impairment loss of \$42,407 was recognized in 2021 and listed under "other gains and losses". Up until December 31, 2022, the Company assesses there wasn't significant changes.

(5) The Company holds 25.66% equity interest in Technology on Prototyping Ultimate Co., Ltd. and is the single largest shareholder of the Company. As there is other shareholder (no a related party) holding more of the company's shares than the Company, and the Company

does not obtain any of the director seats, showing that the Company has no practical ability to direct the relevant activities, and thus it is judged that the Company has no control but only significant influence over the company.

- (6) The Company's investment in Technology on Prototyping Ultimate Co., Ltd. is based on the evaluation of the financial report audited by the accountant appointed by the Company. In 2022, the profit (loss) of its subsidiaries, affiliated enterprises and joint venture recognized by the equity method was (\$32). The balance of the investments using the equity method on December 31, 2022 was \$15,568.

(VIII) Property, Plant and Equipment

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Land	\$ 162,544	\$ 162,544
Housing and structures	743,962	306,720
Machinery equipment	373,478	343,881
Utility equipment	42,697	20,717
Transportation equipment	346	387
Office equipment	11,220	7,803
Other equipment	88,646	65,189
Construction in progress	15,020	334,578
	<u>\$ 1,437,913</u>	<u>\$ 1,241,819</u>

2022

Cost					
Name of Assets	January 1	Addition	Disposal	Reclassification	December 31
Land	\$ 162,544	\$ -	\$ -	\$ -	\$ 162,544
Housing and structures	491,878	178,021	( 90)	298,565	968,374
Machinery equipment	671,207	113,467	( 29,214)	48,451	803,911
Utility equipment	29,826	23,291	( 643)	3,474	55,948
Transportation equipment	407	-	-	-	407
Office equipment	13,517	6,300	( 713)	130	19,234
Other equipment	127,259	33,199	( 9,275)	16,383	167,566
Construction in progress	334,578	( 307,551)	-	( 12,007)	15,020
	<u>\$ 1,831,216</u>	<u>\$ 46,727</u>	<u>( 39,935)</u>	<u>\$ 354,996</u>	<u>\$ 2,193,004</u>
			<u>\$</u>		

Accumulated Depreciation & Impairments

Name of Assets	January 1	Depreciation expenses and impairment loss	Disposal	Reclassification	December 31
Housing and structures	\$ 185,158	\$ 39,344	(\$ 90)	\$ -	\$ 224,412
Machinery equipment	327,326	131,620	( 28,513)	-	430,433
Utility equipment	9,109	4,785	( 643)	-	13,251
Transportation equipment	20	41	-	-	61
Office equipment	5,714	3,013	( 713)	-	8,014
Other equipment	62,070	26,125	( 9,275)	-	78,920
	<u>\$ 589,397</u>	<u>\$ 204,928</u>	<u>(\$ 39,234)</u>	<u>\$ -</u>	<u>\$ 755,091</u>
	<u>\$ 1,241,819</u>				<u>\$ 1,437,913</u>

2021

Cost		2021			
Name of Assets	January 1	Addition	Disposal	Reclassification	December 31
Land	\$ 162,544	\$ -	\$ -	\$ -	\$ 162,544
Housing and structures	386,236	21,675	( 840)	84,807	491,878
Machinery equipment	618,785	95,501	( 81,065)	37,986	671,207
Utility equipment	31,959	901	( 3,034)	-	29,826
Transportation equipment	-	407	-	-	407
Office equipment	15,714	2,624	( 4,821)	-	13,517
Other equipment	114,407	24,161	( 12,529)	1,220	127,259
Construction in progress	115,562	317,516	-	( 98,500)	334,578
	<u>\$ 1,445,207</u>	<u>\$ 462,785</u>	<u>(\$ 102,289)</u>	<u>\$ 25,513</u>	<u>\$ 1,831,216</u>

Accumulated Depreciation & Impairments					
Name of Assets	January 1	Depreciation expenses and impairment loss	Disposal	Reclassification	December 31
Housing and structures	\$ 155,338	\$ 30,660	( 840)	\$ -	\$ 185,158
Machinery equipment	290,212	109,524	( 72,410)	-	327,326
Utility equipment	8,202	3,941	( 3,034)	-	9,109
Transportation equipment	-	20	-	-	20
Office equipment	8,042	2,493	( 4,821)	-	5,714
Other equipment	47,364	25,310	( 10,604)	-	62,070
	<u>\$ 509,158</u>	<u>\$ 171,948</u>	<u>( 91,709)</u>	<u>\$ -</u>	<u>\$ 589,397</u>
	<u>\$ 936,049</u>				<u>\$ 1,241,819</u>

1. The Company has no capitalization of borrowing costs in 2022 and 2021:
2. Significant components of the Company's buildings and structures include buildings and air conditioning engineering works, which are respectively depreciated over the periods of 36~ 56 years and 3~21 years.
3. For the information about property, plant and equipment pledged as collateral, please refer to Note VIII for details.

(IX) Lease Transaction - Lessee

1. the Company's leased underlying assets comprise lands and buildings, of which the lease term is usually between 2 years to 40 years. Lease contracts are individually negotiated and include various terms and conditions that impose no other restrictions except that the leased assets shall not be collateralized against any borrowings, nor shall they be subleased, co-leased, lent out for others' use, nor the right of lease be transferred to others.
2. Below is the carrying amounts of right-of-use assets and their recognized depreciation expenses:

	December 31, 2022	December 31, 2021
	Carrying amount	Carrying amount
Land	\$ 425,757	\$ 457,355
Housing and structures	50,590	6,519
Machinery equipment	1,072	-
	<u>\$ 477,419</u>	<u>\$ 463,874</u>



	2022	2021
	<u>Depreciation expense</u>	<u>Depreciation expense</u>
Land	\$ 13,046	\$ 14,010
Housing and structures	17,284	14,420
Machinery equipment	358	-
	<u>\$ 30,688</u>	<u>\$ 28,430</u>

3. Additions to the Company's right-of-use assets for the years ended December 31, 2022 and 2021 amounted to \$75,252 and \$8,783 respectively.

4. Profit or loss items in connection with lease contracts are stated as follows:

	2022	2021
<u>Items that affect current profit or loss</u>		
Interest expense on lease liabilities	3,990	3,716
Expenses on lease of low-value asses	12,385	9,147
Gain on lease modification	1,596	-

5. The cash outflow used in the Company's leases for the years ended December 31, 2022 and 2021 totaled \$37,062 and \$36,797 respectively.

6. The option to extend a lease and the option to terminate a lease

(1) Contracts of which the underlying assets are types of land, buildings and structures contain a lease extension option exercisable by the Company.

(2) the Company determines the lease term by taking into consideration all relevant facts and circumstances that create an economic incentive for the Company to exercise the extension option. The lease term is reassessed if there occur significant events that affect the assessment as to whether the Company would exercise the option to extend the lease or would not exercise the option to terminate the lease.

(X) Intangible Assets

	<u>Computer Software</u>	
	2022	2021
January 1		
Cost	\$ 12,687	\$ 11,808
Accumulated amortization	( 6,525 )	( 9,316 )
	<u>\$ 6,162</u>	<u>\$ 2,492</u>
January 1	\$ 6,162	\$ 2,492
Addition - separately acquired	11,985	6,920
De-recognition - reduce in cost	( 1,258 )	( 6,041 )
Amortization expenses	( 5,583 )	( 3,250 )
De-recognition - reduce in accumulated amortization	1,258	6,041
Reclassification	150	-
December 31	<u>\$ 12,714</u>	<u>\$ 6,162</u>
December 31		
Cost	\$ 23,564	\$ 12,687
Accumulated amortization	( 10,850 )	( 6,525 )
	<u>\$ 12,714</u>	<u>\$ 6,162</u>

Amortization of intangible assets are detailed as below:

	<u>2022</u>	<u>2021</u>
Operating costs	1,400	355
Administration expenses	1,164	923
R&D expenses	<u>3,019</u>	<u>1,972</u>
	<u><u>5,583</u></u>	<u><u>3,250</u></u>

(XI) Short-Term Borrowings

<u>Type of Loans</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Bank credit loan	\$ -	\$ 268,562
Loans against letter of credit	<u>11,393</u>	<u>47,487</u>
	<u><u>\$ 11,393</u></u>	<u><u>\$ 316,049</u></u>
Range of interest rates	<u>0%</u>	<u>0% ~ 0.43%</u>

1. For collateral against the said short-term loans, please refer to Note VIII - Pledged Assets.
2. For information on the Company's interest expense of bank loans recognized in profit or loss, please refer to Note VI(XXV).

(XII) Other Payable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Payroll and bonus payable	\$ 489,165	\$ 395,812
Employee, director and supervisors remuneration payable	139,083	91,925
Processing fee payable	28,722	29,780
Equipment expense payable	69,074	34,868
Other payable	<u>167,557</u>	<u>138,787</u>
	<u><u>\$ 893,601</u></u>	<u><u>\$ 691,172</u></u>

(XIII) Other Current Liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Receipt under custody	\$ 56,544	\$ 95,665
Contract liabilities - current	21,353	12,847
Others	<u>1,969</u>	<u>1,307</u>
	<u><u>\$ 79,866</u></u>	<u><u>\$ 109,819</u></u>

(XIV) Corporate Bond Payable

	<u>December 31, 2022</u>
Bonds payable	\$ 847,700
Less: Discount on bonds payable	( <u>31,127</u> )
	816,573
Less: Bonds mature within 1 year or 1 operation cycle	<u>-</u>
	<u><u>\$ 816,573</u></u>

On December 31, 2021: None.

1. The Company issued the 3<sup>rd</sup> domestic unsecured convertible bond

(1) Terms and Conditions:

- A. Upon competent authority's approval, the Company raised and issued the third domestic unsecured convertible corporate bond, which was issued at 102% of the face value of \$1,000,000. The total amount raised was \$1,026,225 with 0% coupon rate. The circulation period is 3 years, starting from July 20, 2022 to July 20, 2025. When the convertible corporate bonds mature, bondholders will be repaid in cash in one lump sum according to the face value of the bonds. The convertible corporate bonds were listed and traded on July 20, 2022 at the Taipei Exchange.
- B. Except for the periods specified in the prospectus or the temporary suspension periods required by regulations, starting from the following day (October 21, 2022) of three full months after the bond issuance date till the date of mature, the bondholders can exercise the right to convert into the Company's common stocks, which have the same rights and obligations with the generally issued common stock.
- C. The conversion price of this convertible corporate bond is determined according to the pricing model stipulated in the conversion method. The conversion price at the time of issuance was NT\$81 per share, which may be adjusted following the pricing model stipulated in the conversion method if there is circumstance of anti-dilution; subsequently, on the base date stated on the conversion method, the company will re-adjust the conversion price based on the pricing model stipulated in the conversion method. If the adjusted price is higher than the initially set conversion price, then the conversion price will not be adjusted. Up until December 31, 2022, the conversion price has not been adjusted.
- D. Within the period starting from the day following the 3 full months of the issuance date of the convertible bonds (October 21, 2022) to 40 days before the expiration of the issuance period (June 10, 2025), if the closing price of the Company's common stock exceeds 30% of the initially set conversion price for consecutive 30 transaction days, the Company is able to notify bondholders and buyback all the bonds in cash with the face value stated on the bond within 30 business days. Or within the period starting from the day following the 3 full months of the issuance date of the convertible bonds (October 21, 2022) to 40 days before the expiration of the issuance period (June 10, 2025), if the amount of the remaining outstanding bonds is lower than 10% of the total issuance amount, the Company may buy back all the remaining outstanding bonds in cash with the face value stated on the bonds at any time.
- E. According to the conversion method, all the converted corporate bonds that the Company has collected (including repurchased from the TPEX), repaid or converted will be canceled, and all the rights and obligations attached to the bonds will also be extinguished, and will no longer be issued.
- (2) Up until December 31, 2022, the convertible corporate bonds with a face value of \$152,300 had been converted into 1,880 thousand common shares, and is recorded as common stock share capital of \$18,802 and in the account of capital reserve-converted bond conversion premium of \$137,519.
- (3) Up until December 31, 2022, the convertible bonds have not been bought back from the Taipei Exchange.
- (4) When issuing convertible bonds, the Company separated equity type conversion right from all the liabilities components and recorded \$65,084 in the account of "Capital Reserve-Stock Option" according to IAS 32 "Financial Instrument - Presentation". Up until

December 31, 2022, the balance of the account “Capital Reserve - Stock Option” was \$55,172 due to the conversion of bonds into common stock. Besides, according to IFRS 9 “Financial Instruments”, the embedded call right is treated separately when the liability product’s financial character and risk is not closely linked, and the net value is recorded as “financial assets or liabilities measured at fair value through profit and loss”. After the separation, the effective interest rate of the liability on the main contract is 1.4745%.

(XV) Pension Fund

1. (1) In compliance with the requirements set forth in the Labor Standards Law, the Company has stipulated a defined benefit pension plan, which is applicable to the years of service rendered by regular employees prior to, and after (if employees elect to continue to apply the Labor Standards Law), the implementation of the Labor Pension Act on July 1, 2005. Pension payments for employees qualified for the aforementioned retirement criteria are calculated in accordance with the years of service rendered and the average salaries or wages of the last 6 months prior to retirement. Two base points are given for each full year of service over (including) the first 15 years, and one base point is given for every additional year of service thereafter, provided that the ceiling of the total base points is forty-five (45). The Company contributes, on a monthly basis, 2% of the total salary (wages) as the pension fund, which is deposited in a designated account with the Bank of Taiwan under the name of the Supervisory Committee of Workers’ Retirement Fund. Prior to the end of each annual period, the Company assesses the balance of the aforementioned designated account for the labor pension fund. If the balance is determined insufficient to pay off the pension amount computed by the aforementioned approach for employees qualified for retirement within the next year, the Company will make a lump sum contribution to make up the shortfall before the end of March of the following year.
- (2) Balance sheet amount are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligations	\$ 104,993	\$ 111,955
Fair value of planned assets	( 40,274 )	( 38,607 )
Net defined benefit liabilities	<u>\$ 64,719</u>	<u>\$ 73,348</u>

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

	<u>Present value of defined benefit obligations</u>	<u>Fair value of planned assets</u>	<u>Net defined benefit liabilities</u>
<u>2022</u>			
Balance on January 1	\$ 111,955	( 38,607 ) \$	\$ 73,348
Service cost in the current period	143	-	143
Interest expenses (income)	784	( 270 )	514
	<u>112,882</u>	<u>( 38,877 )</u>	<u>74,005</u>
Re-measurement:			
Return of planned asset (exclude interest income or expense)			
Effect of changes in financial assumptions	( 4,846 )	-	( 4,846 )
Experience adjustment	319	( 2,466 )	( 2,147 )
	<u>( 4,527 )</u>	<u>( 2,466 )</u>	<u>( 6,993 )</u>
Provision of pension fund	-	( 2,293 )	( 2,293 )
Pension paid	( 3,362 )	3,362	-
Balance on December 31	<u>\$ 104,993</u>	<u>( \$ 40,274 )</u>	<u>\$ 64,719</u>

	Present value of defined benefit obligations	Fair value of planned assets	Net defined benefit liabilities
<u>2021</u>			
Balance on January 1	\$ 108,696	(\$ 26,646)	\$ 82,050
Service cost in the current period	146	-	146
Interest expenses (income)	326	( 80)	246
	<u>109,168</u>	<u>( 26,726)</u>	<u>82,442</u>
Re-measurement:			
Return of planned asset (exclude interest income or expense)			
Effect of change in population assumption	102	-	102
Effect of changes in financial assumptions	( 4,567)	-	( 4,567)
Experience adjustment	7,252	( 406)	6846
	<u>2,787</u>	<u>( 406)</u>	<u>2,381</u>
Provision of pension fund	-	( 11,475)	( 11,475)
Pension paid	-	-	-
Balance on December 31	<u>\$ 111,955</u>	<u>(\$ 38,607)</u>	<u>\$ 73,348</u>

(4) The fund asset of the Company's defined benefit pension plan (the "Fund") is entrusted to the Bank of Taiwan, which manages, or entrusts others to manage, the Fund in accordance with entrusted items enumerated in Article 6 of the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund (i.e. deposit in domestic or foreign institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, and investment in domestic or foreign real estate and its securitization products) to the extent of limitations on investment percentage and amount as stipulated in the Fund's annual utilization plan. The status of utilization of the Fund is subject to supervision by the Labor Pension Fund Supervisory Committee. With regard to utilization of the Fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. In case any deficiency in the earnings arises, Treasury Funds can be used to cover the deficits after the approval of the competent authority. Since the Company has no right to participate in the operation and management of the Fund, it is not able to disclose the classification of the fair value of plan assets as required in IAS 19 paragraph 142. For the fair value of the total retirement fund as at December 31, 2022 and 2021, please refer to the Labor Retirement Fund Utilization Report published by the government each year.

(5) Actuarial assumptions on pensions are summarized as follows:

	2022	2021
Discount rate	1.20%	0.70%
Future salary increase rate	2.50%	2.50%

Future mortality rate is estimated based on the 6th Taiwan Standard Ordinary Experience Mortality Table.

Analysis of the present value of defined benefit obligation affected by changes in primary actuarial assumptions is as follows:

	Discount rate		Future salary rate	
	Increase by 0.25%	Decrease by 0.25%	Increase by 0.25%	Decrease by 0.25%
December 31, 2022				
Effect on the present value of defined benefit obligation	(\$ <u>2,309</u> )	\$ <u>2,384</u>	\$ <u>2,086</u>	(\$ <u>2,035</u> )
	Discount rate		Future salary rate	
	Increase by 0.25%	Decrease by 0.25%	Increase by 0.25%	Decrease by 0.25%
December 31, 2021				
Effect on the present value of defined benefit obligation	(\$ <u>2,671</u> )	\$ <u>2,763</u>	\$ <u>2,428</u>	(\$ <u>2,364</u> )

The sensitivity analysis presented above is an analysis of effects resulted from changes in a single assumption while other assumptions are held constant. In practice, quite a few changes in assumptions are correlated. The method employed for sensitivity analysis is the same as the method used to calculate the net pension liability presented on the balance sheet.

The method and assumptions used for the preparation of the sensitivity analysis for the current period are the same as those used in the previous period.

- (6) The Company expects to make contributions of \$2,231 to the pension plans within one year.
- (7) As of December 31, 2022, the weighted average duration of the retirement plan is 9 years.
2. (1) Starting from July 1, 2005, the Company has set up a defined contribution plan for all employees with ROC citizenship in accordance with the Labor Pension Act. Where the employees have elected to apply the labor pension system as stipulated in the Labor Pension Act, the Company makes a contribution in an amount equal to 6% of the employees' monthly salaries or wages to their individual accounts in the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (2) For the years ended December 31, 2022 and 2021, the Company's net pension costs recognized under the defined contribution plan were \$37,632 and \$33,532 respectively.

(XVI) Share-Basis Contribution

1. In the year of 2022, the Company's share-based payment agreement (show in 1000 shares) is as follows:

Type of agreement	Grant Date	Amount Given	Contract Period	Vesting Condition
Treasury stock transfer to employees	January 20, 2022	400	26 days	Immediate

2. Details of the above share-based payment agreement are as follows:

	2022		2021	
	Quantity subscribed	Weighted average exercise price (\$1)	Quantity subscribed	Weighted average exercise price (\$1)
Outstanding shares at beginning of the period on January 1	-	\$ -	-	\$ -
Total grant during the period	400	76.42	-	-
Exercised during the period	( 400 )	76.42	-	-
Outstanding shares at the end of the period on December 31	-	-	-	-

3. The weighted average stock price of the stock options executed in 2022 was \$73.7 on the date of execution.

#### (XVII) Share Capital

As of December 31, 2022, the Company had an authorized capital in the amount of \$1,800,000, comprising 180,000 thousand shares (including 5,000 thousand shares of employee stock option certificates and 10,000 thousand shares of convertible corporate bonds), and a paid-in capital in the amount of \$1,371,929 with each share priced at NT\$10. Share payments for the Company's issued stocks have been collected in full.

1. Number of the Company's outstanding common shares at the beginning of periods and the end of the periods were adjusted as below (in thousand shares):

	2022	2021
January 1	131,934	135,313
Corporate bonds conversions (Note)	1,880	-
Treasury stock transfer to employees	400	-
Treasury stock buyback	-	3,379
December 31	134,214	131,934

Note: In the year of 2022, the company's convertible corporate bonds were converted into 1,880 thousand common shares. As of the audit report date, upon the resolution during the board of directors' meeting on February 23, 2022, it was resolved to use this date as the base date for conversion and issuance of new shares, and the relevant change registration procedures are now in progress.

2. Treasury stock:

(1) Reasons for recovery of shareholding and its quantity:

Name of investor company	Reasons for recovery	December 31, 2022	
		Number of shares (in thousand shares)	Carrying amount
The Company	Available for transfer of shares to employees (Note)	2,979	\$ 227,667

		December 31, 2021	
Name of investor company	Reasons for recovery	Number of shares (in thousand shares)	Carrying amount
The Company	Available for transfer of shares to employees (Note)	3,379	\$ 258,235

Note: On September 22, 2021, the Company's board of directors resolved to buy back treasury stocks; it was estimated to buy back 6,700 thousand shares in total and the execution period started from September 23, 2021 to November 22, 2021. In consideration of fund planning and effective utilization, the Company bought back shares in batches depending on the changes of the Company's stock price. Hence, the treasury buyback plan this time wasn't fully executed and the actual shares repurchased totaled 3,379 thousand shares. On January 20, 2022, the board resolved to set the average buyback price, NT\$76.42 to be the transfer price. There were 400 thousand shares transferred to employees.

- (2) The Securities and Exchange Act stipulates that the proportion of the Company's repurchase of outstanding shares shall not exceed 10% of the Company's total issued shares, and the total amount of shares purchased shall not exceed the retained earnings plus the premium of issued shares and the amount of realized capital reserve.
- (3) The treasury stocks held by the Company shall not be pledged in accordance with the regulations of the Securities and Exchange Act, and shall not be entitled for shareholder rights before being transferred.
- (4) According to the regulations stated in the Securities and Exchange Act, the shares repurchased for the transfer of shares to employees shall be transferred within five years on the date of the repurchase. Those are not transferred within the time limit shall be deemed to have not issued by the Company, and shall be written off and removed from the registration.

#### (XVIII) Capital Reserve

Under the Company Act, capital surplus arising from shares issued at the premium or from donation may be used for offsetting the deficit. Furthermore, if the Company has no accumulated loss, the capital surplus may be used for issuing new shares or distributing cash in proportion to shareholders' original holdings. In addition, according to the regulations stated in the Securities and Exchange Act, when the above-mentioned capital surplus is used for capitalization, the total amount every year shall not exceed 10% of the paid-in capital. The Company may use the capital surplus to offset loss only when the number of earnings and reserves are insufficient to offset the loss.

#### (XIX) Retained Earnings

1. The Articles of Incorporation requires that earnings after the final account, if any, be used in the first place to pay off the profit-seeking enterprise income tax and to offset the previous deficits according to law; and 10% of the remainder, if any, be set aside as its legal reserve, except in cases when the legal reserve has reached the capital amount. If there are any remaining earnings, a special reserve shall be provided or reversed in accordance with laws or regulations imposed by the competent authority; the remaining amount, if any, shall be added up to the undistributed



earnings of the prior periods to serve as the distributable earnings, of which the amount of distribution and retention shall be indicated in the earnings distribution proposal which is made by the Board of Directors before submitting to the Shareholders' Meeting for approval. The cash dividends distributed shall not less than 10% of the total dividends distributed of the period.

The Company, following the regulations in the Company Act, authorizes the dividends, bonuses, capital reserve or legal reserve in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors, and thereto a report shall be submitted to the shareholders' meeting. The provisions of the preceding paragraph that must be resolved by the shareholders' meeting are not applicable.

2. The Company's dividend policy is stated as below: for continuous operation and profit enhancement, the Company adopts a residual dividend policy.
3. Legal reserves may only be used for offsetting deficits and issuing new shares or distributing cash in proportion to shareholders' original holdings. However, when new shares are issued or cash is distributed, the amount shall be limited to 25% of the reserves in excess of the paid-in capital.
4. The Company may allocate earnings only after providing a special reserve for debit balance in other equity on the date of the balance sheet, and the reversal of debit balance in other equity, if any, may be stated into allocable earnings.
5. The following table shows the 2022 and 2021 earnings distribution proposals, where were approved in the Company's general shareholders' meeting on May 31, 2022 and July 12, 2021 respectively.

	2021		2020	
	Amount	Dividend per share (\$1)	Amount	Dividend per share (\$1)
Legal Reserve	\$ 134,556		\$ 67,822	
Special Reserve	24,770		9,168	
Cash Dividends	727,835	\$ 5.5	365,344	\$ 2.7

The resolution of the aforementioned earning distribution proposal in the general shareholders' meeting maybe look up in the website of the Market Observation Post System.

6. On February 23, 2022, the board meeting proposed a earnings distribution plan for the year of 2022 as below:

	2022	
	Amount	Dividend per share (\$1)
Legal reserve	\$ 224,637	
Cash dividend	1,234,676	\$ 9.1

As of February 23, 2023, the above-mentioned 2022 earnings distribution proposal has not been resolved by the shareholders' meeting.

(XX) Operating Revenues

1. Detailed contracts with customers

All the Company's revenue comes from contracts with customers under which revenue is generated by transferring goods at a certain point of time. Revenue can be sub-divided by geographical areas as follows:

<u>Customer by geographical areas</u>	<u>2022</u>	<u>2021</u>
Americas	12,164,372	9,631,000
Asia	4,830,121	4,240,285
Others	830,273	429,277
	<u>17,824,766</u>	<u>14,300,562</u>

2. Contract liabilities

(1) The contract liabilities recognized by the Company in relation to contracts with customers are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Consumer products	<u>\$ 21,353</u>	<u>\$ 12,847</u>	<u>\$ 17,343</u>

(2) Income recognized in the current period for opening contract liabilities

	<u>2022</u>	<u>2021</u>
Consumer products	<u>12,834</u>	<u>17,335</u>

(XXI) Other Income and Expenses - Net

	<u>2022</u>	<u>2021</u>
Income from molds	53,462	34,203
Income from samples	29,887	21,014
Other income	39,896	120,246
	<u>123,245</u>	<u>175,463</u>

(XXII) Interest Income

	<u>2022</u>	<u>2021</u>
Interest from bank deposits	<u>12,448</u>	<u>2,798</u>

(XXIII) Other Income

	<u>2022</u>	<u>2021</u>
Government subsidy income	3,809	8,659
Others	2,139	1,887
	<u>5,948</u>	<u>10,546</u>

1. In December 2020, the Company received a government subsidy of \$11,273 from the "Taiwan Industry Innovation Platform Program," which has been transferred to profit or loss upon the occurrence of expenses associated with the implementation of the program, and recognized the government subsidy income amounted to \$6,125 in 2021, and the accumulated amount in association with this item was \$11,273.

2. In August 2022, the Company received a government subsidy totaled \$24,000 from Ministry of Economic Affairs in association with its A+ Industrial Innovative R&D Program. The first

installment of the government subsidy of \$3,250 was transferred into a special account in December and was recorded as “other current liabilities”, which will be transferred in profit or loss upon the occurrence of expenses associated with the implementation of the program. In 2022, the Company recorded a government subsidy income of \$2,535.

(XXIV) Other Gain and Losses

	<u>2022</u>	<u>2021</u>
Net loss on Financial assets and liabilities at fair value through profit or loss	3,611	264
Gain (Loss )on disposal and retirement of property, plant and equipment	275	7,014
Gain on lease modifications	1,596	-
Gain (loss) on foreign exchange (net)	317,792	59,316
Loss on impairments (note)	-	42,407
Others	2,173	9,489
	<u>318,225</u>	<u>99,512</u>

Note: Please refer to Note VI(VII) for detailed explanation.

(XXV) Financial Cost

	<u>2022</u>	<u>2021</u>
Interest expense	2,046	1,303
Interest on lease liabilities	3,990	3,716
Amortization of corporate bond discount	6,216	-
	<u>12,252</u>	<u>5,019</u>

(XXVI) Additional Information in relation to Expenses

	<u>2022</u>	<u>2021</u>
Employee benefits expense	1,314,913	1,124,044
Depreciation expenses	235,616	200,378
Amortization expenses	24,553	13,672
	<u>1,575,082</u>	<u>1,338,094</u>

(XXVII) Employee Benefit Expenses

	<u>2022</u>	<u>2021</u>
Salary and wages	1,136,263	964,659
Labor and health insurance premiums	84,039	73,663
Pension expense	38,289	33,924
Remuneration to directors	10,720	9,680
Other personnel cost	45,602	42,118
	<u>1,314,913</u>	<u>1,124,044</u>

1. The Articles of Incorporation requires that the Company allocate no less than one percent (1%) of its annual earnings as employee compensation, and no greater than five percent (5%) of its annual earnings as remuneration for directors and supervisors. However, if the Company still

has an accumulated deficit, the earnings should be used to make up the loss.

2. In the year of 2022 and 2021, the Company recognized compensation to employees in the accrued amounts equal to \$128,650 and \$80,090 respectively; remuneration to directors and supervisors in the accrued amounts equal to \$10,400 and \$11,600 in 2022 and 2021 respectively, and the above mentioned amounts were presented under payroll expense.

The amounts for the year of 2022 were estimated at certain percentages based on the profits earned by the end of the period.

The amounts of compensation to employees and remuneration to directors and supervisors for 2021 that had been resolved by the Board of Directors are the same as the amounts stated on the 2021 financial statements. The above-mentioned employee compensation was distributed in cash. Compensation to employees in 2021 have not yet fully distributed.

Information about employee compensation and remuneration to directors and supervisors approved by the Board of Directors is available on the Market Observation Post System.

### (XXVIII) Income Tax

#### 1. Income tax expense

##### (1) Components of income tax expenses:

	<u>2022</u>	<u>2021</u>
Current income tax:		
Income tax arising from the current period	411,813	252,695
Overestimation of income taxes in prior year	-	53,829
Total current income tax	<u>411,813</u>	<u>198,866</u>
Deferred income tax:		
Originating and reversed temporary differences	67,770	30,630
Income tax expense	<u>479,583</u>	<u>229,496</u>

##### (2) Income tax amount associated with other comprehensive income:

	<u>2022</u>	<u>2021</u>
Re-measurement of defined benefit obligation	<u>1,399</u>	<u>476</u>

#### 2. Relations between income tax expense and accounting profits

	<u>2022</u>	<u>2021</u>
Income tax calculated by applying the statutory tax rate to net income before tax	\$ 544,010	\$ 315,392
Tax exempted income pursuant to the taxation law	-	( 1,230 )
Effects from items prohibited from being recognized by laws and regulations	( 64,427 )	( 30,837 )
Overestimation of prior year's income taxes	-	( 53,829 )
Income tax expense	<u>\$ 479,583</u>	<u>\$ 229,496</u>

3. Deferred income tax assets or liabilities arising from temporary differences are stated as follows:

	2022			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
Deferred income tax assets:				
Inventory valuation & obsolescence loss	\$ 4,191	\$ 408	\$ -	\$ 4,599
Pensions	14,669	( 327 )	( 1,399 )	12,943
Unrealized exchange losses	1,400	9,841	-	11,241
Others	14,259	944	-	15,203
	<u>34,519</u>	<u>10,866</u>	<u>( 1,399 )</u>	<u>43,986</u>
Deferred income tax liabilities:				
Differences in investment gains or losses recognized	( 152,945 )	( 78,636 )	-	( 231,581 )
Liability of land value increment tax	( 11,598 )	-	-	( 11,598 )
	<u>( 164,543 )</u>	<u>( 78,636 )</u>	<u>-</u>	<u>( 243,179 )</u>
	(\$ 130,024 )	(\$ 67,770 )	(\$ 1,399 )	( 199,193 )
				<u>\$</u>
			2021	
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
Deferred income tax assets:				
Inventory valuation & obsolescence loss	\$ 5,571	(\$ 1,380 )	\$ -	\$ 4,191
Pensions	16,410	( 2,217 )	476	14,669
Unrealized exchange losses	10,016	( 8,616 )	-	1,400
Others	5,623	8,636	-	14,259
	<u>37,620</u>	<u>( 3,577 )</u>	<u>476</u>	<u>34,519</u>
Deferred income tax liabilities:				
Differences in investment gains or losses recognized	( 125,851 )	( 27,094 )	-	( 152,945 )
Liability of land value increment tax	( 11,598 )	-	-	( 11,598 )
Others	( 41 )	41	-	-
	<u>( 137,490 )</u>	<u>( 27,053 )</u>	<u>-</u>	<u>( 164,543 )</u>
	(\$ 99,870 )	(\$ 30,630 )	\$ 476	(\$ 130,024 )

4. The profit-seeking enterprise income tax of the Company is approved by the taxation authority through 2020.

(XXIX) Earnings Per Share

	2022		
	<u>After-tax amount</u>	<u>Weighted average number of outstanding shares (thousand shares)</u>	<u>Earnings per share (\$1)</u>
<u>Basic earnings per share</u>			
Net income attributable to common shares shareholders	<u>\$ 2,240,780</u>	<u>132,419</u>	<u>\$ 16.92</u>
<u>Diluted earnings per share</u>			
Net income attributable to common shares shareholders	\$ 2,240,780	132,419	
Effect of potentially dilutive common stocks			
Convertible bonds	5,602	4,731	
Employee remuneration	-	1,500	
Profit attributable to ordinary shareholders plus potential effect on common stocks	<u>\$ 2,246,382</u>	<u>138,650</u>	<u>\$ 16.20</u>

	2021		
	<u>After-tax amount</u>	<u>Weighted average number of outstanding shares (thousand shares)</u>	<u>Earnings per share (\$1)</u>
<u>Basic earnings per share</u>			
Net income attributable to common shares shareholders	<u>\$ 1,347,465</u>	<u>134,654</u>	<u>\$ 10.01</u>
<u>Diluted earnings per share</u>			
Net income attributable to common shares shareholders	\$ 1,347,465	134,654	
Effect of potentially dilutive common stocks			
Employee remuneration	-	1,214	
Profit attributable to ordinary shareholders of the parent company plus potential effect on common stocks	<u>\$ 1,347,465</u>	<u>135,868</u>	<u>\$ 9.92</u>

(XXX) Supplemental Information regarding Cash Flows

1. Investing activities with partial cash payment:

	<u>2022</u>	<u>2021</u>
Acquisition of property, plant and equipment	46,727	462,785
Add: Equipment payable, beginning of period (recognized in other payable)	34,868	30,487
Less: Equipment payable, end of period (recognized in other payable)	69,074	34,868
Amount paid in cash - current period	<u>12,521</u>	<u>458,404</u>

2. Investing activities that do not affect cash flows:

	2022	2021
Equipment prepayments transferred to property, plant and equipment	358,537	28,264
Reclassification of property, plant and equipment to other non-current assets	2,014	1,749
Reclassification of property, plant and equipment to expense	1,377	1,002
Reclassification of property, plant, and equipment to intangible assets	150	-

(XXXI) Changes in Liabilities from financing activities

	Short-term loans	Corporate bonds payable	Lease liabilities	Total financing liabilities
January 1, 2022	\$ 316,049	\$ -	\$ 470,473	\$ 786,522
Changes in financing cash flows	( 304,656 )	1,021,023	( 20,687 )	695,680
Other non-cash changes	-	( 204,450 )	42,637	( 161,813 )
December 31, 2022	\$ 11,393	\$ 816,573	\$ 492,423	\$ 1,320,389

	Short-term loans	Corporate bonds payable	Lease liabilities	Total financing liabilities
January 1, 2021	\$ 77,487	\$ -	\$ 485,624	\$ 563,111
Changes in financing cash flows	238,562	-	( 23,934 )	214,628
Other non-cash changes	-	-	8,783	8,783
December 31, 2021	\$ 316,049	\$ -	\$ 470,473	\$ 786,522

VII. Related-Party Transactions

(I) Name and relationship of subsidiaries

<u>Name of related party</u>	<u>Relationship with the Company</u>
Advanced Sporting Goods (Dongguan) Co., Ltd.	Subsidiary of the Company
Advanced International Multitech (VN) Corporation Ltd.	Subsidiary of the Company
Launch Technologies Co., Ltd.	Subsidiary of the Company
Munich Composites GmbH	Associates of the Company

(II) Important transactions with related party

1. Purchases

	<u>2022</u>	<u>2021</u>
Purchase of inventories:		
Advanced Sporting Goods (Dongguan) Co., Ltd.	\$ 10,036,034	\$ 8,571,540
Advanced International Multitech (VN) Corporation Ltd.	3,772,391	2,588,657
Others	-	1,009
	<u>\$ 13,808,425</u>	<u>\$ 11,161,206</u>

(1) In preparation of the parent company only financial statements, the sales revenue (sales of raw materials and work-in-progress) and operating costs (purchase of goods) in relation with the Company's sales to its subsidiaries is offer, and the eliminated amount in the years ended December 31, 2022 and 2021 were \$1,557,517 and \$1,539,748 respectively.

(2) The Company's purchase price with the related parties is negotiated and agreed by both parties. Because there is no similar product transaction, it is unable to compare with other general transactions.

2. Receivables from related party

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Receivables from related parties:		
Others	<u>\$ -</u>	<u>\$ 479</u>

Receivables from related parties are primarily incurred in the provision of services, which are due 60 days after the settlement date. The receivables is not pledged and has no interest. There is no provision for liability reserve for the receivables from related parties.

3. Payable to related parties

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Payable to related parties:		
Advanced Sporting Goods (Dongguan) Co., Ltd.	\$ 1,376,834	\$ 1,477,878
Advanced International Multitech (VN) Corporation Ltd.	296,241	264,939
Others	-	985
	<u>\$ 1,673,075</u>	<u>\$ 1,743,802</u>

The amount payable to related parties mainly comes from the purchase of materials, and the payment terms are 2 months after acceptance in monthly settlement, and there is no interest payment on the payable amount

4. Operating expense - R&D expenses

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Munich Composites GmbH	<u>\$ 27,936</u>	<u>\$ 29,959</u>

(III) Information about remunerations paid to major management

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Salary and other employee benefits	<u>77,173</u>	<u>51,009</u>



## VIII. Pledged assets

Assets pledged as collateral by the Company are enumerated as follows:

Assets	Carrying amount		Guarantee Use
	December 31, 2022	December 31, 2021	
Land	\$ 125,648	\$ 125,648	Short-term loans
Housing and structures	35,717	42,174	Short-term loans
Pledged time deposit (presented as “other no-current assets-others”)	7,161	30,761	Lease deposit, others
	<u>\$ 168,526</u>	<u>\$ 198,583</u>	

## IX. Significant Contingent Liabilities and Unrecognized Contractual Commitments

### (I) Contingency

None.

### (II) Commitments

#### 1. Balance of outstanding letter of credit

	December 31, 2022	December 31, 2021
Raw materials imported	<u>\$ 57,889</u>	<u>\$ 83,910</u>

#### 2. Capital expenditures committed but yet to incur

	December 31, 2022	December 31, 2021
Property, plant and equipment	<u>\$ 62,046</u>	<u>\$ 232,560</u>

#### 3. Operating lease agreement

Please refer to explanations on Note VI(IX).

#### 4. The Company signed a partnership agreement with Taishin Health Investment Ltd.

On August 31, 2021 to establish a limited partnership of Taishin Health. The purpose is to invest in domestic and foreign biotechnology and pharmaceutical industries with development potential. The Company promised to invest in \$55,000 according to the agreement. As of December 31, 2022, the Company has invested \$21,586.

## X. Significant Losses from Disasters

None.

## XI. Significant Subsequent Events

(I) On February 23, 2023, the board of directors proposed and approved the 2022 earnings distribution plan. Please refer to Note VI(XIX) for explanations.

(II) On February 23, 2023, the board of directors resolved to set the record date for the issuance of new shares upon the conversion of the convertible bonds of the Company’s 3<sup>rd</sup> domestic unsecured convertible bond. Please refer to Note VI (XVII) for explanations.

## XII. Others

### (I) Capital management

The objective of the Company's capital management is to ensure that the Company can continue as a going concern, that an optimal capital structure is maintained to lower the cost of capital, and that rewards are provided to shareholders. To sustain or adjust the capital structure, the Company might adjust dividends paid to shareholders, refund capital to shareholders, or issue new shares or dispose of assets in order to lower its debt. The Company monitors its capital by looking at the debt-to-capital ratio, which is calculated by dividing the total debt by the total capital.

The Company's strategies employed for 2022 were the same as those for 2021, i.e., striving to strike a balance for the overall capital structure. The Company's debt-to-capital ratios as at December 31, 2022 and 2021 are stated below:

	December 31, 2022	December 31, 2021
Total debt	\$ 4,832,356	\$ 4,021,459
Total capital	\$ 11,828,631	\$ 9,179,010
Debt-to-Capital ratio	41	44

### (II) Financial instruments

#### 1. Type of financial instruments

	December 31, 2022	December 31, 2021
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 28,285	\$ -
Financial assets at fair value through other comprehensive income		
Election of the designated equity instrument investment	55	55
Financial assets measured at amortized cost		
Cash and cash equivalents	1,461,327	598,209
Financial assets measured at amortized cost	21,286	282,135
Notes receivable	4,863	9,567
Accounts receivable	4,542,352	3,644,025
Other receivables	37,588	7,725
Refundable deposits	11,127	33,568
	<u>\$ 6,106,883</u>	<u>\$ 4,575,284</u>
<u>Financial liabilities</u>		
Financial liabilities at fair through profit or loss		
Financial liabilities held for trading	\$ 417	\$ -
Financial liabilities at amortized cost		
Short-term loans	11,393	316,049
Notes payable	893	3,453
Accounts payable	115,390	207,465
Accounts payable - related party	1,673,075	1,743,802
Other payable	893,601	691,172
Corporate bond payable	816,573	-
	<u>\$ 3,511,342</u>	<u>\$ 2,961,941</u>
Lease liabilities (including non-current)	<u>\$ 492,423</u>	<u>\$ 470,473</u>

## 2. Risk management policy

- (1) The Company's daily operations are affected by various financial risks, e.g. market risks (including exchange rate risk, interest rate risk and price risk), credit risk and liquidity risk. the Company's overall risk management policy focuses on unpredictable matters on the financial markets, seeking to lower the potential adverse effects on the Company's performance.
- (2) Risk management is carried out by the Company's finance department in compliance with relevant policies. Through cooperation with the Company's operating units, the finance department is responsible for identifying, evaluating and hedging financial risks. With respect to the overall risk management, the Company has established principles in writing, as well as policies in writing concerning specified scope and matters, e.g. exchange risk, credit risk, utilization of derivatives and non-derivatives, and investment of residual working capital.

## 3. The nature and degree of significant financial risk

### (1) Market Risk

#### Foreign exchange rate risk

- A. Since the Company operates in different countries, it is subject to foreign exchange risk arising from various currencies, mainly USD, RMB, and EURO among others. The foreign exchange rate risk mainly comes from future business transactions, recognized assets and liabilities, and net investment in foreign operations.
- B. The management has set up a policy to require the Company to manage their foreign exchange risk against their functional currency. The Company is required to hedge the risk based on the overall foreign exchange risks through the finance department. To manage the foreign exchange risk arising from future business transactions, as well as recognized assets and liabilities, the Company's finance department uses forward foreign exchange contracts. When future commercial transactions, as well as recognized assets or liabilities are calculated in a foreign currency other than the functional currency of the entity, exchange rate risk may arise.
- C. The Company's business involves the use of various non-functional currencies, it is subject to effects arising from currency exchange rate fluctuations. Assets and liabilities that are denominated in foreign currencies and significantly affected by changes in exchange rates are stated as below:

	December 31, 2022		
	Foreign currency (in thousands)	Exchange rate	Carrying amount (NTD)
<b>(Foreign currency: Functional currency)</b>			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 166,767	30.71	\$ 5,121,415
<u>Non-monetary items</u>			
USD:NTD	22,244	30.71	683,108
RMB:NTD	229,927	4.408	1,013,517
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	56,888	30.71	1,747,030

December 31, 2021			
<b>(Foreign currency: Functional currency)</b>	Foreign currency (in thousands)	Exchange rate	Carrying amount (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 149,232	27.68	\$ 4,130,742
<u>Non-monetary items</u>			
USD:NTD	19,180	27.68	4,130,742
RMB:NTD	159,468	4.35	530,902
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	77,590	27.68	2,147,691

D. The monetary items of the Company are significantly affected by currency fluctuations; for the years ended December 31, 2022 and 2021, the Company recognized total exchange gain (loss) of \$317,792 and (\$59,316) respectively.

E. The analysis on the Company's foreign currency market risk due to significant exchange rate fluctuations is listed as below:

2022			
Sensitivity analysis			
Range of change	Effects on profit or loss	Effects on other comprehensive income	
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1% \$ 51,214	\$ -	
<u>Non-monetary items</u>			
USD:NTD	1%	-	683
RMB:NTD	1%	-	1,014
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	17,470	-

2021			
Sensitivity analysis			
Range of change	Effects on profit or loss	Effects on other comprehensive income	
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1% \$ 41,307	\$ -	
<u>Non-monetary items</u>			
USD:NTD	1%	-	5,309
RMB:NTD	1%	-	6,944
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	21,477	-

### Price Risk

The Company is not exposed to price risks from products.

### Cash Flow Interest Rate Risk and Fair Value Interest Rate Risk

The Company's short-term borrowings are all instruments with fixed interest rate, and are consequently not exposed to any significant cash flow interest rate risk.

## (2) Credit Risk

Credit risk refers to the risk of financial loss to the Company arising from default by customers or counter-parties of financial instruments on the contract obligations. The internal risk control assesses customers' credit quality by taking into account their financial position, historical experience, and other factors.

### Cash and cash equivalents and financial derivatives

Required by the transaction policy adopted, the Company trades only with counter-parties having good credit ratings, and so there hasn't been any default on cash and cash equivalents, financial assets measured at amortized cost, or financial derivatives.

### Accounts receivable

- A. The Company has established a specific internal credit policy, which requires entities within the Company to manage and conduct credit analysis on every new customer before stipulating the terms and conditions for payments and delivery. The internal risk control assesses customers' credit quality by taking into account their financial position, historical experience, and other factors.
- B. The Company adopts the presumption that the credit risk of a financial asset is deemed significantly increased since initial recognition when contractual payments are more than 90 days past due, and that a default is deemed to have occurred when the contractual payments are more than 180 days past due.
- C. The Company's accounts receivables are due from ordinary enterprises. the Company assesses the credit quality of an individual customer by type by taking into account such customer's financial position, historical transaction records, and current economic status, and estimates the expected credit losses on the basis of the provision matrix using the simplified approach.
- D. After the recourse process, the Company writes off the financial asset to the extent of the recovery amount that can not be reasonably expected; nonetheless, the Company will keep legal recourse to secure its creditor's rights.
- E. Expected credit losses on the Company's accounts receivable as of December 31, 2022 and 2021 are as follows:

	Not overdue	Over due						
		Within 30 days	31 to 60 days	61 to 90 days	91 to 120 days	121 to 150 days	151 to 180 days	Over 180 days
<u>December 31, 2022</u>	0.01%	0.22%	1.49%	3.56%	7.03%	26.01%	51.78%	100%
<u>December 31, 2021</u>	0.02%	0.23%	1.94%	4.77%	10.32%	34.37%	67.99%	100%

The Company's balance of accounts overdue for 31 days and more as of December 31, 2022 and 2021 accounted for approximately 0.27% and 0.49% of the total amount respectively.

- F. Changes in loss allowance for notes receivable and accounts receivable using the simplified approach are stated as follow

	2022	
	Notes receivable	Accounts receivable
January 1	-	2,160
Reversal of impairment loss	-	1,397
December 31	-	3,557

	2021	
	Notes receivable	Accounts receivable
January 1	-	1,807
Provision of impairment loss	-	353
December 31	-	2,160

### (3) Liquidity Risk

- A. Cash flows forecasting is carried out by the Company's Office of Finance and Accounting in order to ensure that sufficient funds are readily available, both for the operating needs and for the unused loan commitments.
- B. The Company's remaining cash in excess of its operating needs is invested in demand deposits bearing interests, time deposits, bonds sold under repurchase agreements, and marketable securities, all of which are instruments either with appropriate maturity or with sufficient liquidity so as to satisfy the said forecasting and provide sufficient position for dispatching of funds. As of December 31, 2022 and 2021, the Company had a money market position in the amounts equal to \$1,461,078 and \$598,018 respectively.
- C. The table below shows an analysis of the non-derivative financial liabilities held by the Company with defined repayment terms based on maturity dates and undiscounted payment at maturity:

	December 31, 2022		
	Less than 1 year	1-2 years	Over 2 years
<u>Non-derivative financial liabilities:</u>			
Short-term loans	\$ 11,393	\$ -	\$ -
Notes payable	893	-	-
Accounts payable	115,390	-	-
Accounts payable -related parties	1,673,075	-	-
Other payable	893,601	-	-
Corporate bond payable	-	-	847,700
Lease liabilities (including non-current)	18,726	17,207	615,294
<u>Derivative financial liabilities:</u>			
Forward foreign exchange contracts	417	-	-

	December 31, 2021		
	Less than 1 year	1-2 years	Over 2 years
Non-derivative financial liabilities:			
Short-term loans	\$ 316,144	\$ -	\$ -
Notes payable	3,453	-	-
Accounts payable	207,465	-	-
Accounts payable -related parties	1,743,802		
Other payable	691,172	-	-
Lease liabilities (including non-current)	16,797	15,952	504,689
Derivative financial liabilities:			
None			

- D. The Company does not expect a maturity analysis of which the cash flows timing would be significantly earlier, or the actual amount would be significantly different.

### (III) About Fair Value

1. Below states the definition of different levels of valuation techniques used to measure the fair value of financial and non-financial instruments:

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 is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Assets or liabilities' direct or indirect observable input value, however, this does not include the quoted price as stated in Level 1. The fair value of the Company's investment in derivatives is all Level 2 inputs.

Level 3: Un-observable inputs of assets or liability. the Company's investment in privately offered fund, hybrid instruments, convertible bond's redemption rights, and equity instruments in non-active markets are all Level 3 inputs.

2. Financial instrument not measured at fair value

The carrying amount of the Company's financial instruments, including cash and cash equivalents, financial assets measured at amortized cost, notes receivable, accounts receivable, other receivables, refundable deposit, short-term loan, notes payable, accounts payable, other payable, and lease liabilities are reasonable approximation of fair value.

	December 31, 2022			
	Carrying value	Level I	Level II	Level III
Financial Liabilities				
Corporate bond payable	\$ 816,573	\$ -	\$ 817,607	\$ -

On December 31, 2021: none.

Binomial tree model is used to assess the fair value of above convertible bonds.

3. For financial instruments measured at fair value, the Company carries out basic classification based on the nature of assets and liabilities, character risk and the defined level of fair value, and summarizes the information as below:

(1) Classified by nature of assets or liabilities:

December 31, 2022	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
<u>Recurring fair value</u>				
Financial assets at fair value through profit or loss				
Redemption right of convertible bonds	\$ -	\$ -	\$ 1,441	\$ 1,441
Privately offered funds	-	-	19,448	19,448
Hybrid instruments	-	-	7,396	7,396
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	1,009	1,009
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,294</u>	<u>\$ 29,294</u>
<b>Liabilities</b>				
<u>Recurring fair value</u>				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	\$ -	\$ 417	\$ -	\$ 417

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</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	\$ -	\$ -	\$ 1,009	\$ 1,009

- (2) Methods and assumptions adopted by the Company for measurement of fair value are stated as follows:
- A. The fair value of equity instruments without active market transactions (such as shares of non-listed companies) is estimated using the market method, which is based on the price and other relevant information generated by the market transactions of the same or comparable company equity instruments (such as the discount factor of lacking of liquidity, or input values like stock market's price-to-earnings ratio or price-to-book value ratio) to estimate the fair value. In addition, for equity instruments that lack sufficient or appropriate observable market information and comparable objects, the Company adopts the net asset value method to have a better view on the current profitability of the investment target.
  - B. The evaluation of derivative financial instruments is based on evaluation models widely accepted by market users, such as discount method and option pricing model. Forward foreign exchange contracts are usually evaluated based on the current forward exchange rate.
  - C. Please refer to Note XII(III)7 for explanation of the impact of non-market observable parameters on the evaluation of financial instruments.

4. There were no transfer between Level 1 and Level 2 of the fair value hierarchy for the periods in the years of 2022 and 2021.



5. The following table shows the Level 3 changes in the year of 2022.

	2022				
	Privately offered fund	Hybrid instrument	Derivative instrument	Equity Securities	Total
January 1	\$ -	\$ -	\$ -	\$ 55	\$ 55
Invest - current	21,586	7,396	-	-	28,982
Issue - current	-	-	1,100	-	1,100
Transfer-current	-	-	( 273 )	-	( 273 )
Gain or loss recognized in profit or loss					
Recorded as on-operating profit or loss	( 2,138 )	-	614	-	( 1,524 )
December 31	<u>\$ 19,448</u>	<u>\$ 7,396</u>	<u>\$ 1,441</u>	<u>\$ 55</u>	<u>\$ 28,340</u>
	2021				
	Privately offered fund	Hybrid instrument	Derivative instrument	Equity Securities	Total
January 1 (and December 31)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55</u>	<u>\$ 55</u>

In 2022 : None.

6. Valuation process regarding the fair value of Level 3 is conducted by the Company's finance department, by which the independence of fair value of financial instruments is verified through the use of independent data source in order that such valuation results are close to market conditions, and that the data source is independent, reliable, consistent with other resources, and representative of the exercisable price. In addition, multiple actions are regularly taken to ensure the reasonableness of the fair value valuation, e.g., calibrating the valuation model, conducting retrospective testing, updating the inputs and data for the valuation model, and making any necessary fair value adjustments.

7. Below states the quantitative information about the significant unobservable inputs of the valuation model used in the measurements categorized within Level 3 of the fair value hierarchy, as well as the sensitivity analysis of changes in significant unobservable inputs:

	December 31, 2022 Fair Value	Valuation technique(s)	Significant unobservable inputs	Interval (weighted- average)	Relations between input value and fair value
Derivative instrument: Convertible bond embedded option	\$ 1,441	Binomial tree model	Volatility	33.91%~36.31%	Higher volatility higher fair value
Non-derivative equity instruments: Shares of venture capital company	1,009	Net asset value method	Not applicable	Not applicable	Not applicable
Privately offered fund	19,448	Net asset value method	Not applicable	Not applicable	Not applicable
Hybrid instrument Contract of convertible bond	7,396	Discount cash flow method	Discount rate	Note applicable	Higher discount rate lower fair value

	December 31, 2021 Fair Value	Valuation technique(s)	Significant unobservable inputs	Interval (weighted- average)	Relations between input value and fair value
Non-derivative equity instruments:					
Shares of venture capital company	\$ 1,009	Net asset value method	Not applicable	Not applicable	Not applicable

8. The Company elects to adopt the valuation model and valuation parameters through cautious assessment. Nonetheless, using different valuation models or valuation parameters may lead to different valuation results. For financial assets categorized as Level 3 of the fair value hierarchy, changes in valuation parameters will not have a significant influence on either profit or loss or other comprehensive income.

(IV) Other Matters

The Company's major customers are in the United States and Japan, and the products are mainly outdoor recreational and sporting goods and composite materials used for 3C products which can keep appropriate social distance. The Company has complied with the disease control guidelines of the Ministry of Health and Welfare and instructions by the local government in various regions. It was assessed that the Company's operations and financial performance were not affected by the COVID-19 pandemic.

XIII. Additional Disclosures

(I) Information about significant transaction

1. Loans to Others: None.
2. Endorsements and Guarantees: None.
3. Marketable Securities Held at the End of the Period (Excluding Investment in Subsidiaries, Associates and Joint Ventures): Please refer to Table 1.
4. The Aggregate Trading Value on the Same Securities (Including Purchase and Sales) Reaching NT\$300 Million or Exceeding 20% of the Paid-in Capital: None.
5. Acquisition of Property Amounting to At Least NT\$300 Million or Exceeding 20% of Paid-in Capital: None.
6. Disposal of Property Amounting to At Least NT\$300 Million or Exceeding 20% of Paid-in Capital: None.
7. Purchases from and Sales to Related Parties Amounting to at Least NT\$100 Million or Exceeding 20% of Paid-in Capital: Please refer to Table 2.
8. Receivables from Related Parties Amounting to At Least NT\$100 Million or Exceeding 20% of Paid-in Capital: Please refer to Table 3.
9. Engagement in Derivatives Transactions: Please refer to Notes VI(II) and XII(III).
10. Parent-Subsidiary and Subsidiary-Subsidiary Business Relations and Significant Transactions and Amounts Thereof: Please refer to Table 4.

(II) Information about reinvestment

Name, Location, and Information on Investee Companies (Excluding Investee Companies in China): Please refer to Table 5

(III) Information about Mainland China Investment

1. Basic Information: Please refer to Table 6.
2. Significant Transactions between the Company and Investees in Mainland China Directly or Indirectly through Entities in a Third Area: Please refer to Table 7.

(IV) Information of major shareholders

Please refer to Table 8.

XIV. Segment Information

Not applicable.

Advanced International Multitech Co., Ltd. and Subsidiaries

Marketable Securities Held at the End of the Period (Excluding Investment in Subsidiaries, Associates and Joint Ventures)

January 1 to December 31, 2022

Unit: In Thousands of New Taiwan Dollars

(Unless Otherwise Specified)

Table 1

Investor	Type and Name of Securities	Relationship with the issuer	General Ledger Account	End of the period				Note
				Number of shares	Carrying amount	Shareholding ratio	Fair value	
Advanced International Multitech Co., Ltd.	Taishin Health LLP	None	Financial assets at fair value through profit or loss - non-current	-	\$ 19,448	8.46%	\$ 19,448	
Advanced International Multitech Co., Ltd.	Hua Nan Venture Capital Co., Ltd.	None	Financial asset at fair value through other comprehensive income - non-current	57,438	55	10.60%	1,009	

Advanced International Multitech Co., Ltd. and Subsidiaries

Purchases from and Sales to Related Parties Amounting to at Least \$100 Million or Exceeding 20% of Paid-in Capital

January 1 to December 31, 2022

Unit: In Thousands of New Taiwan Dollars

(Unless Otherwise Specified)

Table 2

Name of company	Name of the counterparty	Relationship	Transaction Details			Loan period	Situation and reason of why trading conditions are different from general trading		Notes or accounts receivable (payable)		Note
			Purchase (sale)	Amount	Ratio to total purchase (sales) (%)		Unit Price	Loan period	Balance	Ratio on total notes and accounts receivables (payable)	
Advanced International Multitech Co., Ltd.	Advanced Sporting Goods (Dongguan) Co., Ltd.	Second-tier subsidiary	Purchase	\$ 10,036,034	72%	Note 1	Note 1	Note 1	(\$ 1,376,834)	77%	Note 2
Advanced International Multitech Co., Ltd.	Advanced International Multitech (VN) Corporation Ltd.	Subsidiary	Purchase	3,772,391	27%	Note 1	Note 1	Note 1	( 296,241)	17%	Note 2
Advanced Sporting Goods (Dongguan) Co., Ltd.	Advanced International Multitech Co., Ltd.	Ultimate parent company	Sale	( 10,036,034)	100%	Note 3	Note 3	Note 3	1,376,834	100%	
Advanced International Multitech (VN) Corporation Ltd.	Advanced International Multitech Co., Ltd.	Parent company	Sale	( 3,772,391)	100%	Note 3	Note 3	Note 3	296,241	100%	

Note 1: The prices and terms of payment of the Company's purchases from Advanced Sporting Goods (Dongguan) Co., Ltd. and Advanced International Multitech (VN) Corporation Ltd. were agreed by both parties and were not comparable to the normal transactions as there were no transactions of similar products.

Note 2: The purchase (sales) amount comprises the sales revenue (sales of raw materials and work-in-progress) and operating costs (purchase of goods) arising from the Company's sales to its subsidiaries and sub-subsidiaries, that's about processing of removal materials, offset by \$1,557,517 for the period between January 1 to December 31, 2022.

Note 3: The price and collection terms of the company's sales to Advanced International Multitech Co., Ltd. were agreed by both parties, which were not comparable to normal transactions as there were no similar counterparties or products.

Advanced International Multitech Co., Ltd. and Subsidiaries

Receivables from Related Parties Amounting to at Least NT\$100 Million or Exceeding 20% of Paid-in Capital

January 1 to December 31, 2022

Unit: In Thousands of New Taiwan Dollars

(Unless Otherwise Specified)

Table 3

Name of company	Name of the counterparty	Relationship	Balance of receivables from related parties	Turnover rates	<u>Overdue receivables from related parties</u>		Amounts of receivables from related parties received in subsequent period	Allowance for doubtful accounts	Note
					Amount	Action taken			
Advanced Sporting Goods (Dongguan) Co., Ltd.	Advanced International Multitech Co., Ltd.	Ultimate parent company	\$ 1,376,834	6.11	\$ -	-	\$ 1,002,700	\$ -	
Advanced International Multitech (VN) Corporation Ltd.	Advanced International Multitech Co., Ltd.	Parent company	296,241	12.58	-	-	124,665	-	

Advanced International Multitech Co., Ltd. and Subsidiaries

Parent-subsidiary and Subsidiary-subsidiary Business Relations and Significant Transactions and Amounts Thereof

January 1 to December 31, 2022

Table 4

Unit: In Thousands of New Taiwan Dollars  
(Unless Otherwise Specified)

No. (Note1)	Name of the company	Name of the transaction counterparty	Relationship with counterparty (Note2)	General ledger		Conditions of transactions		Ratio to consolidated total revenue or total assets (%)
				account	Amount	Transaction terms		
0	Advanced International Multitech Co., Ltd.	Advanced Sporting Goods (Dongguan) Co., Ltd.	1	Purchase	\$ 10,036,034	According to the agreement between both parties	47%	
0	Advanced International Multitech Co., Ltd.	Advanced Sporting Goods (Dongguan) Co., Ltd.	1	Account payable	1,376,834	According to the agreement between both parties	8%	
0	Advanced International Multitech Co., Ltd.	Advanced International Multitech (VN) Corporation Ltd.	1	Purchase	3,772,391	According to the agreement between both parties	18%	
0	Advanced International Multitech Co., Ltd.	Advanced International Multitech (VN) Corporation Ltd.	1	Account payable	296,241	According to the agreement between both parties	2%	

Note 1: The information of transactions between the Company and the consolidated subsidiaries should be noted in "Number" column as below:

- (1) The parent company is coded 0.
- (2) The subsidiaries are coded from "1" in the order presented in the table above.

Note 2: Three kinds of relationship with counterparty are as follows:

- (1) Parent company to its subsidiary.
- (2) Subsidiary to its parent company.
- (3) Subsidiary to another subsidiary.

Advanced International Multitech Co., Ltd. and Subsidiaries

Name, Location and Information on Investee Companies (Excluding Investee Companies in Mainland China)

January 1 to December 31, 2022

Table 5

Unit: In Thousands of New Taiwan Dollars

(Unless Otherwise Specified)

Investor	Name of investee company	Location	Primary business	Initial investment amount		Ownership, end of the period			Net profit or loss of the investee company	Investment gain or loss recognized in the period	Note
				End of the period	End of last year	Number of shares	Ownership (%)	Carrying amount			
Advanced International Multitech Co., Ltd.	ADVANCED GROUP INTERNATIONAL (BVI) CO., LTD.	British Virgin Islands	Invest in other regions	\$ 149,434	\$ 149,434	4,584,815	100	1,013,517	\$ 301,669	\$ 302,105	Note 1
Advanced International Multitech Co., Ltd.	ADVANCED INTERNATIONAL MULTITECH (VN) CORPORATION LTD.	Vietnam	Engaged in the production and sales of various golf club shafts and heads, golf sets.	447,331	447,331	14,000,000	100	683,108	91,415	91,074	Note 1
Advanced International Multitech Co., Ltd.	Launch Technologies Co., Ltd. (LTC)	Taiwan	Engaged in production of sports products, other plastic products and international trade	266,495	266,495	28,518,424	55.93	886,091	588,731	329,275	
Advanced International Multitech Co., Ltd.	Munich Composites GmbH	Germany	Engage in design, research, development, and production of carbon fiber bicycle wheels and carbon fiber reinforced polymer product	49,212	49,212	21,003	27.27	-	-	-	Note 2
Advanced International Multitech Co., Ltd.	Technology On Prototyping Ultimate Co., Ltd.	Taiwan	Engage in the system integration engineering design services for aerospace, vehicles, national defense, machinery, energy, electronics, medical, materials and process equipment	15,600	-	1,200,000	25.66	15,568	1,455	( 32)	
ADVANCED INTERNATIONAL MULTITECH (VN) CORPORATION LTD.	Maya Metal Technology Company Limited	Vietnam	Engage in the OEM production of various golf club shafts and heads, golf set	22,290	-	750,000	30	15,228	( 25,251)	( 7,575)	

Note 1: The difference between the profit or loss of the investee for the period and the investment profit or loss recognized by the Company is the unrealized gain or loss arising from inter-company transactions.

Note 2: According to IAS36, it is assessed that Munich Composites GmbH has \$0 recoverable amount, and there is no significant change during the year.

Advanced International Multitech Co., Ltd. and Subsidiaries

Investment in Mainland China - General Information

January 1 to December 31, 2022

Table 6

Unit: In Thousands of New Taiwan Dollars

(Unless Otherwise Specified)

Investee company	Primary business	Actual Paid-in-capital	Method of investment	Beginning balance of accumulated outflow of investment from Taiwan	Remittance or recovery of investment amount		Ending balance of accumulated outflow of investment from Taiwan	Net profit or loss of investee company	Direct or indirect ownership of the Company (%)	Recognized investment gain or loss for the period	Carrying amount of investment, end period	Ending balance of accumulated inward remittance of investment income	Note
					Remittance	Recovery							
Advanced Group International (BVI) Co.,Ltd. :	Engaged in production and sale of carbon fiber prepare materials and sports product	\$ 149,446	2	\$ 149,434	\$ -	\$ -	\$ 149,434	\$ 301,667	100	\$ 301,667	\$ 1,016,694	\$ 948,328	Note 1, Note 2
Advanced Sporting Goods (Dongguan) Co., Ltd.													
Advanced Sporting Goods (Dongguan) Co., Ltd. :	Engaged in production of materials	17,796	3	-	-	-	-	1,106	25	276	3,548	-	Note 1, Note 3, Note 4, Note 5
Baoji Zatech Material Co., Ltd.													

Note 1: Investment methods are classified into the following four categories:

1. Remittance to Mainland China through a third region.
2. Investment in Mainland China company through company invested and established in a third-party region.
3. Investment in Mainland China company through reinvestment in existing company in third-party region.
4. Through other methods.

Note 2: Investment gain or loss recognized in accordance with the financial statements reviewed by the parent company in Taiwan.

Note 3: Investment gain or loss recognized in accordance with the investee company's financial statements.

Note 4: The amount of paid-in capital is converted based on the RMB4,000 thousand using exchange rate of 4.449.

Note 5: Is invested directly by the Company's sub-subsidiary, Advanced Sporting Goods (Dongguan) Co., Ltd., in China. The Company does not have actual remittance amount.

Name of company	Accumulated investment remitted from Taiwan to Mainland China at the end of the period	Investment Amounts Authorized by Investment Commission, MOEA	Upper limit on investment authorized by the Investment Commission, M.O.E.A.
Advanced International Multitech Co., Ltd. (Note 6, Note 7, Note 8)	\$ 149,434	\$ 140,560	\$ 4,642,257

Note 6: Accumulated outward remittance from Taiwan to Mainland China at the end of the period is translated at the spot exchange rate of USD4,577 thousand at the time of the remittance.

Note 7: The investment amount approved by the Investment Commission of the Ministry of Economic Affairs is USD4,577 thousand, which is translated using the USD exchange rate of 30.71 at the balance sheet date.

Note 8: According to the quota stipulated in letter No. 09704604680 of the Ministry of Economic Affairs on August 29, 2008.



Advanced International Multitech Co., Ltd. and Subsidiaries

Investments in Mainland China - Significant Transactions between the Company and Investee Companies in Mainland China Directly or Indirectly through Entities in a Third Area

January 1 to December 31, 2022

Unit: In Thousands of New Taiwan Dollars

(Unless Otherwise Specified)

Table 7

Investee company	Sales (Purchases)		Property transaction		Account receivable (payable)		Endorsement/guarantee or collateral provided		Financing				Others	
	Amount	%	Amount	%	Balance	%	Ending balance	Purpose	Maximum balance	Ending balance	Interest rate range	Current interest		
Advanced Sporting Goods (Dongguan) Co., Ltd.	(\$ 10,036,034)	(72%)	\$ -	-	(\$ 1,376,834)	(77%)	\$ -	-	\$ -	\$ -	-	\$ -	-	Note

Note: The purchase (sales) amount comprises the sales revenue (sales of raw materials and work-in-progress) and operating costs (purchase of goods) arising from related processing of the Company's sales to Advanced Sporting Goods (Dongguan) Co., Ltd., that's about processing of removal materials, offset by \$1,315,282 for the period between January 1 to December 31, 2022.

Advanced International Multitech Co., Ltd. and Subsidiaries

Information on Major Shareholders

December 31, 2022

Table 8

Name of major shareholders	Shareholding	
	Number of shares	Shareholding ratio
Ming An Investment Co., Ltd.	12,134,838	8.84%

Note: (1) The major shareholders in this table are shareholders holding more than 5% of the common and preference shares that have completed delivery of non-physical registration (incl. treasury shares) on the last business day of each quarter calculated by the Taiwan Depository & Clearing Corporation. However, the share capital recorded in the Company's financial statements and the number of shares actually delivered by the Company without physical registration may differ due to calculation bases.

(2) For the above are shares entrusted by the shareholders, the information thereto shall base on the shares disclosed by the individual trust account of opened by the trustees. For information on shareholders, who declare to be insiders holding more than 10% of shares in accordance with the Securities and Exchange Act and whose shareholdings include their shareholdings plus their delivery of trust and shares with the right to make decisions on trust property, please refer to the Market Observation Post System.

Advanced International Multitech Co., Ltd.



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