Stock Code: 3535

Favite, Inc.

2022 Annual Report



Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

Published on May 10, 2023

Market Observation Post System website: http://mops.twse.com.tw
Favite, Inc. Annual Report is available at: http://www.favite.com

I. Spokesperson

	Spokesperson	Deputy Spokesperson
Name	WANG, ZI-YUE	CAI, SHU-LING
Title	Vice President	Manager
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III. Stock Transfer Agent

Name: Taishin Securities Stock Agency Department

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R.O.C.

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

Tel: (02) 2504-8125

IV. Auditors

Auditors: Su-Li Fang (CPA), Tung-Hui Yeh (CPA)

Name of Firm: Deloitte & Touche

Address: No. 2, Zhanye 1st Rd., Hsinchu Science Park, Taiwan, R.O.C.

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V. Overseas Securities Exchange: N/A

VI. Corporate Website: http://www.favite.com

Favite, Inc.

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I. Letter to Shareholders

The summary report of the company's 2022 business results and 2023 business plan is as follows:

1. 2022 Operating Results

1.1. Business Performance

Unit: NT\$ thousands

Item	2022	2021	Growth rate(%)
Operating revenues	1,477,429	1,409,254	4.83%
Gross profit	593,733	392,790	51.16%
Operating income	230,002	127,188	80.84%
Net income before income tax	332,301	100,595	230.34%
Net income after income tax	282,981	96,811	192.30%

1.2. Budget execution

The company did not disclose financial forecasts for 2022.

1.3. Financial income and expenditure and profitability analysis

1. Financial income and expenditure

The company's 2022 year current ratio is 194.67%, and the quick ratio is 171.74%, which shows that the liquidity is still fair.

2. Profitability

	Item							
	Return on assets (%)	13.50						
D (7. 1.11)	Return on equity (%)	25.88						
Profitability	Profit before tax to paid-in capital (%)	42.04						
	Net profit ratio (%)	19.15						
	Earnings per share (NT\$)	3.58						

1.4. Research and development status

The main research and development of the company in 2022 were as follows:

- 1. Semi submicron AOI for surface particle inspection
- 2. Chip in tray appearance inspection equipment
- 3. Micro LED chip on carrier inspection
- 4. Micro LED BackPlane AOI

2. Summary of the business plan for the year 2023

2.1 Operational Directives

Since Favite was established in 2000, we have provided clients with intelligent, accurate, and high-speed machine vision inspection solutions using original algorithms and the latest artificial intelligence (AI) technology. We aim to become the quality guardian in the technology manufacturing industry and a leader in the automated optical inspection (AOI) field. We provide clients with AOI, measurement equipment and combined yield

management solutions with the best production yield and quality management effect. We strive to provide intelligent, efficient, and innovative services while emphasizing the philosophy of becoming a protector of industrial production quality as our vision and responsibility, thereby achieving mutual benefits for clients, employees, and shareholders.

2.2 Expected Sales Volume and Basis

The company is committed to the research and development of technologies relating to the field of machine vision (MV) and is a leading manufacturer of optical inspection equipment. Over the past years, the company continued to focus on research and development as well as patent planning, and has achieved outstanding performance in the TFT LCD/LTPS/AMOLED display industry. Due to the company's deep-rooted business developments in numerous industries, including semiconductor, PCB, Mini/Micro LED, etc., we are able to provide high precision and high quality automatic optical inspection and measurement equipment to customers, along with comprehensive solutions capable of detecting factory production line defects and monitoring yield rate for customers. Since the second half of 2022, the business in the panel industry has plummeted. With the impact of the COVID-19 pandemic on China's political and economic environments, the shipment of flat panel displays has been affected considerably. We have flexibly adjusted our internal production capacity and the research and development (R&D) direction and advanced our technological capabilities. In addition to the well-developed TFT LCD, we keep abreast of the trend of the display industry and developed E-paper testing equipment timely, while continuing to work with well-known micro LED pioneers. Meanwhile, we have stepped into the IC substrate industry and even the front-end semiconductor testing equipment field. We manage to make up for the decline in the display field as much as possible to diversify the operational risks.

2.3 Important Production and Sales Policies

- 1. Continue the deep-rooted and long-term cultivation of the field of TFT LCD display, and improve product capability continuously, along with the integration of AI technologies, in order to provide more efficient solutions to customers. In addition to the front-end array/color filter, the company further adopts AI technologies to provide yield management solutions to mitigate the impact of labor shortage caused by the COVID-19 pandemic. In alignment with the clients' product update this year, we retrofitted the E-paper production line.
- 2. Effectively utilize the company's currently existing R&D resources and prestige, along with the automatic optical inspection core based on the optical, inspection, mechanical and electrical control technologies, to continue to focus on high value-added products, and to develop new fields and markets. We have created certain R&D achievements in the advanced packaging and testing, micro LED display, and semiconductor fields over the past year, and clients have gradually adopted them in their production or experimental lines. Looking ahead to the coming year, we will work more closely with clients for production testing in order to help them to go into mass production faster.
- 3. The company has transformed from the face-to-face marketing strategy of the single market to the current multi-industry exhibition participation method, in

order to increase the visibility of the company in different fields. In addition, we also actively sponsor and participate in industry seminars, as well as establish and maintain cooperative partnerships and relationships with a customer base, suppliers, and other relevant groups. We seek to cultivate our customer base, and to solve real production-quality issues faced by customers from the professional aspect, thereby increasing customers' reliance on the company, expanding the business scope and market share, and achieving the long-term growth and development goals of the company.

- 4. In terms of business development, although the global pandemic policy was gradually relaxed during 2022, mainland China still adopted stricter antipandemic measures. Our business team overcame difficulties, visited major clients in person where possible to strive to maintain client relations. However, in the second half of 2022, the business cycle in this industry took a sharp turn for the worse, and clients whose orders have been accepted delayed their orders, resulting in a slight decline in revenue. Under such tough circumstances, the sales team of the company utilized digital tools during the pandemic period, and actively maintained close contact with customers. Through online collaboration, the company successfully achieved both revenue and profit growth.
- 5. Despite the pandemic's impact, the company continues to invest resources in fundamental R&D and educational training, in order to improve the knowledge skills and management skills of employees. In addition to continuing basic education and training over the past years, the company also invites internal and external instructors to implement courses in basic science, applied science, and management science. Online courses were provided during the pandemic period. In addition to strengthening the depth of knowledge, we also focus on the breadth of knowledge. Furthermore, R&D staff also actively participate in various domestic and foreign advanced-technology-trend seminars, thereby learning of and paying attention to advanced market opportunities.

2.4 Company Future Development Strategy

Since the company was established, we have liven up to the policy of "technological innovation, stable quality, efficiency improvement, and client satisfaction" and adopted machine vision and AI technology to provide various automated inspection and measurement solutions for the industrial manufacturing field, so as to become a quality guardian in the manufacturing industry. We continue to focus on the R&D of advanced inspection equipment, integrate the professional technologies of optics, mechanism, electronic control, and inspection software, continue to launch more advanced AOI equipment, as well as gradually increase our market share in a stable manner and consolidate our position in the market of high-end automatic optical inspection products. In addition to consolidating the company's existing markets, we proactively invest in the machine vision applications in various fields, strengthen our AI and big data analysis technologies, and provide clients with high-efficiency and comprehensive industrial automated inspection solutions.

1. Value customer satisfaction as the ultimate goal, and implement it thoroughly in all operational aspects. Understand and comprehend the real demands of customers, exploit the company's R&D and production capabilities, and provide quality products to

- customers, in order to exceed customers' expectations and gain customer trust.
- Enter new emerging markets with value products based on new technologies, overcome
 yield rate management issues faced by the new market, and assist customers in
 improving production yield rate swiftly, thereby jointly achieving high-value products
 and mutual gains.
- 3. Implement technology and production-capability improvements for the currently existing production lines, and increase customers' production efficiency while simultaneously achieving stable revenues and profits.
- 4. Establish stable and prosperous partnerships with both domestic and foreign, upstream/downstream suppliers and customers, build a collaborative team, and achieve mutual growth.
- 5. Establish a cell service team in each region and form team flexibility, in order to provide multi-functional and prompt local services. Achieve customer satisfaction, increase reliance, and maintain long-term common interests with business partners.
- 6. Continuously optimize our production quality management system and improve performance of each stage of the production process, thereby achieving the comprehensive benefits of improved speed and quality, and an increase of efficiency and reduction of cost.
- 7. Continue to cultivate professional and management talents and improve the organization's reward system, thereby establishing a competitive, winning team.

2.5 Impacts of External Competitive Environment, Legal Environment, and the Overall Operating Environment

1. External competitive environment

The global pandemic began to gradually slow down during 2022, and various countries gradually lifted their border control measures to allow economic activities to return to normal. However, mainland China still implemented a stricter anti-pandemic management policy. As Favite's 's overseas revenue mainly comes from China, the cost of cross-border transportation remains high, and the shortage of labor remains. In addition, due to the climate change issues, global carbon reduction is an indicator of important trends. The company will continue to invest in the AI AOI application based on the R&D energy and dynamics accumulated from the past in order to utilize the latest AI technology to replace labor, thus achieving the objective of industrial inspection automation. Moreover, micro LED is a new field of display receiving great attention from the market following OLED. The company has developed various products for different stages of the entire process over the past year and is proactively building a layout of products to develop them as our main products in the next stage of the display industry.

2. Regulatory environment

The business operation of FAVITE complies with laws and regulations and emphasizes the importance of ethics. Accordingly, the company tracks regulatory changes, assesses the amendment of internal rules, and establishment and implementation of legal compliance programs, in order to actively cope with various changes in the regulatory environment. In addition, the company also arranges legal compliance education and training to allow employees to understand business-related laws and regulations, in order to make proper

commercial and moral judgments. Moreover, the company actively understands and participates in the various industrial upgrades and R&D incentive programs promoted by the company. With the assistance of the government, the company is able to maintain industry-wide standards.

3. Overall operation environment

As the domestic anti-pandemic measures were gradually lifted during 2022, the society, economy, and people's daily lives gradually returned to normal in the first half of the year. Despite that, the economic activities between China and Taiwan continued during this period and the border control and epidemic measures of quarantine-after-entry implemented by both regions significantly increased the quarantine cost associated with the cross-strait operating activities. Because of this, profitability of equipment manufacturers relying on export sales was significantly affected. However, in the second half of 2022, as Samsung announced that it would suspend its panel purchases due to its high inventory levels, the entire industry took a sharp turn for the worse and the consecutive quarters of growth stopped. In the third quarter, the two major heavyweights in Taiwan's panel industry experienced severe setbacks.

The year of 2022 is the year when Favite's AI AOI began to shine. With more than twenty years of extensive experience in the field of inspection, the company has accumulated millions of data entries related to production defects to establish the AI solution. In addition to the original AOI equipment capable of providing the functions of defect determination and classification, the company is able to further increase the AI inspection speed to a level superior to other competitors in the industry based on the company's outstanding R&D in algorithm development for direct application in AOI inspection. Accordingly, from the start, the company's equipment is able to perform accurate inspections, so the overdetection rate is reduced and labor hours can be significantly saved. Consequently, the company promotes quality changes in the field of industrial automation. In the emerging blue ocean market of the Mini/Micro LED industry, the company provides solutions capable of overcoming problems faced by traditional AOI. Such solutions can be implemented during the early stage of production so manufacturers are able to reduce significantly the amount of labor required in their production lines. In view of the above, the successful experience can be duplicated swiftly. So, it is expected to become one of the key products of the company for the next three to five years, thus bringing significant growth to the revenue of the company.

The integration of AI with new emerging technologies and applications of IoT, automotive electronics, and compound semiconductors, etc., will drive the demand and continuous growth of various types of semiconductor elements in great volume. This is expected to become the main dynamic driving the growth of the semiconductor industry in the post-pandemic era. In 2022, FAVITE will continue the business planning of inspection and measurement equipment, in order to diversify its market distribution and product range to fight against possible fluctuations within a single industry. For the emerging industry-upgrade solutions, the company will enter numerous new fields of semiconductor packaging and testing, as well as substrate testing. In addition, the company will

also continue its cultivation of the LCD industry with products and services of higher technical value, thereby assisting customers in increasing production capacity, volume, and efficiency along with reductions in manufacturing cost. Accordingly, with business development in these fields, both the revenue and profit of the company are expected to grow.

Favite, Inc.

Chairman: CHEN, YUNG-HUA

II. Company Profile

2.1 Date of Incorporation

Favite Inc. was established on March 10, 2000.

2.2 Company History

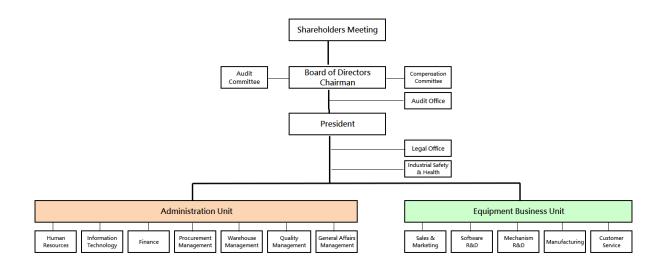
3 7	Milatan
Year	Milestones
Mar. 2000	Favite Inc. was formally established and registered in the Incubation Center of the
2000	Industrial Technology Research Institute with a paid-up capital of NTD\$1 million.
May. 2000	Cash capital increase, the paid-in capital after the capital increase is NT\$50 million.
Jun. 2001	The "Automated Wafer Inspection Machine" won the "Technology Research and
	Development Project Encouraging Emerging Small and Medium-sized Enterprises to
	Develop New Technology Project" subsidy from the Industrial Bureau of the Ministry of
	Economic Affairs in 2001.
Feb. 2002	Cash capital increase, the paid-in capital after the capital increase is NT\$58 million.
Dec. 2002	Develop the High Density Interconnect Color 24bit printed circuit board inspection
	machine for a final inspection.
Jan. 2003	Cash capital increase, the paid-in capital after the capital increase is NT\$100 million.
Feb. 2003	Moved the factory to Taiyuan Science and Technology Park, Zhubei City.
Aug. 2003	"PDP glass substrate automatic optical inspection machine" won the "leading new
	product development plan" subsidy from the Industrial Bureau of the Ministry of
	Economic Affairs in 2003.
Oct. 2003	Passed ISO9001.
Mar. 2004	Cash capital increase, the paid-in capital after the capital increase is NT\$150 million.
May. 2004	Passed ISO9001: 2000 qualification.
Nov. 2004	Cash capital increase, the paid-in capital after the capital increase is NT\$200 million.
Jun. 2005	Purchased the factory building on Taihe Road, Zhubei City.
Aug. 2005	Cash capital increase, the paid-in capital after the capital increase is NT\$250 million.
Nov. 2005	Received the 94th annual "Leading New Product Development Plan" subsidy from the
	Industrial Bureau of the Ministry of Economic Affairs by "Automatic Optical Defect
	Inspection Equipment for Thin Film Transistor (TFT) Panels in Generation 7.5".
Feb. 2006	The Company received the 2006 Best Service Award from Chi Mei Technology.
Apr. 2006	Established Tainan Office to serve customers in Tainan Science Park nearby.
Jun. 2006	Cash capital increase, the paid-in capital after the capital increase is NT\$300 million.
Aug. 2006	Purchased land in the Taiyuan section of Zhubei City, and planned to expand the plant
	and production capacity.
Nov. 2006	Cash capital increase, the paid-in capital after the capital increase is NT\$380 million.
Dec. 2006	Company stock is registered in the trading market.
Jan. 2007	Received a subsidy from the Ministry of Economic Affairs for the "Integrated Liquid
	Crystal Dropping Process Equipment Development R&D Alliance Advanced Research
	Promotion Program".
Feb. 2007	The Company received the 2006 Best Quality Award and the 2006 Best Service Award
	from Chi Mei Technology.
Mar. 2007	Approved by the Industrial Bureau of the Ministry of Economic Affairs to obtain the loan
	amount of the "Project Loan for Constructing R&D Environment".
Jun. 2007	The Company received the 2006 Taiwan High Tech Fast50 from Deloitte.
Jul. 2007	Received Letter of Opinion by Competent Authority and related documents for
	Technology Enterprises from Industrial Development Bureau, Ministry of Economic
	Affairs.
Aug. 2007	Capitalization of Profits and Employee Bonus, the paid-in capital after the capital
	increase is NT\$ 418,300 thousand.
Oct. 2007	Moved the factory to Yanhe Street, Zhubei City.
Jun. 2008	Cash capital increase, the paid-in capital after the capital increase is NT\$464,740
	thousand.
Jun. 2008	Company stock IPO.
Feb. 2008	The Company received the 2007 Best Quality Award from Chi Mei Technology.
Jun. 2008	The Company received the 2007 Taiwan High Tech Fast50 from Deloitte.

Sep. 2008	Capitalization of Profits and Employee Bonus, the paid-in capital after the capital increase is NT\$ 570,288 thousand.
Aug. 2009	Capitalization of Profits and Employee Bonus, the paid-in capital after the capital increase is NT\$ 778,196 thousand.
Sep. 2009	Received Ministry of Economic Affairs Industrial Science and Technology Development Award from CAITA.
Dec. 2009	Received a subsidy from the Ministry of Economic Affairs by "Individual advanced research promotion plan for optical blackening automatic repair technology of bright spots of liquid crystal displays".
Feb. 2010	Successfully developed the ultra-small handheld UHF RFID reader with the longest reading distance in the world.
Aug. 2011	Capitalization of Profits, the paid-in capital after the capital increase was NT\$768,196 thousand.
May. 2011	Established Samoa FaviteLimited.
Mar. 2012	Established Mainland subsidiary FAVITE (SHANGHAI) Co., LTD.
Mar. 2018	Utechzone Co., Ltd. has become a major shareholder of Utechzone, holding more than 10% of Utechzone's shares through the purchase and public acquisition of 26.59% of Utechzone's common shares in the Taiwan Stock Exchange.
May. 2019	In order to enrich working capital, Utechzone Co., Ltd. applied to sell 5,300,000 shares and 5,000,000 shares of the company on the Taiwan Stock Exchange on April 11, 2019 and May 13, respectively. As of May 31, 2019, a total of 10,300,000 shares have been sold shares, and the equity dropped to 10,816,272 shares, accounting for 13.68% of the company's issued shares.

III. Corporate Governance Report

3.1 Organization

3.1.1 Organization Chart



3.1.2 Major Corporate Functions

Department	Functions
Chairman office —Auditor	 ©Check and evaluate the adequacy of the internal control system and supervise its effective operation. ©Responsible for auditing the company's business, finance, and operating conditions, analyzing abnormalities, and providing timely improvement suggestions. ©Check and protect the safety of company assets, and assist the management in implementing the company's internal regulations and compliance with various regulations.
President Office	 Adhere to the resolutions of the shareholders' meeting and the director's meeting, and comprehensively manage the company's business. Supervise and control the daily business and operation of the company. Execute coordination and communication among various departments.
Legal Office	©Legal and contract related matters.©Matters related to patents and intellectual property rights.
Industrial Safety & Health	©Responsible for handling matters related to work environment safety and health.
Administration Unit	 Inquiry, comparison, price negotiation of raw material procurement and management of suppliers. Procurement control of raw materials and parts, cost reduction and warehousing and logistics management. Management system formulation, human resources planning, real estate, plant and equipment management, general affairs and general affairs are coordinated and implemented. Planning and execution of various matters of quality control, implementation of a quality control system, implementation of ISO system, and management of document control center. Salary policies, employee benefits, labor relations, career counseling, organizational planning and development, education and training, and compliance with labor laws. Implementation of the planning, establishment and maintenance of information and communication systems, enterprise resource systems and design and development systems. Implementation of cyber security control, hardware maintenance and system recovery. Funds management, bank transactions, accounting processing, production and analysis of financial statements, financial forecasting and control, and stock-related matters. Forward-looking planning and execution, formulating operational strategies, and being responsible for horizontal communication among various departments.

	©External publicity and investor relations affairs.
Equipment Business Unit	 Development, production and sales of equipment products. Design and development of new equipment products and improvement of product functions. R&D and improvement of the manufacturing process of equipment products, equipment improvement and analysis of related technical issues. Equipment product production planning and execution to complete the overall goal of production and sales, and effectively improve the efficiency of manufacturing. After-sales service and technical support.

3.2 Directors, Supervisors and Management Team

3.2.1 Directors and Supervisors1. Directors and Supervisors

As of March 31, 2023; Unit: shares

Title	Nation ality	Name	Gender / Age	Date Elected	Term (Years)	Date First Elected	Shareholding v	when Elected	Current Sha	ureholding	Spouse &		Noi	olding by ninee gement	Experience (Education)	Other Position Other Position De		Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship Fitle Nam Relat		mark(s (Note)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	e io		
Chairman& president	R.O.C	CHEN, YUNG- HUA	Male 61~70	2022.06.24	3	2004.07.01	2,220,813	2.81%	2,220,813	2.81%	-	-	-	-	Bachelor, National Tsing Hua University Department of Physics Master's, Tatung University Department of Business Management Chairman, FaviteLimited	Chairman, FaviteLimited Chairman, FAVEPC INC. Director, YIELD MICROELECTRONICS CORP.		-	(Not	te 5)
	R.O.C	Utechzone Co., Ltd.	-	2022.06.24	3	2018.03.21	11,379,272	14.39%	11,379,272	14.39%	-	-	-	-	-	Director, KGKAZA CO., LTD.		. -	-	
Director	R.O.C	Representative:	Male 51~60	-	-	-	-	-	-	-	-	-	-	-	Shih Chien University Graduate School of Enterprise Innovation and Entrepreneurship Management noncompletion Administration President and Vice President of Marketing, Utechzone Co., Ltd.	(Note 1)			-	
Director	R.O.C	YEH, SHENG-FA	Male 61~70	2022.06.24	3	2022.06.24	300,000	0.38%	300,000	0.38%	-	-	-	-	Master's, City University of Seattle Department of Business Management Chairman, Guangqiang Aquatic Products Co., Ltd.	(Note 2)			-	
	R.O.C	Utechzone Co., Ltd.	-	2022.06.24	3	2018.03.21	11,379,272	14.39%	11,379,272	14.39%	-	-	-	-	-	-		-	-	
Director	R.O.C	Representative:	Male 61~70	-	-	-	-	-	-	-	-	-	-	-	Master's, National Sun Yat-Sen University Department of Business Management Vice General Manager of Adm&Fin. Dept., Utechzone Co., Ltd.	(Note 3)			-	
Director	R.O.C	LIN, HUNG- JEN	Male 61~70	2022.06.24	3	2022.06.24	1,246,000	1.58%	1,040,000	1.32%	-	-	-	-	Bachelor, Tatung University Department of Mechanical Engineering Chairman, JIE KUEN PRECISION TECHNOLOGIES CO., LTD.	Chairman, JIE KUEN PRECISION TECHNOLOGIES CO., LTD. Director, JIE KUEN ENTERPRISE INC.		-	-	
Independent Director	R.O.C	TSENG, HSIANG CHI	Male 61~70	2022.06.24	3	2009.09.23	-	-	-	-	-	-	-	-	PhD, National Tsing Hua University Department of Physics Professor, Chung Yuan Christian University Department of Physics	Professor, Chung Yuan Christian University Department of Physics			-	
Independent Director	R.O.C	LEE, SHIH- CHENG	Male 51~60	2022.06.24	3	2019.06.12	-	-	-	-	-	-	-	-	Professor, National Central University Department of Finance Associate Professor, Yuan Ze University College of Management Visiting professor, University of Adelaide	Associate Professor, Yuan Ze University College of Management Independent Director, WETRUST BIOTECH CO., LTD.			-	
Independent Director	R.O.C	SHEN, HIS- WEN	Male 61~70	2022.06.24	3	2022.06.24	-	-	-	-	-	-	-	-	Master's, Tulane University Department of Business Management	Independent Director Unictron Technologies Corporation		-	-	
Independent Director	R.O.C	LO, CHIH- PING	Male 61~70	2022.06.24	3	2022.06.24	-	-	-	-	-	-	-	-	Bachelor, FU JEN CATHOLIC University Department of Electrical Engineering Manager, EAST PRAYER INDUSTRIAL Vice President, VETON TECH LIMITED	Manager, EAST PRAYER INDUSTRIAL President, VETON TECH LIMITED Director, WEIDEKE NEW TECHNOLOGY CO., LTD.		-	-	
Director	R.O.C	ZENG, JIN- XIANG	Male 61~70	2019.06.12	3	2004.09.29	270,177	0.34%	29,177	0.04%	N/A	N/A	N/A	N/A	Master's, Tatung University Department of Business Management Chairman, LUMIMORE TECH. CO., LTD.	(Note 4)		-	(Not	ote 4)

Title	Nation ality	Name	Name Gender Date Term / Age Elected (Years)		Date First Elected	Shareholding when Elected		l Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	E D Supe are w	Remark(s) (Note)		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Nam Rel	
	R.O.C	Contrel Technology Co., Ltd.	ı	2019.06.12	3	2016.06.24	710,000	0.90%	440,000	0.56%	N/A	N/A	N/A	N/A	-	-	-		(Note 4)
Director	R.O.C	Representative: CHEN, ZAN- REN	Male 51~60	-	-	-	-	-	-	-	N/A	N/A	N/A	1.011	Master's, National Taiwan University of Science and Technology Department of Mechanical Engineering president of Contrel Technology Co., Ltd. Director of Contrel Technology Co., Ltd.	(Note 4)	-		
Director	R.O.C	LIN, ZI-XIN	Male 31~40	2019.06.12	3	2015.06.15	460,701	0.58%	150,377	0.19%	N/A	N/A	N/A	N/A	Master's, Central Queensland University Department of Marketing	(Note 4)	-		(Note 4)
	R.O.C	Utechzone Co., Ltd.	-	2019.06.12	3	2018.03.21	11,379,272	14.39%	11,379,272	14.39%	N/A	N/A	N/A	N/A	-	-	-		(Note 4)
Director	R.O.C	Representative: ZOU, JIA-JUN	Male 51~60	-	-	-	-	-	-	-	N/A	N/A	N/A		Bachelor, Yang Ming Chiao Tung University College of Computer Science Chairman, Utechzone Co., Ltd.	(Note 4)	-		
Independent Director	R.O.C	CHAU, YAW- GENG	Male 61~70	2019.06.12	3	2017.06.22	-	-	-	-	N/A	N/A	N/A		PhD, University of Maryland Department of Electrical Engineering Dean, Yuan Ze University College of Electrical Engineering and Communication	(Note 4)	-		(Note 4)
Supervisor	R.O.C	WANG, SHU- ZHEN	Female 51~60	2019.06.12	3	2004.07.01	163,894	0.21%	7,894	0.01%	N/A	N/A	N/A	1011	Master's, National Tsing Hua University Department of Department of Industrial Engineering and Engineering Management RFC Registered Financial Consultant Certified Securities Investment Analyst President, WANG, SHU-ZHEN Insurance Brokers Firm	(Note 4)	-		(Note 4)
Supervisor	R.O.C	HU, XIANG- NING	Male 61~70	2019.06.12	3	2007.06.08	-	-	-	-	N/A	N/A	N/A	27/4	Master's, State University of New York at Buffalo Department of Accounting R.O.C. and New York State CPA CPA, Yangtze CPAs and Co.	(Note 4)	-		(Note 4)
Supervisor	R.O.C	LIN, FANG LUNG	Male 61~70	2019.06.12	3	2019.06.12	-	-	-	-	N/A	N/A	N/A	N/A	Master's, National Sun Yat-Sen University Department of Business Management Vice General Manager of Adm&Fin. Dept., Utechzone Co., Ltd.	(Note 3)	-		(Note 4)

Note 1: Director, Utechzone Co., Ltd., President, Director, Utechzone Co., Ltd., Director, KGKAZA CO., LTD., Director, Utechzone Japan co., Ltd, Director, ZF Investment Co., Ltd., Executive Director, Shanghai Xingpengjing Information Technology Co., Ltd., Director, Shanghai Huwan Intelligent Technology Co., Ltd.

Note 3: Director, Utechzone Co., Ltd., Vice General Manager of Adm&Fin. Dept., Utechzone Co., Ltd.

Note 4: Resigned on 2022.06.24.

Note 2: Chairman, Natsume Smartech Co., Ltd., Chairman, SUNENGINE CORPORATION LTD., Chairman, Guangqiang Aquatic Products Co., Ltd., Chairman, Guangqiang Energy Co., Ltd., Chairman, Guangqiang Energy Co., Ltd., Independent Director, ACE PILLAR CO., LTD., Director, Solomon Goldentek Display Corp., Director, KING ULTRASONIC CO., Ltd., Director, SylLine Technology Co., Ltd., Director, 3S Silicon Tech., Inc.

Note 5: The chairman of the company and the general manager or equivalent (the top manager) are the same person, are relatives of each other, such as a spouse or one parent, should explain the reasons, rationality, necessity and corresponding measures (such as increasing the number of independent directors and should (More than half of the directors have not served as employees or managers, etc.):

⁽¹⁾ The chairman concurrently holding the position of President enables the Board of Directors better grasp the operating conditions of the Company, and the flat management can bring more efficiency to the decision implementation. In order to strengthen the independence of the board of directors, the company has actively trained suitable candidates.

⁽²⁾ The Company has established an Audit Committee which, except with its functions and powers as specified, can also improve and supervise the management mechanism of the Board of Directors. Meanwhile, Independent Directors account for 44.44% of the total Directors of the Company, which can strengthen the supervision and checks and balances mechanism, and reduce the concentration of power and loss of objectivity and failure of effective supervision for the reason of the chairman and general manager.

2. Major shareholders of the institutional shareholders

As of March 31, 2023

Name of Institutional Shareholders	Major Shareholders
	ZOU, JIA-JUN (3.53%), CHANG, CHENG-KAI (3.24%), CHEN, YAN-HONG (2.54%), FANG, ZHI-HENG (2.37%), CHANG, WEN CHIEH (2.21%), LIN, FANG LUNG (2.08%), ZENG, JI-HUI (1.68%), SAN-YE Co., Ltd. (1.39%), YE, HUI-DE (1.03%), Cambria Emerging Shareholder Yield ETF (1.03%) °

3. Major shareholders of the Company's major institutional shareholders

As of March 31, 2023

Name of Institutional Shareholders	Major Shareholders
SAN-YE Co., Ltd.	YE, TING-YUAN (99.32%) 。

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

As of March 31, 2023

κ.		713 01	March 51, 2025
Criteria Name/ Title	Professional Qualification Requirements and Work Experience	Independence Criteria (Note 1)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
CHEN, YUNG-HUA/	Possesses five or more years of work	(Note 1)	-
Chairman	experience required for the Company's business; the founder of and currently serving as Favite Inc.'s chairman as well as the chairman and president of the Company; and has not been a person of any conditions defined in Article 30 of the Company Law.	(10001)	
Utechzone Co., Ltd./	Possesses five or more years of work	(Note 1)	-
Director Representative: CHANG, WEN-CHIEH	experience required for the Company's business; currently serving as president and Deputy General Manager of the Business Marketing Department of the Utechzone Co., Ltd.; and has not been a person of any conditions defined in Article 30 of the Company Law.		
YEH, SHENG-FA/	Possesses five or more years of work	(Note 1)	-
Director	experience required for the Company's business; currently serving as Chairman of the SUNENGINE CORPORATION LTD.; and has not been a person of any conditions defined in Article 30 of the Company Law.	,	
Utechzone Co., Ltd./	Possesses five or more years of work	(Note 1)	-
Director Representative: LIN, FANG-LUNG	experience required for the Company's business; currently serving as Deputy General Manager of the Administration and Finance Department of the Utechzone Co., Ltd.; and has not been a person of any conditions defined in Article 30 of the Company Law.		
LIN, HUNG-JEN/ Director	Possesses five or more years of work experience required for the Company's business; currently serving as Chairman of the IE KUEN PRECISION TECHNOLOGIES CO., LTD.; and has not been a person of any conditions defined in Article 30 of the Company Law.	(Note 1)	-

Criteria Name/ Title	Professional Qualification Requirements and Work Experience	Independence Criteria (Note 1)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
TSENG, HSIANG-CHI	Possesses five or more years of work	(Note 1)	-
/Independent Director	experience required for the Company's business; currently serving as professor of the department of physics at Chung Yuan Christian University; and has not been a person of any conditions defined in Article 30 of the Company Law.	,	
LEE, SHIH-CHENG	Possesses five or more years of work	(Note 1)	-
/Independent Director	experience required for the Company's business; currently serving as professor of the College of Management, Yuan Ze University; Visiting Research Fellow U. of Adelaide (Australia), Expert of Systemic Risk Hub (France); and has not been a person of any conditions defined in Article 30 of the Company Law.		
SHEN, HIS-WEN /Independent Director	Possesses five or more years of work experience required for the Company's business; had once worked as Vice president of Powertech Technology Inc.; and has not been a person of any conditions defined in Article 30 of the Company Law.	(Note 1)	1
LO, CHIH-PING /Independent Director	Possesses five or more years of work experience required for the Company's business; currently serving as Vice president of VETON TECH LIMITED; and has not been a person of any conditions defined in Article 30 of the Company Law.	(Note 1)	-

Note 1:Independence of the board of directors: The Company has 4 independent directors, accounting for 4/9 of the board of directors.

The board of directors of the Company meets the following independence criteria: The board of directors of the Company meets the following independence criteria:

- 1. Each director is not a family member of senior management who is employed by the Company or by a subsidiary of the Company.
- 2. Each director is (and is not affiliated with a Company that is) an adviser or consultant to the Company or a member of the Company's senior management. Only Chairmen CHEN, YUNG-HUA is the General Manager of the Company.
- 3. Each director is not affiliated with a significant supplier of the Company. Only Director CHANG, WEN CHIEH and Director LIN, FANG LUNG are affiliated with a significant supplier of the Company

- 4. Each director does not have any personal services contract with the Company or a member of the Company's senior management.
- 5. Each director is not affiliated with a not-for-profit entity that receives significant contributions from the Company.
- 6. Each director has not been a partner or employee of the Company's external auditor during the past three years.
- 7. Each director does not have any other conflict of interest that the board of directors determines to mean he or she cannot be considered independent.
- 8. The board of directors complies with the provisions of Article 26-3, Items 3 and 4 of the Securities and Exchange Act.
- 9. Each independent director meets the provisions of Article 3, Item 1 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.

5. Diversity of the Board of Directors:

(1) Diversity of the Board of Directors:

Based on the policy of diversification and strengthening of corporate governance in order to promote the sound development of the Company's board composition and structure, the nomination of candidates for directors of the Company shall be adopted by the candidate nomination system in accordance with the provisions of the Company's Articles of Incorporation. Each candidate's academic qualifications, work experience, professional background, integrity or relevant professional qualifications, and others are evaluated and considered. After the Board of Directors passes the resolution, the proposed nominees will be submitted to the Shareholders Meeting for election. With regard to the board composition, it is advisable that the number of directors who concurrently serve as the managers of the Company should not exceed one-third of the board seats. In addition, the Company has, based on its own operations, operational patterns and developmental needs, formulated appropriate diversification policies, including but not limited to the following:

- A. Basic conditions and value: gender, age, nationality and culture.
- B. Professional knowledge and skills: operational judgment capability, accounting and financial analysis capability, business management capability, risk management capability, industry knowledge, international market outlook, leadership capability, and decision-making capability.

The current Board of Directors of the Company consists of nine directors. The specific management objectives of the board diversity policy and their achievement status are as follows:

Diversity management objectives	Achievement status
The number of independent directors shall be no less than three	Done
and no less than one-fifth of the total number of directors.	
It is advisable that the number of directors who concurrently serve as	Done
managers of the Company should not exceed one-third of the board	
seats.	
Adequate and diverse professional knowledge and skills	Done

The implementation status of the board diversity policy is as follows:

The implementation status of the board	diversity	pon	Cy 13 a	S TOTIC) W S.								
Core of diversify		Basic	compos	ition		Professional background Professional knowledge and capabilities							
Core of diversity	Na	E ₁	(Aş	ge	Op mana busine	Fir Ac	Crisi	Industi	Glo	Le		
Name/Title	Nationality	Employee	Gender	51-60	61-70	Operational management and business judgment	Finance and Accounting	Crisis handling	Industry knowledge	Global market perspectives	Leadership		
CHEN, YUNG-HUA / Chairman	R.O.C	✓	Male		✓	✓	1	✓	✓	✓	✓		
Utechzone Co., Ltd./ Director Representative: CHANG, WEN-CHIEH	R.O.C	-	Male	√ -	-	√	1	√	√	√	✓		
YEH, SHENG-FA/ Director	R.O.C	-	Male	-	\checkmark	✓	-	✓	✓	✓	✓		
Utechzone Co., Ltd./ Director Representative: LIN, FANG-LUNG	R.O.C	-	Male	1	✓	√	✓	√	√	<	✓		
LIN, HUNG-JEN / Director	R.O.C	-	Male	-	✓	✓	-	✓	✓	✓	✓		
TSENG, HSIANG-CHI /Independent Director	R.O.C	-	Male	-	✓	-	-	✓	✓	✓	-		
LEE, SHIH-CHENG /Independent Director	R.O.C	-	Male	✓	-	-	✓	✓	✓	✓	-		
SHEN, HIS-WEN /Independent Director	R.O.C	-	Male		✓	✓		✓	✓	✓	✓		
LO, CHIH-PING /Independent Director	R.O.C	-	Male	✓	-	✓	-	✓	✓	✓	✓		

The Board of Directors of the Company consists of nine directors, of which four are independent directors. Currently, the 9 members of the Board of this term have professional backgrounds in industries, academia, and professional specialties in the scopes of management, leadership and policy decision, industrial knowledge, academy and financial. The relevant information is also disclosed on the Company's website. Among the Directors, one Director with employee identity accounts for 11%, and three Independent Directors account for 44% and have worked there for 14, 4, 1, and 1 years respectively. The age distribution of the Board members shows that there are three Directors aged 51~60 and six Directors aged 61~70.

As of 2022.12.31, In addition, all independent directors comply with the regulations of the Securities and Futures Bureau and none of the circumstances prescribed in paragraph 3 and paragraph 4, Article 26-3 of the Securities Exchange Act exist among the directors and independent directors. The Experience(Education), Gender and Work Experience (Please refer to pages 19-20 of this Annual Report - Information of directors)

3.2.2 Management Team

As of March 31, 2023; Unit: shares

Nationality Title		N	Gender	Date	Sharehol	lding	_	e & Minor eholding	Shareho by Nom Arrange	inee	Experience (Education)	Other Desiries	Manag Spouse Two D Kinshi	s or Wegrees	ithin	
litte	nality	Name	ıder	Effective	Shares	%	Shares	%	Shares	%	Experience (Education)	Other Position	Title	Name	Relation	
Chairman and President	R.O.C	CHEN, YUNG- HUA	Male	2004.07.01	2,220,813	2.81%	-	-	-	-	Bachelor, National Tsing Hua University Department of Physics Master's, Tatung University Department of Business Management Chairman, FaviteLimited	Chairman, FaviteLimited Chairman, FAVEPC INC. Director, YIELD MICROELECTRONICS CORP.	-	-	-	(Note 1)
Vice President	R.O.C	WANG, ZI-YUE	Female	2004.07.01	90,155	0.11%	-	-	-		Master's. Business Administration, Saint Leo University Senior manager Favite Inc.	-	-	-	-	-
Equipment Business Unit Senior manager	R.O.C	YEH, DONG-YI	Male	2010.03.11	17	0.00%	-	-	-	-	Master's,National Taiwan University Department pf Institute of Applied Mechanics Manager, Favite Inc.	-	-	-	-	-
Financial Officer	R.O.C	CHANG, PI-JUNG	Female	2021.07.01	-	1	NA-	NA	NA	NA	Master's, National Yang Ming Chiao Tung University Department of Management Sciences Deputy Director of Finance Department, eMemory Technology Inc.	-	-	-	1	(Note 2)
Financial Officer	R.O.C	FAN, HSIAO- LAN	Female	2021.08.06	-	-	-	-	1		Bachelor, Chung Hua University Department of Finance Financial Manager, SEMILEDS OPTOELECTRONICS CO., LTD.	-	-	-	1	-
Accounting Officer	R.O.C	TSENG, TSAI-WEI	Female	2023.02.24	-	-	-	-	-	-	Master's, Feng Chia University Department Account Assistant Manager, Deloitte Taiwan	-	-	-	-	-

Note 1: The chairman of the company and the general manager or equivalent (the top manager) are the same person, and are relatives of each other, such as a spouse or one parent, should explain the reasons, rationality, necessity and corresponding measures (such as increasing the number of independent directors and should (More than half of the directors have not served as

employees or managers, etc.):

- (1) The chairman concurrently holding the position of President enables the Board of Directors better grasp the operating conditions of the Company, and the flat management can bring more efficiency to the decision implementation. In order to strengthen the independence of the board of directors, the company has actively trained suitable candidates.
- (2) The Company has established an Audit Committee which, except with its functions and powers as specified, can also improve and supervise the management mechanism of the Board of Directors. Meanwhile, Independent Directors account for 44.44% of the total Directors of the Company, which can strengthen the supervision and checks and balances mechanism, and reduce the concentration of power and loss of objectivity and failure of effective supervision for the reason of the chairman and general manager.

Note 2: Due to internal job rotation within the company, CHANG, PI-JUNG was discharged on February 24, 2023.

3.3. Remuneration of Directors, Independent Directors, Supervisors, President, and Vice Presidents

3.3 1. Remuneration of directors (including independent directors)

As of December 31, 2022 Unit: NT\$ thousands

					R	emunerat	ion			Ratio o	of Total	Relevan	t Remune	ration R				o are Also		Ratio	of Total ensation	
		Base Compensation(A) (Note 1) Pension(B) (Note 2) Directors Compensation(C) (Note 3) Business exp (D) (Note 4)					D)	Remun (A+B- to I Incon	neration +C+D) Net ne (%)	Salary, Bonuses, and Allowances (E) (Note 5)		Pension (F)		Employee Compensation (G) (Note 6)			(G)	(A+B E+F+ Net 1	+C+D+ -G) to Income	from ventur es other		
Title	Name	The	Cons Ent	The	Cons En	The	Cons En	The	Cons En	The	Cons En	The	Cons En	The	Cons En	The co	ompany	Consol Enti		The	Cons En	than subsidi aries or
		The company	Consolidated Entities	The company	Consolidated Entities	The company	Consolidated Entities	The company	Consolidated Entities	The company	Consolidated Entities	The company	Consolidated Entities	The company	Consolidated Entities	Cash	Stock	Cash	Stock	The company	Consolidated Entities	from the parent compa ny
Chairman and President	CHEN, YUNG-HUA																					
Director	Utechzone Co., Ltd. Representative: CHANG, WEN CHIEH																					
Director	YEH, SHENG-FA																					
Director	Utechzone Co., Ltd. Representative: LIN, FANG-LUNG																					
Director	LIN, HUNG-JEN	-	-	-	-	5,610	5,610	162	162	2.04%	2.04%	5,482	5,482	-	-	2,200	-	2,200	-	4.75%	4.75%	-
Director	Utechzone Co., Ltd. Representative: ZOU, JIA-JUN																					
Director	ZENG, JIN-XIANG																					
Director	Contrel Technology Co., Ltd. Representative: CHEN, ZAN-REN																					
Director	LIN, ZI-XIN																					
Independent Director	TSENG, HSIANG CHI																					
Independent Director	LEE, SHIH-CHENG	1																				
Independent Director	SHEN, HIS-WEN	1,120	1,120	-	-	-	-	120	120	0.44%	0.44%	-	-	-	-	-	-	-	-	0.44%	0.44%	-
Independent Director	LO, CHIH-PING	1																				
Independent Director	CHAU, YAW-GENG																					

^{1.} Please describe the policy, system, standard, and structure of remuneration to independent directors, and the correlation between duties, risk, and time input with the amount of remuneration:

The remuneration of directors and the remuneration of employees have not yet been decided, which is based on the percentage of the allocation in the previous year.

The Independent Directors don't jointly participate in the compensation distribution with the Directors. The "Fixed Remuneration" was further paid to the Independent Directors on a monthly basis, in accordance with their specific duties and responsibilities. After review and discussion by the Remuneration Committee, this was all submitted to the Board of Directors for resolution. The rationality of relevant remuneration of Independent Directors will be reviewed from time to time

					R	temunerat	ion				of Total	Relevan	Relevant Remuneration Received by Directors Who are Also Emplo								Remun eration	
		Base Compensation(A) (Note 1)		Pension(B) (Note 2) Directors Compensation(C (Note 3)		nsation(C)	Business expenses (D) (Note 4)		Remuneration (A+B+C+D) to Net Income (%)		Salary, Bonuses, and Allowances (E) (Note 5)		Pension (F)		Employee Compensation (G) (Note 6)			(G)	(A+B+C+D+ E+F+G) to Net Income (%)		from ventur	
Title	Name	The	Cons Ent	The	Cons En	The	Cons En	The	Con: En	The	Cons En	The	Cons En	The	Cons En	The co	mpany	Consol Enti		The	Con: En	than subsidi aries or
		company	solidated ities	company	solidated tities	company	onsolidated Entities	company	solidated tities	company	solidated tities	company	solidated tities	company	solidated tities	Cash	Stock	Cash	Stock	company	nsolidated intities	from the parent compa ny

according to the practical operation situation and related laws and regulations, to reach the balance between the sustainable operation and risk control of the Company.

- 2. In addition to the above remuneration, the remuneration received by the directors of the Company in the recent year for providing services to all companies included in the financial report (such as serving as a non-employee consultant for the parent company / all companies included in the financial report (investee companies, etc.): None.
 - Note 1: Base compensation for directors in 2022 (including director's salary, duty allowance, severance pay, bonus and reward, etc.)
 - Note 2: Allowance or funding of pension obligation.
 - Note 3: Directors compensation of 2022 is resolved by the Board of Directors on February 24, 2023.
 - Note 4: The directors' professional practicing fees in the most recent year (including transportation allowance, special allowance, various allowances, and provisions of such tangible objects as dormitory and car, etc...). If a house, car and any other transportation means or exclusive personal allowance is provided, please disclose the nature and cost of the assets, rent imputed based on the actual value or fair value, fuel expenses and other benefits. If a driver is assigned, please specify the pay made by The Company to the driver, but exclude the same from the remuneration.
 - Note 5: It means the salary, duty allowance, severance pay, bonus, reward, transportation allowance, special allowance, various allowances, and provision of such tangible objects as dormitory and car received by the directors who acted as employees concurrently (including President, Vice President, managerial employee and employee) in the most recent year. If a house, car and any other transportation means or exclusive personal allowance is provided, please disclose the nature and cost of the assets, rent imputed based on the actual value or fair value, fuel expenses and other benefits. If a driver is assigned, please specify the pay made by The Company to the driver, but exclude the same from the remuneration. The salary expenses recognized in accordance with IFRS 2 "Share-based payment", including obtaining employee stock options, new restricted employee shares and participating in cash increase subscription shares, shall also be included in the remuneration.
 - Note 6: The directors who acted as employees concurrently (including the President, Vice President, managerial employee) received employee compensation (including stock dividend and cash dividend) of 2021 was resolved by the Board of Directors on February 24, 2023. The employee compensation paid to directors who are also employees is a proposed number.

Compensation Range Table

		Name	of Directors	
Range of Remuneration	Total of (A	A+B+C+D)	Total of (A	+B+C+D+E+F+G)
Range of Remaneration	The Company	Consolidated	The Company	Consolidated
		Entities		Entities
	YEH, SHENG-FA, LIN, FANG-	YEH, SHENG-FA, LIN, FANG-LUNG,	YEH, SHENG-FA, LIN, FANG-LUNG,	YEH, SHENG-FA, LIN, FANG-LUNG,
	LUNG, Utechzone Co., Ltd., LIN,	Utechzone Co., Ltd., LIN, HUNG-JEN,	Utechzone Co., Ltd., LIN, HUNG-JEN,	Utechzone Co., Ltd., LIN, HUNG-JEN,
	HUNG-JEN, TSENG, HSIANG-CHI,	TSENG, HSIANG-CHI, LEE, SHIH-	TSENG, HSIANG-CHI, LEE, SHIH-	TSENG, HSIANG-CHI, LEE, SHIH-
	LEE, SHIH-CHENG, SHEN, HIS-	CHENG, SHEN, HIS- WEN, LO,	CHENG, SHEN, HIS- WEN, LO, CHIH-	CHENG, SHEN, HIS- WEN, LO, CHIH-
Under NT\$ 1,000,000	WEN, LO, CHIH-PING, Utechzone	CHIH-PING, Utechzone Co., Ltd.,	PING, Utechzone Co., Ltd., ZOU, JIA-	PING, Utechzone Co., Ltd., ZOU, JIA-JUN,
	Co., Ltd., ZOU, JIA-JUN, ZENG, JIN-	ZOU, JIA-JUN, ZENG, JIN-XIANG,	JUN, ZENG, JIN-XIANG, Contrel	ZENG, JIN-XIANG, Contrel Technology
	XIANG, Contrel Technology Co., Ltd.,	Contrel Technology Co., Ltd., CHEN,	Technology Co., Ltd., CHEN, ZAN-REN,	Co., Ltd., CHEN, ZAN-REN, LIN, ZI-XIN,
	CHEN, ZAN-REN, LIN, ZI-XIN,	ZAN-REN, LIN, ZI-XIN, CHAU,	LIN, ZI-XIN, CHAU, YAW-GENG.	CHAU, YAW-GENG.
	CHAU, YAW-GENG.	YAW-GENG.		
NTD 1 000 000 (inclusive) NTD 2 000 000 (evelusive)	CHEN, YUNG-HUA, Utechzone Co.,	CHEN, YUNG-HUA, Utechzone Co.,	Utechzone Co., Ltd., CHANG, WEN-	Utechzone Co., Ltd., CHANG, WEN-
NTD 1,000,000 (inclusive) ~NTD 2,000,000 (exclusive)	Ltd., CHANG, WEN-CHIEH	Ltd., CHANG, WEN-CHIEH	СНІЕН	СНІЕН
NTD 2,000,000 (inclusive) ~NTD 3,500,000 (exclusive)	-	-	-	-
NTD 3,500,000 (inclusive) ~NTD 5,000,000 (exclusive)	-	-	-	-
NTD 10,000,000 (inclusive) ~NTD 15,000,000 (exclusive)	-	-	CHEN, YUNG-HUA	CHEN, YUNG-HUA
NTD 10,000,000 (inclusive) ~NTD 15,000,000 (exclusive)	-	-	-	-
NTD 15,000,000 (inclusive) ~NTD 30,000,000 (exclusive)	-	-	-	-
NTD 30,000,000 (inclusive) ~NTD 50,000,000 (exclusive)	-	-	-	-
NTD 50,000,000 (inclusive) ~NTD 100,000,000 (exclusive)	-	-	-	-
Greater than or equal to NT\$100,000,000	-	-	-	-
Total	14	14	14	14

3.3 2. Remuneration of Supervisors

As of December 31, 2022 Unit: NT\$ thousands

				Remu	ineration				Ratio of Remune	Total	1 31, 2022 OIIIt.	
		(1	npensation A) te 1)	Compe	pervisors ensation (B) Note 2)	((expenses C) te 3)			Remuneratio n from ventures other		
Title	Name	Т		Т	0	Th	0	The com	than subsidiaries			
		The company	Consolidated Entities	The company	Consolidated Entities	he company	Consolidated Entities	Base Compensation, Supervisors Compensation, and Business expenses	Ratio of Total Remuneration (A+B+C) to Net Income (%) Ratio of Total Compensation Supervisors Compensation and Business (A+B+C) Net Income (%)			or from the parent company
Supervisors	WANG,SHU- ZHEN (Note 2)											
Supervisors	HU, XIANG- NING (Note 2)	-	-	1,941	1,941	54	54	1,995	0.70%	1,995	0.70%	-
Supervisors	LIN, FANG- LUNG (Note 2)											

Note 1: Base compensation for Supervisors in 2022 (including director's salary, duty allowance, severance pay, bonus and reward, etc.)

Note 2: Supervisors compensation for 2022 is resolved by the Board of Directors on February 24, 2023. Supervisors departed from duty at an election at a shareholders' meeting on June 24, 2022.

Note 3: The supervisors' professional practicing fees in the most recent year (including transportation allowance, special allowance, various allowances, and provisions of such tangible objects as dormitory and car, etc...) If a house, car and any other transportation means or exclusive personal allowance is provided, please disclose the nature and cost of the assets, rent imputed based on the actual value or fair value, fuel expenses and other benefits. If a driver is assigned, please specify the pay made by The Company to the driver, but exclude the same from the remuneration.

Compensation Range Table

Range of Remuneration	Name of S	Supervisors
	Total of	(A+B+C)
	The Company	Consolidated Entities
Under NT\$ 1,000,000	WANG, SHU-ZHEN, HU, XIANG-	WANG, SHU-ZHEN, HU, XIANG-
	NING, LIN, FANG-LUNG	NING, LIN, FANG-LUNG
NTD 1,000,000 (inclusive) ~NTD 2,000,000 (exclusive)	-	-
NTD 2,000,000 (inclusive) ~NTD 3,500,000 (exclusive)	-	-
NTD 3,500,000 (inclusive) ~NTD 5,000,000 (exclusive)	-	-
NTD 10,000,000 (inclusive) ~NTD 15,000,000 (exclusive)	-	-
NTD 10,000,000 (inclusive) ~NTD 15,000,000 (exclusive)	-	-
NTD 15,000,000 (inclusive) ~NTD 30,000,000 (exclusive)	-	-
NTD 30,000,000 (inclusive) ~NTD 50,000,000 (exclusive)	-	-
NTD 50,000,000 (inclusive) ~NTD 100,000,000 (exclusive)	-	-
Greater than or equal to NT\$100,000,000	-	-
Total	3	3

3.3 3. Officer's Compensation

	-										As	s of Decer	mber 31, 2022	Unit: NT\$ thousands
Title N	Name	Salary (A)		Severa	ance Pay (B)	Bonuses	and Allowances (C)	Employee Compensation (D)				Amount and Ratio of Total Compensation (A+B+C+D) and proportion of Net Income (%)		Remuneration from ventures other than subsidiaries or from the parent company
		The company	Consolidated Entities	The Consolidated company Entities		The company	Consolidated Entities	The company Cash Stock		Consolidated Entities Cash Stock		The company	Consolidated Entities	
Chairman and President	CHEN, YUNG- HUA	6,618	6,618	141	141	4,011	4,011	3,900	-	3,900	-	5.18%	5.18%	-
Vice President	WANG, ZI- YUE													

Compensation Range

Compensation Range	Name of Officers			
Compensation Range	The company	Consolidated Entities		
NTD 1,000,000 (inclusive) ~NTD 2,000,000 (exclusive)	-	-		
NTD 2,000,000 (inclusive) ~NTD 3,500,000 (exclusive)	-	-		
NTD 3,500,000 (inclusive) ~NTD 5,000,000 (exclusive)	-	-		
NTD 10,000,000 (inclusive) ~NTD 15,000,000 (exclusive)	-	-		
NTD 10,000,000 (inclusive) ~NTD 15,000,000 (exclusive)	CHEN, YUNG-HUA, WANG, ZI-YUE	CHEN, YUNG-HUA, WANG, ZI-YUE		
NTD 15,000,000 (inclusive) ~NTD 30,000,000 (exclusive)	-	-		
NTD 30,000,000 (inclusive) ~NTD 50,000,000 (exclusive)	-	-		
NTD 50,000,000 (inclusive) ~NTD 100,000,000 (exclusive)	-	-		
Greater than or equal to NT\$100,000,000	-	-		
Total	-	-		
NTD 1,000,000 (inclusive) ~NTD 2,000,000 (exclusive)	2	2		

3.3.4. Employee's Compensation for Officers

As of December 31, 2022 Unit: NT\$ thousands

	Title	Name	Stock	Cash	Total	Percentage of net income after taxes (%)	
	Chairman and President	CHEN, YUNG-HUA WANG,					
	Vice President	ZI- YUE					
	Equipment						
Executive	Business Unit	YEH,	-	5,663	5,663	2.00%	
Officer	Structure Division	DONG- YI					
	Senior Director						
	Financial Officer	CHANG,					
	Financial Officer	PI-JUNG					
	A accounting Officer	FAN,					
	Accounting Officer	HSIAO-LAN					

Note: The executive employees received employee compensation for 2022 is resolved by the Board of Directors on February 24, 2023. The employee compensation paid to executive employees is a proposed number.

- 3.3.5. Comparison of Remuneration for Directors, Supervisors, President and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, President and Vice Presidents
 - 3.3.5.1. The ratio of the total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, supervisors, president and vice presidents of the Company, to the net income.

Unit: NT\$ thousands; %

Item	The company				Consolidated Entities			S
	2021		2022		2021		2022	
Title	Total	Ratio to Net Incom	Total	Ratio to Net Incom	Total	Ratio to Net Incom	Total	Ratio to Net Incom
Remuneration of Directors (Excluding remuneration paid for positions as employees)	2,023	2.09%	7,012	2.48%	2,023	2.09%	7,012	2.48%
Remuneration of Supervisors	606	0.62%	1,995	0.70%	606	0.62%	1,995	0.70%
Remuneration of the President and Vice Presidents	10,006	10.34%	14,670	5.18%	10,006	10.34%	14,670	5.18%
Net Income	96,811	-	282,981	-	96,811	1	282,981	-

- 3.3.5.2 The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with risks and business performance.
 - A. The Remuneration Committee was established on August 26, 2011 under the approval of the Board of Directors. With respect to the remunerations of Directors, President, Vice President and managers, the Remuneration Committee shall periodically review

- the performances of Directors and managers as well as the policies, system, standards and structure of the remunerations according to the organization's rules thereof, and shall periodically assess the remunerations of Directors and managers, then propose to the Board of Directors for approval after the suggestions are made.
- B. The rationality of relevant remunerations of Directors and managers shall be examined by the Remuneration Committee and Board of Directors, and the remuneration system will be reviewed from time to time according to the practical operation situation and related laws and regulations, to reach the balance between the sustainable operation and risk control of the Company.

3.4. Corporate Governance

3.4.1. Operation of the Board of Directors

Previous member's term of office: June 12, 2019 to June 11, 2022 Current member's term of office: June 24, 2022 to June 23, 2025

The Board of Directors held meetings 6 times in 2022. Attendance status of Directors is as follows:

Title	Name	Attendance in Person	Attendance by Proxy	Attendance Rate(%)	Remarks
Chairman	CHEN, YUNG-HUA	6	-	100	
Director	Utechzone Co., Ltd. Director .Representative: CHANG, WEN-CHIEH		1	83	
Director	YEH, SHENG-FA	3	-	100	Newly elected on 2022.06.24
Director	Utechzone Co., Ltd. Representative: LIN, FANG-LUNG	3	-	100	Newly elected on 2022.06.24
Director	LIN, HUNG-JEN	3	-	100	Newly elected on 2022.06.24
Independent Director	TSENG, HSIANG-CHI	6	-	100	
Independent Director	LEE, SHIH-CHENG	6	-	100	
Independent Director	SHEN, HIS-WEN	3	-	100	Newly elected on 2022.06.24
Independent Director	LO, CHIH-PING	3	-	100	Newly elected on 2022.06.24
Director	ZENG, JIN-XIANG	1	2	33	Resigned on 2022.06.24
Director	LIN, ZI-XIN	2	1	67	Resigned on 2022.06.24
Director	Contrel Technology Co., Ltd. Representative: CHEN, ZAN-REN	2	1	67	Resigned on 2022.06.24
Director	Utechzone Co., Ltd. Representative: ZOU, JIA-JUN	1	2	33	Resigned on 2022.06.24
Independent Director	CHAU, YAW-GENG	3	-	100	Resigned on 2022.06.24

Supervisor	WANG, SHU-ZHEN	2		100	Resigned on
	WANG, SHO-ZHEN	3	-	100	2022.06.24
Supervisor	HU, XIANG-NING	2		100	Resigned on
	IIO, XIANG-NING	3	-	100	2022.06.24
Supervisor	LIN, FANG-LUNG	3		100	Resigned on
	LIN, PANG-LUNG	3	-	100	2022.06.24

Other disclosures:

- 3.4.1.1 If any of the following circumstances occur, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified:
 - (1) Matters referred to in Article 14-3 of the Securities and Exchange Act: The Company had established the Audit Committee on June 24, 2022, that the provisions of Article 14-3 shall not apply. With respect to the descriptions for the matters listed in Article 14-5 of the Securities and Exchange Act, please take a reference to the Audit Committee of this Annual Report. With respect to the descriptions of the matters listed in Article 14-3 of the Securities and Exchange Act. before setting up the Audit Committee, is shown in the following table:

Date	Proposal and resolution	The Opinions of All Independent Directors and the Company's Actions to the Opinions
2022.01.21	 2021 Year end bonus to managerial employees. Amendment to the "Procedures for Handling Material Inside Information". Amendment to the "Accounting System". Amendment to the "Management of the procedures for preparation of financial statements". 	
2022.03.25	 The distribution of 2021 for employee compensation and director and supervisor remuneration. The Company's Auditor of financial statements for 2021. 2021 Statement of Internal Control System. Amendment to the "Procedures for Financial Derivatives Transactions". Amendment to the "Procedures for Acquisition or Disposal of Assets". Amendment to the "Procedures for Loaning Funds to Others". Amendment to the "Procedures for Endorsements & Guarantees". Amendment to the "Audit Committee Charter" 	All independent directors approved

- (2) Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the board of directors: None.
- 3.4.1.2 For execution status regarding matters bearing on the personal interests and recusal of directors due to conflict of interests, the name of the director, proposal, the reason for recusal and board resolution shall be stated:

Date	Name of Director	Subject	Reason for recusal	Voting results	Resolution
2021.08.06	CHEN, YUNG-HUA	2021 employees salary adjustments.		Did	Other attending
2022.01.21	CHEN, YUNG-HUA	2021 Year end bonus to managerial employees.	Interested in the directors	not vote	directors agreed
2022.03.25	CHEN, YUNG-HUA	The distribution of 2021 for		,,,,,	accordingly

		employee compensation and director and supervisor remuneration.		
2022.08.05	TSENG, HSIANG- CHI LEE, SHIH-CHENG SHEN, HIS-WEN LO, CHIH-PING	Revision of Independent Directors' Remuneration.	Interested in the independent Director	
	CHEN, YUNG-HUA	The distribution of 2021 directors and supervisors remuneration.	Interested in	
	CHEN, YUNG-HUA	The distribution of 2021 employees' compensation.	the directors	
	CHEN, YUNG-HUA	2022 employees salary adjustments.		
2023.01.13	CHEN, YUNG-HUA	2022 Year end bonus to managerial employees.	T 1:	
2023.02.24	CHEN, YUNG-HUA	The distribution of 2022 for employee compensation and director and supervisor remuneration	Interested in the directors	

3.4.1.3 Board of Directors performance evaluation

- (1) Evaluation cycles: Conducting an internal board performance evaluation every year.
- (2) Evaluation periods: From Jan. 1, 2022 to Dec. 31, 2022
- (3) Scope and method of evaluation: The performance evaluation of the board as a whole, individual board members and functional committees, including the audit committee, remuneration committee, and nominating committee.
- (4) Method of evaluation: The internal evaluation of the board, self-evaluation by individual board members, and the internal evaluation of the audit committee, remuneration committee, and nominating committee. The units conducting evaluations is nominating committee.

(5) Criteria of evaluation:

- A. The board of directors performance evaluation
 - (1) Participation in the operation of the company;
 - (2) Improvement of the quality of the board of directors' decision making;
 - (3) Composition and structure of the board of directors;
 - (4) Election and continuing education of the directors;
 - (5) Internal control.

B. The board members' performance evaluation

- (1) Alignment of the goals and missions of the company;
- (2) Awareness of the duties of a director;
- (3) Participation in the operation of the company;
- (4) Management of internal relationships and communication;
- (5) The director's professionalism and continuing education;
- (6) Internal control.

- C. Functional committee's performance evaluation
 - (1) Participation in the operation of the company;
 - (2) Awareness of the duties of the functional committee;
 - (3) Improvement of quality of decisions made by the functional committee;
 - (4) Makeup of the functional committee and election of its members;
 - (5) Internal control.
- (6) Performance evaluation results: The 2022 performance evaluation results of the board, the board members and remuneration committee are 'good'. The 2022 performance evaluation results of the audit committee is 'outstanding'. The results of the performance evaluation will be used as a reference for the remuneration of individual directors or functional committee members and the nomination of continuation in office.
- 3.4.1.4 The goals for strengthening the powers of the board of directors and performance evaluation:
 - (1) Set up functions committees: For the purpose of developing supervisory functions and strengthening management mechanisms, the Company has set up an audit committee, remuneration committee, and nominating committee.
 - (2)Enhance corporate governance: The Company has established corporate governance best practice principles, risk management policy, and regulations governing the board performance evaluation, and also discloses corporation governance information in accordance with the relevant laws.
- 3.4.2 Operation of Audit Committee or Supervisors' involvement in Board of Directors meetings:
 - 3.4.2.1. Operation of Audit Committee

Current member's term of office: June 24, 2022 to June 23, 2025

The Audit Committee held meetings 3 times in 2022. Attendance status of Independent Directors is as follows:

Title	Name	Attendance in	Attendance	Attendance	Remarks
		Person	by Proxy	Rate(%)	
Independent	TSENG,	3	-	100%	Newly elected on
Director	HSIANG CHI				2022.06.24
Independent	LEE, SHIH-	3	-	100%	Newly elected on
Director	CHENG				2022.06.24
Independent	SHEN, HIS	3	-	100%	Newly elected on
Director	WEN				2022.06.24
Independent	LO, CHIH-	3	-	100%	Newly elected on
Director	PING				2022.06.24

Other disclosures:

- 1. In the event of any of the following in the audit committee, the dates of audit committee meetings, sessions, contents of motions, the dissenting opinion, qualified opinion, or significant suggestions of the independent director, resolutions of the audit committee meetings, and the Company's response to audit members' opinion should be specified.
 - 1.1 Securities and Exchange Act §14-5 resolutions

			The Oninions of
			The Opinions of
			All Independent Directors and
	Date	Resolutions	
			the Company's
			Actions to the
		1 2022 02 111 1 2 1 1 1 1 1	Opinions
		1. 2022 Q2 consolidated financial statements	
		2. Amendment to the "Internal Control System" and the	
	2022.08.05	"Implementation Rules for Internal Auditing".	
		3. Amendment to the "Compensation Committee Charter".	
		4. Amendment to the "Management of the operations of the	
		remuneration committee ".	
		1. 2022 Q3 consolidated financial statements	
		2. Amendment to the Company's 2021 annual audit plans.	
		3. 2022 annual audit plans.	
		4. Amendment to the Company's "Rules and Procedures of Board	
		of Directors Meetings", and name change to "Rules of Procedure	
		for Board of Directors Meetings".	
		5. Amendment to the "Procedures for Suspension and Resumption	
		of Stock Trading ".	
		6. Amendment to the "Rules Governing the Scope of Powers of	
		Independent Directors ".	All independent
		7. Re-establishment of the "Procedures for transactions with	directors
		related parties, specific companies and group companies ".	approved
		8. Establishment of the "Risk Management Policies and	
	2022.11.04	Procedures ".	
	2022.11.01	9. Amendment to the "Management of the operations of the	
		remuneration committee ".	
		10. Amendment to the "management of the application of	
		International Financial Reporting Standards ".	
		11. Amendment to the "procedures for professional accounting	
		judgments ".	
		12. Amendment to the "Procedures for Management of the budget	
		".	
		13 Amendment to the "Investment Cycle of Internal Control	
		System" and the "Implementation Rules for Internal Auditing".	
		14. Amendment to the "Finance cycle of Internal Control System"	
		and the " Implementation Rules for Internal Auditing".	
		15. Amendment to the " Implementation of authorization and	
		deputy systems.".	

- 1.2 There was no resolution that was not approved by the Audit Committee but was approved by two-thirds or more of all Directors.
- 3.4.2.2 Execution of the independent directors' interests evasion: None.
- 3.4.2.3. The communication between the independent directors and the internal audit manager and the CPA:
 - (1) The Company's independent directors communicate with the CPA by way of meetings, discussions, telephone calls or e-mails through the audit committee or separately to

- discuss the review results of the financial statements and related laws and regulations such as accounting, taxation, and securities management. If major issues occur, a meeting can be convened at any time.
- (2) The Audit Officer will periodically submit audit reports to the Independent Directors for review. The Company's independent directors communicate with the internal Audit Officer by way of meetings, discussions, telephone calls or e-mail through the audit committee or separately to discuss the company's audit-related works, audit reports, and the condition of discovering problems and tracking improvements. If major issues occur, a meeting can be convened at any time.

A. The major items of communication between the independent directors and the CPA

Date	The Major Items of the Communication	The suggestions of independent directors and the Company's action to the suggestions
2022.08.05	Report of regulatory developments	No suggestion from independent
(individual	Any review problems or difficulties and	directors
meeting)	management's response in connection with 2022	
	second-quarter financial statements	
2022.11.04	Report of regulatory developments	No suggestion from independent
(individual	Any review problems or difficulties and	directors
meeting)	management's response in connection with 2022	
	third-quarter financial statements	

Result: All the above matters were reviewed or approved by the Audit Committee, and the independent directors expressed no objection.

B. The major items of communication between the independent directors and the internal audit manager

Date	The Major Items of the	The suggestions of independent directors and the
	Communication	Company's action to the suggestions
2022.08.05	Internal Auditor's report.	No suggestion from independent directors
(individual meeting)		
2022.11.04	Internal Auditor's report.	No suggestion from independent directors
(individual meeting)		

3.4.2.3. Supervisors' involvement in Board of Directors meetings:

The Board of Directors held meetings 3 times in 2022. Attendance status of Supervisors is as follows:

Title	Name	Attendance	Attendance	Remarks
Title	Ivaille	in Person	Rate(%)	
Supervisors	WANG, SHU-ZHEN	3	100	June 24, 2022 Departed
Supervisors	HU, XIANG-NING	3	100	from duty at an election
Supervisors	LIN, FANG-LUNG	3	100	at a shareholders' meeting.

Other disclosures:

1. Composition and duties of supervisors: The Company already established the Audit Committee on June 24, 2022 which assumed supervisors' duties. The Audit Committee is responsible for reviewing the annual financial statements, monitoring the Company's business and financial

- conditions, and may request a report from the Board of Directors and exercise any authority vested in it by law.
- 2. Supervisors' communication with employees and shareholders: Supervisors may communicate with employees, shareholders, or stakeholders directly whenever deemed necessary.
- 3.Communication between supervisors and internal/external auditors: Audit reports and tracking reports are prepared and submitted by the chief internal auditor, and forwarded to supervisors before the end of the month following the audit. The chief internal auditor responds to supervisors' queries in a timely manner, and both parties have been able to communicate with each other in a productive manner. The chief internal auditor also maintains open communication with CPAs, and complies with instructions of the authority by providing CPAs with copies of next year's audit plan, progress report of the previous year's audit plan, and reports of internal control defects identified as well as improvements made during the year once they have been filed.
- 4. Opinions expressed by supervisors in board meetings; state the date and type of the meeting held, the discussed motion, the board's resolution, and how the Company had responded to supervisors' opinions: None

3.4.3 The state of the company's implementation of corporate governance, and deviation of such implementation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reason for deviation.

	Implementation Status			Deviation from the
Evaluation Item		No	Summary Description	Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the reason for deviation.
1. Does the Company establish and disclose the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"?	√		The Company established and disclosed the corporate governance best practice principles based on 'Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies,' with a dedicated 'Corporate Governance' section on the Company's website for all investors to inquire about the Company's corporate governance regulations.	
 Shareholding Structure and Shareholders' Rights Does the Company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure? 	✓		The Company has set up a spokesperson system and appointed a professional stock transfer agency to handle matters such as shareholder suggestions or doubts.	No significant deviation
(2) Does the Company possess the list of its major shareholders as well as the ultimate owners of those shares?			The Company has a good grasp of the shareholding status of major shareholders, directors, and managers by referencing the shareholder register on the book closure date that is provided by the stock agent. In addition, the Company files the shareholding changes of insiders (directors, managers, and shareholders holding no less than 10 percent of the Company's shares) with the competent authority through its designated Market Observation Post System on a monthly basis.	
(3) Does the Company establish and implement the risk management and firewall system between related companies?	✓		The business transactions between the Company and affiliated companies are implemented and controlled in accordance with relevant internal control systems, and laws and regulations.	

			Implementation Status	Deviation from the
Evaluation Item		No	Summary Description	Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the reason for deviation.
(4) Does the Company establish internal rules against insiders trading with undisclosed information?			The Company has formulated the "Procedures for Handling Material Inside Information Operations" and the "Procedures for the Prevention of Insider Trading" to keep insider trading from occurrence, protect investors and safeguard the rights and interests of the Company. In 2022, the current directors, employees and all employees were educated during the period of October 2021 to September 2022. In 2022, the Company provided 38.33 hours of training in insider trading prevention, with a total attendance of 230 persons. The content of the courses includes the confidentiality of material information, and that they may not take advantage of undisclosed information of which they have learned to engage in insider trading. They are also prohibited from divulging undisclosed information to any other party, in order to prevent other parties from using such information to engage in insider trading. Course briefing files are placed in the Company's internal system to provide relevant education and training for new employees. When new directors and managers take office, the Company also provides them with relevant regulatory information in advocacy thereof and reminds them of matters to be noted with regard to insider trading.	
3. Composition and Responsibilities of the Board of Directors				
(1) Has the Board established a diversity policy, and specific management goals and implemented them accordingly?	√		Please take a reference to the Board Diversity Policy and Implementation Status on page 19 to 22 of this Annual Report.	No significant deviation
(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?		√	The Company has set up the Remuneration Committee and the Audit Committee according to the law; the establishment of other committees is under evaluation.	No significant deviation
(3) Does the company establish a standard to measure the performance of the Board and implement it annually, and are performance evaluation results submitted to the Board of Directors and referenced when determining the remuneration of individual directors and nominations for reelection?	√		To implement corporate governance and improve its Board's functions, the Company has established various performance goals to enhance the Board's operating efficiency. The Company already formulated its "Regulations Governing Performance Evaluation of Board of Directors", by which it completed the performance evaluation of the Board of Directors of 2022 in January 2023 and submitted the evaluation results to the Board of Directors to serve as a reference, both for discussion and determination of the remuneration for the Board of Directors of 2022, and for re-nomination of directors in future Board elections.	

			Implementation Status	Deviation from the
Evaluation Item	Yes	No	Summary Description	Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the reason for deviation.
(4) Are external auditors' independence assessed on a regular basis?	V		The Company's Audit Committee regularly reviews the independence of the independent auditors and reports the result to the Board of Directors. The nearest evaluation results submitted by the Audit Committee to the Board of Directors were on January 13, 2022. The Company's Audit Committee regularly evaluates the independent auditor's independence and suitability every year by means of either demanding that the independent auditors provide a "Statement of Independence" and the Accounting firm provide an Audit Quality Index (AQIs). With reference to Quality Control Standard No. 1, Article 47 of the Accountant Law, and Accountant Professional Ethics Code No. 10 Bulletin, the "Accountant Independence and Competency Evaluation Form" was formulated to assess items that may affect independence one by one. After evaluation, the Company believes it true that the independent auditors have no business or financial relationship with the Company, except the fees for their attestation and taxation service, evidencing the requirement for independence and suitability.	
4. Does the Company have an adequate number of corporate governance personnel with appropriate qualifications, and appoint a chief corporate governance employee who takes charge of the corporate governance affairs (including but not limited to furnishing information required for business execution by directors and supervisors, assisting directors and supervisors with legal compliance, handling matters relating to board meetings and shareholders' meetings according to the laws, and producing minutes of board meetings and shareholders' meetings, etc.)?		•	Although the Company does not reach the standard of establishing a chief corporate governance employee, every unit of the Company takes charge of corporate governance-related affairs according to their job functions: The Financial and Accounting Department is responsible for handling the operation of the Board of Directors, Audit Committee and Shareholders' Meeting; Human Resource Department is responsible for the works related to meetings of the Compensation Committee; President Office is the top leading unit for the scope of ethic corporate management, risk management, and corporate sustainable development which is responsible for coordinating the target of corporate social responsibility and formulate the sustainable development policies, and annually report to the Board of Directors.	
5. Does the Company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	✓		The Company has set up a stakeholder section on our website with a dedicated email for stakeholder communication and contact. Any question, suggestion, or voice can be channeled through this mailbox for open and effective communication.	

			Implementation Status	Deviation from the
Evaluation Item		No	Summary Description	-Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the reason for deviation.
6. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?	√		The Company has appointed the Stock-Affairs Agency Department of Taishin International Bank as its agent to carry out tasks relevant to Shareholders' Meetings.	No significant deviation
7. Information disclosure				
(1) Does the Company have a corporate website to disclose both financial standings and the status of corporate governance?	✓		The Company has a corporate website to disclose both financial standings and the status of corporate governance.	No significant deviation
(2) Does the Company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	✓		The Company had built a corporate website and appointed designated people to handle information collection and disclosure; carried out the spokesman system; participated in the investor conference held by the external institutes without a fixed schedule. The information for the investor conference had been disclosed on the Market Observation Post System and the corporate website.	No significant deviation
(3) Does the Company announce and report the annual financial statements within two months of the end of the fiscal year, and announce and report the first, second, and third-quarter financial statements and the monthly operating results ahead of time and within the specified time limit?		✓	The Company reports the annual/quarterly financial statements and operating results within the specified time limit.	No significant deviation

Evaluation Item			Implementation Status	Deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the reason for deviation.	
		No	Summary Description		
8. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing liability insurance for directors and supervisors)?	>		 Employee rights: The Company ensures employees' legal rights by adhering to the Labor Standards Act and its personnel regulations. It also regularly holds labor-management meetings to harmonize its labor relations. Employee care: The Company upholds the philosophy of a friendly workplace in recruiting and retaining talents. It strives to provide a good work environment: Apart from the establishment of the Employee Benefits Committee, to which it regularly contributes employee benefit funds, it also contributes a certain amount of employee retirement funds as required by law, purchases group insurance for employees, and arranges health check-up for them, so as to maximize the employees' benefits it can provide. Investor relation: The Company has a spokesperson system and an acting spokesperson system, through which it communicates with outsiders. Aside from updating its operating results, the Company also assigns dedicated personnel to disclose its information on the Market Observation Post System as required by law. Supplier relations: Through activities such as ongoing exchange of opinions with the management, the Company works closely with key suppliers and contractors, and maintains productive relationships that would ensure better performance in the future. Stakeholders' interests: The Company has maintained a smooth communication channel with employees, customers, suppliers, and contractors, and respects and upholds their legal rights. Stakeholders may communicate their opinions to the Company at any time. The Company values their opinions and will use them as reference for future work implementation. Continuing education of directors and supervisors: The Company has established the Audit Committee to assume the duties of supervisors. All the Company's directors are experts in certain areas; they also regularly take part in continuing education courses as required by law and have obtained certificates. Risk managemen	No significant deviation	

	Implementation Status		Deviation from the Corporate Governance	
Evaluation Item	Yes No	Summary Description	Best-Practice Principles for TWSE/TPEx Listed Companies and the reason for deviation.	

^{9.} Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures.

Note1: Continuing education of the Company's Directors in 2022:

Title	Name	Date	Organizer Course Name		Length of the curriculum
		2022.05.04	Taiwan Stock Exchange Corporation	International Twin Summit	2 hours
Director	CHEN, YUNG-HUA	2022.08.05	Taiwan Corporate Governance Association	Practice Analysis of Business Secret Protection and Fraud Detection and Prevention	3 hours
		2022.11.04	Taiwan Corporate Governance Association	Shareholding of Directors and Supervisors, Legal Restrictions and Judgment Analysis	3 hours
Director	Utechzone Co., Ltd. Representative:	2022.08.09	Taiwan Corporate Governance Association	Integrating technology and data analysis technology for continuous risk supervision and auditing	3 hours
Director	CHANG, WEN-CHIEH	2022.11.09	Taiwan Corporate Governance Association	2022 Global Trends and Business Opportunities of Low Carbon Economy and Enterprise Low Carbon Innovation	3 hours
Dinastan	Director YEH, SHENG-FA	2022.06.30	Taiwan Corporate Governance Association	ESG Reporting Trends and Their Disclosure Business Implications	3 hours
Director		2022.08.05	Taiwan Corporate Governance Association	Practice Analysis of Business Secret Protection and Fraud Detection and Prevention	3 hours
Dimenter	Utechzone Co., Ltd.	2022.08.09	Taiwan Corporate Governance Association	Integrating technology and data analysis technology for continuous risk supervision and auditing	3 hours
Director	Representative: LIN, FANG-LUNG	2022.11.09	Taiwan Corporate Governance Association	2022 Global Trends and Business Opportunities of Low Carbon Economy and Enterprise Low Carbon Innovation	3 hours
			Co-organized by Taiwan Stock Exchange Corporation and Taipei Exchange	Corporate Governance 3.0 -Sustainable Development Roadmap Forum	2 hours
Director	Director LIN, HUNG-JEN	2022.08.05	Taiwan Corporate Governance Association	Practice Analysis of Business Secret Protection and Fraud Detection and Prevention	3 hours
		2022.10.12	Securities and Futures Institute	2022 Insider Equity Transaction Legal Compliance Publicity Explanation Session	3 hours
Independent	TSENG, HSIANG-CHI	2022.05.12	Taiwan Stock Exchange Corporation	International Twin Summit	2 hours

Every year, the company reviews the indicators that have not yet met the scoring standards based on the recent corporate governance evaluation results and the corporate governance evaluation indicators released in the most recent year, arranges improvement schedules, and has completed the improvement of most of the projects that did not meet the standards.

Title	Name	Date	Organizer	Course Name	Length of the curriculum
Director		2022.06.10	Securities and Futures Institute	2022 Prevention of insider trading publicity meeting	3 hours
		2022.08.05	Taiwan Corporate Governance Association	Practice Analysis of Business Secret Protection and Fraud Detection and Prevention	3 hours
Independent	LEE, SHIH-CHENG	2022.08.05	Taiwan Corporate Governance Association	Practice Analysis of Business Secret Protection and Fraud Detection and Prevention	3 hours
Director	LEE, SHIH-CHENG	2022.11.04	Taiwan Corporate Governance Association	Shareholding of Directors and Supervisors, Legal Restrictions and Judgment Analysis	3 hours
		2022.06.10	Securities and Futures Institute	2022 Prevention of insider trading publicity meeting	3 hours
		2022.08.05	Taiwan Corporate Governance Association	Practice Analysis of Business Secret Protection and Fraud Detection and Prevention	3 hours
		2022.09.29	Co-organized by Taiwan Stock Exchange Corporation and Taipei Exchange	Release Conference 2022: Reference guide for Independent Director & Audit Committee	3 hours
Independent Director		2022.10.12	Securities and Futures Institute	2022 Insider Equity Transaction Legal Compliance Publicity Explanation Session	3 hours
Director		2022.11.04	Taiwan Corporate Governance Association	Shareholding of Directors and Supervisors, Legal Restrictions and Judgment Analysis	3 hours
		2022.11.18	Taiwan Institute for Sustainable Energy	2022 GCSF	3 hours
	2022.12.06	Taiwan Corporate Governance Association	Strengthening digital resilience and formulating policies to enhance information security governance as a TWSE-listed company	3 hours	
		2022.07.27	Co-organized by Taiwan Stock Exchange Corporation and Taipei Exchange	Corporate Governance 3.0 -Sustainable Development Roadmap Forum	2 hours
		2022.08.05	Taiwan Corporate Governance Association	Practice Analysis of Business Secret Protection and Fraud Detection and Prevention	3 hours
Independent Director	LO, CHIH-PING	2022.10.05	Securities and Futures Institute	2022 Insider Equity Transaction Legal Compliance Publicity Explanation Session	3 hours
		2022.11.04	Taiwan Corporate Governance Association	Shareholding of Directors and Supervisors, Legal Restrictions and Judgment Analysis	3 hours
		2022.11.09	Taiwan Corporate Governance Association	2022 Global Trends and Business Opportunities of Low Carbon Economy and Enterprise Low Carbon Innovation	3 hours

3.4.4. Composition, Responsibilities and Operations of the Remuneration Committee

The Compensation Committee assists the Board in discharging its responsibilities relating to the Company's compensation and benefits policies, plans and programs, and the evaluation of the directors' and executives' compensation.

1. Information of Remuneration Committee Members

Title	Criteria Name	Professional Qualification and Experience	Status of Independence	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member
Independent Director	TSENG, HSIANG CHI			_
(Convener)	island, fisiand cili			-
Independent				
Director			ence to the professional	-
(Member)		qualification and ex	xperience & status of	
Independent		independence of In	dependent Directors on	
Director	SHEN, HIS-WEN	page 19-20 of this	Annual Report.	1
(Member)				
Independent				
Director	LO, CHIH-PING			-
(Member)				

2. Information on Compensation Committee Operations

- (1) The Company's Compensation Committee had 4 members.
- (2) The term of this committee member is from June 24, 2022 to June 23, 2025. A total of 3 Compensation Committee meetings were held in 2022. The attendance of independent directors was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remarks
Convener	TSENG, HSIANG-CHI	3	-	100	
Member	LEE, SHIH-CHENG	3	-	100	
Member	SHEN, HIS-WEN	1	-	100	Newly elected on 2022.06.24
Member	LO, CHIH-PING	1	-	100	Newly elected on 2022.06.24
Member	CHAU, YAW-GENG	2	-	100	Resigned on 2022.06.24

Other disclosures:

- 1. If the advice of the Remuneration Committee was not adopted or modified by the Board of Directors, the meeting date, period, content of proposals, meeting resolution, and the Company's action to the advice of the Remuneration Committee should be disclosed: None.
- 2. If resolutions of the Remuneration Committee were objected or reserved with records or written statements by any member, the meeting date, period, content of proposals, opinions of all members, and action to the member's opinions should be disclosed: None.

3. The discussion item and resolution results of the Remuneration Committee, and the Company's action to the advice of the Remuneration Committee:

		D 1-4	The Company's action
Date	Content of proposals	Resolution	to the advice of the
	1 1	results	Remuneration
			Committee
	1. 2021 Year end bonus to managerial employees.	Approved by	Processed as the
2022.01.21		all members of	resolution results of the
2022.01.21		the committee.	remuneration
			committee.
	1. The distribution of 2021 directors, employee	Approved by	Processed as the
2022.03.25	compensation and director and supervisor	all members of	resolution results of the
2022.03.23	remuneration.	the committee.	remuneration
			committee.
	1. Revision of independent directors'	Approved by	Processed as the
	remuneration adjustments.	all members of	resolution results of the
	2. The distribution of 2021 directors and	the committee.	remuneration
2022.08.05	supervisors remuneration.		committee.
	3. The distribution of 2021 employees'		
	compensation.		
	4. 2022 employee salary adjustments.		

3.4.5 Promotion of Sustainable Development, Status, and Deviation from Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons

Assessment Item			Implementation Status	Deviation from the
	(Note	e 1)		'Sustainable Development
	Yes	No	Summary	Best Practice Principles for
				TWSE/TPEx-Listed
				Companies' and Reasons
1. Whether the Company has established a management structure for promoting sustainable development and set up an exclusively (or concurrently) dedicated unit handled by senior management employee(s) authorized by the Board of Directors, and under the supervision of the Board of Directors?		>	The Company had established the "Sustainable Development Practice Principles" and was approved by the Board of Directors. The Administration Unit is the dedicated unit that is responsible for establishing the corporate social responsibility, and reporting to the Board of Directors the status of implementation on an annual basis; the annual report of the implementation of the corporate social responsibility for each year shall be published on the corporate website.	No significant deviation
2. Has the Company conducted a risk assessment on environmental, social, and corporate governance issues that are relevant to its operations, and implemented risk management policies or strategies based on principles of materiality?	√		In 2022, the Company's Board of Directors approved the formulation of the "Risk Management Policy and Procedures", the highest level guidelines on risk management within the Company. Relevant policies and procedures, management scope, organizational structure, and operating status have been disclosed on the Company's website.	No significant deviation
3. Environmental Issues (1) Does the Company establish proper environmental management systems based on the characteristics of its industries?	√		The company has established an environmental management system in order to ascertain the environmental impact generated by all operations. The company also establishes and implements environmental response strategies and adopts the P.D.C.A. continuous improvement model to reduce environmental impact. Furthermore, the company actively participates in meetings related to the establishment and amendment of environmental regulations, provides its thoughts, and understands the regulatory trends, thus allowing the company to establish response strategies in advance and help it to achieve effective control of environmental risk.	No significant deviation
(2) Does the Company endeavor to utilize all resources more efficiently and use renewable materials that have a low impact	✓		The company regularly reviews the materials and sluggish inventory to increase the utilization rate and reduce the burden on the environment.	No significant deviation

Assessment Item			Implementation Status	Deviation from the
	(Note	e 1)		'Sustainable Development
	Yes	No	Summary	Best Practice Principles for
				TWSE/TPEx-Listed
				Companies' and Reasons
on the environment?				
(3) Does the Company monitor the impact of climate change on present and future operations and evaluate related opportunities? Does it establish measures to respond to climate change related impacts?	✓		The company pays attention to the impact of climate change on the company's operating activities. And actively improves the utilization rate, reduces waste, and reduces the impact on the environment.	No significant deviation
(4) Does the Company take inventories of greenhouse gas emissions, water use, and waste volume during the past two years? Does it adopt guidelines to conserve energy and reduce carbon and greenhouse gas emissions, water use, and waste generation?	✓		The company complies with applicable waste management laws and regulations, appoints licensed waste collection and disposal companies for waste collection and disposal, requires them to provide proper disposal documents, regularly visits them to inspect their waste disposal process and management, reports volume of waste of removed and processed, uses the global positioning system installed on the waste disposal vehicles to confirm if their routes are consistent with the location of the disposal factory, and checks the status through a ride on the vehicles or by following them from time to time, to ensure proper waste collection and removal management and fulfill our due care obligations. The total weight of waste over the past two years is as follows:	No significant deviation

Assessment Item				Deviation from the					
	(Note	e 1)		'Sustainable Development					
	Yes	No			S	ummary			Best Practice Principles for
									TWSE/TPEx-Listed
									Companies' and Reasons
				Y ear	•	Headquarters	Taihe Factory	Total Waste	
			2021	Output	Non-hazardous business waste	26,200	0	26,200	
				(KG)	Hazardous business waste	0	0		
			2022	Output	Non-hazardous business waste	22,200	0	22 200	
			2022	(KG)	Hazardous business waste	0	0	22,200	
			carbon in electreductions talling energy environments by 1% emissions.	reductive tricity from (coment of saving nment) year by	proactively tion projects, conservation, mprehensive f energy-saving mode, or late, and set a tary year. In 2021% and achies the past two	continues, energy correplacement geontrollindscaping rget of reduction the talk the	to implement onservation, ent with LE lers, turning in the officucing carbo acced the cararget. The ar	and carbon D lamps, g on the e n emissions bon	

Assessment Item				Deviation from the				
	(Note	21)		'Sustainable Development				
	Yes	No			Summar	У		Best Practice Principles for
								TWSE/TPEx-Listed
							T	Companies' and Reasons
				Year	Headquarters	Taihe Factory	Total carbon dioxide emissio	
			2021	Carbon dioxide emissions (kg)	746,313	17,718	764,031	
			2022	Carbon dioxide emissions (kg)	732,109	17,108	749,217	
			implement waste redu use of sour enhances t saving dev supply fac- cutting the	s the principal street of the reuse of the r	oles of source nd-of-proce be the need to water resour 2, we gradu he aim of ac consumptio	nnologies and ce managements control, me for water resources, and instally replaced chieving the tending by 1% in 2 wo years is a	ent, process anages the ources, alls water- the old water target of 023. The	

Assessment Item					Deviation from the			
	(Note					'Sustainable Development		
	Yes	No			Summ	ary		Best Practice Principles for
								TWSE/TPEx-Listed
						I	Г	Companies' and Reasons
				Year	Headquarters	Taihe Factory	Total water consumption volume	
			2021	water consumpti on volume (ton)	4,624	111	4,735	
			2022	water consumpti on volume (ton)	5,576	49	5,625	
4. Social Issues								
(1) Does the Company comply with relevant laws and regulations and the International Bill of Human Rights? Does it adopt relevant management policies and processes?	✓		respects rights pri employe employn establish	international inciples, pro es, and imp nent policie	rly complies ally recognize otects the legulements fair s. In addition operiate oversignt.	No significant deviation		
(2) Does the Company establish and implement appropriate remuneration mechanisms (including wages, vacation, and other benefits) and reflect the corporate business performance or achievements in the employee remuneration policy?	✓		The com the educa knowled difference addition, Committe	pany deterrational back ge, and skil ees in gende the compa	mines the sal aground, exp ls of employ or, race, relig ny has estable to provide re	No significant deviation		

Assessment Item			Implementation Status	Deviation from the
	(Note	e 1)		'Sustainable Development
	Yes	No	Summary	Best Practice Principles for
				TWSE/TPEx-Listed
				Companies' and Reasons
(3) Does the Company provide safe and healthful work environments for employees, and does it organize training on safety and health for employees on a regular basis?	✓		 The company provides a safe and healthy working environment, including the implementation of access control measures and a non-smoking policy. In addition, the company also performs labor safety educational training and environmental inspections, provides health examinations to employees free of charge, hires professional nurses and physicians to track employee health conditions periodically and provides employee health consultation services. Furthermore, the company also rigorously implements re-inspection and health-related regulations specified by labor law, in order to achieve both the environmental and physical health and safety of employees. Number of occupational accidents in 2022: 1 accident Number of people: 1 person; percentage of the total number of employees: 0.5% Relevant improvement measures: We increased the support area of the bottom of the transport frame to prevent tilts, enhanced education and training, and replaced manual transport with powered mechanical appliances. 	No significant deviation
(4) Does the Company establish effective training programs to foster employees' career skills?	√		 The company arranges necessary on-job training, work guidance, work shift, and external training opportunities according to employees' personal career development, in order to increase the competitiveness of employees. To comprehensively improve the professional competency of employees, internal instructors are appointed to provide courses in order to effectively pass on professional knowledge and skills. Employees are encouraged to participate in active learning or to apply for external training. 	No significant deviation
(5) Does the Company follow the laws and regulations of the government and international guidelines in relation to customer health, safety, and privacy, as well as sales and labeling of its products and services? Does the Company establish	✓		The company complies with the laws and international standards with regard to the marketing and labeling of products and services.	No significant deviation

Assessment Item			Implementation Status	Deviation from the
	(Note	e 1)		'Sustainable Development
	Yes	No	Summary	Best Practice Principles for
				TWSE/TPEx-Listed
				Companies' and Reasons
policies to protect consumer rights and interests and provide a clear and effective procedure for accepting consumer complaints?				
(6) Does the Company establish policies to assess whether suppliers adhere to environmental, occupational health and safety, and labor rights laws and regulations, then follow up on implementation status?	✓		The company preserves records assessing whether suppliers cause an impact on the environment and/or society, and also includes clauses for contract termination or rescission at any time in case of a supplier failing in their environment and social responsibilities.	No significant deviation
5. Does the Company adopt internationally recognized standards or guidelines when producing corporate social responsibility reports and other related reports to disclose the status of implementing non-finance-related policies? Does the Company obtain a third party assurance or verification for the reports to enhance the reliability of the information in the reports?		√	The company has not prepared corporate social responsibility reports.	The company has not prepared corporate social responsibility reports and is currently evaluating them.

6. If the company has established its corporate social responsibility code of practice according to 'Sustainable Development Practice Principles for TWSE-GTSM-Listed Companies,' please describe the operational status and differences:

The company establishes its corporate social responsibility code of practice in accordance with the 'Sustainable Development Practice Principles for TWSE/GTSM-Listed Companies'. Its operations and corporate social responsibility spirit and principles adhere to this statute.

- 7. Other important information to facilitate a better understanding of the company's implementation of corporate social responsibility:
 - (1) Working environment and employee personal safety protective measures:
 - 1. In view of the importance of the working environment and employee personal safety protective measures, the company has established the industrial Safety & Health Office in order to implement major environmental and occupational safety and health risk control policies; and provide the priority enhancement measures by program management.
 - 2. To cooperate with the government's epidemic control policy and to allow employees to receive vaccination safely, and in order to care for the physical and mental health of employees, the company provides paid leave to all employees on their vaccination day.
 - (2) Subsequent environmental and occupational safety and health promotion activities:
 - 1. Standardization of implementation operation: Through the establishment of various operation standards, the company requires employees to operate machines according to the standard operating procedure and to check machines according to stated requirements, thereby eliminating accidents due to improper operation.

Assessment Item			Implementation Status	Deviation from the
	(Note	e 1)		'Sustainable Development
	Yes	No	Summary	Best Practice Principles for
				TWSE/TPEx-Listed
				Companies' and Reasons

- 2. Field operation environment testing: The company continues to entrust professional vendors to perform an environmental testing plan. In the case that any items do not meet the set specifications, necessary review and improvements are performed. The testing items include carbon dioxide (CO2), noise, methanol, formaldehyde, hydrochloric acid, wet-bulb globe temperature (WBGT), etc.
- 3. The company continues to provide physical and health examinations to employees annually, hires professional nurses and physicians to track employee health conditions periodically and provides employee health consultation services. Furthermore, the company also rigorously implements re-inspection and health-related regulations specified by labor law, in order to achieve both the environmental and physical health and safety of employees.
- (3) To actively promote the execution of sustainable development, in 2022, the company encouraged all employees to participate in the charity donation and purchase of supplies for "St. Teresa's Children's Center" and the "Hsinchu County Disability Support Association," in order to give back to the community and help those in need.

3.4.6. Status of Ethical Corporate Management Implementation and Deviation from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and the reason for deviation.

			Implementation Status	Deviation from the Ethical
Evaluation Item		No	Summary Description	Corporate Management BestPractice Principles for TWSE/TPEx Listed Companies and the reason for deviation.
1. Establishment of ethical corporate management				
(1) Does the company establish its ethical corporate management policies approved by the board of directors, and clearly specify in their rules and external documents the ethical corporate management policies	~		Per approval by the Board of Directors, the Company has established integrity management policies, integrity management codes, integrity management operating procedures and behavior guidelines and other integrity management related regulations, and announced them in the corporate governance section. of the Company website for directors, managers and	No significant deviation
(2) Does the company establish a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within it's business scope that are at a higher risk of being involved in unethical conduct, and establish prevention programs that at least include preventive measures against the conducts listed in article 7, paragraph 2 of Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?	√		The Company's formulating the "Ethical Corporate Management Best Practice Principles" and the "Code of Ethics" ensures its ethical corporate management. The Company also regularly holds education and training on corporate governance for directors, irregularly disseminates corporate ethics, specifies awards and disciplinary actions in its "Work Rules" to prevent employees' from conducting unethical conduct, and implements ethical corporate management through an internal approval process and the internal control system.	No significant deviation
(3) Has the Company defined and enforced operating procedures, behavioral guidelines, penalties, and grievance systems as part of its preventive measures against dishonest conduct? Are the above measures reviewed and revised on a regular basis?	√		As stated above, the Company also disseminates "ethical corporate management" internally; In addition, the Company's internal and external websites both provide a channel for whistleblowing/complaint/opinion submissions, which will be transmitted by their nature to the dedicated department and the Company's highest-level manager.	No significant deviation
Implement ethical corporate management Ones the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	√		All of the Company's transaction counterparties are subject to this supplier management mechanism. With suppliers and contractors already under a partnership with the Company, the Company also regularly audits and assesses them, and includes provisions of business ethics in the contracts with them.	No significant deviation

			Implementation Status	Deviation from the Ethical	
Evaluation Item	Yes	No	Summary Description	Corporate Management BestPractice Principles for TWSE/TPEx Listed Companies and the reason for deviation.	
(2) Does the company establish an exclusively dedicated unit under the board of directors, which reports to the board of directors on a regular basis (at least once a year), on the establishment and supervision of the implementation of ethical corporate management policies and prevention programs?	✓		The Company's Present Office is responsible for promoting the integrity of the business, and the relevant units are responsible for the implementation, and the Internal Audit unit is independently responsible for auditing to ensure the implementation of the Company's integrity management philosophy, the results of which are reported to the Board of Directors at least once a year. (The execution result were reported to the Board of Directors on November 4, 2022)	No significant deviation	
(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement the policies?	✓		Those having a personal interest when involved in certain business activities, shall report to their supervisor and recuse themselves from such activities in order to prevent conflict of interest. When any motion where a director's interest is at odds with their obligations to the Company is considered, all directors concerned recuse themselves from consideration and voting in accordance with the principle for avoidance of conflict of interest.	No significant deviation	
(4) Does the company establish effective systems for both accounting and internal control systems to facilitate ethical corporate management, and does the internal	✓		The Company has established accounting systems, internal control systems, and internal auditing systems in accordance with various regulations. The auditors, based on the result of assessment of the risk of involvement in unethical conduct, devise relevant audit plans to examine compliance with the prevention programs against unethical conducts, and report to the board of directors on a regular basis.	No significant deviation	
(5) Does the company regularly hold internal and external educational training on ethical corporate management?	√		The Company has established a "code of integrity management", "integrity management operating procedures and behavior guidelines", "a code of ethics and conduct", and other relevant measures, which are published on the company's website to provide information for directors, employees, and stakeholders. In addition, the Company continues to carry out relevant education and training on integrity management and ethical behavior for employees and supervisors. The contents include regulations of ethical management, legal practice, advanced financial management, behaviors, etc., so as to promote the integrity management philosophy and ensure it is implemented in daily work. From October 2021 to September 2022, the total hours related to integrity management education were 38.33 hours, and a total of 230 people participated in the courses.	No significant deviation	
3. Implementation status of the whistle-blowing system					

			Implementation Status	Deviation from the Ethical Corporate Management
Evaluation Item		No	Summary Description	BestPractice Principles for TWSE/TPEx Listed Companies and the reason for deviation.
(1) Does the company establish a concrete whistle- blowing system and incentive measures, create a convenient way for reporting, and appoint appropriate designated personnel for reported cases?			The Company has established measures to report illegal or unethical behavior, created a way for reporting, and appointed an appropriate designated unit for reported cases.	No significant deviation
(2) Does the company establish standard operating procedures, follow-up measures to be taken after the investigation is completed, and related confidentiality measures for reported cases?	/		The Company will take the necessary protective measures for the whistle-blowers, and promises that the Company's employees will not be subject to inappropriate disciplinary actions due to their whistleblowing.	No significant deviation
(3) Does the company adopt measures for protecting whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing?	/		The Company is responsible for the confidentiality of the informer and has taken measures to informer from improper treatment or reprisal.	No significant deviation
Does the company disclose its ethical corporate management principles and the results of performance on the company's website and MOPS?	/		The Company's integrity management code, integrity management operating procedures and behavior guidelines, and other relevant regulations, as well as the implementation and operation of integrity management are disclosed on the Company's website and MOPS, and are operated scrupulously.	No significant deviation
			Company's website and MOPS, and are operated scrupulously. gement based on Ethical Corporate Management Best Practice Principles for TWSE	E/TPEx Listed Companies, plea

^{6.} Other important information to facilitate a better understanding of the company's ethical corporate management implementation: (e.g., review and amend the company's principles)
The Company complies with related laws and regulations including Company Act, Securities and Exchange Act, Business Entity Accounting Act, etc. to implement ethical corporate management.

3.4.7. If the company has established corporate governance best-practice principles or related regulations, disclose the method of finding these:

The Company established "Corporate Governance Practice", please go to MOPS http://mops.twse.com.tw or r the Company's website http://www.favite.com, the Company's dedicated area for investors.

3.4.8. Other important information to facilitate a better understanding of the state of the company's implementation of corporate governance may also be disclosed:

The company's corporate governance operations can be found at the MOPS or the company's website.

3.4.9.Internal Control Status

1. Statement of internal control

Favite, Inc. Statement of Internal Control System

Date: February 24, 2023

Based on the findings of a self-assessment, Favite, Inc. (Favite) states the following with regard to its internal control system during the year 2022:

- 1. Favite's board of directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance, and safeguarding of assets), reliability, timeliness, transparency of our reporting, and compliance with applicable rulings, laws and regulations.
- 2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and Favite takes immediate remedial actions in response to any identified deficiencies.
- 3. Favite evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the 'Regulations').
 - The Criteria adopted by the Regulations identify five key components of internal managerial control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities.
- 4. Favite has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
- 5. Based on the findings of such evaluation, Favite believes that, as of December 31, 2022, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
- 6. This Statement is an integral part of Favite's annual report for the year 2021 and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
- 7. This statement was passed by the board of directors in their meeting held on February 24, 2023, with none of the ten attending directors expressing dissenting opinions, and the remainder all affirming the content of this statement.

Favite, Inc.

Chairman: CHEN, YUNG-HUA

President: CHEN, YUNG-HUA

2. The Company's Internal Control System Audit Report by External Auditors: None.

- 3.4.10. If there has been any legal penalty against the company or its internal personnel, or any disciplinary penalty by the company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report, where the result of such penalty could have a material effect on shareholder equity or securities prices, the annual report shall disclose the penalty, the main shortcomings, and condition of improvement: None.
- 3.4.11. Major resolutions of the shareholders' meeting and the board meetings from last year to the date of the annual report printed:

1. Major re	solutions of the 2022 shareholders' meeting:	
Date	Proposals	Resolution Results And
		Implementation
	Ratification Items	Approve.
	1. 2021 business report and financial statements	
		Approved.
	2. Distribution of 2020 retained earnings.	Dividend record date: 2022/08/29
		Payment date: 2022/09/19
		Amount: NT\$39,526,178
		Approved.
		Approved by the Ministry of Economic
	3. Amendment to the "Articles of Incorporation ".	Affairs on Passed amendments to the
	1	Company's July 21, 2022; disclosed on the
		company website
		Announced on the Company's website;
	4. Re-establishment of the "Rules of Procedure for	matters were carried out in accordance with
	Shareholders' Meetings ".	the amended procedures.
	5. Abrogation of the Company's "Procedures for	the amenaca procedures.
	Election of Directors and Supervisors", and	
2022.06.24	establishment of the" Procedures for Election of	
	Directors".	
	Directors .	
	6. Amendment to the Company's "Procedures for	
	Financial Derivatives Transactions"	
	7. Amendment to the Company's "Procedures for	
	Acquisition or Disposal of Assets".	
	8. Amendments to the Company's "Procedures for	
	Loaning Funds to Others".	
	9. Amendments to the Company's "Procedures for	
	Endorsements & Guarantees".	
	10. Abrogation of the Company's "Rules	
	Governing the Scope of Powers of	
	Supervisors".	

	Election results are as follows:
	Director:
	CHEN, YUNG-HUA
	Utechzone Co., Ltd.
	Representative: CHANG, WEN-CHIEH
11 Floation of Dinastons (including Indonesidant	YEH, SHENG-FA
11. Election of Directors (including Independent	Utechzone Co., Ltd.
Directors)	Representative: LIN, FANG-LUNG
	LIN, HUNG-JEN
	TSENG, HSIANG-CHI
	LEE, SHIH-CHENG
	SHEN, HIS-WEN
	LO, CHIH-PING

2. Major Resolutions of Board Meetings

Date	Summary of Major Resolutions	Resolution Results
2022.01.21	1. The Commonwell built of other for the common 2022	
2022.01.21	1. The Company's budget plan for the year 2022.	Approved by all
	2. 2021 Year end bonus to managerial employees.	attending
	3. Establishment of the Company's "Procedures for Ethical Management	directors
	and Guidelines for Conduct".	
	4. Amendment to the Company's "Corporate Social Responsibility Best	
	Practice Principles", and name change to "Sustainable Development	
	Best Practice Principles".	
	5. Amendment to the Company's "Corporate Governance Best Practice Principles".	
	6. Amendment to the Company's "Codes of Ethical Conduct".	
	7. Amendment to the " Procedures for Handling Material Inside	
	Information".	
	8. Amendment to the "Accounting System".	
	9. Amendment to the " Management of the procedures for preparation of	
	financial statements ".	
	10. Application for a bank facility.	
2022.03.25	1. 2021 Remuneration of employees, directors and supervisors of the	Approved by all
	Company	attending directors
	22021 business report and financial statements.	directors
	3Earnings Distribution for 2021.	
	4. 2021 Operations Plan of the Company.	
	5. The Company's Auditor of financial statements for 2021.	
	6. 2021 Statement of Internal Control System.	
	7. Amendment to the "Articles of Incorporation ".	
	8Re-establishment of the "Rules of Procedure for Shareholders' Meetings ".	
	9. Amendment to the " Procedures for Financial Derivatives Transactions	
	10. Amendment to the " Procedures for Acquisition or Disposal of Assets ".	
	11. Amendment to the " Procedures for Loaning Funds to Others ".	

Date	Summary of Major Resolutions	Resolution Results
	12. Amendment to the "Procedures for Endorsements & Guarantees ".13. Abrogation of the Company's "Procedures for Election of Directors and Supervisors", and establishment of the" Procedures for Election of	
	Directors". 14. Abrogation of the Company's "Rules Governing the Scope of Powers of Supervisors".	
	15. Approved the election of Directors for the 9 th term •	
	16. Adoption of the nomination of candidates for directors, including independent directors.	
	17. To release the Directors and their Representatives from non-competition restrictions.	
	18. Approved the proposal of convening the 2021 general shareholders' meeting.	
	19. Adoption of the shareholders' proposals for the 2021 shareholders' meeting	
	20. Amendment to the "Audit Committee Charter ".	
2022.05.06	To approve the list of nominated candidates for directors and independent directors.	Approved by all attending
	2. To release the Directors and their Representatives from non-competition restrictions.	directors
	3. Discussed and approved matters related to the acceptance of proposals put forward by shareholders with a shareholding of one percent or more.	
	4. Amendment to the "Articles of Incorporation".5. Amendment to the Company's "Corporate Governance Best Practice	
	Principles". 6. The plan of the Company's Greenhouse gas inventory and Verification. 7. Application for a bank facility.	
2022.06.24	1. The election of the Chairman of the 9 th term.	Approved by all
	2.The employment proposal for the 5 th term of the Remuneration Committee	attending directors
2022.08.05	1. 2022 Q2 consolidated financial statements	Approved by all
	2. Revision of Independent Directors' Remuneration.	attending
	3. The distribution of 2021 directors and supervisors remuneration.	directors
	4. The distribution of 2021 employees' compensation.	
	5. 2022 employees salary adjustments.6The relevant matters of cash dividend benchmark date of the Company	
	in 2022 7. The proposed renewal of the "Liability Insurance of Directors, Supervisors, and Managerial Officers"	
	Supervisors, and Managerial Officers". 8. Amendment to the "Internal Control System" and the "Implementation Byles for Internal Auditing".	
	Rules for Internal Auditing". 9. Amendment to the Company's "Corporate Governance Best Practice Principles"	
	Principles". 10. Amendment to the Company's ""Self-Evaluation or Peer Evaluation of	
	the Board of Directors", and name change to "Rules for Performance Evaluation of Board of Directors".	
	11. Amendment to the " Compensation Committee Charter ".	

Date	Summary of Major Resolutions	Resolution Results
	12Amendment to the " Management of the operations of the	
	remuneration committee ".	
	13. Application for a bank facility.	
2022.11.04	1. 2022 Q3 consolidated financial statements	Approved by all
	2The appointment of the Company's Information Security Supervisor.	attending
	3. Amendment to the Company's 2021 annual audit plans.	directors
	4. 2022 annual audit plans.	
	5. Amendment to the Company's "Rules and Procedures of Board of	
	Directors Meetings", and name change to "Rules of Procedure for Board of Directors Meetings".	
	6Amendment to the "Procedures for Suspension and Resumption of Stock Trading".	
	7. Amendment to the "Rules Governing the Scope of Powers of Independent Directors"	
	8. Re-establishment of the " Procedures for transactions with related	
	parties, specific companies and group companies".	
	9. Establishment of the "Risk Management Policies and Procedures".	
	10. Amendment to the " Management of the operations of the	
	remuneration committee ".	
	11. Amendment to the "management of application of International Financial Reporting Standards".	
	12. Amendment to the " procedures for professional accounting judgments ".	
	13. Amendment to the " Procedures for Management of the budget.	
	14. Amendment to the "Investment cycle of Internal Control System" and	
	the "Implementation Rules for Internal Auditing".	
	15. Amendment to the "Finance cycle of Internal Control System" and the	
	" Implementation Rules for Internal Auditing".	
	16. Amendment to the " Implementation of authorization and deputy	
	systems".	
	17. Application for a bank facility.	
2023.01.13	1. The Company's budget plan for the year 2023.	Approved by all
	2. 2022 Year end bonus to managerial employees.	attending
	3 Amendment to the "Procedures for Handling Material Inside	directors
	Information".	
	4. Amendment to the Company's "Corporate Governance Best Practice Principles".	
	5. Evaluation of the accountant independence and suitability of the company	
	6. Discussion on Appointment and Remuneration of CPA of the Company	
	7. Application for a bank facility.	
2023.02.24	1. The amount of the company's 2022 employee remuneration and director	Approved by all
	and supervisor remuneration provided and the payout method.	attending
	2. The company's 2022 parent company only financial and consolidated	directors
	financial statements.	
	3. The company's 2022 business report and 2023 business plan.	
	4. The company's 2022 earnings distribution proposal.	
	The company of 2022 carnings distribution proposal.	l .

Date	Summary of Major Resolutions	Resolution Results
	5. The company's 2022 statement on the internal control system.	
	6. Partial amendments to the Articles of Incorporation.	
	7. Removal of the non-compete clause for the company's directors and	
	their representatives.	
	8. Proposal to determine the date, location, and reasons for the company's	
	2023 shareholders' meeting.	
	9. Proposal to determine the place and period for accepting proposals from	
	shareholders, each holding 1% or more of all shares for the 2023	
	shareholders' meeting.	
	10. Partial amendments to the Corporate Governance Best Practice	
	Principles.	
	11. Replacement of the company's financial officer.	
	12. Replacement of the company's accounting officer.	
	13. The company's application for bank financing facilities.	

- 3.4.12. Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors: None.
- 3.4.13 Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit, Corporate Governance and R&D:

Title	Name	Date appointed	Date dismissed	Reason for resignation or dismissal
Financial Officer	CHANG, PI-JUNG	2021.07.01	2023.02.24	Job adjustment
Accounting Officer	FAN, HSIAO-LAN	2021.08.06	2023.02.24	Job adjustment

3.5 Information Regarding Audit Fees

Unit: NTD thousands

Accounting firm	Name of CPA	Audit fee	Non-audit fee	Audit period	Remark
Deloitte & Touche	Su-Li Fang Tung-Hui Yeh	2,000	370	2022/01/01~2022/12/31	Note

Note: Others include NT\$280 thousand for a tax payment for the corresponding contribution to an application for technical services, NT\$30 thousand for the fee for audit of the salary of full-time non-managerial employees, and NT\$60 thousand for the audit of the scrapped inventory, totaling NT\$370 thousand.

- 3.5.1 Fee information: Non-audit fees paid to CPAs, CPA's accounting firms and their affiliates exceeding 25% of the audit fees: None
- 3.5.2. Change of accounting firms with audit fee paid in the year of change being less than the previous year: None.
- 3.5.3. Over 10% decrease in audit fee on a year-to-year basis: None.
- 3.6. Replacement of CPA: None.

- 3.7. If the Company's Chairman, President, Managers in charge of finance or accounting operations held positions within the auditor's firm or its affiliates during the last year, the name, title, and period of holding positions should be disclosed: None
- 3.8. Share transfer or share pledge of Directors, Officers and major shareholders holding more than 10% of shares from last year to the date of the annual report printed.
 - 1. Changes in shareholding of Directors, Supervisor, Officers and major shareholders

Unit: shares

		Unit: snare				
			2022	As of March 31, 2023		
Title	Name	Shares	Pledge shares	Shares	Pledge shares	
11110	Traffic	increased	increased	increased	increased	
		(decreased)	(decreased)	(decreased)	(decreased)	
Chairman and President	CHEN, YUNG-HUA	_	(1,000,000)		_	
	Utechzone Co., Ltd.	_	<u> </u>	_	_	
Director/ major	Representative: CHANG, WEN-CHIEH	_	_		_	
shareholders	Representative: LIN, FANG-LUNG	_	_		_	
	Representative: ZOU, JIA-JUN (Note 1)	_	_	NA	NA	
Director	YEH, SHENG-FA	_	_	_	_	
Director	LIN, HUNG-JEN	_	_	_	_	
Director	ZENG, JIN-XIANG (Note 1)	_		NA	NA	
	Contrel Technology Co., Ltd. (Note 1)	_	_	NA	NA	
Director	Representative: CHEN, ZAN-REN (Note 1)	_	_	NA	NA	
Director	LIN, ZI-XIN (Note 1)	_	_	NA	NA	
Independent Director	TSENG, HSIANG-CHI	_	_	_	_	
Independent Director	LEE, SHIH-CHENG	_			_	
Independent Director	SHEN, HIS-WEN	_	_		_	
Independent Director	LO, CHIH-PING	_	_	_	_	
Independent Director	CHAU, YAW-GENG (Note 2)	_	_	NA	NA	
Supervisor	WANG, SHU-ZHEN (Note 3)	(14,000)	_	NA	NA	
Supervisor	LIN, FANG-LUNG (Note 3)	_	_	NA	NA	
Supervisor	HU, XIANG-NING (Note 3)	_	_	NA	NA	
Vice President	WANG, ZIH-YUE	_	_	_	_	
Senior Director	YEH, DONG-YI				_	
Financial Officer	CHANG PI-JUNG (Note 4)	_	_	NA	NA	
Accounting Officer	FAN, HSIAO-LAN (Note 4)	_	_	NA	NA	

Financial Officer	FAN, HSIAO-LAN (Note 4)	_		_	_
Accounting Officer	TSENG, TSAI-WEI (Note 4)	_	_	_	_

- Note 1: Mr. ZOU, JIA-JUN, representative of Utechzone Co., Ltd., Mr. CHEN, ZAN- REN, Mr. Zeng, JIN-XIANG, and Mr. LIN, ZI- XIN, representatives of Contrel Technology Co., Ltd. resigned as directors on June 24, 2022, and the change in equity is based on the information when they still served as the directors.
- Note 2: Mr. CHAU, YAW-GENG departed from duty as independent director on June 24, 2022; change of shareholding reflected information as of the time.
- Note 3: Madam WANG, SHU-ZHEN, Mr. LIN, FANG-LUNG and Mr. HU, XIANG-NING departed from duty as supervisor on June 24, 2022; change of shareholding reflected information as of the time.
- Note 4: Ms. CHANG PI-JUNG resigned as the Financial Officer due to position adjustment on February 24, 2023; Ms. FAN, HSIAO-LAN was appointed as the Financial Officer after a position adjustment on February 24, 2023; and Ms. TSENG, TSAI-WEI was appointed as Accounting Officer on February 24, 2023. The change in equity is based on the information when they were still at their original positions before the adjustment.

2. Information on stock transfer to related parties

Unit: thousands shares

Name	Transfer Reason	Transaction Date	Name of Counter	Nature of	Amount of	Transaction
			Party	Relationship	Shares	Price
YEH, SHENG-FA	Donate	2022.03.11	LU,JING-ZHEN	Spouse	250	20.10

3. Information on pledge of shares to related parties

As of March 31, 2023 Unit: thousands shares / % / NT\$ thousands

Name	Reason of Pledge	Date of Change	Name of Counter Party	Nature of Relationship	Amount of Shares	Percentage of Shareholding	Percentage of Shares Pledge	Transaction Price
CHEN,	Lifted	2022.04.15	E.SUN COMMERCIAL	None	1,000	2.81	-	4,500
YUNG-			BANK, LTD.Zhubei					
HUA			Branch					

3.9. The relationship between any of the Company's top ten shareholders:

As of March 31, 2023 Unit: shares: / %

	1				715 01	Maich 31, 202	J CIII. B	marcs. / /0
Name	shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Top Ten Shareholders who are Related Parties, Spouse, or Second-Degree Relatives	
	Shares	%	Shares	%	Shares	%	Name	relationship
Utechzone Co., Ltd.	11,379,272	14.39%	_	_	_	_	_	_
All Ring Tech Co., Ltd.	3,300,000	4.17%	_	_	_	_	_	_
CHEN, YUNG-HUA	2,220,813	2.81%	_	_	_	_	_	_
Micro Crystal Transfer Group Ltd.	1,080,000	1.37%	_	_	_		_	_
LIN, HUNG-JEN	1,040,000	1.32%	2,000	0.00%	_		_	_
CHEN, ZHEN-GJIA	744,000	0.94%	_	_	_	_	_	_
CHEN, HONG-DA	671,000	0.85%	_	_	_	_	_	_
Berkeley Capital SBL/PB Investment Account under the custody of CITI	492,000	0.62%	_	_	_	_	_	_
Contrel Technology Co., Ltd.	440,000	0.56%	_	_	_	_	_	_
Investment Account of JP Morgan Chase Bank	345,000	0.44%	_	_	_	_	_	_

3.10. The consolidated shareholdings and percentage of investments held by the Company, Directors, Officers, and the companies controlled directly or indirectly by the Company.

As of December 31, 2022 Unit: NT\$ thousands/ %

Investments	Investments of the Company		Investments directly or indirectly held by Directors, Officers, and the companies controlled directly or indirectly by the Company Director		Investments	
	Share	%	Share	%	Share	%
Favite Limited	2,000	100%	_	_	2,000	100%
FAVITE(SHANGHAI) Co.,LTD	_	100%	_	_	_	100%

Note: The aforementioned are long-term investments under the equity method.

IV. Capital Raising

4.1. Capital and Shares

4.1.1.1. Source of Capital

Unit: thousand shares / NT\$ thousands

		Authori	zed Capital	Paid-i	n Capital		Rei	nark
Year & Month	Par Value (NT\$)	Shares	Amount	Shares	Amount	Sources of Capital (Amount)	Capital Increased by Assets Other than Cash (Amount)	Other
2000.03	10	100	1,000	100	1,000	Set up Capital	None	Approved by the Ministry of Economic Affairs March 17, 2000 Jin (089) Sun Tzu No. 392266
2000.05	10	5,000	50,000	5,000	50,000	Cash Offering	None	Approved by the Ministry of Economic Affairs June 10, 2000 Jin (089) Sun Tzu No 436229
2002.04	28	5,800	58,000	5,800	58,000	Cash Offering	None	Approved by the Ministry of Economic Affairs, April 19, 2002 MOE No. 09132041160
2003.01	10	10,000	100,000	10,000	100,000	Cash Offering	None	Jing Shou Shang No. 09201018260 on January 22, 2003.
2004.03	10	15,000	150,000	15,000	150,000	Cash Offering	None	Approved by the Ministry of Economic Affairs, March 17, 2004 MOE No. 09331825840
2004.11	10	20,000	200,000	20,000	200,000	Cash Offering	None	Approved by the Ministry of Economic Affairs, November 19, 2004 MOE No. 0933304899.
2005.08	10	25,000	250,000	25,000	250,000	Cash Offering	None	Approved by the Ministry of Economic Affairs, August 25, 2005 MOE No. 09432728210.
2006.06	10	50,000	500,000	30,000	300,000	Cash Offering	None	Approved by the Ministry of Economic Affairs, August 19, 2006 MOE No. 09532612320.
2006.11	40	50,000	500,000	38,000	380,000	Cash Offering	None	Approved by the Securities and Futures Bureau, Financial Supervisory Commission, SFB FSC (95) No. 0950140080.
2007.08	10	50,000	500,000	41,830	418,300	Capitalization of Profits and Employee Bonus	None	Approved by the Securities and Futures Bureau, Financial Supervisory Commission, SFB FSC (96) No. 0960034050.

		Authori	zed Capital	Paid-i	n Capital	Remark		
Year & Month	Par Value (NT\$)	Shares	Amount	Shares	Amount	Sources of Capital (Amount)	Capital Increased by Assets Other than Cash (Amount)	Other
2008.02	27	50,000	500,000	46,674	466,740	Cash Offering	None	Approved by the Ministry of Economic Affairs, February 15, 2008 MOE No. 009731727570
2008.06	0	100,000	1,000,000	46,674	466,740	Increase the Authorized Capital	None	Approved by the Ministry of Economic Affairs, June 25, 2008 MOE No. 09732506560
2008.09	10	100,000	1,000,000	57,028	570,288	Capitalization of Profits and Employee Bonus	None	Jing Shou Shang No. 09707887870 on September 05, 2008.
2008.11	10	100,000	1,000,000	58,773	587,738	Exercise of Employee	None	Jing Shou Shang No. 10604047000 on April 18, 2008.
2009.03	10	100,000	1,000,000	58,934	589,348	Exercise of Employee	None	Jing Shou Shang No. 09801041060 on March 06, 2009.
2009.05	10	100,000	1,000,000	59,008	590,088	Exercise of Employee	None	Jing Shou Shang No. 09801101010 on May 21, 2009.
2009.08	10	100,000	1,000,000	77,819	778,196	Capitalization of Profits and Employee Bonus	None	Jing Shou Shang No. 09801174880 on August 04, 2009.
2009.10	0	150,000	1,500,000	77,819	778,196	Increase the Authorized Capital	None	Jing Shou Shang No. 09801245410 on October 27, 2009.
2011.08	10	150,000	1,500,000	78,597	785,978	Capitalization of Profits	None	Jing Shou Shang No. 10001186910 on August 12, 2011.
2017.04	10	150,000	1,500,000	79,052	790,524	Conversion of corporate bonds	None	Jing Shou Shang No. 10604047000 on April 18, 2017.

4.1.1.2. Type of share

As of March 31, 2023 Unit: thousand shares

		- ,		
	Α			
Type of share	Outstanding Shares	Un-issued Shares	Total	Remark
Common stock	79,052	70,948	150,000	-

4.1.1.3. Shelf Registration: Not Applicable.

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4.1.2.Shareholder Structure

As of March 31, 2023 Unit: shares

Structure of Shareholder	Government Institutions	Financial Institutions	Other Institutional Investors	Individual Investors	Foreign Institutional & Individual Investors	Total
Number of	1	3	183	24,659	26	24,872
Shareholders						
Shareholdings	262	64,000	16,660,015	60,896,732	1,431,347	79,052,356
Shareholding	0.00%	0.08%	21.08%	77.03%	1.81%	100.00%
Percentage						

4.1.3 Distribution of Shareholding

As of March 31, 2023

			11 31, 2023
Category	Number of	Shareholding	Shareholding
	Shareholders		Percentage
1 to 999	15,884	216,774	0.27%
1,000 to 5,000	6,837	14,285,977	18.07%
5,001 to 10,000	1,146	9,435,078	11.94%
10,001 to 15,000	318	4,090,523	5.17%
15,001 to 20,000	232	4,418,397	5.59%
20,001 to 30,000	167	4,447,258	5.63%
30,001 to 40,000	83	2,992,910	3.79%
40,001 to 50,000	57	2,713,803	3.43%
50,001 to 100,000	90	6,336,324	8.01%
100,001 to 200,000	34	4,716,979	5.97%
200,001 to 400,000	15	4,031,248	5.10%
400,001 to 600,000	2	932,000	1.18%
600,001 to 800,000	2	1,415,000	1.79%
800,001 to 1,000,000	0	0	0.00%
1,000,001 and above	5	19,020,085	24.06%
Total	24,872	79,052,356	100.00%

4.1.4. List of Major Shareholders

As of March 31, 2023 Unit: shares

Shareholding	Shareholdings	Percentage of
Shareholder	Sharcholdings	Shareholding
Utechzone Co., Ltd.	11,379,272	14.39%
All Ring Tech Co., Ltd.	3,300,000	4.17%
CHEN, YUNG-HUA	2,220,813	2.81%
Micro Crystal Transfer Group Ltd.	1,080,000	1.37%
LIN, HUNG-JEN	1,040,000	1.32%
CHEN, ZHEN-GJIA	744,000	0.94%
CHEN, HONG-DA	671,000	0.85%
Berkeley Capital SBL/PB Investment Account under the custody of CITI	492,000	0.62%
Contrel Technology Co., Ltd.	440,000	0.56%
Investment Account of JP Morgan Chase Bank	345,000	0.44%

4.1.5. Market price, net worth, earnings, and dividends per common share and related information over the last two years

Unit: NT\$ / thousand shares

				Omi. Nip/	tnousand snares
Item		Year	2021	2022	As of March 31, 2023 (Note 5)
N. 1	Highest		21.20	37.30	24.35
Market price	Lowest		14.80	17.05	21.00
per share	Average		17.64	24.28	22.63
NI-441-	Before distr	ibution	12.29	15.38	15.37
Net worth	After distrib	oution	11.79	14.38	NA
per share				(Note 4)	
Earnings per	Weighted a (thousand sl	_	79,052	79,052	79,052
share	Earnings pe	r share	1.22	3.58	(0.01)
	Cash divide		0.5	1	
				(Note 4)	_
D: :1 1	Stock dividends	Earning Distribution	_	_	_
Dividends per share		Capital Distribution	_	_	_
	Accumulate	d	_	_	
	unappropria (Note 4)	ted dividends			_
	Price/Earnin	ngs Ratio	14.46	6.78	
	(Note 1)				_
Return on	Price/Divide	end Ratio	35.27	48.56	_
investment	(Note 2)			(Note 4)	_
	Cash Divide	end Yield	0.03	0.02	_
	(Note 3)			(Note 4)	

Note 1: Price/Earnings Ratio = Average Market Price / Earnings Per Share.

Note 2: Price/Dividend Ratio = Average Market Price / Cash Dividends Per Share.

Note 3: Cash Dividend Yield = Cash Dividends / Average Market Price Per Share.

Note 4: The 2022 cash dividend has been approved by the Board of Directors on February 24, 2023.

Note 5: Net Worth per Share /Earnings per share are 2023.03.31 Information reviewed by accountants.

4.1.6 Dividend Policy and Implementation Status

A. Dividend Policy

In the event of surplus earnings after closing annual accounts, due taxes shall be paid per the law, and losses incurred in previous years shall be compensated. Upon completion of the preceding actions, 10% of the remaining surplus shall be allocated as legal reserve. However, in the event that the accumulated legal reserve is equivalent to or exceeds the Company's total paid-in capital, such allocation may be exempted. In addition, the Board of Directors may, after allocating or reversing special reserve pursuant to the laws or regulations of the competent authority, retain parts of the earnings and prepare an earnings distribution proposal along with accumulated undistributed earnings for profits to shareholders' meeting for resolution on the distribution of shareholders' dividend and bonus.

The company's dividend policy is based on the capital, financial structure, overall environment and industrial growth characteristics of the current year to achieve the company's goal of sustainable operation and stable business performance. Therefore, the board of directors reserves the company's dividend distribution according to operational needs. Distributed at a rate not exceeding 90% of the company's distributable earnings. According to the future capital expenditure budget and capital needs, the company's dividends are distributed in stock dividends (including surplus capital increase, and capital reserve capital increase) and cash dividends. The cash dividends shall not be less than 5% of the total dividends.

B. Proposed Distribution of Dividend

The Company's Board of Directors resolved to issue a shareholder dividend of NT\$1 per share on February 24, 2023, which will be handled in accordance with the relevant provisions after the resolution of the regular shareholders' meeting on May 29, 2023. The proposal will be implemented in accordance with the relevant regulations.

- C. Anticipation of Future Change in Dividend Policy: None.
- 4.1.7. Effect upon Business Performance and Earnings per Share of Any Stock Dividend Distribution Proposed or Adopted at the Most Recent Shareholders' Meeting: Not applicable.
- 4.1.8. Compensation of Employees, Directors and Supervisors
 - A. Information Relating to Compensation of Employees, Directors and Supervisors in the Articles of Incorporation

If the company makes a profit for the year, it shall allocate 10% as employee compensation. The board of directors decides to pay in stocks or cash. The recipients may include subordinate employees who meet certain conditions. The amount of profit that the company is able to open up is determined by the board of directors to approve the remuneration of directors and supervisors not higher than 2%.

Employee compensation and remuneration of directors and supervisors shall be reported to the shareholders' meeting.

However, when the company still has accumulated losses, it shall reserve the amount of compensation in advance, and then allocate employee

- compensation and remuneration of directors and supervisors in proportion to the preceding paragraph.
- B. The basis for estimating the amount of employee, director, and supervisor compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period In case of variation between the amount resolved by the resolution of the Shareholders' Meeting and the estimation in the financial statements, the difference is recognized as a change in accounting estimate and recognized as income or loss in the current period.
- C. Distribution of Compensation Approved in the Board of Directors Meeting
 - (1) Recommended Distribution of Compensation of Employees, Directors and Supervisors:

	Unit: NT\$
Employee Compensation – in Cash	37,753,177
Employee Compensation – in Stock	0
Remuneration of directors and supervisors	7,550,635

- (2) The amount of any employee compensation distributed in stocks, and the size of that 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 compensation: None
- D. The actual distribution of employees' compensation and directors' remuneration for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee's compensation and directors' remuneration, additionally the discrepancy, cause, and how it is treated.

Unit: NT\$

Item	Amount for	Estimation in	Difference	
	Distribution	the Year of	Amount	Treatment
	Resolved by the	Recognition	Amount	
	Board of Directors	Difference		
Employees'	7,657,025	7,657,025	None	Not applicable
Compensation				
Remuneration	1,531,405	1,531,405	None	Not applicable
to Directors				

- 4.1.9. Status of Treasury Stocks: None.
- 4.2. Status of Corporate Bonds: None.
- 4.3. Status of Preferred Stocks: None
- 4.4. Status of Global Depository Receipts (GDRs): None
- 4.5. Status of Employee Stock Warrants: None

- 4.6. Status of Employee Restricted Stocks: None
- 4.7. Status of Mergers or Acquisitions, or as assignee of new shares issued by other companies: None
- 4.8. Status of Implementation of Fund Utilization Plan: Not Applicable

V. Operations Overview

5.1. Business Overview

5.1.1. Business Scope

5.1.1.1 The businesses of the Company are as follows:

I301010 Service of information software.

F213040 Retail Sale of Precision Instruments.

CB01010 Machinery and Equipment Manufacturing.

CE01010 General Instrument Manufacturing.

CC01080 Electronic Parts and Components Manufacturing.

CC01100 Controlled Telecommunications Radio-Frequency Devices and Materials Manufacturing

CE01030 Optical Instruments Manufacturing.

E603050 Automatic Control Equipment Engineering.

E604010 Machinery Installation.

F113010 Wholesale of Machinery.

F113030 Wholesale of Precision Instruments.

F113050 Wholesale of Computers and Clerical Machinery Equipment.

F118010 Wholesale of Computer Software.

F401010 International Trade.

I501010 Designing.

JE01010 Rental and Leasing Business.

ZZ99999 All business activities that are not prohibited or restricted by law, except those that are subject to special approval.

5.1.1.2 Revenue composition

Unit: NT\$ thousands

Product	2022		
	Revenue Percentage of		
		Operating Revenue	
AOI and Maintenance	1,429,655	96.77%	
Other	47,774	3.23%	
Total	1,477,429	100.00%	

5.1.1.3 Current Products

Application	Product
	Low Resolution AOI
	High Resolution AOI
	Bare Glass AOI
TFT Array, TP, LTPS, 3D lens	Tokki AOI
Inspection & Metrology Equipment	Mask AOI
Equipment	Automated Dimension Metrology Machine
	Film Thickness Measurement Machine
	LTPS High Resolution AOI
	Color Filter AOI
Color Filter Inspection &	Automated Image Capture Machine
Metrology Equipment	Tokki AOI

Application	Product	
	Digital Marco Inspection	
	CD/OL Metrology Machine	
	Chroma/Film Thickness/OD Measurement Machine	
Touch Panel Inspection &	Touch Panel Low Resolution AOI	
Metrology Equipment	Touch Panel High Resolution AOI	
	PI AOI	
	Seal AOI	
TFT Cell Inspection &	Cut Panel/Panel AVIX	
Metrology Equipment	Burr Check AOI	
	Glass Thinner AOI	
OLED AMOLED I	OLED Mask AOI	
OLED/AMOLED Inspection	OLED Frit AOI(with frit metrology)	
& Metrology Equipment	OLED Cell AOI(with cell gap metrology)	
IC Substrate/Semiconductor	Fan-Out Panel level RDL Fine Line AOI	
/Package & Testing	Chip On Tray Inspection/ Pick & Place	
Equipment	Wafer level Chip Dicing AVI	
	Various professional customized equipment	
	Horus AI Auto OM	
MC 'AC IEDI	Micro-LED COW/COC AOI	
Mini/Micro LED Inspection	Micro-LED Backplane AOI	
& Metrology Equipment	AI Defect Classification System	
	Various professional customized equipment	
Others	AI Defect Classification System	
	Multifunction Auto OM	
	Yield Management System	
Components and Maintenance		

5.1.1.4. New Product (Service) in Planning

	E
Product	Main Application
Cu Plating Fine Line	Cu Plating Fine Line Inspection(before SAP/mSAP
Inspection	etching/flash etching process)
FOWLP Chip On Carrier	Chip(on frame or carrier) shift/rotate metrology &
Inspection & Metrology	defect inspection
8"/12" Wafer Auto OM	Auto defect image capture & judgement
OGS AOI	Defect inspection(applied to OGS process)

5.1.2 Industry Overview

1. Industry Current Status and Development

Due to the impact of the COVID-19 pandemic, industries with panel applications, such as displays and notebooks, benefited from the increasing demand due to the growth of the stay-at-home economy. However, for the past three years, the market supply and demand of the electronic industry have been saturated, such that only some

specific components required in these industries face the risk of a supply shortage. With regard to demand, as relevant demand decreases, the upstream, midstream, and downstream business operators of the panel industry have consumed relevant inventory to a certain level in order to cope with the market demand and transportation logistics of this demand. In addition, since the beginning of the economic recession in Q2 of 2022, all large enterprises have adjusted their business strategy to reduce inventory and encourage employees to take leave through the recession period.

The traditional Full-HD display has not demonstrated significant breakthroughs for a long period of time, and under the effect of the multiple negative economic impacts of 2022, a lot of panel manufacturers have implemented significant adjustments of strategy in terms of the product combination and production capacity activation. With the increasing market demand for electric vehicles, the two leading domestic panel manufacturers are shifting most of their production capacities to the production of automotive curved dual screens in order to seize the business opportunities related to smart mobile electronics with increased manufacturing efficiency, improved process quality, and reduced labor for the automotive panel market. Different from traditional flat and rectangular screens, irregular and curved shapes can improve the overall interior design of vehicles. In addition, digital camera systems (DCS) can be further installed in order to detect the driver's facial features via infrared camera.

The traditional Full-HD display has not demonstrated significant breakthroughs for a long period of time, and under the effect of the multiple negative economic impacts of 2022, a lot of panel manufacturers have implemented significant adjustments of strategy in terms of the product combination and production capacity activation. With the increasing market demand for electric vehicles, the two leading domestic leading panel manufacturers are shifting most of their production capacities to the production of automotive curved dual screens in order to seize the business opportunities related to smart mobile electronics with increased manufacturing efficiency, improved process quality, and reduced labor for the automotive panel market. Different from the traditional flat and rectangular type of screens, irregular and curved shapes are able to improve the overall interior design of vehicles. In addition, digital camera systems (DCS) can be further installed in order to detect the driver's facial features via infrared camera.

Mini LED is a popular new display technology. Mini LED backlight is able to increase the performance of TFT-LCD panels while maintaining the same merits of energy saving, response speed, brightness, and color saturation. To overcome global OLED panel market domination by Samsung and LGD, panel manufacturers in Taiwan and China actively invest in the Mini LED planning and are expanding the implementation of mobile device products for gaming displays, tablet computers, etc. Since 2017, Boe Technology has started its planning and development of the Micro / Mini LED industry, including display screens with backlighting. In 2020, it also established the subsidiary, Andes Technology, which specializes in the R&D and production of Micro / Mini LED-related products. HC SemiTek Corporation is one of the key manufacturers of LED chips in China, with a complete industry chain, including LED sapphire substrates, LED wafers, and LED chips. The data of TrendForce indicates that among the revenues of all chip manufacturers in 2021, HC SemiTek Corporation is ranked fourth. It is also one of the pioneers in the advanced technology field of Micro / Mini LEDs. In terms of the statistics of the revenue related to Mini LED chips only, the revenue scale of HC SemiTek Corporation is next to Epistar and Sanan Optoelectronics.

RGB Micro LED chips have become the key planning sector for which leading brand manufacturers are looking to secure their chip source. For example, Samsung Electronics invests in PlayNitride to develop Micro LED, TCL China Display Optoelectronics and Sanan Optoelectronics engaged in a joint venture to establish Xiamen Extremely PQ Display Technology, and Ennostar collaborates with Innolux to develop Micro LED display. Recently, Boe Technology invested in HC SemiTek Corporation to secure its advantage in the Micro / Mini LED field, and in the future, it is expected to facilitate and promote the research and development of new Micro / Mini technologies.

With regard to Micro LED, it is considered to be the new generation in display technology and has the potential to become the dominating display technology for the next generation. Accordingly, many domestic and foreign manufacturers have been attracted to investing in such technology, and the market's future outlook is promising. Nevertheless, since it requires integration with the industrial technologies of display, semiconductors, and LED, the mass production technical threshold is high, such that it is still in the developmental stages. According to the TrendForce LED Research Center (LEDinside) report, the Micro LED market production value in 2025 is expected to reach USD 2.891 billion, especially in the application of flexible and large panels, which is of even greater potential than AMOLED. Micro LED display equipment mainly focuses on the key equipment technology development of mass transfer, inspection, and repair for the implementation of mass production.

New Mini LED and Micro LED displays will be commercialized and applied to numerous products in the market in 2022. All major panel manufacturers are planning to apply Micro LED and Mini LED in their own brand new products to become the dominant power in the industry and control the pricing capability in the supply chain.

For 2020, the display equipment market demonstrated a growth of 19%, reaching USD 13,520 million. However, estimates for 2021 indicated a decline of 37%. It was mainly due to the near saturation of production line establishment, and since there were no new large facility construction plans, the LCD panel equipment market was significantly reduced. With regard to the investment in OLED in 2022, as the pandemic situation became controlled and stable, it is expected to show a greater level of growth. As for 2023, it is expected that there will be demands for OLED and Micro LED equipment only. LCD technology is stable and mature, and among all major panel manufacturers in China, Taiwan, and Korea, Tianma Microelectronics is the only manufacturer with new facility construction plans, while the equipment market scale is becoming smaller. Regarding the OLED market, the key technologies are presently held by Korean panel manufacturers, and relevant equipment is mainly that of Japanese, US and Korean equipment manufacturers. The next generation of key, display-related equipment, and semiconductor advanced packaging process equipment fields are currently under the technology development stage. Taiwanese manufacturers may expedite their planning to cope with future changes in the display equipment market.

In general, as technology advances, the technologies of 5G, AI systems, and IoT are also undergoing rapid development. As the connection and interaction between people and products are under fast development, panel-related applications and industries are expected to become more diverse. As numerous terminal products are developed continuously, the questions of how to properly determine market trends, effectively increase the added value of products and gross profit, and implementation of early planning will become crucial to business operators in the industry.

2. The relevance between upstream, midstream, and downstream sectors in an industry

The Company's main products are passive component devices, such as AOI inspection. Most of the components required for production are purchased from third-party suppliers. After obtaining the above components, the Company carries out R&D, design, assembly, and testing and sells the products to manufacturers in downstream industries, including flat-panel displays, semiconductors, and LED manufacturers for production and testing.

3. Various development trends of products

(1) High resolution and large panel products

In recent years, all major panel manufacturers worldwide have actively expanded their planning in the large and high-value-added panel product market in order to seek stable profits. Under the positive impact of the pandemic on business opportunities related to remote operations and the stay-at-home economy, the global television (TV) panel size will also expand swiftly. The average TV size is expected to increase from approximately 50" last year to 65" or even 75" in the current year. The TV appearance is also headed toward development of frameless, thin, and large TVs. As the production capacity of the production line increases, the price will become more affordable. According to the statistics of research institutions, the average global LCD TV size in 2020 has reached 47" to 48", and standard TV size is headed from 32" to 40" to 50". With the advancement of the 4K, 8K and OLED technologies, the trend of large panels will be expedited. The growth of the stay-at-home economy since 2020 has also led the general public to purchase large size notebook computers, tablets, and TVs. In addition, sports events organized in recent years have also increased the demand for the purchase of screens with large panels. According to the industry chain statistics of the AVC research institution, the global top five main manufacturers for large TFT-LCD panels in 2022 are, in descending order, Boe Technology, HKC, TCL China Star Optoelectronic Technology, Innolux and LGD. HKC's output volumes for 43", 55", and 65" panels have increased rapidly, and 100" panels have been delivered in small batches since the third quarter.

4. Competition

(1) SWOT competition analysis for LCD equipment industry in Taiwan

Strength

- A. Domestic precision machinery processing technologies have been accumulated for several years such that domestic manufacturers are able to swiftly enter LCD component processing and manufacturing.
- B. LCD equipment verification period requires a certain period of time; therefore, an oligopoly market is formed, and the entry barrier is high.
- C. FAVITE's machines and equipment have been successfully adopted and accepted by all major domestic panel manufacturers, and the company is equipped with

Weakness

- A. Most domestic companies are small and medium-sized enterprises, and their R&D budgets are relatively insufficient.
- B. There are No local manufacturing sites and bases in China; therefore, the cost is less competitive for local equipment manufacturers compared to manufacturers in China.

extensive years of experience	
and technologies; therefore, the	
company has the advantages in	
the future upgrade and	
modification of existing	
equipment.	
Opportunities	Threats
A. Domestic LCD panel	A. Foreign manufacturers are facing
manufacturers are facing cost	the pressure of being replaced by
competition, especially from	domestic manufacturers;
Korean manufacturers;	therefore, they tend to adopt the
therefore, domestic	sales strategy of price reduction to
manufacturers seek local	suppress new developing
equipment suppliers.	manufacturers.
B. Korean panel manufacturers	B. Korean equipment manufacturers
are shutting down their LCD	are rising fast in the market, and
production lines; presently,	they adopt a low sales price to
most of the main production	actively seize orders and have
facility construction plans are in	become competitive rivals.
China. FAVITE has been deep-	C. Local Chinese equipment
rooted in China's market for a	manufacturers are rising in the
long time; therefore, the	market, and they adopt a low sales
demand for panel equipment is	price to actively seize orders and

(2) Competitive situation of LCD equipment industry

expected to continue to

increase.

The company is a professional manufacturer of TFT-LCD inspection and measurement equipment, and also develops new AI-AOI technologies applied to Semiconductor and IC/PCB industrial applications. The main competing suppliers for different categories of products are summarized in the table below:

have become competitive rivals.

equipment demand varies greatly, and the R&D challenge is high.

D. The pace of the LCD industry

economic cycle is fast, the

suppliers for	different cates	solics of products are summi	arized in the tabl	ic ociow.
Category	Product	Main functions and	Technology	Competitor
		characteristics	level	
TFT Array	Inline thin-	Comprehensive defect	Optical	Israeli
inspection	film	inspection for each process	resolution of	manufacturer
and	transistor	stage of the thin-film	2.5um or 3um,	KLA
measurement	AOI	transistors. Although the	image	Korean HBT
equipment	machine	resolution is relatively	comparison	
		lower, a full inspection can	technology, fast	
		be performed.	image	
			processing	
			capability	
			(1,800MB/Sec)	

Category	Product	Main functions and characteristics	Technology level	Competitor
	Offline thin- film transistor high- resolution AOI machine	long; therefore, a random inspection method is normally adopted.	Optical resolution of 0.8um or 3um, zoom lens system, image comparison technology, fast image processing capability (1,800MB/Sec)	Israeli manufacturer KLA Korean HBT Chinese 3I
	Protrusion AOI machine	Inspection for thin-film transistor glass protrusions in order to prevent scratch damage of expensive masks.	Adopt the mathematical algorithm for calculating 3D protrusions with 2D images	Korean SNU
	Mask AOI machine	Mask defect inspection	Optical resolution of 3um, image comparison technology, fast image processing capability (1,800MB/Sec)	Korean HBT Chinese 3I
	ADSI automatic line width measurement machine	Measurement of line width and gauge for each process stage of thin-film transistors	Image edge detection technology in conjunction with exclusive focus stacking function, module development for measurement mode, machine precision structure and anti-shock capability	VTech, Olympus, Sinto KMC

Category	Product	Main functions and characteristics	Technology level	Competitor
	Film	Film thickness and	Adopt the	Nanometric
	thickness	penetration rate	chroma and	KMC
	and	measurement for each	film thickness	KIVIC
	penetration	process stage of thin-film	algorithm and	
	rate	transistors	design of	
	measurement		relevant	
	machine		measurement	
			optical	
			elements, along	
			with "nk"	
			parameter	
			database for	
			thin-film	
			material for	
			inspection	
	High-speed	Photograph defects detected	Image auto-	Takano
	defect	by AOI machine at high	focus	Utechzone
	photographer	speed	technology and	
			fast-moving	
			machine image	
			capturing	
			capacity along	
			with the	
			software	
			capability for	
			automatic	
			defect	
			determination	
	LTPS high	Comprehensive defect	Optical	KLA
	resolution	inspection for each process	resolution of	HBT
	AOI	stage of Low Temperature	0.8um or 3um,	
	machine	Polycrystalline Silicon	zoom lens	
		(LTPS). The resolution is	system, image	
		relatively high, and full	comparison	
		inspection or random	technology, fast	
		inspection can be performed depending on the needs.	image processing	
		depending on the needs.	capability	
			(1,800MB/Sec)	
Color Filter	Protrusion	Inspection for color filter	Adopt the	NU
inspection	AOI	glass protrusions in order to	mathematical	
and	machine	prevent scratch damage of	algorithm for	
measurement		expensive masks due to	calculating 3D	
equipment		protrusions on the glass	protrusions with	
			2D images	
	•	82		

Category	Product	Main functions and characteristics	Technology level	Competitor
	Color filter AOI machine	Defect inspection for each process stage of color filter	Optical resolution of 3um~10um, and image comparison technology	Takano Basler Utechzone
	Digital Marco AOI machine	Color filter uneven color (Mura) defect inspection	Image integration algorithm, image comparison technology, optical imaging noise improvement technology, light source noise reduction technology	Takano Utechzone
	CD/OL measurement machine	Measurement of line width and gauge for each process stage of color filter	Image edge detection technology, module development for measurement mode, machine precision structure and anti-shock capability	Sokkia Zygo
	Chroma, film thickness, and optical density measurement machine	Chroma measurement for RGB process of color filter, film thickness measurement for process of PS/MVA/OC/ITO, and optical density measurement for BM process	Adopt the chroma and film thickness algorithm, and design relevant measurement optical elements	Otuska Toray
	Automatic defect altimeter	Use white light interference for height measurement of defects detected by AOI machine	White light inference height measurement technology	Zygo V-Tech

Category	Product	Main functions and characteristics	Technology level	Competitor
Touch Panel	Touch Panel	Touch Panel low-resolution	Image	Utechzone
inspection	low-	defect AOI	algorithm	Kubotech
and	resolution			HIROSE
measurement				TECH CO.,
equipment	machine			LTD.
equipment	Touch Panel	Touch Panel high-resolution	Image	Utechzone
	high-	defect AOI	algorithm	Kubotech
	resolution	delect 1101	digoritimi	HIROSE
	AOI			TECH CO.,
	machine			LTD.
TFT Cell	Sealant AOI	Sealant defect inspection	Optical	KLA
inspection	machine	Z CANTALLO GOLIGO INTERPOSATION	resolution of	Utechzone
and			30um~50um,	HIROSE
measurement			image edge	TECH CO.,
equipment			detection	LTD.
1 1			technology, and	
			image	
			comparison	
			technology	
	PI AOI	PI defect inspection	Optical	KLA
	machine	1	resolution of	Utechzone
			3um~10um	HIROSE
			, image	TECH CO.,
			comparison	LTD.
			technology	
	Dicing AOI	Dicing defect inspection	Optical	Contrel
	machine		resolution of	Technology
			20um (previous,	Ever
			and new	Advanced
			requirement of -	Precision
			5um), image	Technology
			comparison	
			technology	
	Polarizer	Inspect the precision of	Optical	SEIWA
	attachment	polarizer attachment	resolution of	OPTICAL
	AOI		20um, and	HIROSE
	machine		image	TECH CO.,
			comparison	LTD.
			technology	
	Glass	Inspect post-etching	Optical	Utechzone
	thinning	appearance abnormality and	resolution of	Co., Ltd.
	AOI	peripheral product integrity	10~30um, and	HIROSE
	machine	QC	image	TECH CO.,
			comparison	LTD.
			technology	

Category	Product	Main functions and	Technology	Competitor
Jame Gr. J		characteristics	level	1
Mini/Micro	Horus AI	Mini/Micro LED chip defect	AI real-time	
LED	real-time	inspection before and after	inspection	
inspection	automatic	mass transfer, and chip	technology,	
and	optical	deviation/rotation/inclination	high defect	
measurement	inspection	fast inspection and	detection	
equipment	and	measurement.	capability;	
	measurement		design of	
	machine		relevant	
			measurement	
			optical	
			elements.	
	Micro-LED	Full detect inspection for	Optical	KLA
	Backplane	thin-film transistor final	resolution of	HBT
	line defect	process	0.8um or 3um,	3I
	inspection		zoom lens	
	machine		system, image	
			comparison	
			technology, fast	
			image	
			processing	
			capability	
			(1,800MB/Sec)	
	AI	Provide defect marking,		
	intelligent	training and detection		
	defect	system necessary for		
	recognition	customer's process defect		
	system	inspection.		
Others	Horus multi-	Provide comprehensive		
	function	solutions satisfying all		
	optical	magnification demands and		
	microscope	automatic defect recognition		
	system	and automatic 2D/3D		
		measurement functions of		
		chips or objects on various		
		types of substrates of		
		wafer/PCB board/substrate,		
	A 7	etc.		
	AI	It can be installed on		
	intelligent	FAVITE's different		
		inspection equipment to		
	solution	perform real-time defect		
		classification, screening, and		
		filtering.		

(3) IC substrate inspection equipment manufacturer competition status

The company is a professional manufacturer of automatic optical inspection and measurement equipment, and the main competing suppliers for IC substrate inspection equipment are summarized in the following table:

Category	Product	Main functions and	Technology	Competitor
		characteristics	level	
IC	Fan-Out Panel level	Inspect the line	Design of	Camtek
substrate	RDL ultra-fine line	defects	special optical	Ruldoph
inspection	inspection machine	(open/short/dent) of	elements and	Orbotech
equipment		RDL at Fan-Out	special image	
		Panel level	and graphic	
			comparison	
			technology.	
	Chip	IC chip tray position	AI real-time	Domestic small
	orientation/placement-	abnormality	inspection	and medium-
	misalignment picking	detection/picking/tray	technology	sized
	machine/tray loader	loading before/after		manufacturers
		substrate dicing		

Source of Information: Projects and investigations conducted by the Industrial Technology Research Institute (ITRI) were reviewed, referenced, and summarized by the company

The company is one of the few domestic equipment manufacturers equipped with comprehensive core technologies and the capability to achieve fully independent development of inspection and measurement equipment for the TFT-LCD, AMOLED, TP, and LTPS panel industries. Presently, the company has met the requirements and has actually delivered machines to AUO, Innolux, and other TFT-LCD panel manufacturers in China. In addition, since 2006, the company has received large orders, and the company's market share for G8.5 Array segments in Taiwan was ranked No. 1 in 2008. Furthermore, since 2009, the company has successfully entered the panel market in China. In 2019, the Company became one of the main suppliers of AOI and photography equipment for the array process of all major panel manufacturers in China. Moreover, the company has also received great recognition from customers of TP sensors, AMOLEDs, and LTPS AOIs, such that the company's products are gradually replacing the ones provided by foreign manufacturers in the market. In addition, the company has entered numerous professional fields of IC substrate, PCB, semiconductor, and Mini/Micro LED by providing customers with high-precision and high-quality AOI equipment and comprehensive solutions for process defect detection and yield rate monitoring.

5.1.3 Technology and R&D Outlook

5.1.3.1. R&D expenses in the previous year to the date this report was printed

		Offic. N 15 thousands
Item	2022	As of March 31, 2023
R&D expense	225,054	49,436

Unit. NTC thousands

Year	Item								
2009	Bright Point Laser Repair: Using Femtosecond Laser to carbonize the defects on the photoresist of Color Filter so that bright points could be repaired.								
	48W LED: As light source supplies high brightness for appearance inspection used on high-end applications of AOI. Array Open/Short Testing: Applied on open and short testing during the process of TFT Array.								
2010	RFID Inlay & Tag: Through optical positioning technique and real-time inspection applied for RFID packaging and testing. AOI for High/Low Resolution of Touch Panel: Using long								
2010	period and multi-period matching modes to spot the defects of Touch Panel Pattern.								
	81W LED: As light source supplies high brightness for appearance inspection used on high-end applications of AOI. AOI for 3D LCP Lens: Applied for 3D LCP Lens to spot the defects during the process.								
	AOI for OLED Mask: Applied for OLED Mask to spot the defects.								
2011~2013	AOI for high resolution of AMOLED: Using 1µm period matching mode to spot the defects of AMOLED Panel Pattern, TFT-LCD and AMOLED outer circuitry.								
	180W LED: As light source supplies high brightness for appearance inspection used on high-end applications of AOI. AOI for Glass Slimming: Applied for Glass Slimming to spot the defects.								
	AOI for OGS: Applied for OGS to spot the defects.								
2014	AOI for high resolution of LTPS 1. Uses multi-period matching modes to spot the defects of LTPS Panel Pattern.								
	2. Spots the defects of outer circuitry on TFT-LCD LTPS.								
2016	AOI for auto wafer inspection in the semiconductor industry Using the high resolution of Golden to Die matching mode to spot the defects of Pattern Wafer.								
2018	AOI for G10.5 in the industry of FPD Uses an efficient algorithm with a high resolution corresponding to the needs of mass production producing large-generation panels.								
2016~2019	A+ Industrial Innovation R&D Program Successfully developed AOI for Fan-out Panel Level (ultra fine: L/S = 2μm/2μm) and completed the program.								
2020~2022	HORUS AI inspection and measurement Compared to traditional AOI, it has the capability of AI inspection, re-judging defects, sorting and auto 2D/3D measurement, which is all in one for the yield control of Wafer, PCB, IC substrate and packaging during the process.								

5.1.4 Long/Short-Term Business Development Plan

- 5.1.4.1. Short-term Business Development Plan:
 - 1. Marketing strategy
 - A. Provide high performance products at reasonable prices to satisfy customer demands, and actively expand the market.
 - B. Continue to improve efficiency in product upgrade services to facilitate equipment upgrades of customers and increase the revenues and profits of the

company.

C. Seek industry collaboration, enhance the development of new field markets, and expand into new businesses.

2. Product strategy

- A. Integrate inspection, measurement, and repair machines to become multifunction equipment, and further include artificial intelligence (AI) management, to increase the production capacity and reduce labor for customers, thereby saving operating costs and simplifying the production plan of products.
- B. Utilize the company's optical and equipment integration capability, optimize core technologies, and develop machines satisfying the manufacturing process demands of customers.

3. Production strategy

- A. Continue to promote technical upgrades to increase manufacturing efficiency and properly manage the delivery of all components so that customer demands are satisfied completely.
- B. Promote key-component, multi-supplier purchase channels, in order to reduce cost and shorten lead time, thereby increasing product competitiveness.

4.Business management

- A. Implement management on all projects, and utilize EPR system to computerize the operation processes of order acceptance, production, shipping, accounting and finance, in order to increase operational performance.
- B. Enhance various reporting functions in order to provide timely and accurate data to the management level for analysis and to assist in business management.
- C. Establish future operational directions and management goals of the company, and cooperate with employees to offer incentive programs to motivate employees.

5.1.4.2. Long-term Business Development Plan:

1.Marketing strategy

- A. Utilize the company's outstanding technologies, cope with new panel technology development trends, and provide various solutions for equipment used by AMOLED, Mini LED, Micro LED, and gaming panel manufacturers.
- B. Increase product line, expand the business into other fields, such as semiconductors and PCB, as well as cultivate customer relationships via business contacts and visits, in order to seek and solve existing machine issues faced by customers and to increase customer engagement.
- C. Engage in communication and exchange with relevant industry associations, and participate in various trade shows to increase the company's visibility.
- D. Increase technical collaboration with domestic and foreign research institutions and enterprises to develop diverse products and enhance the market promotion and sales.

2.Product strategy

- A. Expand collaboration with domestic and foreign academic institutions and technical units to develop diverse technologies and diversify product lines.
- B. Develop key components progressively to reduce cost and increase competitive advantages.
- C. Integrate the company's AI automatic defect determination software, and integrate automatic multi-functional equipment, in order to achieve the goal of an unmanned factory, thereby increasing production efficiency and reducing manufacturing costs for customers.

3. Production strategy

- A. Enhance investment in the research of manufacturing technologies, in order to increase product line and service quality.
- B. Establish partnerships with suppliers and business operators in the same industry, guide strategic suppliers to improve technical and quality management capabilities, and improve component quality to shorten the supply time and reduce costs due to errors and losses.

4.Business management

- A. Enhance employee training, actively cultivate outstanding talents, and establish an outstanding corporate culture.
- B. Utilize capital market characteristics to cope with the long-term development of the company.
- C. Establish new industry contacts and develop new equipment to increase the company's revenue and mitigate impacts due to a decline in a single industry.

5.2. Marketplace and Production Overview

5.2.1 Market Analysis

1. Major Product Sales Regions

Unit: NT\$ thousands

Year	202	22	202	21	
	Sales Percentag		Sales	Percentage	
Sales Region	Amount		Amount		
Domestic	501,333	33.93	227,655	16.15	
Export	976,096	66.07	1,181,599	83.85	
Total	1,477,429	100.00	1,409,254	100.00	

2. Market share percentage

- 2.1 As panel development heads toward the direction of large size and intelligent functions, there is a trend for intelligent computation cores. As a result of the pandemic, demands in the stay-at-home and remote office economy have increased significantly. In addition, panel manufacturers in China have also started their expansion plans. Accordingly, the TFT industry related equipment is expected to maintain a certain demand between 2020 and 2022.
- 2.2 With the continuous improvement of the company's technology and products, presently, the company's market shares for array segment inspection equipment of 8.5th generation of factories and 10th generation of factories in both Taiwan and China continue to increase.
- 2.3 With regard to the technologies of Mini LED for high-end mobile devices and AMOLED related 8k TV panels and automotive panels, the outcome of the company's continuous research and development has received recognition from customers and the company has also received relevant orders, such that it is beneficial to the promotion of subsequent products of the company.

3. Market future supply and demand status and growth

3.1 Market future supply and demand status and growth of the flat panel display industry

New Micro LED/Mini LED technology development trends

Micro LED has been the rising star of display technology development in recent years. Its main advantage relies on the combination of the characteristics of LED high brightness, efficiency, and reliability as well as a fast response time, along with the characteristics of being compact, thin, light and self-luminous without needing a backlight source. Accordingly, it can be applied to the fields of smartphones, wearable devices, automotive displays, AR/VR products and large TV displays in the future. Many large U.S. and Japanese manufacturers have expressed great interest in applying Micro LED to future products. Nevertheless, the technical problem of mass transfer has yet to be overcome to head toward the direction of mass production.

In general, manufacturers of different regions around the globe are adopting different strategies and developments for the planning of Micro LED. Domestic manufacturers first adopted the strategy of developing Mini LED and then progressively invested in the technology.

For Japanese manufacturers, the field of Micro LED is mainly invested in by large enterprise groups and used by equipment and material business operators. Presently, SONY is considered to be the leader with the most comprehensive planning in the field of Micro LED. Since Japanese and Korean manufacturers lead the large TV market, they are expected to mainly focus on technology development for large Micro LED displays.

European and American business operators mainly consist of academic institutions and startup companies focusing on the development of Micro LED technologies, and some large systems manufacturers are active in the patent planning for the technical field of mass transfer. Since the investment amount for panels is extremely high, companies joint venture with Asian panel manufacturers. In terms of products, they mainly focus on small and medium Micro LED display applications, such as mobile phones, projectors, and wearable devices.

As for Korean manufacturers, their technology planning in the display field is relatively complete. Presently, Korean manufacturers mainly focus their resources on OLED products. Accordingly, they adopt the strategic collaboration method to participate in the development and research of Micro LED technologies. Nevertheless, Samsung is active in the development of Micro LED, and demonstrated its 146" Micro LED TV, the first in the world, at the U.S. CES trade show in 2018.

Since manufacturers in China prefer technologies that can be implemented for mass production swiftly, their Micro LED development pace is relatively slower, and most of them are still in the research and evaluation stages. Only some manufacturers have started planning and investing in this field.

Regarding the domestic manufacturers, since the previous OLED panel technology planning has been surpassed by Korean and Chinese manufacturers, presently, most of the domestic manufacturers are active in the planning of Mini LED/Micro LED, and they mostly adopt the professional OEM business model for the current stage. AUO, Innolux, and relevant LED manufacturers have

started their in-depth collaboration with international manufacturers in recent years. In addition to the planning and investment in research and development, ITRI also actively integrates large manufacturers and startup companies to link the supply chain from illuminating LED material to mass transfer process development, defect detection, repair, etc., thus achieving process technology integration. In terms of the application aspect, to expedite the development, recently, ITRI and PlayNitride Display have announced their four-year collaboration plan. Both parties are optimistic about the global auto industry and market recovery and the emerging demands for the immersive experience of VR, AR, and MR. Accordingly, the application of Micro LED for wearable devices and automotive panels will include the key areas for collaboration in the future. Regarding the research and development of other processes, ITRI also collaborates with PlayNitride, Unimicron, and Macroblock in research and development to further improve technologies. Accordingly, they have successfully transferred LED chips directly onto PCB substrate, and were the first in the world to achieve such technology. In addition, they have also achieved numerous breakthroughs to overcome manufacturing bottlenecks, and have reached the mass production stage. According to the research and analysis prediction of Digi-Capital, the AR market in 2024 will have a production value of nearly USD 60 billion, and Micro LED can be widely used in various medical, entertainment, and automotive applications. Since Micro LED is equipped with high brightness, high resolution, low power consumption and a miniaturized size, it is widely recognized by international manufacturers to be the display technology that is most suitable for AR and MR.

Furthermore, Apple and Samsung also released their tablet and TV products with Mini LED backlights in 2021. The high technological level of a COB (Chip On Board) solution has been adopted, and its advantage is to provide smaller spacing for LED chip arrangement with a significant increase of distribution density in order to achieve a high contrast effect comparable to OLED. Moreover, Samsung also entered the field of Micro LED and applied it to large self-luminous displays, which are expected to drive a new wave of display industry upgrades in the market.

Panel industry development status in China

Currently, China's LCD total production capacity is ranked No. 1 in the world; its market share has reached above 50% and is heading toward 70%. Among the Chinese manufacturers, BOE Technology's production capacity is ranked No. 1 in China. In addition to LCD, it also continues to expand its OLED production capacity and focuses on the technologies of large Mini LED backlight and AMQLED. As for China Star Optoelectronics Technology, it focuses on the production of LCD TV panels and heads toward IT product development; it also concentrates its technology on developing Mini LED backlights with the improvement of existing LCD product performance. Tianma Microelectronics focuses on the manufacturing of LCD mobile phones and automotive panels and also heads toward the OLED panel development with enhanced automotive panel technologies and the development of under-display sensing technology.

For AMOLED, Chinese manufacturers continue to expand their production capacities, and their technologies target Korean manufacturers as the benchmark with rapid development to shorten the technology and production capacity gaps.

Panel industry development status in Taiwan

It was originally expected that both large panels and small or medium panels would face the pressure of supply over demand due to the impacts of the trade war between China and the U.S. and the large continuous output due to the increasing production capacity of panel manufacturers in China; however, because of the pandemic, the demand was driven by the stay-at-home and remote office and education economy and increased significantly. Nevertheless, in terms of the overall future development of the panel industry, the panel industry in Taiwan will still face threats caused by the continuous expansion of the production capacity of Chinese manufacturers.

Under the continuous expansion of production capacity of 8.5/8.6/10.5/11th generation of factories in China, the price of large panels offered by Taiwanese manufacturers has lost its competitive advantage.

With regard to LTPS panels, AUO and Innolux continue to invest in mass production, and the panels are mainly applied to the markets of high-end mobile phones and notebook computers. However, due to the significant expansion of the production capacity of LTPS panel manufacturers in China, with the production capacity scale heading toward the leading position worldwide, Taiwanese manufacturers are losing their competitive advantages.

Regarding OLED panels, since the cost of the establishment of an OLED panel production line is relatively high, AUO and Innolux are not constructing new OLED facilities. Currently, there is an experimental production line for the manufacturing of OLED panels for smartwatches, and they are not considering the mass production of OLED panels for mobile phones.

Presently, Taiwanese manufacturers are recommended to increase the weight of niche products and avoid low price competition in the market. With the fast development of 5G, Internet-of-Things (IoT) and Internet-of-Vehicle (IoV), Taiwanese manufacturers must seize business opportunities in these fields and the Metaverse. With the research and development of new Min LED/Micro LED technologies and IT-related applications, there are great opportunities for Taiwanese manufacturers to implement active transformation.

As for AUO, its LED advanced display technologies include Mini/Micro LED, and the Mini LED technology still mainly focuses on applications in gaming and medical fields. For gaming products, the market demands products of high quality, high contrast, and low latency. AUO has released 32" gaming display panels and 17.3" gaming notebook panels equipped with Mini LED backlighting. In addition, the company has also released 25" gaming display panels with a higher refresh rate. Accordingly, AUO is expected to continue to hold the leading position in the worldwide gaming display panel market. With regard to the medical application field, AUO has released Mini LED products

with high quality imaging capabilities to facilitate precision medical uses. Micro LED is targeted for the automotive and smart entrainment markets. For the present year, AUO has released a 12" single panel Micro LED display for the automotive dashboard and central control consoles of vehicles. Moreover, AUO also collaborated with PlayNitride to announce the latest 1.39" Micro LED display with the highest resolution in the world, which can be applied to the electronic knob of central control consoles or mobile wearables. In addition, AUO will also collaborate with global home appliance manufacturers to apply Micro LED displays to the home entertainment market.

One of the two key panel manufacturers, Innolux, also focuses on the trends of high quality, high contrast and low latency gaming displays with respect to the Mini LED development and has released numerous Mini LED backlight gaming displays to seize its market share in the gaming and entertainment field, including the 16" WQXGA high-resolution narrow-frame Mini LED backlight gaming notebook panel equipped with a high refresh rate and ultra-high contrast for the presentation of true dark black. In addition, Innolux also released the 17.3" FHD 480Hz ultra-high-refresh-rate gaming notebook panel and 27" 300Hz ultrahighrefresh-rate Mini LED backlight gaming display. As for the field of Micro LED, Innolux has released the 92.4" 4K quantum dot AM-Micro LED seamless stitching display, the first in the world, to present ultrafine quality for large displays. It is targeted at the large display markets of the 8K theater, gaming center, large security control center, museum digital art displays, and high-end customers. The highly efficient mass transfer and repair technology developed by Innolux is able to provide a Micro LED seamless stitching production platform with a high yield rate, and is preparing for the mass production of Micro LED display products.

3.2 Micro LED technology development trends and market future growth Micro LED production value outlook

TrendForce indicates that Micro LED display technology is expected to enter the market with niche products of small head-mounted augmented reality, wearable display watches, high-end automotive displays, high-end TVs, and large commercial display screens. In the future, there are opportunities for the technology to be developed toward medium-sized tablets, notebook computers, and desktop displays. Optimistically, the LED display market production value will reach USD 12.017 billion by 2025.

Micro LED technical bottlenecks

The manufacturing process of Micro LED demands precision and all of the raw materials, process consumables, production equipment, inspection instruments, auxiliary jigs, etc., require rigorous specification, and the precision demand is relatively high. Presently, the technical bottlenecks faced by new Micro LED displays include epitaxy, chip, transfer, full color, power driver, back panel, inspection and repair technologies. Currently, the technical bottleneck associated with Micro LED epitaxy mainly relates to the wavelength uniformity, defect and suspended particle control, as well as the effective use of epitaxial wafer area. The technical bottleneck associated with chips relates to insufficient red light luminous efficiency and current leakage, causing a reduction of light effect, weakened structure creation, and chip insulation layer protection. The technical bottleneck associated with mass transfer mainly relates to different application products with

different specifications, such that different mass transfer methods must be used. However, the equipment precision, process yield rate, production capacity, equipment, and process cost are also different for different mass transfer methods. The question of how to swiftly inspect and repair Micro LED chips after transfer completion is a key factor to the process cost. In addition, for back panels and drivers, silicon substrate is suitable for small displays of high resolution; however, presently, the manufacturing of full color panels still faces technical and costrelated challenges. Despite existing expertise in the use of glass substrates, the fixed-current driving method for Micro LED is significantly different from the driving method of TFT. Accordingly, Micro IC is an essential element for stable current. Since the commercialization of PCB can be adopted faster, the previous passive driving solution can be used continuously and the stitching method can also be adapted to manufacture large displays. Nevertheless, due to the PCB line width/gauge limitations and high specification requirements for the soldering point flatness, the design of large display point spacing less than P0.4 can be a great challenge to PCB manufacturers.

For the development of self-luminous Micro LED/Mini LED large display products, presently, manufacturers are facing greater technical challenges in the technologies related to mass transfer, inspection, and repair. Although many manufacturers adopt the stitching method to overcome the technical problems encountered, the manufacturing cost is still high. Korean brand manufacturers have entered this field earlier than other manufacturers in the market. In terms of the suppliers for Micro LED/Mini LED self-luminous displays, currently, the main suppliers are Taiwanese and Chinese manufacturers. Since Micro LED requires higher-level technology, Taiwanese suppliers with strong technology and greater mass production stability are expected to become the key suppliers in the market.

3.3 High-end IC substrate market and development trends

With the promotion of the applications of 5G, HPC, electric vehicles, and smartphones, the growth and demand for IC substrates are driven to increase significantly, and the entire PCB industry is also heading toward high-end process development. In addition to Taiwanese manufacturers, manufacturers in China, Japan, and Korea also actively invest in the substrate market. According to the statistics of TPCA, the global PCB production value in 2020 was approximately USD 69.7 billion (including PCB manufacturers' back-end chip mounting production value), and the production value of substrate was approximately USD 11.08 billion of such total value, accounted for 15.9% of the global PCB products, and the growth rate was 26.8% in comparison to 2019, the greatest growth rate for main PCB products. During the pandemic, digital transformation was driven to accelerate. In addition to the strong demand in the stay-at-home economy, the demand for AI and high-speed computation also increased significantly, leading to a great increase in demand for CPUs and GPUs. Consequently, the ABF substrates closely linked to the semiconductor industry were in severe shortage, which soon became a production bottleneck for the successful product delivery of numerous foundries and chip manufacturers.

Presently, the substrate application market trend focuses on smartphones, HPC, and electric vehicles. TPCA also indicated that the global substrate production value for the first half of 2021 was approximately USD 6.37 billion, and the manufacturers in China, Taiwan, and Korea were estimated to cover nearly 90% of the global substrate market for the first half of 2021. In terms of the capital

investment of manufacturers, Taiwan is ranked as the No. 1 country for ABF substrate supply and accounts for approximately 43% of the market share. Japan is second, with a market share of approximately 34%. Both Taiwan and Japan cover nearly 80% of the overall ABF production capacity. However, as terminal products demand higher performance nowadays, IC chips are heading toward the design of multi-layer, large, and finer line width, which also poses challenges to the manufacturing process and yield rate of ABF substrates. In addition, the evolution of various advanced packaging technologies in the future will further increase the ABF area demand. Nevertheless, presently, the substrate facility expansion speed of main ABF substrate manufacturers is still insufficient to satisfy the market demand. Although Taiwanese manufacturers have competitive advantages in substrate manufacturing, the level of independent operation is still low for most Taiwanese manufacturers. For Taiwanese manufacturers, the greatest concern is that approximately 70% of key equipment and materials rely on foreign suppliers. Most of such key equipment and materials are origin from Japan. Accordingly, in terms of the key materials and equipment, the independent operation capabilities of Taiwanese manufacturers have not yet reached their corresponding performance.

3.4. Market future supply and demand status and growth of semiconductor wafer dicing industry

Thin-film wafer process and dicing equipment market

According to the report of the marketing survey institution, Mordor Intelligence, the production value of thin-film wafer process and dicing equipment in 2019 was USD536,71 million, and the compound annual growth rate (CAGR) for 2020 to 2025 is 6.44%. The main reason for such growth is mainly due to the advancement of 3D packaging technology and the increase in application aspects.

- 3.4.1 Growth of IoT: The links among electronic devices have increased, and in addition to the traditional connection with mobile phones, connections have expanded to links among various wearable devices used by the general public.
- 3.4.2 Growth of RFID: Thinner type of RFID will be applied to greater solutions of consumer electronic identification cards, such as various types of identification tags and smart cards.

However, the problem associated with thin wafer dicing relies on the fact that stress cracks or internal metal layer disengagement defects can occur from dicing with traditional blades. Accordingly, wafer dicing processes are driven to improve with the development of new technologies and equipment, such as hybrid blade dicing, laser ablation, and plasma dicing. Similarly, the demand for dicing defect inspection machines also increases.

3.5 Opportunities and challenges for new products of Favite

The company will utilize the existing core technologies in conjunction with intelligent defect recognition technology to provide solutions to customers. We expect to enter the IC substrate market with the technologies related to Multi RDL fine-circuit inspection, foil substrate copper line inspection, post-dicing chip appearance inspection and chip tray placement position inspection, and to also enter the semiconductor market with the products for thin wafer dicing defect inspection and post-testing probe PAD inspection. In addition, we also expect to enter the new Mini/Micro LED display market with the Horus series of products.

All of the equipment will be equipped with the AI intelligent defect recognition system self-developed by the company, in order to provide products of greater convenience to customers.

4. Competitive niche

Since its establishment, the company has been committed to researching and developing competitive technologies and developing panel technologies. During the early stages, the company focused on the core technology of 24-bit full-color image, and has further developed relevant technologies, such as color image identification algorithm, optical imaging technique, lighting system, precision mechanical design, integration of optical, mechanical and electrical controls, digital image processing circuit, and defect intelligent classification. In addition, the company also provides full color, high resolution, precision, fast, and completely customized inspection machines for customers. Presently, all of the products developed by the company have the certification and approval of large domestic and foreign panel manufacturers, such that the revenue from upgrading existing equipment and the purchase of new technology and equipment can be increased in order to mitigate the impact of the pandemic on the industry.

The analysis of the competitive niche of the company is summarized in the following:

4.1. Talents

The company is equipped with talents from various fields of physics, mathematics, engineering, automation, optoelectronics, and information as well as a strong R&D team. Accordingly, the company is able to continue to innovate and improve various relevant fields and technologies while satisfying the customers' development demands. Presently, the current technologies developed by the company surpass all other domestic competitors in the industry.

In addition, with regard to management talents, the company actively provides external professional industrial education and training to employees, in order to improve professional knowledge of new fields necessary for each job position, such that employees are able to face the continuously changing industry and achieve the objective of integration between theories and practice. These professional talents are the driving force for the continuous innovation of the company's products and are expected to advance with the company's development jointly.

4.2. Technology

With regard to the inspection equipment development field, the company's core technology of image recognition surpasses other competitors in the same industry. The optical system design of the company also adopts the revolutionary multichannel optical design demanded by thin-film transistor high-resolution inspection equipment. We are also the only domestic company providing high resolution inspection equipment certified and approved by customers. In addition, regarding the measurement equipment development field, after extensive years of experience and effort, the company is equipped with the comprehensive core technologies related to the development of measurement equipment, including the advanced technologies of CD/OL measurement, chroma/film thickness/light intensity and density, white light interference measurement, etc., such that we are one of the few domestic companies equipped with comprehensive core technologies in the industry.

4.3. Product

Based on the accumulation of extensive technologies and experience over the past

years, the company's production lines related to inspection and measurement are complete and are able to cover products for thin-film transistor manufacturers, color filter manufacturers, and AMOLED panel assembly manufacturers. In addition, all of these products have been certified and approved by large domestic and foreign panel manufacturers, and the sales performance also indicates growth year after year. Accordingly, the company is a professional manufacturer with a market share of both high resolution inspection equipment and TP inspection equipment being ranked as No. 1 in Taiwan respectively.

In 2017, the company entered the semiconductor industry and announced the automatic glass wafer inspection machine, which well-known domestic semiconductor manufacturers approved and successfully implemented.

For 2019 and 2022, under continuous research and development of new technologies, the company's products were recognized by customers and achieved new technology breakthroughs for high-end panel Mini LED and automotive panels such that the company received relevant orders in these fields. Moreover, the company was also awarded the leading science and technology project of MOEA for the development of 2um RDL ultra-fine line AOI applied to FOPLP multi-layer RDL.

In 2021, the company announced the AI real-time AOI system and collaborated with well-known and pioneering PCB and Micro LED manufacturers for the implementation of such an AOI system.

4.4. Price

The company self-develops the primary core technologies necessary for the equipment; therefore, the company is more competitive than other business operators in the industry. In addition, for the primary key components, such as special inspection light sources, the company not only self-develops such key components but also seeks collaborations with professional suppliers in order to achieve technology improvement and cost reduction. Presently, the mass production demand for the company's products has reached economies of scale. The company is able to effectively reduce purchase and production costs. As a result, the company is able to provide inspection and measurement equipment of greater price competitiveness than other foreign equipment suppliers, which is advantageous and beneficial to domestic and foreign panel manufacturers.

4.5. Service

The company has established service locations in both Taiwan and China in order to provide convenient and comprehensive repair services and technical support, thereby allowing problems encountered by customers to be resolved timely. In addition, software and hardware can also be modified appropriately at any time. With prompt response to customers' demands and provision of services along with the enhancement of functionality and product competitiveness, the company can gain customers' trust and establish excellent relationships.

5. Favorable and unfavorable factors for development outlook and countermeasures

5.1 Favorable factors

A. Rapid development of TFT-LCD, AMOLED, Mini LED, and Micro LED industry in China

During the period from 2015 to 2019, a great number of TFT-LCD and AMOLED factories were constructed and expanded in China. Although the concern about excessive production capacity and uncertainty of the pandemic situation is still high, China is still

the main market for the traditional TFT-LCD industry and the market for future investments in AMOLED, Mini LED and Micro LED industries. The flat panel display industry has established an enormous industrial chain in China. It has also brought tremendous development opportunities for subsequent new technologies (AMOLED, Mini LED and Micro LED) and new applications (8K TVs, automotive panels and wearable devices, etc). With extensive years of planning and actual business achievement in TFT-LCD and LTPS, the company is active in heading toward the development of such trends and seizing the growth opportunity to gain market opportunities timely.

B. Products certified and approved by customers

During the early stage of the establishment, the company invested in the research and development of FPD panel equipment, and the scope of the products included inspection and measurement equipment. In addition, all such inspection and measurement equipment has received certifications from giant panel manufacturers in Taiwan and China. Presently, all of these key customers are also the main manufacturers for the development of LTPS, TFT-LCD, AMOLED, Mini LED, and Micro LED in the market. Accordingly, this will be a favorable factor to the company for seizing business opportunities from domestic and foreign panel manufacturers in the future new technology market.

C. Equipped with an outstanding technology R&D team

The company is equipped with an outstanding technology R&D team and has also integrated talents and knowledge from various fields of physics, mathematics, engineering, automation, optoelectronics, and information. The development of core technologies of the company includes AOI algorithm inspection/AI real-time inspection, intelligent defect recognition, abnormality inspection, long cycle and aperiodic pixel design inspection, 2D measurement and 3D height measurement, etc. Accordingly, for the inspection and measurement field, the company leads other competitors in the same industry and is able to provide customized professional equipment to any customer.

5.2. Unfavorable factors and countermeasures

A. Local AOI competitors are emerging in China and are adopting a low price competition strategy, which is unfavorable to product promotion.

Since 2015, the booming of the TFT-LCD industry in China has also driven the rising of the local AOI manufacturers, and with the local government's subsidy policy, Chinese manufacturers have sales price competitiveness. As a result, local Chinese AOI manufacturers also have a certain market share in the non-high end process and non-high resolution defect inspection AOI market.

Countermeasures:

Based on the existing customers, continue to develop high-end processes and high resolution defect inspection machines with customers, and also enter the field of Mini LED and Micro LED early in order to understand the key aspects of the manufacturing process and the direction of customer demands, and to also engage in the development of more advanced optical systems and inspection algorithms. In addition, the company will uphold an active service attitude and maintain proper interaction in order to allow customers to have faith in the technologies and services of the company, thereby shortening the new production promotion period.

B. Customer's payment collection period is long, which is unfavorable to the company's effective utilization of funds

For the TFT-LCD equipment industry, payment is normally collected after the completion of machine delivery and acceptance; however, the acceptance period, sometimes, might be one year or more. Since the current capital scale of the company is still small, during the process of fast revenue growth, the company needs to plan carefully with respect to the demand and adjustment of large working capital.

Countermeasures:

The company adopts the methods of continuous improvement of product quality, service quality, machine installation efficiency, etc. in order to shorten the payment collection period, and also continues to establish close relationships with financial institutions and pays attention to financial market fluctuations, in order to improve the performance of financial utilization.

The company is one of the few domestic equipment manufacturers equipped with comprehensive core technologies and the capability to achieve fully independent development of inspection and measurement equipment for the TFT-LCD, AMOLED, TP, and LTPS panel industries. Presently, the company has met the requirements and has actually delivered machines to AUO, Innolux, and other TFT-LCD panel manufacturers in China. In addition, since 2006, the company has received large orders, and the company's market share for G8.5 Array segments in Taiwan was ranked No. 1 in 2008. Furthermore, since 2009, the company has successfully entered the panel market in China. In 2019, the Company became one of the main suppliers of AOI and photography equipment for the array process of all major panel manufacturers in China. Moreover, the company has also received great recognition from customers of TP sensors, AMOLEDs, and LTPS AOIs, such that the company's products are gradually replacing the ones provided by foreign manufacturers in the market. In addition, the company has presently started to enter numerous professional fields of IC substrate, PCB, semiconductor, and Mini/Micro LED by providing high-precision and high-quality AOI equipment and comprehensive solutions for process defect detection and yield rate monitoring to customers.

5.2.2 Key purpose and manufacturing process of main products

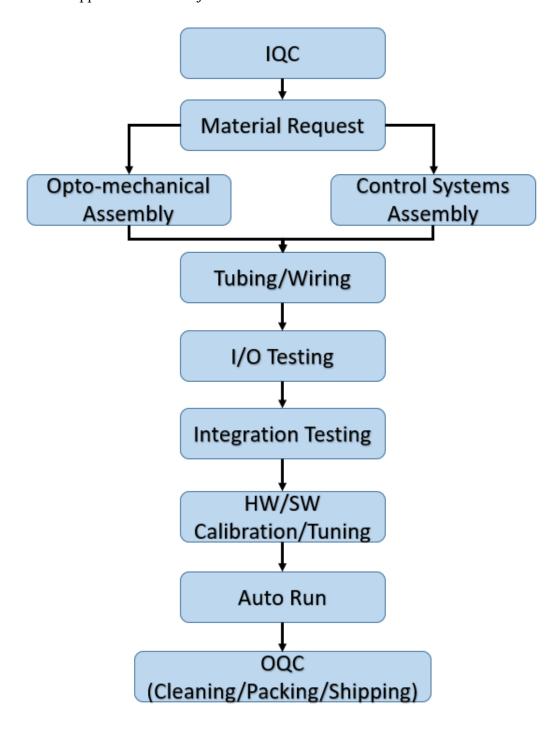
1. Key purpose of main products

Category	Product	Main Application				
TFT Array,	Thin-film transistor low-	Comprehensive defect inspection for each				
TP, LTPS,	resolution AOI machine	process stage of the thin-film transistors.				
3D lens		Although the resolution is relatively lower,				
Inspection &		full testing can be performed.				
Metrology	Thin-film transistor high-	Defect random inspection during each				
Equipment	resolution AOI machine	process stage of thin-film transistors.				
		Resolution is relatively higher, but the				
		testing time is long; therefore, the random				
		inspection method is normally adopted				
	Bare Glass AOI	Bare glass defect inspection				

Color Filter Inspection	Mask AOI ADSI automatic line width measurement machine Film Thickness Measurement Machine	Random inspection of defects in each process stage of Mini LED, capable of overcoming product diversity and performing long cycle comparison of inspection core Quartz mask and OLED metal mask defect inspection Measurement of line width and gauge for each process stage of thin-film transistors Film thickness measurement for each process stage of thin-film transistors		
Color Filter Inspection	ADSI automatic line width measurement machine Film Thickness Measurement Machine	inspection Measurement of line width and gauge for each process stage of thin-film transistors Film thickness measurement for each		
Color Filter Inspection	width measurement machine Film Thickness Measurement Machine	each process stage of thin-film transistors Film thickness measurement for each		
Color Filter Inspection	Measurement Machine			
Inspection				
1	Color Filter AOI	Color filter defect inspection		
	High-speed defect VRS (virtual rescan)	Use a high-resolution camera to photograph defects detected by the AOI machine in order to allow personnel or computer to perform defect rescan and re-inspection		
	Tokki AOI	Inspection for color filter glass protrusions in order to prevent scratch damage of expensive masks due to protrusions on the glass		
		` '		
	machine	inspection		
		Measurement of line width and gauge for		
		-		
	ivicasurciniciii iviaciiilic			
Touch	Touch Panel low-	Touch Panel low-resolution defect		
Panel	resolution AOI machine	automatic optical inspection		
Inspection	Touch Panel high-	Touch Panel high-resolution defect		
	resolution AOI machine	automatic optical inspection		
	CD/OL Metrology	Touch Panel CD/OL measurement		
	Machine			
		PI defect inspection		
1 *	Seal AOI	Sealant defect inspection		
	D CI 1 " 1 4 6 7	511 16 11		
	_	Dicing defect inspection		
		Particle inspection		
Touch Panel Inspection & Metrology Equipment TFT Cell Inspection & Metrology Equipment	resolution AOI machine Touch Panel high- resolution AOI machine CD/OL Metrology Machine PI AOI Seal AOI BurrCheck dicing AOI machine	Panel uneven color (Mura) de inspection Measurement of line width and gauge each process stage of color filter Chroma measurement for RGB process color filter, film thickness measurement PS/MVA/OC/ITO processes, and opt density measurement for BM process Touch Panel low-resolution de automatic optical inspection Touch Panel high-resolution de automatic optical inspection Touch Panel CD/OL measurement PI defect inspection Sealant defect inspection Dicing defect inspection		

Category	Product	Main Application
PCB &	Fan-Out Panel level RDL	Fan-Out Panel level RDL Fine Line AOI
Testing	ultra-fine line inspection	
Equipment	machine	
	Wafer level Chip Dicing	Inspect edge chipping defects and surface
	AVI	defects after chip dicing
	Various professional	Provide professional customized inspection
	customized equipment	solutions to different PCB and
		packaging/testing manufacturers
Mini/Micro	Horus AI Auto OM	Mini/Micro LED process quality
LED		inspection, including 2D measurement
Inspection		(dimension/deviation/rotation), 3D
&		measurement (inclination), appearance
Metrology		dimension measurements of various
Equipment		objects, and abnormal defect inspection.
	AI Defect Classification	Implement defect detection training and
	System	recognition in conjunction with Horus
Others	Multifunction Auto OM	Provide comprehensive solutions to satisfy
	and Various professional	customers' demands for magnified
	customized equipment	observation.
	AI Defect Classification	It can be installed on FAVITE's different
	System	inspection equipment to perform real-time
		defect classification, screening, and
		filtering.

2. Main Applications for Major Products and Production Process



3. Supply of Key Materials

Item	Supply condition
Optics and photoelectric component	Stable
Electrical machine component	Stable
Transmission component	Stable

5.2.3 Suppliers' Name of purchase equal to or over 10% of the total purchase in any of the last two years

1. Major suppliers in the last two years

Unit: NT\$ thousands

	2021 2022				As of March 31, 2023							
Item	Name	Amount	% of Total	Relation	Name	Amount	% of Total	Relation to	Name	Amount	% of Total	Relation to
			Purchase	to the			Purchase	the			Purchase	the Compan
				Compan				Compan				
1	A	88,570	10.82	None	A	47,800	7.75	None	C	7,660	20.93	None
2	В	85,676	10.46	None	C	45,768	7.42	None	Е	6,995	19.12	None
3	С	27,010	3.30	None	В	30,346	4.92	None	D	3,932	10.74	None
4	D	32,355	3.95	None	D	25,439	4.12	None	A	-	-	None
5	Е	-	-	None	Е	-	-	None	В	-	-	None
6	Other	585,324	71.47	None	Other	467,429	75.79	None	Other	18,009	49.21	None
	Total	818,935	100.00		Total	616,782	100.00		Total	36,596	100.00	

Note: Suppliers A and B are the OEM of the company's automation equipment. This year, the company's production capacity is sufficient to support orders, so the amount of commissioned OEMs has decreased

2. Major customers in the last two years

Unit: NT\$ thousands

		20	021		2022				As of March 31, 2023			
Item	Name	Amount	% of	Relation to	Name	Amount	% of Total	Relation to the	Name	Amount	% of Total	Relation to
			Total	the Compan			Operating	Compan			Operating	the Compan
			Operating				revenue				revenue	
			revenue									
1	A	605,699	42.98	None	В	469,319	31.77	None	C	90,818	53.30	None
2	В	443,407	31.46	None	C	363,210	24.58	None	В	45,784	26.87	None
3	С	173,032	12.28	None	D	178,382	12.07	None	D	15,519	9.11	None
4	D	87,410	6.20	None	A	107,662	7.29	None	A	-	1	None
5	Other	99,705	7.08	None	Other	358,856	24.29	None	Other	18,255	10.72	None
	Total	1,409,254	100.00		Total	1,477,429	100.00		Total	170,376	100.00	

Note: The company sells AOI machines based on the needs of customers. Depends on whether the customer has expansion or equipment replacement plans in the current year, which will affect the sales amount of the company.

5.2.4. Production Volume and Value in the Past Two Years

Unit: NT\$ thousands

Year		2021		2022			
Quantity & Value Item	Capacity	Output	Value	Capacity	Output	Value	
AOI machines	(Note 1)	100	1,049,482	(Note 1)	107	831,467	
Other	1	956	1,925	-	1,452	2,395	
Total	-	(Note 2)	1,051,407	-	(Note 2)	833,862	

Note 1: The R&D, design, manufacturing and sales of the company's AOI machine, except for a few processing machines and R&D computer equipment, is invested in human assembly, so it is not suitable for calculating the capacity utilization rate of the equipment.

Note 2: The company's products include AOI machines and others. Due to different production units, they are not included in the total.

5.2.5. Sales Volume and Value in the Past Two Years

Unit: NT\$ thousands

Year	2021				2022			
Quantity &	Domestic		Export		Domestic		Export	
Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
AOI	41	207,329	56	1,177,851	77	469,290	30	970,153
Other	894	20,326	394	3,748				5,943
Total	(Note 1)	227,655	(Note 1)	1,181,599	(Note 1)	501,333	(Note 1)	976,096

Note 1: The company's products include AOI machines and others. Due to different production units, they are not included in the total.

5.3. Human Resources

Year		2021	2022	As of March 31, 2023	
Number		Direct staff	115	109	95
		Indirect staff	142	143	142
	Total		257	252	237
Average Age		36.99	37.97	38.41	
	Average Years of Service		5.96	6.01	6.34
Education(%)		Ph.D.	1	1	1
		Master'ss	23	24	25
		Bachelor's Degree	68	67	67
		Senior High School	8	8	7
		Below Senior High School	-	-	-

5.4. Environmental Protection Expenditure

Any losses suffered by the company in the previous year to the date this report was printed due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None.

5.5. Labor-Management Relations

5.5.1. Summary of the Company's employee benefits, continuing education, training, pension plan and implementation results, as well as labor agreements and measures to uphold employee rights.

5.5.1.1. Employee Welfare Measures

The company upholds the philosophy of sharing its business results with employees and has established the "Employee Welfare Committee" according to law. It also plans employee welfare measures according to the "Regulations for Various Welfare Allowances and Subsidies," to protect the labor rights of employees. The main welfare measures adopted by the company are as follows:

- (1) Distribution of employee uniforms.
- (2) Wedding and funeral subsidies.
- (3) Travel subsidies.
- (4) Maternity gift money.
- (5) Birthday gift money.
- (6) Dragon Boat Festival and Mid-Autumn Festival gift money.
- (7) Annual health examination.
- (8) Club activity subsidy.
- (9) Year-end party event.
- (10) Employee meal gathering event.
- (11) Breastfeeding room.
- (12) Free car/motorcycle parking space.
- (13) Exclusive parking spaces for pregnant women and temporarily injured.
- (14) Group insurance subsidized by the company in full.
- (15) Group overseas business travel comprehensive insurance.
- (16) Year-end performance bonus, employee bonus.
- (17) One day of vitality leave superior to the Labor Standards Act is provided to employees quarterly (leave is granted to new employees in advance after their assumption of job positions).
- (18) Promote corporate health promotion activities.

5.5.1.2. Employees' continuing learning and training status

(1) In order to make employees grow together with the company, the company regards employees as important assets and attaches great importance to employee training and career development. In order to promote talent cultivation and management, there is an "Education and Training Management Operating Procedure" for staff training. Budgets are prepared year by year to promote training. Through internal and external

training, employees can not only improve their professional skills, adapt to the rapidly changing environment, improve work performance, and improve product and service quality, but also create the overall competitiveness of employees and the organization. Employee career development and business development complement each other.

(2) Implementation of 2022 training

Unit: NTD

					Total
Item	Number of Courses	Total participants	Total Hours	Expenses	Expenses
General Training	6	361	915	103,950	
Management	6	18	84.5	85,300	
Vocational Training	52	181	646.5	111,800	346,720
Environmental Safety Training	48	178	800.5	45,670	

5.5.1.3. Retirement system and the status of its implementation

To stabilize the retirement life of employees, the pension system is implemented in accordance with relevant laws and regulations, including:

- (1) Established supervisory committee of labor retirement reserve according to the Labor Standards Act, and appropriate amounts of the retirement pension reserve are appropriated and deposited into the designated account at the Bank of Taiwan monthly.
- (2) According to the Labor Pension Act, 6% of the employee's monthly salary is paid to the individual labor pension account at Bureau of Labor Insurance.

5.5.1.4. Labor Agreements and Upholding Worker Rights

- (1) The company values harmonic labor-management relationships and implements relevant works that meet or exceed the Labor Standards Act and relevant regulatory requirements. The labor-management meetings and Occupational Safety and Health Committee meetings are convened quarterly. All labor-management related measures of the company are determined after sufficient communication and negotiation between both parties. Accordingly, there have been no labor-management disputes and conflicts.
- (2) Establish Employee Welfare Committee, and provide various welfare measures.
- (3) Encourage employees to participate in training and skill-related education in order to improve the professional skills of employees comprehensively.
- (4) Provide labor insurance, national health insurance, group insurance, and additional group business travel comprehensive insurance to employees traveling overseas, to provide comprehensive insurance protection.
- (5) Arrange health examinations for employees annually.
- (6) Along with factors such as lifestyle, high work pressure, less exercise, eating out, etc., the age of suffering from cardiovascular disease has decreased. The 2022 health checkups focuses on Cerebral Vascular Accident. Employees can know whether there is any special conditions through the value of the health examination report, and can prevent it in advance; for high-risk employees, the company also provide health consultations based on employee needs
- 5.5.2 Loss deriving from labor-management dispute (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers,

the articles of law violated, the substance of the legal violations, and the content of the dispositions) in the last two years to the date this report was printed, disclose the amount possibly incurred for the time being and in the future, and the responding measures. If this amount cannot be reasonably estimated, specify the reasons

The Company did not incur any losses due to labor disputes during the past calendar year and up until the date of publication of this Report.

5.6. Cyber security management

- 5.6.1. Describe the cyber security risk management architecture, cyber security policy, specific management solution and resources invested in cyber security management.
 - 1. Cyber security risk management architecture:

The responsible unit for the information security of the company is the Information Department, which is responsible for the establishment of internal information security rules and systems, planning and execution of information security operations, promotion and implementation of information security policy, and making timely adjustments according to the laws and needs.

The audit unit performs an information security audit annually, and evaluates the effectiveness of the company's information operations and internal controls.

- 2. Information security policy: The information security management policy of the company includes the following three aspects:
 - (1) Purpose: To enhance information security management, to ensure the confidentiality, integrity, and availability of the company's information assets, in order to provide an information environment for the continuous operation of the company, and to comply with relevant government laws and demands of internal and external stakeholders, thereby preventing any internal and external intentional or accidental threats and achieving information security.
 - (2) Objective: Ensure that the information operation of the company can be operated continuously with accuracy, integrity, and availability. Ensure the confidentiality of important information of the company and implement data access control, such that information shall only be accessed by authorized personnel with approval without any breach or improper disclosure.
 - (3) Comply with laws and regulatory requirements.
- 3. Specific management program:
 - (1) New employees are required to participate in information security education and training to improve their understanding and concept of information security protection. The company also implements information security educational promotion periodically.
 - (2) Secure and reliable information system environment is established in order to achieve sustainable operation of the company.
 - (3) For important information systems or equipment, appropriate backup or monitoring mechanisms shall be established and drills shall be performed periodically, in order to maintain their availability.
 - (4) Personal computers of employees shall be installed with anti-virus software and verified to have the latest updates. In addition, any unauthorized software shall be prohibited from use.
 - (5) Employees shall bear the responsibility for their personal accounts and passwords, and periodic changes thereof shall also be made.
 - (6) The company has established appropriate response and reporting procedures for information security events, to respond immediately to information security events

- properly, thereby preventing any further damage.
- (7) The company implements an information security risk assessment and an information security audit operation annually to ensure management effectiveness and compliance with laws and regulations. Accordingly, information security risk is not a major operational risk of the company, and presently, there is no demand for the application of information security insurance.
- 4. Resources invested for cyber security management:
 - (1) The company has established the "Information Security Policy and Management Procedure," and its content includes the information use security behaviors of employees. In addition, relevant rules are reviewed annually to determine whether they comply with the changes in the operation environment, and adjustments are also made timely according to the needs.
 - (2) To prevent various external information security threads, the company has established different types of information security protection systems, in order to improve the security of the overall information environment, to ensure that the operation and behaviors of internal personnel comply with the system and rules of the company, and to implement personnel information security management measures.
 - (3) The company implements internal personnel information security education and training courses annually, in order to improve the information security knowledge and professional skills of internal personnel.
- 5.6.2. Losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken: None.

5.7. Significant Agreements

Agreement Type	Signatory	Contract Validity	Summary	Limitations
Mortgage	Mega International Commercial Bank	2018.09.17~2025.09.017	Financing with land and buildings as collateral	None
Mortgage	Cathay United Bank	2018.09.18~2023.12.19	Financing with land and buildings as collateral	None

VI. Financial Information

6.1. Condensed balance sheet and Statement of Comprehensive Income, independent auditor's name and audit opinion in the recent five years

6.1.1 Condensed Balance Sheet

A. Condensed Consolidated Balance Sheet

Unit: NT\$ thousands

Year Financial Summary for The Last Five Years					Five Years (No		As of March
						,	31, 2023
Item		2018	2019	2020	2021	2022	(Note 1)
Current Ass	etc	2,314,152	1,680,168	1,882,116	1,716,209	1,582,626	1,438,572
Property, Plan							417,419
Equipment	it and	449,508	425,773	421,083	416,788	420,204	117,119
Intangible A	ssets	3,664	2,649	1,258	2,912	10,436	10,570
Other Assets	S	67,550	82,648	76,746	68,855	65,462	65,590
Total Assets		2,834,874	2,191,238	2,381,203	2,204,764	2,078,728	1,932,151
Current	Before Distribution	1,532,416	806,705	1,159,119	928,942	812,961	673,812
Liabilities	After Distribution	1,532,416	846,231	1,159,119	968,468	892,013 (Note2)	673,812 (Note2)
Non-current	Liabilities	402,944	369,366	347,373	304,635	50,140	43,463
Total	Before Distribution	1,935,360	1,176,071	1,506,492	1,233,577	863,101	717,275
Liabilities	After Distribution	1,935,360	1,215,597	1,506,492	1,273,103	942,153 (Note2)	717,275 (Note2)
Equity Attrib Shareholders		899,514	1,015,167	874,711	971,187	1,215,627	1,214,876
Capital S	tock	790,523	790,523	790,523	790,523	790,523	790,523
Capital S		98,490	98,490	98,490	98,490	98,490	98,490
Retained	Before Distribution	14,603	131,473	(9,460)	87,219	331,164	330,249
Earnings	After Distribution	14,603	91,947	(9,460)	47,693	252,112 (Note2)	330,249 (Note2)
Other Equ	uity	(4,102)	(5,319)	(4,842)	(5,045)	(4,550)	(4,386)
Treasury Stock		-			-	_	_
Non-controlling Interest		-	-	-	-	-	-
Total Equity	Before Distribution	899,514	1,015,167	874,711	971,187	1,215,627	1,214,876
	After Distribution	899,514	975,641	874,711	931,661	1,136,575 (Note2)	1,214,876 (Note2)

Note 1: Financial information for the years 2018 to 2022 has been audited by CPAs, and financial information for the three months ended March 31, 2022 has been reviewed by CPAs.

Note 2: The amount approved by the Board of Directors on February 24, 2023.

B. Condensed Balance Sheet – Parent Company

Unit: NT\$ thousands

	Year	Fin	ancial Summary	y for The Last Fi	ive Years (Note 1	1)
Item		2018	2019	2020	2021	2022
Current Assets		2,303,691	1,671,240	1,868,470	1,701,997	1,571,710
Property, Plant and	Equipment	449,295	425,567	420,841	416,517	419,885
Intangible Assets		3,664	2,649	1,258	2,912	10,436
Other Assets		93,007	106,099	104,691	99,198	100,470
Total Assets		2,849,657	2,205,555	2,395,260	2,220,624	2,102,501
Current Liabilities	Before Distribution	1,547,199	822,689	1,175,015	945,905	837,110
Current Liabilities	After Distribution	1,547,199	862,215	1,175,015	985,431	916,162 (Note 2)
Non-current Liabil	ities	402,944	367,699	345,534	303,532	49,764
T-4-1 T 1-1 11/41	Before Distribution	1,950,143	1,190,388	1,520,549	1,249,437	886,874
Total Liabilities	After Distribution	1,950,143	1,229,914	1,520,549	1,288,963	965,926 (Note 2)
Equity Attributable Shareholders	to	899,514	1,015,167	874,711	971,187	1,215,627
Capital Stock		790,523	790,523	790,523	790,523	790,523
Capital Surplus		98,490	98,490	98,490	98,490	98,490
D.4. in a 1 Familia and	Before Distribution	14,603	131,473	(9,460)	87,219	331,164
Retained Earnings	After Distribution	14,603	91,947	(9,460)	47,693	252,112 (Note 2)
Other Equity		(4,102)	(5,319)	(4,842)	(5,045)	(4,550)
Treasury Stock		-	-	-	-	-
Non-controlling Interest		-	-	-	-	_
Total Equity	Before Distribution	899,514	1,015,167	874,711	971,187	1,215,627
	After Distribution	899,514	975,641	874,711	931,661	1,136,575 (Note 2)

Note 1: Financial information for the years 2018 to 2022 has been audited by CPAs.

Note 2: The amount approved by the Board of Directors on February 24, 2023.

6.1.2. Condensed Statement of Comprehensive Income A.Condensed Consolidated Statement of Comprehensive Income

Unit: NT\$ thousands (Except EPS/EPL: NT\$)

Year	Finaı	ncial Summary	y for The Last	Five Years (N	`	As of March 31, 2023
Item	2018	2019	2020	2021	2022	(Note1)
Operating Revenue	1,537,750	1,765,856	1,141,503	1,409,254	1,477,429	170,376
Gross Profit	376,221	519,325	235,179	392,790	593,733	74,550
Income from Operations	55,596	136,186	(35,761)	127,188	230,002	4,307
Non-operating Income and Expenses	28,721	(19,071)	(65,016)	(26,593)	102,299	(5,222)
Income before Tax	84,317	117,115	(100,777)	100,595	332,301	(915)
Income From Operations of Continued Segments	84,206	116,473	(101,773)	96,811	282,981	(915)
Income (Loss) From Operations of Discontinued Segments	-	-	-		-	-
Net income	84,206	116,473	(101,773)	96,811	282,981	(915)
Other Comprehensive Income (Income after Tax)	(718)	(820)	843	(335)	985	164
Total Comprehensive income	83,488	115,653	(100,930)	96,476	283,966	(751)
Net Profit Attributable to: Owner of the Company	84,206	116,473	(101,773)	96,811	282,981	(915)
Net Profit(loss) Attributable to: Noncontrolling interests	-	-	-	-	-	-
Total Comprehensive Income Attributable to: Owner of the Company	83,488	115,653	(100,930)	96,476	283,966	(751)
Total Comprehensive Income (Loss) Attributable to: Non- controlling interests	-	-	-	-	-	-
Earnings Per Share (Loss Per share)	1.07	1.47	(1.29)	1.22	3.58	(0.01)

Note1: Financial information for the years from 2018 to 2022 has been audited by CPAs, and financial information for the three months ended March 31, 2023 has been reviewed by CPAs.

B. Condensed Statement of Comprehensive Income – Parent Company

Unit: NT\$ thousands (Except EPS/EPL: NT\$)

Year	Financial Summary for The Last Five Years (Note)				
Item	2018	2019	2020	2021	2022
Operating Revenue	1,533,691	1,764,161	1,137,683	1,406,597	1,459,416
Gross Profit	373,783	519,624	234,866	392,855	575,720
Income from Operations	57,496	134,474	(39,797)	125,401	226,725
Non-operating Income and Expenses	26,710	(17,806)	(61,324)	(24,865)	105,503
Income before Tax	84,206	116,668	(101,121)	100,536	332,228
Income From Operations of Continued Segments	84,206	116,473	(101,773)	96,811	282,981
Income (Loss) From Operations of Discontinued Segments	-	-	-	-	-
Net income	84,206	116,473	(101,773)	96,811	282,981
Other Comprehensive Income (Income after Tax)	(718)	(820)	843	(335)	985
Total Comprehensive income	83,488	115,653	(100,930)	96,476	283,966
Net Profit Attributable to: Owner of the Company	84,206	116,473	(101,773)	96,811	282,981
Net Profit(loss) Attributable to: Noncontrolling interests	-	-	-	-	-
Total Comprehensive Income Attributable to: Owner of the Company	83,488	115,653	(100,930)	96,476	283,966
Total Comprehensive Income (Loss) Attributable to: Non-controlling interests	-	-	-	-	-
Earnings Per Share	1.07	1.47	(1.29)	1.22	3.58

Note: Financial information for the years 2018 to 2022 has been audited by CPAs.

6.1.3. Auditors' Opinions from 2018 to 2022

Year	Accounting Firm	CPA	Audit Opinion
2018	Deloitte & Touche	Cheng-Chih Lin, Yu-Feng Huang	An Unmodified Opinion
2019	Deloitte & Touche	Su-Li Fang, Tung-Hui Yeh	An Unmodified Opinion
2020	Deloitte & Touche	Su-Li Fang, Tung-Hui Yeh	An Unmodified Opinion
2021	Deloitte & Touche	Su-Li Fang, Tung-Hui Yeh	An Unmodified Opinion
2022	Deloitte & Touche	Su-Li Fang, Tung-Hui Yeh	An Unmodified Opinion

6.2. Financial Analysis in the Recent Five Years 6.2.1 Consolidated Financial Analysis

	Year	Financial Analysis in the Recent Five Years (Note1)					As of March 31, 2023
Item		2018	2019	2020	2021	2022	(Note1)
	Debt ratio (%)	68.27	53.67	63.27	55.95	41.52	37.12
Financial Structure	Long-term fund to Property, plant and equipment (%)	289.75	325.18	290.22	306.11	301.23	301.46
	Current ratio (%)	151.01	208.28	162.37	184.75	194.67	213.50
Solvency	Quick ratio (%)	102.07	166.23	131.59	148.29	171.74	192.09
	Times interest earned (times)	7.50	11.00	(8.09)	14.37	44.63	0.55
	Accounts Receivable Turnover (Times)	1.88	2.29	1.69	2.89	3.84	1.53
	Average Collection Period	194.14	159.38	215.97	126.29	95.05	238.56
	Inventory turnover (times)	1.88	2.34	2.85	3.41	3.73	2.38
Operating	Payment turnover (times)	1.89	2.79	2.94	2.55	3.73	4.29
Performance	Average inventory turnover days	194.14	155.98	128.07	107.03	97.85	153.36
	Property, Plant and Equipment Turnover (Times)	3.71	4.03	2.70	3.36	3.53	1.63
	Total Assets Turnover (Times)	0.63	0.70	0.05	0.61	0.69	0.34
	Return on Total Assets (%)	3.85	5.01	(4.06)	4.48	13.50	0.14
	Return on Stockholders' Equity (%)	9.82	12.17	(10.77)	10.49	25.88	(0.30)
Profitability	Pre-tax Income to Paid-in Capital (%)	10.67	14.81	(12.75)	12.73	42.04	(0.46)
	Profit Ratio (%)	5.48	6.60	(8.92)	6.87	19.15	(0.54)
	Earnings per share (NT\$)	1.07	1.47	(1.29)	1.22	3.58	(0.01)
	Cash Flow Ratio (%)	17.85	(4.64)	23.52	46.36	(5.56)	(5.57)
Cash Flow	Cash Flow Adequacy Ratio (%)	17.46	31.78	99.86	123.81	193.42	465.16
	Cash Reinvestment Ratio (%)	19.18	(2.48)	20.35	33.52	(6.66)	(2.97)
I ayyama aya	Operating Leverage	1.53	1.11	0.61	1.11	1.06	1.90
Leverage	Financial Leverage	1.30	1.09	0.76	1.06	1.03	1.89

Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)

- 1. Debt Ratio decreased by 26% mainly due to an increase in non-current liability.
- 2. Interest earned ratio increased by 211% mainly due to an increase in earnings before interest and taxes.
- 3. Accounts receivable turnover increased by 33% and the average collection period decreased by 25% mainly due to an increase in net sales.
- 4. Payment turnover increased by 46% mainly due to an increase in operating costs.
- 5. Return on total assets increased by 201% mainly due to an increase in net income.
- 6. Return on stockholders' equity increased by 147% mainly due to an increase in net income.
- 7. Pre-tax income to paid-in capital increased by 230% mainly due to an increase in income before tax.
- 8. Profit ratio increased by 179% mainly due to an increase in net income.
- 9. Earnings per share increased by 193% mainly due to an increase in net income.
- 10. Cash flow ratio decreased by 112%: Mainly due to a net cash outflow from operating activities during 2022.
- 11. Cash flow adequacy ratio increased by 56%: Mainly due to an increase in the net cash inflow from operating activities over the past five years.
- 12. Cash reinvestment ratio decreased by 120%: Mainly due to a net cash outflow from operating activities during 2022.

Note 1: CPAs have audited financial information for the years from 2018 to 2022, and financial information for the three months ended March 31, 2023 has been reviewed by CPAs.

Note 2: Please refer to the 6.2.2 Note 2 Formulas section below, for the formulas of items analyzed.

6.2.2 Financial Analysis-Parent Company

,	Year	Financial	Analysis	for the Las	st Five Yea	ars (Note 1)
Item		2018	2019	2020	2021	2022
Financial	Debt ratio (%)	68.43	53.97	63.48	56.27	42.18
Structure	Long-term fund to Property, plant and equipment(%)	289.89	324.95	289.95	306.04	301.37
	Current ratio (%)	148.89	203.14	159.02	179.93	187.75
Solvency	Quick ratio (%)	100.49	162.11	128.78	144.29	165.52
	Times interest earned (times)	7.49	11.00	(8.15)	14.40	44.73
	Accounts Receivable Turnover (Times)	1.88	2.29	1.68	2.89	3.83
	Average Collection Period	194.14	159.38	217.26	126.29	95.30
	Inventory turnover (times)	1.88	2.34	2.84	3.40	3.73
Operating Performance	Payment turnover (times)	1.89	2.79	2.94	2.55	3.73
1 criormanec	Average inventory turnover days	194.14	155.98	128.52	107.35	97.85
	Property, Plant and Equipment Turnover (Times)	3.70	4.03	2.69	3.36	3.49
	Total Assets Turnover (Times)	0.62	0.70	0.49	0.61	0.68
	Return on Total Assets (%)	3.83	4.98	(4.04)	4.45	13.37
	Return on Stockholders' Equity (%)	9.82	12.17	(10.77)	10.49	25.88
Profitability	Pre-tax Income to Paid-in Capital (%)	10.65	14.76	(12.79)	12.72	42.03
	Profit Ratio (%)	5.49	6.60	(8.95)	6.88	19.39
	Earnings per share (NT\$)	1.07	1.47	(1.29)	1.22	3.58
	Cash Flow Ratio (%)	17.54	(4.52)	22.96	45.22	(4.67)
Cash Flow	Cash Flow Adequacy Ratio (%)	17.16	31.52	99.16	122.66	193.24
	Cash Reinvestment Ratio (%)	19.39	(2.51)	20.63	34.18	(6.37)
-	Operating Leverage	1.51	1.22	0.72	1.10	1.06
Leverage	Financial Leverage	1.29	1.09	0.78	1.06	1.03

Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)

- 1. Debt Ratio decreased by 25% mainly due to an increase in non-current liability.
- 2. Interest earned ratio increased by 211% mainly due to an increase in earnings before interest and taxes.
- 3. Accounts receivable turnover increased by 33% and the average collection period decreased by 25% mainly due to an increase in net sales.
- 4. Payment turnover increased by 46% mainly due to an increase in operating costs.
- 5. Return on total assets increased by 200% mainly due to an increase in net income.
- 6. Return on stockholders' equity increased by 147% mainly due to an increase in net income.
- 7. Pre-tax income to paid-in capital increased by 230% mainly due to an increase in income before tax.
- 8. Profit ratio increased by 182% mainly due to an increase in net income.
- 9. Earnings per share increased by 193% mainly due to an increase in net income.
- 10. Cash flow ratio decreased by 110%: Mainly due to a net cash outflow from operating activities during 2022.
- 11. Cash flow adequacy ratio increased by 58%: Mainly due to an increase in the net cash inflow from operating activities over the past five years.
- 12. Cash reinvestment ratio decreased by 119%: Mainly due to a net cash outflow from operating activities during 2022.

Note 1: The financial information for 2018 to 2022 was audited by the CPAs.

Note 2: Calculation formula

- 1. Capital Structure Analysis:
 - (1) . Debt ratio = Total liabilities / Total assets
 - (2) . Long-term fund to property, plant and equipment ratio = (Shareholders' equity + non-current liabilities) / Net property, plant and equipment

2. Liquidity Analysis:

- (1) . Current ratio = Current assets / Current liabilities
- (2) . Quick ratio = (Current assets inventories prepaid expenses) / Current liabilities
- (3) . Times interest earned = Earnings before interest and taxes / Interest expenses

3. Operating Performance Analysis:

- (1) . Average collection turnover = Net sales / Average trade receivables
- (2) . Days sales outstanding = 365 / Average collection turnover
- (3) . Average inventory turnover = Operating costs / Average inventory
- (4) . Average payment turnover = operating costs / Average trade payables
- (5) . Average inventory turnover days = 365 / Average inventory turnover
- (6) . Property, plant and equipment turnover = Net sales / Average property, plant and equipment
- (7) . Total assets turnover = Net sales / total assets

4. Profitability Analysis:

- (1) Return on total assets = [Net income + Interest expenses x (1 tax rate)] / Average total assets
- (2) . Return on equity attributable to shareholders of the parent = Net income attributable to shareholders of the parent / Average equity attributable to shareholders of the parent
- (3) . Net margin = Net income / Net sales
- (4). Earnings per share = (Net income attributable to shareholders of the parent preferred stock dividend) / Weighted average number of shares outstanding

5. Cash Flow:

- (1) . Cash flow ratio = Net cash provided by operating activities / Current Liabilities
- (2) . Cash flow adequacy ratio = Five-year sum of cash from operations / Five-year sum of capital expenditures, inventory additions, and cash dividend
- (3) . Cash flow reinvestment ratio = (Cash provided by operating activities cash dividends) / (Gross property, plant and equipment + long-term investments + other noncurrent assets + working capital)

6. Leverage:

- (1) . Operating leverage = (Net sales variable cost) / Operating income
- (2) . Financial leverage = Operating income / (Operating income interest expenses)

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2022 business report, financial statements, and proposal for the allocation of profits. The CPA firm of Deloitte & Touche was retained to audit Favite's financial statements and has issued an audit report relating to the financial statements. The business report, financial statements, and profit allocation proposal have been reviewed by the Audit Committee and no irregularities were found. We hereby report as above according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Hsiang Chi Tseng

To Favite Inc. 2023 General Shareholders' Meeting

Favite Inc.

Chairman of the Audit Committee: TSENG, HSIANG CHI

February 24, 2023

- 6.4. Consolidated Financial Statements for the Years Ended December 31, 2022 and 2021, and Independent Auditors' Report: Please refer to pages 128~180 of this Annual Report.
- 6.5. Parent Company Only Financial Statements for the Years Ended December 31, 2022 and 2021 and Independent Auditors' Report: Please refer to pages 181~245 of this Annual Report.
- 6.6. Disclosure of the Impact on Company's Financial Status Due to Financial Difficulties: None.

VII. Financial Status, Financial Performance, and Risk Management

7.1 Financial Status

Unit: NT\$ thousands

Year	2022	2021	Difference		
Item	2022	2021	Amount	%	
Current Assets	1,582,626	1,716,209	(133,583)	(7.8)	
Property, Plant and	420,204	416,788	3,416	0.8	
Equipment					
Other Assets	75,898	71,767	4,131	5.8	
Total Assets	2,078,728	2,204,764	(126,036)	(5.7)	
Current Liabilities	812,961	928,942	(115,981)	(12.5)	
Long term loan	43,028	295,616	(252,588)	(85.4)	
Other non-current	7,112	9,019	(1,907)	(21.1)	
Liabilities					
Total Liabilities	863,101	1,233,577	(370,476)	(30.0)	
Capital Stock	790,523	790,523	0	0.0	
Capital Surplus	98,490	98,490	0	0.0	
Retained Earnings	331,164	87,219	243,945	279.7	
Other Equity	(4,550)	(5,045)	495	(9.8)	
Total Equity	1,215,627	971,187	244,440	25.2	

Explanation of changes: (only for variations exceeding 20% and amounting to more than NT\$10 million)

- 1. Long-term borrowings: The decrease in long-term borrowing was mainly due to the reclassification of the current portion of long-term borrowings.
- 2. Total Liabilities: The decrease was mainly due to a decrease in trade payables.
- 3. Retained Earnings: The increase was mainly due to an increase in net income.
- 4. Total Stockholders' Equity: The increase was mainly due to an increase in net income.

7.2 Financial Performance

7.2.1. Comparative analysis of operating performance

Unit: NT\$ thousands

			Omi. 1	vi y mousanus
Year			Diffe	rence
	2022	2021	Amount	%
Item				
Net Sales	1,477,429	1,409,254	68,175	4.84
Cost of Sales	883,696	1,016,464	(132,768)	(13.06)
Gross Profit	593,733	392,790	200,943	51.16
Operating Expenses	363,731	265,602	98,129	36.95
Operating Income	230,002	127,188	102,814	80.84
Non-operating Income and	102,299		128,892	(484.68)
Expenses		(26,593)		
Net Income Before Income Tax	332,301	100,595	231,706	230.34
Income Tax Expense	49,320	3,784	45,536	1,203.38
Net Income	282,981	96,811	186,170	192.30
Other Comprehensive Income	985	(335)	1,320	(394.03)
Total Comprehensive Income	283,966	96,476	187,490	194.34

Explanation of changes: (only for variations exceeding 20% and amounting to more than NT\$10 million)

- 1. Increase in gross profit: The increase was mainly due to an increase in net sales.
- 2. Increase in operating expenses: The increase was mainly due to an increase in accrued bonuses and

compensation of employees.

- 3. Increase in operating income: The increase was mainly due to an increase in net sales and gross profit.
- 4. The increase in Non-operating Income was mainly due to the increase in gain of exchange.
- 5. Increase in net income before income tax, net income and total comprehensive income: The increase was mainly due to an increase in net sales and gross profit.
- 6. Increase in income tax expense: The increase was mainly due to an increase in net income before income tax.
- 7. Possible impacts on future financial and business performance: No material impact is expected.
- 8. Future response measures: Not applicable.

7.2.2. Sales forecast and basis:

Sales volume is estimated based on the Company's sales targets, market demands, growth trends, customers' performance, and existing sales orders after taking production capacity into consideration. The Company expects sales to grow at a consistent rate, which will affect financial and business performance in a positive way.

7.3 Analysis of Cash Flow

7.3.1 Analysis of cash flow changes for the year:

Unit: NT\$ thousands

Year	2022	2021	Difference	ce
Item	2022	2021	Amount	%
Net cash operating activities (used in) generated	(45,166)		(475,780)	(110.5)
from		430,614		
Net cash investing activities (used in) generated	(11,627)		(27,231)	(174.5)
from		15,604		
Net cash financing activities (used in) generated	(54,225)		211,580	(79.6)
from		(265,805)		

Analysis of Changes equal to or over 20%:

- 1. Increased net cash outflow of operating activities: : Mainly due to a decrease in accounts payable and contract liabilities during 2022 on a year-on-year basis.
- 2. Increased net cash outflow of investing activities: Mainly due to an increase in the purchases of property, plant and equipment during 2022 on a year-on-year basis.
- 3. Increased net cash outflow of financing activities: Mainly due to the payout of dividends and repayment of loans.

7.3.2 Remedial Actions for Liquidity Shortfall: Not applicable.

				Unit: N	NT\$ thousands
Cash and Cash Equivalents,	Estimated Net Cash	Estimated Net Cash Used in Investing	Cash Surplus	_	e of Cash ficit
Beginning of Year (1)	Flow from Operating Activities(2)	Activities and Financing Activities (3)	(Deficit) (1) +(2) -(3)	Investment Plans	Financing Plans
748,967	(113,492)	(133,171)	502,304	-	-

Analysis of cash flow variation for the next year:

- (1) Operating Activities: Mainly due to the payment for accounts payable to the sales in this period.
- (2) Investing Activities and Financing Activities: Mainly due to the purchases of fixed assets and intangible assets and the repayment of bank loans.
- 2. Remedy for Cash Deficit and Liquidity Analysis: Not applicable.
- 7.4 Major Capital Expenditure Items:
 - 7.4.1 Major Capital Expenditure Items and Source of Capital: None.
 - 7.4.2 Expected Benefits: Not applicable.
- 7.5 Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year

Unit: NT\$ thousands Original Share of Other future Explanation Investment Main reasons Improvement Investment investment Profit (Loss) Item Policy for profit or loss Plan Amount plans close to the Affected by Strengthen Camels Vision 13,000 business cycle None market operation Technologies Inc. fluctuations management close to the book value Affected by Wakom Semiconductor 101,471 market is zero business cycle N/A None Corporation fluctuations close to the book value Affected by Favepc Inc. 41,975 market business cycle N/A None is zero fluctuations 3,570 Mainly recognized the Invested in investment FAVITE(SHAN Favite Limited 61,470 income of N/A GHAI) FAVITE(SHAN Co.,LTD GHAI) Co., consideration of the LTD 3,570 Recognized as operation scale to investment loss because the evaluate the need for invested Provide **FAVITE (SHANGHAI)** increased company has 61,470 customer N/A Co., LTD largely invested investment. services nearby in R&D, and the product gross was still low.

7.6. Analysis of Risk Management

7.6.1 Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

1. Interest rate

	٦	Unit: NT\$ thousands;%
Item/Year	2022	2021
The net amount of interest income (expense) (A)	(139)	(5,725)
Net Sales (B)	1,477,429	1,409,254
Operating Income (C)	230,002	127,188
% of Net Sales (A/B) %	(0.01)	(0.41)
% of Operating Income(A/C) %	(0.06)	(4.50)

Based on sound and conservative financial management principles, the company will keep in close touch with the banks to keep up to date with the relevant information on interest rate changes to lessen the impact of interest rate fluctuations.

2. Foreign exchange rates

The exported sales quotation and oversea raw materials purchases of the Company are both traded in U.S. dollars. Because the recurring offset of sales and purchases has the effect of a hedge against exchange rate changes, the revenue and profit should not be greatly affected. In order to strengthen the risk management of exchange rate fluctuations, the following countermeasures have been taken:

- A. By nature hedging, the foreign currency receivables from the sales are used to pay for the foreign currency payables for the purchases. Accordingly, the assessment shall focus only on foreign currency. The forecast of the exchange rate trend shall allow settling or paying off foreign currency purchases and operating financial instruments promptly, reducing exchange rate risks.
- B. The financial staff shall keep track of exchange rate fluctuations by monitoring international financial situations, maintaining close contact with bank exchange personnels, and collecting financial information provided by banks and investment institutions.
- C. When the business staff offers price and bargains, he/she shall also weigh the exchange rate fluctuations and adjust the product price accordingly.

3. Inflation

A. The impact on the company's profit and loss

If inflation is still uncontrollable, the Fed may adopt a tightening monetary policy, resulting in an increase in interest rates, which will increase the interest expense of the company's financial debts. On the contrary, the interest income of the company's cash and equivalent cash will increase.

B. Measures to be taken in the future

The company pays close attention to changes in the relevant economic situation and market conditions to avoid adverse effects of inflation on the company's profit and loss.

- 7.6.2 Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to Highrisk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions
 - 1. The Company has established "Lending Funds to Other Parties Procedures", "Endorsement and Guarantee Procedures", "Procedures for the Acquisition or Disposal of Assets", and "Procedures for Derivative Transactions", to serve as guidance within the Company. The Company had not engaged in any high-risk or highly leveraged investment or transactions such as lending funds to other parties, endorsement, or guarantee as of the publication date of the annual report.
 - 2. USD to NTD SWAP is the main form of financial derivative traded by the Company. Use of this instrument is solely for hedging exchange rate volatility arising from foreign currency-

denominated assets and liabilities, and strictly complies with "Procedures for the Acquisition or Disposal of Assets" and "Procedures for Derivative Transactions." For the above reasons, trading of derivatives posed no significant risk to the Company.

7.6.3 Future Research & Development Projects and Corresponding Budget

The company expects to invest another NT\$30 million in 2023, but it will plan and adjust in due course depending on the global market conditions and the company's actual operating conditions. A summary of the company's future R&D plans is as follows:

Project Name	Project Description
Microscopic System with multi-functional AI	Provide customers with Total Solution for enlarging the
	image to observe.
Microscopic System with multi-function	Provide customers with Total Solution for enlarging the
	image to observe.
Inspection and Sorting solutions through AI	AI sorting could be equipped with any AOI Equipment
	developed by Favite to sort out and filter out the defects
	in real-time.
	AI inspection could also be customized to the specs of
	customers added on.

7.6.4 The impacts of changes on important domestic and foreign policies and laws on the Company's finance and business, and the countermeasures:

The Company complies with local and foreign regulations for all daily operations. It pays constant attention to political and regulatory developments locally and abroad, and gathers relevant information that the management may use to make informed decisions. The Company also consults experts from various fields to keep up-to-date on market changes, and adjusts operational strategies at times deemed appropriate. The Company encountered no change in local or foreign policy/regulation that affected its financial or business performance in the last year up until the printed date of this annual report.

7.6.5 Effects of and Response to Changes in Technology (Including information security risks) and the Industry (Relating to Corporate Finance and Sales

The company is one of the few vertically integrated inspection, measurement and repair equipment suppliers in the domestic flat panel display industry. In addition to obtaining a number of patent protections, the products produced have also been highly appraised and recognized by domestic and foreign panel manufacturers. This shows the company's research and development and ability to respond to technological and industrial changes. In the future, the company will continue to increase investment in research and development, and closely grasp the trend and pulse of the market to adapt to the evolution and changes of related industries. In addition, for information on the company's cyber security risk management structure, cyber security policies, specific management plans, and resources invested in cyber security management, etc., please refer to pages 108 to 109 of this Annual Report. In conclusion, technological changes and industrial changes will not have a significant impact on the company's financial business.

- 7.6.6 Crisis management, impacts, and response measures in the event of a change in corporate image

 The Company has been dedicated to maintaining its corporate image and complying with
 regulations since it was founded. As of the printed date of the annual report, there had been no change
 in corporate image that would put the Company in crisis.
- 7.6.7 Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans: None.
- 7.6.8 Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans: None.
- 7.6.9 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration:

1. Concentrated purchases

The main suppliers of the Company are vendors with long-term cooperation, and both parties maintain good and stable collaborative relationships. To address the issue of single supply, the Company maintains sources of supplies from two or more production bases to ensure the stability of supplies.

2. Concentrated sales

The company's main operating income comes from the revenue of AOI. In recent years, the company has moved to the field of AMOLED, 3D packaging, Semiconductor and other industrial production equipment, and gradually realized the complete layout of AOI and measurement equipment in the optoelectronics, electronics, and semiconductor industries. Decentralize product structure to expand customers and orders of different products to avoid market risk of product concentration.

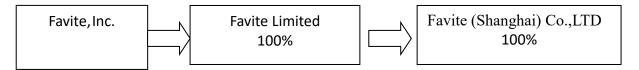
- 7.6.10 Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%: None.
- 7.6.11 Effects of, Risks Relating to and Response to the Changes in Management Rights: None.
- 7.6.12 Litigation or Non-litigation Matters
 - 1. Major ongoing lawsuits, non-lawsuits or administrative lawsuits:
 - (1) The CoreFlow Ltd., an Israeli company, filed an action on July 28, 2020 in the Magistrate Court in Tel Aviv-Jaff against us, claiming payment of sums of money, totaling NIS 1,970,158.5. However, we have been appointing and authorizing the advocates in Israel to handle and respond to such action for and on our behalf. The aforesaid action is still pending in the Magistrate Court in Tel Aviv-Jaff.
 - (2) We initiated, on November 13, 2020, an action in the Taiwan Taipei District Court against CoreFlow Ltd. and its agents in Taiwan (ANEMONE VENTURES LIMITED, TAIWAN BRANCH (HONG KONG), Revital Shpangental and Liran Golan), claiming that the contracts between CoreFlow Ltd. and us were rescinded and they should make the payment of sums of money, totaling NTD 27,400,777 due to their liabilities to reimburse the prices paid by us and pay indemnity, compensation to us. The said action is pending in the Taiwan High Court at present.
 - (3) Since the aforementioned two actions are still pending in the courts stated above, we cannot estimate the probabilities of the outcome and gain of such two actions.
 - 2. Major ongoing lawsuits, non-lawsuits or administrative lawsuits caused by directors, supervisors or shareholders with over 10% shareholdings: None.

7.6.13 Other Major Risks: None.

7.7 Other Materiality: None.

VIII. Special Disclosure

- 8.1 Summary of Affiliated Companies
 - 8.1.1 Affiliated business merger report
 - 8.1.1.1 Organizational chart of affiliated companies:



8.1.1.2 Basic information of each affiliate:

December 31, 2022; Unit: NT\$ thousands

Name of entity	Date of incorporation	Address	Capital	Main Businesses and Products
Favite Limited	2011.05	Samoa	61,470	Holding company
Favite (Shanghai) Co., LTD	2012.03	Shanghai	61,470	Software design

- 8.1.1.3 In accordance with Article 369-3 of the Company Act, Disclose if There is a Presumption of Controlling and Subordinate Relationship: None.
- 8.1.1.4 Industries covered by the overall business of the related company: Please refer to 8.1.1.2 Basic information of each affiliate.
- 8.1.1.5 List of Directors, Supervisors and Presidents of the Company's Affiliated Companies:

December 31, 2022 Unit: shares thousands; NT\$; %

			Shareholding			
Name of entity	Job title	Name or Representative	Number	Proportion		
			of shares	Troportion		
Favite Limited	Director	Favite,Inc, Representative: CHEN, YUNG-HUA	2,000,000	100%		
Favite (Shanghai) Co., LTD	Director	Favite Limited, Representative: HU, YU-LIN	_	100%		

8.1.1.6 Performance of affiliated companies:

December 31, 2022; Unit: NT\$ thousands (Except EPS: NT)

Name of entity	Capital Stock	Assets	Liabilities	Net Worth	Net Sales	Operati ng Income	Net Income (After Tax)	EPS
Favite Limited	61,470	36,827	_	36,827	_	_	3,570	1.79
Favite (Shanghai) Co., LTD	61,470	46,034	9,265	36,769	61,927	3,275	3,570	Not applicable.

8.1.2 Consolidated Financial Statements: Please refer to pages 129 of this Annual Report.

In 2022 (from January 1 to December 31, 2022), the affiliated companies required to be included in the consolidated financial statement of affiliated companies under the 'Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises' are the same as those included in the consolidated financial statement of the parent company and subsidiaries prescribed by the International Financial Reporting Standards No. 10 (IFRS 10), which is recognized by Financial Supervisory Commission ROC. All the relevant information to be disclosed in the consolidated financial statements of affiliated companies has already been disclosed in the consolidated financial statement of the parent company and the subsidiaries. Thus, the consolidated financial statements of affiliated companies are not reported separately.

- 8.1.3 Relationship report: Not applicable.
- 8.2 Status of private placement of securities during the most recent fiscal year and up to the date of publication of the annual report: None.
- 8.3 Holding or disposal of shares in the Company by the Company's subsidiaries during the most recent fiscal year and up to the date of publication of the annual report: None.
- 8.4 Other supplementary information: None.
- 8.5 Situations listed in Article 36, paragraph 2, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the company's securities, have occurred during the most recent fiscal year or the current fiscal year up to the date of publication of the annual report, such situations shall be listed: None.

Stock Code: 3535

Favite, Inc. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2022 and 2021 and Independent Auditors' Report

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" for the year ended December 31, 2022 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard No. 10 "Consolidated Financial Statements". Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Consequently, Favite, Inc. and Subsidiaries do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,	
Favite, Inc.	
Ву	
CHEN, YUNG-HUA	
Chairman	

February 24, 2023

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders Favite, Inc.

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

Key audit matter for the Company's consolidated financial statements for the year ended December 31, 2022 is stated as follows:

Revenue recognition

The Company's revenue is mainly from the sales of automated optical inspection machines, accounting for 86% of the total operating revenue. Please refer to Note 21 for details. As the revenue from the sales of the merchandise to some clients grew significantly, we listed the recognition of the above revenue as a key audit matter.

- 1. We reviewed the Company's policy on the recognition of the revenue from the sales of automated optical inspection machines to confirm and evaluate if the relevant internal control measures during sales were effective.
- 2. We randomly checked the sales details and examined the contracts, external orders, delivery orders, shipping documents, and sales invoices; and learned about the clients' relevant industry backgrounds to confirm the authenticity of the revenue.

Other Matter

We have also audited the parent company only financial statements of Favite, Inc. as of and for the years ended December 31, 2022 and 2021 on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2022, and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse

consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Su-Li Fang and Tung-Hui Yeh.

Deloitte & Touche Taipei, Taiwan Republic of China

February 24, 2023

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022		2021			202	.2	2021	
ASSETS	Amount	%	Amount	%	LIABILITIES AND EQUITY	Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 4, 6, and 27)	\$ 748,967	36	\$ 818,534	37	Short-term borrowings (Notes 15, 27, and 29)	\$ 150,000	7	\$ 120,000	6
Contract assets - current (Notes 21 and 28)	169,992	8	183,909	8	Financial liabilities at fair value through profit or loss -	,			
Notes and trade receivables (Notes 4, 8, 21, and 27)	438,726	21	326,937	15	current (Notes 4, 7, and 27)	-	_	372	-
Trade receivables from related parties (Notes 4, 8, 21,	,		,		Contract liabilities - current (Note 21)	4,518	_	191,441	9
27, and 28)	-	-	4,619	_	Trade payables (Note 16 and 27)	105,368	5	360,819	16
Current tax assets (Notes 4 and 23)	134	_	321	-	Trade payables to related parties (Notes 16, 27, and 28)	, <u>-</u>	_	7,835	-
Inventories (Notes 4 and 9)	181,199	9	292,129	13	Payable to employees compensation and remuneration of			,	
Other financial assets - current (Notes 14, 27, and 29)	23,194	1	33,923	2	directors and supervisors (Note 22)	45,304	2	9,188	-
Other current assets (Note 14 and 27)	20,414	1	55,837		Other payables (Note 17 and 27)	129,565	6	131,837	6
Total current assets	1,582,626	<u>1</u> <u>76</u>	1,716,209	<u>3</u> 78	Current tax liabilities (Notes 4 and 23)	49,004	3	· -	_
		· <u></u>		<u> </u>	Provisions - current (Notes 4 and 18)	69,393	4	57,984	3
NON-CURRENT ASSETS					Lease liabilities - current (Notes 4, 12, and 27)	2,081	-	2,213	-
Financial assets at fair value through profit or loss -					Current portion of long-term borrowings (Notes 15, 27,				
non-current (Notes 4, 7 and 27)	2,440	-	4,034	-	and 29)	252,588	12	42,588	2
Property, plant and equipment (Notes 4, 11, and 29)	420,204	20	416,788	19	Other current liabilities (Note 17)	5,140		4,665	<u>-</u> _
Right-of-use assets (Notes 4 and 12)	4,710	-	5,986	_	Total current liabilities	812,961	39	928,942	42
Intangible assets (Notes 4 and 13)	10,436	1	2,912	_		<u> </u>		<u> </u>	
Deferred tax assets (Notes 4 and 23)	57,188	3	57,188	3	NON-CURRENT LIABILITIES				
Other non-current assets (Note 14 and 27)	1,124		1,647	-	Long-term borrowings (Notes 15, 27, and 29)	43,028	2	295,616	14
Total non-current assets	496,102		488,555	22_	Lease liabilities - non-current (Notes 4, 12, and 27)	2,728	-	3,808	-
Total non-eartent assets	470,102				Net defined benefit liability - non-current (Notes 4 and 19)	4,078	1	4,905	_
					Guarantee deposits received (Notes 27)	306	1	306	
					Total non-current liabilities	50,140	<u>-</u> 3	304,635	<u>-</u> 14
					Total non-editent naomities		<u></u>		
					Total liabilities	863,101	42	1,233,577	56
					EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 20)				
					Share capital				
					Ordinary share	790,523	38	790,523	36
					Capital surplus	98,490	4	98,490	4
					Retained earnings				
					Legal reserve	24,610	1	18,244	1
					Special reserve	5,045	-	5,318	-
					Unappropriated earnings	301,509	15	63,657	3
					Other equity	(4,550)		(5,045)	-
					Total equity	1,215,627	58	971,187	44
TOTAL	<u>\$ 2,078,728</u>	100	<u>\$ 2,204,764</u>	100	TOTAL	<u>\$ 2,078,728</u>	100	<u>\$ 2,204,764</u>	<u>100</u>

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

		2022			2021	
	-	Amount	%	-	Amount	%
OPERATING REVENUE (Notes 4, 21, 28, and 33)	\$	1,477,429	100	\$	1,409,254	100
-,	,	, , .		•	,, -	
OPERATING COSTS (Notes 9, 19,		002 606				
22, and 28)		883,696	<u>60</u>		1,016,464	<u>72</u>
GROSS PROFIT		593,733	40		392,790	28
OPERATING EXPENSES (Notes 12, 19, 22, and 28)						
Selling and marketing expenses General and administrative		39,170	3		42,976	3
expenses Research and development		96,122	7		66,940	5
expenses		225,054	15		163,233	12
Expected credit loss (gain) (Notes 8 and 21)		3,385	_	(7,547)	(<u>1</u>)
Total operating expenses		363,731	25	_	265,602	19
PROFIT FROM OPERATIONS		230,002	<u>15</u>		127,188	9
NON-OPERATING INCOME AND EXPENSES (Notes 4 and 22)						
Interest income		7,300	1		1,713	=
Other income		1,029	-		11,012	1
Other gains or losses		101,586	7	(31,793)	(2)
Financial costs	(7,616)	(1)	(7,525)	(1)
Total non-operating income and expenses		102,299	7	(26,593)	(2)
PROFIT BEFORE INCOME TAX	\$	332,301	22	\$	100,595	7
INCOME TAX EXPENSE (Notes 4 and 23)	_	49,320	3		3,784	-
NET PROFIT FOR THE YEAR		282,981	19		96,811	7

(Continued)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 19) Items that may be reclassified subsequently to profit or loss:	490	-	(132)	-
Exchange differences arising on translation of foreign operations (Notes 4 and 20) Other comprehensive	495		(203_)	-
income (loss) for the year, net of income tax	985	-	(335)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 283,966</u>	<u>19</u>	<u>\$ 96,476</u>	7
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 282,981	19	\$ 96,811	7
Non-controlling interests	_		<u> </u>	
	\$ 282,981	<u>19</u>	\$ 96,811	<u>7</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 283,966	19	\$ 96,476	7
Non-controlling interests	_	<u>-</u>	_	
	<u>\$ 283,966</u>	<u>19</u>	<u>\$ 96,476</u>	<u>7</u>
EARNINGS PER SHARE (Note 24)				
Basic	\$ 3.58		\$ 1.22	
Diluted	\$ 3.50		\$ 1.22	

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

(Concluded)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

												Othe	er Equity								
								Retain	ed earnings												
_	Share capital Share (Thousands) Amount Capital surplu				Share (Thousands)		 Capital surplus		Capital surplus		 Capital surplus						ulated Deficit)	Translating Foreign			al Equity
BALANCE AT JANUARY 1, 2021	79,052	\$ 790),523	\$	98,490	\$	18,244	\$	5,318	(\$	33,022)	(\$	4,842)	\$	874,711						
Net profit for the year ended December 31, 2021	-		-		-		-		-		96,811		-		96,811						
Other comprehensive income for the year ended December 31, 2021, net of income tax	-		<u> </u>							(132)	(203)	(335)						
BALANCE AT DECEMBER 31, 2021	79,052	790	0,523		98,490		18,244		5,318		63,657	(5,045)		971,187						
Appropriation of 2021 earnings																					
Legal reserve Special reserve	-		-		-		6,366	(- 273)	(6,366) 273		-		-						
Cash dividends distributed by the Company	-		-		-		-		-	(39,526)		-	(39,526)						
Net profit for the year ended December 31, 2022	-		-		-		-		-		282,981		-		282,981						
Other comprehensive loss for the year ended December 31, 2022, net of income tax	-		_		<u>-</u>		_				490		<u>495</u>		985						
BALANCE AT DECEMBER 31, 2022	79,052	<u>\$ 790</u>	0,523	<u>\$</u>	98,490	<u>\$</u>	24,610	<u>\$</u>	5,045	<u>\$</u>	301,509	(<u>\$</u>	4,550)	<u>\$</u>	1,215,627						

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

FAVITE, INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

		2022		2021
SH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	\$	332,301	\$	100,595
Adjustments for:				
Depreciation expense		12,823		12,291
Amortization expense		1,160		1,118
Expected credit loss (gain) on trade receivables		3,385	(7,547)
Net loss on the fair value change of financial assets at fair value through profit or loss		1,222		904
Financial costs		7,616		7,525
Interest income	(7,300)	(1,713)
Loss on disposal of property, plant and equipment	(695	(1,713)
Lease modification benefit	(6)	(49)
Net (gain) loss on foreign currency exchange	(62,521)	(37,389
Provisions	(11,409		8,931
Changes in operating assets and liabilities:		11,407		0,731
Decrease (increase) in contract assets		13,800	(41,831)
(Increase) decrease in notes and trade receivables	(89,577)	(294,613
Decrease in inventories	(110,930		11,366
Decrease in other current assets		36,480		31,017
(Decrease) increase in contract liabilities	(186,923)		611
Decrease in trade payables	(263,447)	(58,895)
(Decrease) increase in other payables	(1,820)	(49,927
Increase (decrease) in other current liabilities	(475	(18,548)
Decrease in net defined benefit liability	(337)	(212)
Increase in payable to employees compensation and remuneration of		,		,
directors and supervisors		36,116		9,188
Cash (used in) from operations	(43,519)		436,680
Interest received		6,243		1,686
Interest paid	(7,761)	(7,729)
Income tax paid	(129)	(23)
Net cash generated (used in) from operating activities	(45,166)		430,614

(Continued)

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

		2022		2021
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments of property, plant and equipment	(\$	15,959)	(\$	4,607)
Proceeds from disposal of property, plant and equipment		167		-
Increase in refundable deposits	(1,194)	(4,324)
Decrease in refundable deposits		1,725		8,805
Payments for intangible assets	(8,684)	(2,772)
Decrease in other financial assets	·	12,318	`	18,502
Net cash generated (used in) from investing		<u>.</u>		
activities	(11,627)		15,604
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from short-term borrowings		630,000		580,000
Repayments of short-term borrowings	(600,000)	(813,309)
Repayment of long-term borrowings	(42,588)	(30,293)
Repayment of the principal portion of lease liabilities	(2,111)	(2,203)
Dividends paid to owners of the Company	(39,526)	`	-
Net cash used in financing activities	(54,225)	(265,805)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		41,451	(7,233)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(69,567)		173,180
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		818,534		645,354
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$</u>	748,967	<u>\$</u>	818,534

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

(Concluded)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Favite, Inc. was established on March 10, 2000 with the approval of the Ministry of Economic Affairs. It mainly engages in the manufacturing of general instruments, precision instruments, and controlled telecommunication radio-frequency devices and the sales of information software services. The Company's shares have been listed on the Taiwan Stock Exchange since January 31, 2008.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors and authorized for issue on February 24, 2023.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

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

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have a material impact on the accounting policies of Favite, Inc. and entities controlled by Favite, Inc. (collectively, the "Company"):

b. The IFRSs endorsed by the FSC for application starting from 2023

New IFRSs	Effective Date Announced by IASB
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 1)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 2)
Amendments to IAS 12 "Deferred Tax related to Assets and	January 1, 2023 (Note 3)
Liabilities arising from a Single Transaction"	•

- Note 1: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.
- Note 2: The amendments will be applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.
- Note 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were applied prospectively to transactions that occurred on or after January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Company has assessed that the application of other standards and interpretations will not have a material impact on the Company's financial position and financial performance.

c. The IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - 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" Note 1:	January 1, 2024

- Note 1: Unless stated otherwise, the above IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.
- Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of the initial application of IFRS 16.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments, which are measured at fair values, and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the parent company only financial statements are authorized for issue; and
- 3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those of the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. The total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Company and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. 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 and attributed to the owners of the Company.

See Note 10, Table 3 and Table 4 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

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

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

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

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the functional currencies of the Company and its foreign operations (including subsidiaries in other countries that use currencies that are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

f. Inventories

Inventories consist of raw materials, work in progress and finished goods, and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

g. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Except for freehold land, which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

h. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Derecognition of intangible assets

On the derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Impairment of property, plant and equipment, right-of-use assets and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

j. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

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

1) Financial assets

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

a) Measurement types

Financial assets are classified into the following categories: Financial assets at FVTPL and financial assets at amortized cost.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments that are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends or interest earned on such financial assets are recognized in other income; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 27.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes and trade receivable at amortized cost, trade receivables from related parties, other receivables, other financial assets and refundable deposits are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii). Financial asset that is not credit impaired on purchase or origination but has subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

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

b) Impairment of financial assets and contract assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables) as well as contract assets.

The Company always recognizes lifetime expected credit losses (ECLs) for trade receivables and contract assets. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Company considers the following situations as an indication that a financial asset is in default:

- i. Internal or external information shows that the debtor is unlikely to pay its creditors.
- ii. Financial asset is more than 90 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

2) Equity instruments

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

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

3) Financial liabilities

a) Subsequent measurement

Except in the following situations, all financial liabilities are measured at amortized cost using the effective interest method:

i. Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when such financial liabilities are either held for trading.

Financial liabilities held for trading are stated at fair value, and any gains or losses on such financial liabilities are recognized in other gains or losses.

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument; in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts that are within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets that are within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative; their risks and characteristics are not closely related to those of the host contracts; and the host contracts are not measured at FVTPL.

k. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

1) Warranties

Provisions for the expected cost of warranty obligations under the sales agreements are recognized on the date of sale of the relevant products at the best estimate by the management of the Company of the expenditures required to settle the Company's obligations.

l. Revenue recognition

The Company identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied. Advance sales receipts would be recognized as contract liabilities before the Company satisfies its performance obligations.

Revenue from the sale of goods

Revenue from the sale of goods comes from the sales of automated optical inspection machines. As the terms for automated optical inspection machines depend on each agreement, when a client has confirmed that the merchandise meets the specifications agreed in the agreement when it arrives at the location designated by the client or when it is shipped out, the client has the ability to lead the use of the merchandise and obtain almost all the remaining profit of the merchandise, at which the Company recognized the merchandise in revenue and contract assets and reclassifies it to accounts receivable after fulfilling the remaining obligations.

m. Leases

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

1) The Company as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheet.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments and variable lease payments, which depend on an index or a rate. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. The Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

n. Borrowing costs

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

o. Government grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received.

Government grants related to income are recognized in other income on a systematic basis over the periods in which the Company recognizes as expenses the related costs that the grants intend to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they are received.

p. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost(including current service cost and past service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur, or when the plan amendment or curtailment occurs. Remeasurement, comprising actuarial gains and losses, and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities represent the actual deficit in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

3) Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plans, except that remeasurement is recognized in profit or loss.

q. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

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

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforwards to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

3) Current and deferred tax for the period

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Company considers the possible impact of the recent development of COVID-19 in Taiwan and its economic implications when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

6. CASH AND CASH EQUIVALENTS

	December 31		
-	2022	2021	
Cash on hand	\$ 377	\$ 131	
Checking accounts and demand deposits	100,248	79,938	
Cash equivalents (investments with original			
maturities of 3 months or less)			
Time deposits	450,761	406,189	
Repurchase agreements collateralized by bonds			
	<u>197,581</u>	<u>332,276</u>	
	<u>\$ 748,967</u>	<u>\$ 818,534</u>	

The market rate intervals of cash in the bank at the end of the reporting period were as follows:

	December 31		
	2022	2021	
Bank balance	0.001%~5.05%	0.001%~2.52%	
Repurchase agreements collateralized by bonds	0.600%~3.90%	0.225%~0.40%	

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31		
<u>Financial assets at FVTPL - non-current</u> Financial assets mandatorily classified as at	2022	2021	
FVTPL			
Non-derivative financial assets Domestic unlisted shares	<u>\$ 2,440</u>	<u>\$ 4,034</u>	
Financial liabilities at FVTPL - current Financial liabilities held for trading - Interest rate swap contracts (a)	<u>\$</u>	<u>\$ 372</u>	

a. At the end of the year, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

December 31, 2021

			Notional Amount
	Currency	Maturity Date	(In Thousands)
Buv	USD/NTD	2022.07.01	US\$3.000/NT\$83.385

8. NOTES AND TRADE RECEIVABLES, NET

	December 31			
	2022	2021		
Notes receivable				
Notes receivable - operating	<u>\$ -</u>	<u>\$ 133</u>		
<u>Trade receivables</u>				
At amortized cost				
Gross carrying amount - non-related parties	546,797	439,682		
Gross carrying amount - related parties	-	4,619		
Less: Allowance for impairment loss	(108,071)	(112,878)		
	<u>\$ 438,726</u>	<u>\$ 331,423</u>		

The Company's average credit period for the sales of RFID Tags and Readers is 30 to 90 days after the end of each month. The payment collection policy for the sales of automated optical inspection machines is that the Company charges 70% to 90% of the payment after the machines are installed and collect the remaining payment after acceptance is completed. The average credit period is about 30 to 120 days after the end of each month.

In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

The Company measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix approach considering the past default experience of the customer, the customer's current financial position, the economic condition of the industry in which the customer operates, as well as the industry outlook. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on the aging of trade receivable is not further distinguished according to the Company's different customer base.

The Company writes off a trade receivable when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The Company's current credit risk grading framework is shown in the following table:

December 31, 2022

	1–90 days	91–180 days	181-365 days	366-730 days	731 or more	Total
Gross carrying amount	\$ 203,260	\$ 45,336	\$ 128,313	\$ 105,081	\$ 64,807	\$ 546,797
ECLs			$(\underline{31,305})$	(<u>21,671</u>)	$(\underline{55,095})$	$(\underline{108,071})$
Amortized cost	<u>\$ 203,260</u>	<u>\$ 45,336</u>	\$ 97,008	<u>\$ 83,410</u>	<u>\$ 9,712</u>	<u>\$ 438,726</u>

December 31, 2021

	1–90 days	91–180 days	181-365 days	366-730 days	731 or more	Total
Gross carrying amount	\$ 73,479	\$ 20,050	\$ 63,795	\$ 85,023	\$ 201,954	\$ 444,301
ECLs			(11,838)	(<u>10,006</u>)	(<u>91,034</u>)	$(\underline{112,878})$
Amortized cost	<u>\$ 73,479</u>	\$ 20,050	<u>\$ 51,957</u>	\$ 75,017	<u>\$ 110,920</u>	<u>\$ 331,423</u>

The movements of the loss allowance of trade receivables were as follows:

	For the Year Ended December 31			
	2022	2021		
Balance at January 1	\$ 112,878	\$ 112,133		
Add: Net remeasurement of loss allowance	· -	745		
Less: Net remeasurement of loss allowance	(4,807)	_		
Balance at December 31	\$ 108,071	\$ 112,878		

9. INVENTORIES

	December 31			
	2022	2021		
Finished goods	\$ 151	\$ 38,972		
Work in progress	112,651	175,344		
Raw materials	68,397	77,813		
	<u>\$ 181,199</u>	<u>\$ 292,129</u>		

The costs of inventories recognized as cost of goods sold for the years ended December 31, 2022 and 2021 were \$883,696 thousand and \$1,016,464 thousand, respectively.

The costs of inventories recognized as costs of goods sold for the years ended December 31, 2022 and 2021 were as follows:

	For the Year Ended December 31			
	2022	2021		
Loss on the obsolescence of inventory	\$ 10,985	\$ 4,813		
Inventory reversed	(6,117)	(8,024)		
Income from scrap sales	$(\frac{150}{\$-4,718})$	$(\frac{217}{\$})$		

The reversals of previous write-downs resulted from reduced inventories.

10. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

			Proportion	of Ownership (%)
			Dec	cember 31
Investor	Investee	Nature of Activities	2022	2021
Favite, Inc.	Favite Limited (Samoa) (Favite		100%	100%
	Limited)	Investment		
Favite Limited		Software design and sales of electronic	100%	100%
	Favite (Shanghai)	components		

The above subsidiaries are recognized in accordance with the financial statements audited by accountants.

11. PROPERTY, PLANT AND EQUIPMENT

a. Assets used by the Company

	Land	Buildings	Machinery and equipment	Transportatio n equipment	Office and other equipment	Total
Costs Balance at January 1, 2022 Additions Disposals	\$ 277,866	\$ 183,876 9,163	\$ 10,233 361	\$ 1,622	\$ 17,919 5,389	\$ 491,516 14,913
Disposals	-	-	(4,174)	(1,090)	(3,163	(8,427)
Effect of exchange rate changes				<u>-</u>	18	18
Balance at December 31, 2022	<u>\$ 277,866</u>	<u>\$ 193,039</u>	\$ 6.420	<u>\$ 532</u>	\$ 20,163	\$ 498,020
Accumulated depreciation Balance at January 1, 2022 Depreciation expense Disposals	\$ -	\$ 55,732 5,085	\$ 6,162 1,240	\$ 1,319 89	\$ 11,515 4,225 (3,163	\$ 74,728 10,639
Effect of exchange rate	-	-	(3,312)	(1,090))	(7,565)
changes Balance at December 31,					14	14
2022	<u>\$</u>	\$ 60,817	<u>\$ 4,090</u>	<u>\$ 318</u>	<u>\$ 12,591</u>	<u>\$ 77,816</u>
Carrying amounts at December 31, 2022	\$ 277,866	<u>\$ 132,222</u>	<u>\$ 2,330</u>	<u>\$ 214</u>	\$ 7,572	<u>\$ 420,204</u>
Costs Balance at January 1, 2021 Additions Disposals	\$ 277,866	\$ 179,938 3,938	\$ 130,104 233 (120,104)	\$ 1,622	\$ 16,626 1,596 (297	\$ 606,156 5,767
Effect of exchange rate	-	-	(120,104)	-	(6	(120,401)
changes Balance at December 31, 2021	\$ 277,866	\$ 183,876	<u>\$ 10,233</u>	\$ 1,622	\$ 17,919	(<u>6</u>) \$ 491,516
Accumulated depreciation Balance at January 1, 2021 Depreciation expense Disposals	\$ -	\$ 51,093 4,639	\$ 124,847 1,419	\$ 1,170 149	\$ 7,963 3,854 (297	\$ 185,073 10,061
Effect of exchange rate	-	-	(120,104)	-) (<u>5</u>	(120,401)
changes Balance at December 31, 2021	<u>-</u> <u>\$</u> -	<u> </u>	\$ 6,162	<u>-</u> \$ 1,319	\$ 10,567	(<u>5</u>) <u>\$ 74,728</u>
Carrying amounts at December 31, 2021	<u>\$ 277,866</u>	<u>\$ 128,144</u>	<u>\$ 4,071</u>	<u>\$ 303</u>	<u>\$ 6,133</u>	<u>\$ 416,788</u>

No impairment loss or reversal of impairment loss was recognized for the years ended December 31, 2022 and 2021.

The above items of property, plant and equipment used by the Company are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings

Main buildings of factories	32–51 years
Electrical and mechanical engineering	36 years
Others	5–11 years
Machinery and equipment	4–7 years
Transportation equipment	6 years
Office and other equipment	3–8 years

Land and buildings used by the Company and pledged as collateral for bank borrowings are set out in Note 29.

12. LEASE ARRANGEMENTS

a. Right-of-use assets

b.

c.

	December 31	
	2022	2021
<u>Carrying amounts</u> Buildings	<u>\$ 4,710</u>	<u>\$ 5,986</u>
	For the Vear En	ded December 31
	2022	2021
Additions to right-of-use assets	\$ 1.100	\$ 4,430
Depreciation charge for right-of-use assets		
Buildings	<u>\$ 2,184</u>	<u>\$ 2,230</u>
Lease liabilities		
	December 31,	
	2022	2021
Carrying amounts		
Current	<u>\$ 2,081</u>	<u>\$ 2,213</u>
Non-current	<u>\$ 2,728</u>	<u>\$ 3,808</u>
Range of discount rates for lease liabilities was as	follows:	
	December 31	
	2022	2021
Buildings	1.24%~1.52%	1.24%~1.63%
Other lease information		
	For the Year Ended December 31	
	2022	2021

13. INTANGIBLE ASSETS

Expenses relating to short-term leases Total cash outflow for leases

TANGIBLE ASSETS	
	Year Ended December 31, 2022
	Computer Software
Cost	
Balance at January 1	\$ 15,838
Additions	8,684
Disposals	(<u>2,407</u>)
Balance at December 31	<u>\$ 22,115</u>
Accumulated amortization	\$ 12.926
Balance at January 1	*
Amortization expense	1,160
Disposals	$(\frac{2,407}{6})$
Balance at December 31	<u>\$ 11,679</u>
Carrying amounts at December 31, 2022	\$ 10,436
, ,	
	Year Ended December 31, 2021
Costs	Computer Software
Balance at January 1	\$ 13,066
Additions	<u>2,772</u>
Balance at December 31	<u>\$ 15,838</u>

	Year Ended December 31, 2021
Accumulated amortization	Computer Software
Balance at January 1	\$ 11,808
Amortization expense	1,118
Balance at December 31	<u>\$ 12,926</u>
Carrying amounts at December 31, 2021	<u>\$ 2,912</u>

Other intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer software 3–5 years

	December 31				
	2	022	20	021	
An analysis of the amortization by function:					
Operating costs	\$	129	\$	37	
Selling and marketing expenses		14		4	
General and administrative expenses		139		77	
Research and development expenses		<u>878</u>		1,000	
- · ·	\$	1,160	\$	1,118	

14. OTHER ASSETS

	December 31	
	2022	2021
Current		
Other financial assets		
Pledged bank deposits and time deposits (a)	<u>\$ 23,194</u>	<u>\$ 33,923</u>
Other current assets		
Tax refund receivable	\$ 12,334	\$ 8,515
Prepayments to suppliers	2,098	6,746
Prepayments for software maintenance	2,000	2,354
Interest receivable	1,304	250
Prepayments for software	· -	6,124
Others	2,678	31,848
	<u>\$ 20,414</u>	<u>\$ 55,837</u>
Non-current		
Refundable deposits	<u>\$ 1,124</u>	<u>\$ 1,647</u>

a. The ranges of interest rates for pledged bank deposits and time deposits were 1.05%–1.175% and 0.03%–0.815% on December 31, 2022 and 2021, respectively. Please refer to Note 29.

15. BORROWINGS

a. Short-term borrowings

	December 31	
	2022	2021
Secured borrowings (Note 29)		
- Bank loans	\$ -	\$ 60,000
<u>Unsecured borrowings</u>		
- Bank loans	150,000	60,000
	<u>\$ 150,000</u>	<u>\$ 120,000</u>

The range of weighted average effective interest rates on bank loans were 1.675%-1.75% and 0.84%-1.20% per annum at December 31, 2022 and 2021, respectively.

b. Long-term borrowings

	December 31	
	2021	2020
Secured borrowings (Note 29)	\$ 295,616	\$ 338,204
Less: Current portion	(252,588)	(42,588)
	<u>\$ 43,028</u>	<u>\$ 295,616</u>

The Company provided land and buildings as collateral for the above borrowings as per agreements (refer to Note 29). The interval of effective borrowing rates as of December 31, 2022 and 2021 were 1.79%-2.125% and 1.22%-1.50%.

16. TRADE PAYABLES

	December 31	
	2022	2021
Trade payables	\$ 105,368	\$ 360,819
Trade payables- related parties	_	7,835
	<u>\$ 105,368</u>	<u>\$ 368,654</u>

The average credit period on purchases of certain goods was 30-180 days. The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

17. OTHER LIABILITIES

	December 31	
	2022	2021
<u>Current</u>		
Other payables		
Payables for salaries or bonuses	\$ 61,267	\$ 45,861
Payables for commission	16,001	16,662
Payables for freight	15,642	26,682
Others	<u>36,655</u>	42,632
	<u>\$ 129,565</u>	<u>\$ 131,837</u>
Bonuses for unused paid leave	\$ 4,377	\$ 3,873
Others	<u>763</u>	<u>792</u>
	<u>\$ 5,140</u>	<u>\$ 4,665</u>

18. PROVISIONS - CURRENT

	December 31	
	2022	2021
Warranties	\$ 69,393	\$ 57,984

	Provision for warranty
Balance at January 1, 2021	49,053
Additional provisions recognized	13,825
Amount used	(<u>4,894</u>)
Balance at December 31, 2021	57,984
Additional provisions recognized	14,248
Amount used	(<u>2,839</u>)
Balance at December 31, 2022	<u>\$ 69,393</u>

The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Company's obligations for warranties under contracts for the sale of goods. The estimate has been made on the basis of historical warranty trends and may vary as a result of new materials, altered manufacturing processes or other events affecting product quality.

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

The employees of the company's subsidiaries in Mainland China are members of the retirement benefit plan operated by the government of Mainland China. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit plan in order to fund the plan. The Company's obligation to this government-operated retirement benefit plan is only to contribute a specified amount.

b. Defined benefit plans

The defined benefit plans adopted by the Company in accordance with the Labor Standards Law are operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries for the 6 months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company's defined benefit plans are as follows:

		Decer	nber 31	
		2022		2021
Present value of funded defined benefit obligation	\$	9,177	\$	9,286
Fair value of plan assets	(5,099)	(4,381)
Net defined benefit liability	\$	4,078	\$	4,905

Movements in net defined benefit liability were as follows:

	Funde	nt Value of ed Defined Obligation		llue of Plan		ined Benefit ability
Balance at January 1, 2021	\$	9,069	(\$	3,952)	\$	5,117
Net interest expense (income)		32	(<u>16</u>)		16
Recognized in profit or loss		32	(<u>16</u>)		16
Remeasurement						
Actuarial loss (gain) - changes in						
financial assumptions		95	(53)		42
Actuarial loss - experience						
adjustments		90		<u> </u>		90
Recognized in other comprehensive						
income		185	(53)		132
Contributions from employer		<u> </u>	(<u>360</u>)	(360)
Balance at December 31, 2021		9,286	(4,381)		4,905
Net interest expense (income)	\$	45	(\$	22)		23
Recognized in profit or loss		45	(22)		23
Remeasurement		_		_	·	
Actuarial gain- changes in financial						
assumptions	(185)	(336)	(521)
Actuarial loss- experience						
adjustments		31		<u> </u>		31
Recognized in other comprehensive						
income	(<u>154</u>)	(336)	(490)
Contributions from employer		<u>-</u>	(<u>360</u>)	(360)
Balance at December 31, 2022	\$	9,177	(\$	5,099)	\$	4,078

An analysis by the function of the amounts recognized in profit or loss in respect of the benefit plans is as follows:

		For the Year En	ded December 31	-
	20)22	20	21
Operating costs	\$	8	\$	6
General and administrative expenses		7		4
Research and development expenses		8		6
	\$	<u>23</u>	\$	<u>16</u>

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2022	2021
Discount rate(s)	1.70%	0.49%
Expected rate(s) of salary increase	3.00%	2.00%

If the possible reasonable change in each of the significant actuarial assumptions occurs and all other assumptions remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	December 31		
	2022	2021	
Discount rate(s)			
0.25% increase	(\$ 183)	(\$ 208)	
0.25% decrease	\$ 189	\$ 216	
Expected rate(s) of salary increase			
0.25% increase	\$ 184	\$ 209	
0.25% decrease	$(\frac{\$}{178})$	$(\frac{\$}{\$} 203)$	

The sensitivity analysis previously presented may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes in assumptions will occur in isolation of one another as some of the assumptions may be correlated.

	December 31		
	2022	2021	
The expected contributions to the plan for the next year	<u>\$ 371</u>	<u>\$ 367</u>	
The average duration of the defined benefit obligation	8 years	9 years	

20. EQUITY

a. Share capital

1) Ordinary shares:

	December 31		
	2022	2021	
Shares authorized (in thousands of shares)	150,000	150,000	
Value of authorized shares	\$ 1,500,000	\$ 1,500,000	
Shares issued and fully paid (in thousands of			
shares)	79,052	79,052	
Shares issued and fully paid	\$ 790,523	\$ 790,523	

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

Of the Company's authorized shares, 2,000 thousand shares had been reserved for the issuance of employee share options.

b. Capital surplus

	December 31		
	2022	2021	
May be used to offset a deficit, distributed as			
cash dividends, or transferred to share capital (1)			
Issuance of ordinary shares	\$ 82,517	\$ 82,517	
Right to convert to convertible corporate bonds	15,973	15,973	
	<u>\$ 98,490</u>	<u>\$ 98,490</u>	

Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital
surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the
Company's capital surplus and to once a year).

c. Retained earnings and dividends policy

Based on Favite, Inc.'s Articles of Incorporation state that, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting accumulated losses, and setting aside as legal reserve 10% of the remaining profit. However, this limitation is not applicable when the legal reserve has reached the total capital. Setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by Favite, Inc.'s board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders.

Regarding Favite, Inc.'s dividend policy, Favite, Inc.'s partial dividends are retained by the Board of Directors to meet operational needs based on the year's capital, financial structure, macro environment, and industrial growth to achieve Favite, Inc.'s goal of sustainable development and stable business performance, so no more than 90% of Favite, Inc.'s distributable earnings can be distributed as dividends. As per the future capital expenditure budgets and capital needs, Favite, Inc.'s dividends are distributed in two forms: stock dividends (including capitalization of earnings and capitalization of capital surplus) and cash dividends, of which cash dividends to be paid out shall not be less than 5% of the total dividends to be paid out. For the policies on the distribution of compensation of employees and remuneration of directors and supervisors after the amendment, refer to compensation of employees and remuneration of directors and supervisors in Note 22-7.

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

The appropriations from the 2021 earnings were approved at the shareholders' meetings on June 24, 2022, as follows:

	Appropriation of Earnings	
	For the Year Ended December 31	
	2021	
Legal reserve	<u>\$ 6,366</u>	
Reversal of special reserve	(<u>\$ 273</u>)	
Cash dividends	<u>\$ 39,526</u>	
Cash dividend per share (NT\$)	<u>\$ 0.50</u>	

The 2020 deficit compensation statement was approved at the shareholders' meetings on August 26, 2021, as follows:

	Deficit Compensation Statement	
	For the Year Ended December 31	
		2020
Balance at January 1, 2020	\$	68,385
Remeasured defined benefit plan recognized in retained earnings		366
Adjusted undistributed earnings		68,751
Net loss for the year	(101,773)
Accumulated deficit	(<u>\$</u>	33,022)

The earnings distribution proposal for 2022 in the board of directors meeting proposed on February 24, 2023 as follows:

	Appropriation of Earnings
	For the Year Ended December 31
	2022
Legal reserve	\$ 28,347
Reversal of special reserve	(<u>\$ 495</u>)
Cash dividends	<u>\$ 79,052</u>
Cash dividend per share (NT\$)	<u>\$ 1.0</u>

The appropriation of earnings for 2022 is subject to resolution in the shareholders' meeting to be held on May 29, 2023.

d. Special reserve

	For the Year Ended December 31		
	2022	2021	
Beginning at January 1 Reversals	\$ 5,318	\$ 5,318	
Reversal of the debits to other equity items Balance at December 31	$(\frac{273}{\$})$	<u>\$ 5,318</u>	

e. Other equity items

Exchange differences on translating the financial statements of foreign operations:

	For the Year Ended December 31			31
		2022		2021
Balance at January 1	(\$	5,045)	(\$	4,842)
Recognized				
Exchange differences on translating the				
financial statements of foreign				
operations		495	(203)
Balance at December 31	(<u>\$</u>	<u>4,550</u>)	(<u>\$</u>	5,045)

21. REVENUE

	For the Year Ended December 31	
	2022	2021
Revenue from contracts with customers		
Revenue from the sale of goods	\$ 1,429,655	\$ 1,385,155
Others	47,774	24,099
	\$ 1,477,429	\$ 1,409,254

a. Contract information

Revenue from the sale of goods

The revenue from sales of goods mainly comes from the sales of automated optical inspection machines. As the terms for automated optical inspection machines depend on each agreement, when a client has confirmed that the merchandise meets the specifications agreed in the agreement when it arrives at the location designated by the client or when it is shipped out, the client has the ability to lead the use of the merchandise and obtain almost all the remaining profit of the merchandise, at which the Company recognized the merchandise in revenue and contract assets and reclassifies it to accounts receivable after fulfilling the remaining obligations.

Please refer to Note 18 for the details of the warranty obligations of the automated optical inspection machines.

b. Contract balance

	Decen	ıber 31, 2022	Decem	ber 31, 2021	Janu	ary 1, 2021
Trade receivables (Note 8)	\$	438,726	\$	331,423	\$	645,264
Contract assets						
Sale of goods	\$	186,093	\$	191,818	\$	163,021
Less: Allowance for impairment loss	(16,101)	(7,909)	(16,201)
Contract assets - current	\$	169,992	\$	183,909	\$	146,820
Contract liabilities						
Contract liabilities - current	\$	4,518	\$	191,441	\$	190,887

The Company measures the loss allowance for contract assets at an amount equal to lifetime ECLs. The contract assets will be transferred to accounts receivable when the corresponding invoice is billed to the client, and the contract assets have substantially the same risk characteristics as the trade receivables for the same types of contracts. Therefore, the Company concluded that the expected loss rates for trade receivables.

	December 31		
	2022	2021	
Gross carrying amount Allowance for impairment loss (Lifetime	\$ 186,093	\$ 191,818	
ECLs)	$(\frac{16,101}{\$ 169,992})$	$(\frac{7,909}{\$ 183,909})$	

The movements of the loss allowance of contract assets were as follows:

	December 31		
	2022	2021	
Balance at January 1	\$ 7,909	\$ 16,201	
Add: Net remeasurement of loss allowance	8,192	-	
Less: Net remeasurement of loss allowance		(8,292)	
Balance at December 31	<u>\$ 16,101</u>	<u>\$ 7,909</u>	

Revenue of the reporting period recognized from the beginning contract liabilities in the previous periods is as follows:

	For the Year Ended December 31	
	2022	2021
From contract liabilities at the beginning of the		
year Sale of goods	\$ 191,433	\$ 190,879

c. Disaggregation of revenue

Please refer to Note 33 for the disaggregation of revenue.

22. NET PROFIT

Net profit included the following items:

a. Interest income

	For the Year Ended December 31	
	2022	2021
Bank deposits	\$ 5,905	\$ 781
Others	1,395	932
	<u>\$ 7,300</u>	<u>\$ 1,713</u>

b. Other income

	For the Year Ended December 31		
	2022	2021	
Government grant income (Note 25)	\$ -	\$ 10,021	
Others	1,029	<u>991</u>	
	<u>\$ 1,029</u>	<u>\$ 11,012</u>	

c. Other gains and losses

	For the Year End		aea December 31		
	•	2022		2021	
Net foreign exchange gain (loss)	\$	103,497	(\$	30,930)	
Fair value changes of financial assets and financial					
liabilities					
Financial assets mandatorily classified as at					
FVTPL	(1,222)	(904)	
Loss on disposal of property, plant and equipment	(695)		-	
Others		6		41	
	\$	101,586	(\$	31,793)	

d. Finance costs

	For the Year Ended December 31	
	2022	2021
Interest on bank loans	\$ 7,439	\$ 7,438
Interest on lease liabilities	177	87
	<u>\$ 7,616</u>	<u>\$ 7,525</u>

e. Depreciation and amortization

	For the Year Ended December 31			
	2022	2021		
An analysis of depreciation by function	4.7.0			
Operating costs	\$ 4,559	\$ 5,742		
Operating expenses	<u>8,264</u>	<u>6,549</u>		
	<u>\$ 12,823</u>	<u>\$ 12,291</u>		
An analysis of amortization by function				
Operating costs	\$ 129	\$ 37		
Operating expenses	1,031	1,081		
	<u>\$ 1,160</u>	<u>\$ 1,118</u>		

f. Employee benefit expense

	For the Year Ended December 31		
	2022	2021	
Short-term benefits	\$ 260,282	<u>\$ 210,544</u>	
Post-employment benefits (Note 19)			
Defined benefit plans	23	16	
Defined contribution plans	11,503	10,042	
•	11,526	10,058	
Other employee benefits	37,746	28,733	
Total employee benefit expense	\$ 309,554	<u>\$ 249,335</u>	
An analysis of employee benefits expense by function			
Operating costs	\$ 67,010	\$ 70,483	
Operating expenses	242,544	<u>178,852</u>	
	\$ 309,554	<u>\$ 249,335</u>	

g. Employees' compensation and remuneration of directors and supervisors

Favite, Inc. resolved amendments to its Articles of Incorporation to distribute employees' compensation and remuneration to directors and supervisors at rates of 10% and no higher than 2%, respectively. The employees'

compensation and the remuneration of directors and supervisors for the years ended December 31, 2022 and 2021, which were approved by the Company's board of directors on February 24, 2023 and March 25, 2021, respectively, are as follows:

Accrual rate

	For the Year Ended December 31		
	2022	2021	
Employees' compensation	10%	10%	
Remuneration of directors and supervisors	2%	2%	

Amount

	For the Year Ended December 31		
	2022	2021	
	Cash	Cash	
Employees' compensation	\$ 37,753	\$ 7,657	
Remuneration of directors and supervisors	\$ 7,551	\$ 1,531	

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

There is no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the parent company only financial statements for the years ended December 31, 2021.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2022 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

23. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	For the Year Ended December 31		
	2022	2021	
Current tax			
In respect of the current year	\$ 49,089	\$ 36	
Income tax on unappropriated earnings	35	-	
Adjustments for the prior year	196	23	
3	49,320	59	
Deferred tax			
In respect of the current year	_	3,725	
Income tax expense recognized in profit or loss	\$ 49,320	\$ 3,784	

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

	For the Year Ended December 31		
	2022	2021	
Profit before tax from continuing operations	<u>\$ 332,301</u>	<u>\$ 100,595</u>	
Income tax expense calculated at the statutory rate	\$ 66,518	\$ 20,143	
Nondeductible expenses	12	-	
Tax-exempt income	-	(2,005)	
Income tax on unappropriated earnings	35	-	
Temporary differences	(9,343)	(3,767)	
Deferred tax			
Tax-exempt income	(7,706)	(10,665)	
Loss carryforwards	7,706	14,390	
Used loss carryforwards	(8,098)	(14,335)	
Adjustments for prior years' tax	196	23	
Income tax expense recognized in profit or loss	<u>\$ 49,320</u>	<u>\$ 3,784</u>	

b. Current tax assets

	December 31		
	2022	2021	
Current tax assets			
Tax refund receivable	<u>\$ 134</u>	<u>\$ 321</u>	
Current tax liabilities			
Income tax payable	<u>\$ 49,004</u>	<u>\$</u>	

c. Deferred tax assets

For the year ended December 31, 2022

	pening alance		gnized in it or Loss	Closi	ng Balance
Deferred Tax Assets					_
Temporary differences					
Unrealized write-downs of					
inventories	\$ 10,882	(\$	1,223)	\$	9,659
Others	 38,600		8,929		47,529
	49,482		7,706		57,188
Loss carryforwards	 7,706	(7,70 <u>6</u>)		<u>-</u>
	\$ 57,188	\$	_	<u>\$</u>	57,188

For the year ended December 31, 2021

	pening alance		ognized in fit or Loss	Closi	ng Balance
Deferred Tax Assets					
Temporary differences					
Unrealized write-downs of					
inventories	\$ 12,487	(\$	1,605)	\$	10,882
Others	 26,330		12,270		38,600
	38,817		10,665		49,482
Loss carryforwards	 22,096	(14,390)		7,706
•	\$ 60,913	(<u>\$</u>	3,725)	\$	57,188

d. Income tax assessments

The income tax returns of Favite, Inc. before 2020 have been assessed by the tax authorities.

24. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Year Ended December 31		
	2022	2021	
Basic earnings per share	\$ 3.58	<u>\$ 1.22</u>	
Diluted earnings per share	<u>\$ 3.50</u>	<u>\$ 1.22</u>	

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

Net profit for the year

	For the Year Ended December 31		
	2022	2021	
Earnings used in the computation of basic and			
diluted earnings per share	<u>\$ 282,981</u>	<u>\$ 96,811</u>	

The weighted average number of ordinary shares outstanding (in thousands of shares) is as follows:

	For the Year Ended December 31		
	2022	2021	
Weighted average number of ordinary shares used			
in the computation of basic earnings per share	79,052	79,052	
Effect of dilutive potential ordinary shares:			
Employees' compensation issued to employees	1,876	416	
Weighted average number of ordinary shares used			
in the computation of diluted earnings per share	80,928	79,468	

If the Company offered to settle the compensation or bonuses paid to employees in cash or shares, the Company assumed that the entire amount of the compensation or bonuses would be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

25. GOVERNMENT GRANTS

The Company applied to the Ministry of Economic Affairs for a grant under" Salary and Working Capital of Businesses with Financial Difficulties in the Manufacturing and Technical Service Industries Affected by Severe Pneumonia with Novel Pathogens". The amount recognized as a credit to income was \$10,021 thousand for the years ended December 31, 2021 (in other income).

26. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities in the Company will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Company consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Company (comprising issued capital, reserves, retained earnings and other equity).

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

27. FINANCIAL INSTRUMENTS

- a. Fair value of financial instruments measured at fair value on a recurring basis
 - 1) Fair value hierarchy

<u>December 31, 2022</u>				
	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL Unlisted shares	<u>\$</u>	<u>\$</u>	<u>\$ 2,440</u>	<u>\$ 2,440</u>
<u>December 31, 2021</u>				
E' '1 / EV/EDI	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL Unlisted shares	<u>\$</u>	<u>\$</u>	<u>\$ 4,034</u>	<u>\$ 4,034</u>
Financial liabilities at FVTPL Swap contracts	\$ <u>-</u>	\$ 372	\$ <u>-</u>	\$ 372

There were no transfers between Levels 1 and 2 in the current and prior years.

2) Valuation techniques and inputs applied for Level 3 fair value measurement

With the market approach adopted, unlisted shares are adjusted for necessary discounts and premiums with the impact of market liquidity and control rights on their fair values considered.

b. Categories of financial instruments

	Dec	cember 31
	2022	2021
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 2,440	\$ 4,034
Mandatorily classified as at FVTPL	-	-
Financial assets at amortized cost (1)	1,226,272	1,186,264
Financial liabilities		
FVTPL		
Mandatorily classified as at FVTPL	-	372
Amortized cost (2)	680,855	959,001

- 1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes and trade receivables (including related parties), other receivables, other financial assets and refundable deposits.
- 2) The balances include financial liabilities at amortized cost, which comprise short-term loans, trade payables (including related parties), other payables, the current portion of long-term borrowings, long-term borrowings and guarantee deposits received.
- c. Financial risk management objectives and policies

The Company's major financial instruments include trade receivables, trade payables, borrowings and lease liabilities. The Company's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Company

through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

The corporate treasury function reports quarterly to the Company's board of directors.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

There has been no change to the Company's exposure to market risks or the manner in which these risks are managed and measured.

a) Foreign currency risk

The management of the foreign currency risk aims to hedge risks not for the purpose of making profits.

For exchange risk management, each foreign-currency item of net assets and liabilities is reviewed regularly.

The carrying amounts of the Company's foreign currency-denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period, please refer to Note 31.

Sensitivity analysis

The Company was mainly exposed to the USD.

The following table details the Company's sensitivity to a 5% increase and decrease in the NTD (i.e., the functional currency) against USD. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusted their translation at the end of the period for a 5% change in foreign currency rates. The sensitivity analysis included cash and cash equivalents, notes and trade receivables, contract assets, other financial assets, trade payables and other payables. A negative number below indicates a decrease in pre-tax profit associated with the NTD strengthening by 5% against USD. For a 5% weakening of the NTD against USD, there would be an equal and opposite impact on pre-tax profit and the balances below would be positive.

	USI) Impact
	For the Year E	Inded December 31
	2022	2021
Profit or loss	(\$ 48,952)	(\$ 60,899)

b) Interest rate risk

The Company is exposed to interest rate risk because entities in the Company borrowed funds at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix of fixed and floating rate borrowings. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied.

The carrying amounts of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

		December 31
	2022	2021
Fair value interest rate risk		
- Financial assets	\$ 648,342	\$ 406,189
- Financial liabilities	154,809	126,021
Cash flow interest rate risk		
- Financial assets	123,442	79,867
- Financial liabilities	295,616	338,204

Sensitivity analysis

The sensitivity analyses below were determined based on the Company's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared to assume the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. Basis points of 0.125% increase or decrease were used when reporting interest rate risk internally to key management personnel and representing management's assessment of the possible change in interest rates.

If interest rates increased/decreased by 0.125% and all other variables were held constant, the Company's post-tax profit for the years ended December 31, 2022 and 2021 decreased/increased by \$215 thousand and \$323 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. At the end of the year, the Company's maximum exposure to credit risk, which would cause a financial loss to the Company due to the failure of the counterparty to discharge its obligation and due to the financial guarantees provided by the Company, could be equal to the total of the carrying amount of the respective recognized financial assets as stated in the balance sheets.

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

The credit risk on liquid funds was limited because the counterparties are banks with high credit ratings.

Trade receivables consisted of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of trade receivables and, where appropriate, credit guarantee insurance cover is purchased.

The Company's concentration of credit risk was 77% and 74% of total trade receivables as of December 31, 2022 and 2021, respectively, which was attributable to the Company's five largest customers.

3) Liquidity risk

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

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

a) Liquidity and interest rate risk tables

The following table details the Company's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

December 31, 2022

	On Demand or Less than 1 Month	1–3 months	3 Months to 1 Year	1-5 Years	5+ Years
Non-derivative financial					
<u>liabilities</u>					
Non-interest bearing	\$111,039	\$ 44,770	\$117,904	\$ -	\$ 6,524
Variable in tersest rate liability	460	11,567	245,762	43,942	-
Fixed interest rate liabilities	216	50,361	100,437	-	-
Lease liabilities	190	380	1,711	2,930	
	<u>\$111,905</u>	<u>\$107,078</u>	<u>\$465,814</u>	<u>\$ 46,872</u>	\$ 6,524

Further information on the maturity analysis of the above financial liabilities was as follows:

	Less than			10-15	15-20	
	1 year	1-5 years	5-10 years	years	years	20+ Years
Lease liabilities	\$ 2,281	\$ 2,930	\$ -	\$ -	\$ -	\$ -

December 31, 2021

	On Demand or Less than 1 Month	1–3 months	3 Months to 1 Year	1-5 Years	5+ Years
Non-derivative financial					
<u>liabilities</u>					
Non-interest bearing	\$124,253	\$139,652	\$239,250	\$ -	\$ 6,524
Variable in tersest rate liability	365	11,378	35,008	299,836	-
Fixed interest rate liabilities	102	30,204	90,409	-	-
Lease liabilities	190	380	<u>1,711</u>	3,864	
	<u>\$124,910</u>	<u>\$181,614</u>	<u>\$366,378</u>	\$303,700	<u>\$ 6,524</u>

Further information on the maturity analysis of the above financial liabilities was as follows:

	Less than			10-15	15-20	
	1 year	1-5 years	5-10 years	years	years	20+ Years
Lease liabilities	\$ 2,281	\$ 3,864	\$ -	\$ -	\$ -	\$ -

b) Financing facilities

	December 31			
	2022	2021		
Unsecured bank loan facilities				
- Amount used	\$ 150,000	\$ 62,000		
- Amount unused	880,680	1,066,040		
	\$ 1,030,680	\$ 1,128,040		
Secured bank loan facilities				
- Amount used	\$ 445,743	\$ 513,398		
- Amount unused	555,451	176,025		
	\$ 1,001,194	\$ 689,423		

28. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Company and other related parties are disclosed as follows:

a. Name and relationship of related parties

Name	Relationship with the Company
Favepc Inc.	Substantive related party
	Substantive related party (Non-related party from
Contrel Technology Co., Ltd.	2022.06.24)
Utechzone Co., Ltd.	Investor with significant influence over the Company

b. Sales of goods

		For the Year Ended December			ber 31
Account Item	Related Party Type	2	022	2	021
Sales	Substantive related party	\$	505	\$	615
	Investor with significant influence over				
	the Company		168		<u> </u>
		\$	673	\$	615

Sales price to related parties is based on cost and market price. The sales terms to related parties were similar to those with external customers.

c. Purchases of goods

	For the Year Ended December 31			
Related Party Type	2022	2021		
Substantive related party	<u>\$ -</u>	<u>\$ 7,833</u>		

Purchases were made at market prices and discounted to reflect the quantity of goods purchased and the relationships between the parties.

d. Contract assets

			Decen	ıber 31	
Account Item Contract assets	Related Party Type Investor with significant influence over	2	2022	2	2021
	the Company	\$	7,739	\$	6,975

For the years ended December 31, 2022 and 2021, no impairment loss was recognized for contract assets from related parties.

e. Receivables from related parties

			Decem	December 31		
Account Item Notes and trade	Related Party Type Investor with significant influence over	2022		2021		
receivable	the Company Substantive related party	\$	<u>-</u>	\$	4,186 433	
		\$	<u> </u>	\$	4,619	
Other receivables	Substantive related party	\$		\$	126	

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2022 and 2021, no impairment losses were recognized for trade receivables from related parties.

f. Payables to related parties

		Decei	nber 31
Account Item	Related Party Type	2022	2021
Notes and trade payables	Substantive related party	\$ _	\$ 7.835
payables		<u> </u>	<u> </u>

The outstanding trade payables to related parties are unsecured.

g. Other transactions with related parties

		For	the Year End	ded Decemb	er 31
Account Item	Related Party Type	20)22	20	21
Manufacturing	Substantive related party				
expenses		\$	646	<u>\$</u>	<u> </u>

The relevant manufacturing expenses between the Company and the related parties were negotiated and were thus not comparable with those in the market.

h. Remuneration of key management personnel

	For the Year Ended December 31								
	2022	2021							
Short-term employee benefits	\$ 14,355	\$ 9,814							
Post-employment benefits	<u> </u>	141							
	<u>\$ 14,496</u>	<u>\$ 9,955</u>							

Compensation of directors and other key management personnel was decided by the Compensation Committee in accordance with individual performance and market trends.

29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for performance guarantee, financing loan, and post clearance duty on goods pre-released by customs:

	December 31					
	2022	2021				
Property, plant and equipment Pledged bank deposits and time deposits (classified	\$ 410,088	\$ 406,010				
to other financial assets - current)	23,194 <u>\$ 433,282</u>	33,923 \$ 439,933				

30. SIGNIFICANT CONTINGENT LIABILITIES

CoreFlow Ltd. filed a lawsuit against the Company in Israel on July 28, 2020 due to a dispute over the payment for supplies and claimed 1,970 thousand NIS. The Company has appointed an attorney to respond to the lawsuit in accordance with the law, but if the payment for supplies should be made still depends on the court's ruling.

31. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies of the entities in the Company and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

D 1	2 1	2022
December	- 4 I	7(1)/
December	21,	2022

	C	`oreign urrency 'housands)	Exchange Rate	Carrying Amount
Financial assets				
Monetary item USD CNY Financial liabilities	\$	32,585 701	30.710 4.408	\$ 1,000,685 3,090
Monetary item USD JPY EUR GBP	\$	705 10 10 10	30.710 0.2324 32.720 37.090	\$ 21,651 2 327 371
December 31, 2021				
<u> </u>	Foreign Currency (In Thousands)			
Financial assets	C	urrency	Exchange Rate	Carrying Amount
Financial assets Monetary item USD CNY	C	urrency	Exchange Rate 27.680 4.344	
<u>Financial assets</u> Monetary item USD	C (In T	urrency Thousands) 45,516	27.680	Amount 1,259,883

For the years ended December 31, 2022 and 2021, realized and unrealized net foreign exchange gains (losses) were \$103,497 thousand and \$(30,930) thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of foreign currency transactions and functional currencies of the entities in the Group.

32. ADDITIONAL DISCLOSURES

- a. Information about significant transactions and investees and b. Information on investees:
 - 1) Financings provided to others: None.
 - 2) Endorsements/guarantees provided: None.
 - 3) Marketable securities held: See Table 1 attached.
 - 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paidin capital: None.
 - 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None.
 - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
 - 9) Trading in derivative instruments: Refer to Note 7.
 - 10) Intercompany relationships and significant intercompany transactions: See Table 2 attached.
- b. Information on investees: See Table 3 attached.
- c. Information on investments in Mainland China
 - Information on any investee company in Mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and the limit on the amount of investment in the Mainland China area: See Table 4 attached.
 - 2) Any of the following significant transactions with investee companies in Mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: See Table 2 attached.
 - a) The amount and percentage of purchases and the balance and percentage of the relevant payables at the end of the period.
 - b) The amount and percentage of sales and the balance and percentage of the relevant receivables at the end of the period.
 - c) The amount of property transactions and the amount of the resulting gains or losses.
 - d) The ending balance of negotiable instrument endorsements or guarantees or collateral pledged and the purposes.
 - e) The highest balance, the ending balance, the interest rate range, and total current-period interest with respect to financing.
 - f) Other transactions with a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.
- d. Information of major shareholders: List all shareholders with ownership of 5% or greater, showing the name of the shareholder, the number of shares owned, and the percentage of ownership of each shareholder: See Table 5 attached.

33. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The Company's reportable segments are as follows:

a. Segment revenue and results

The following was an analysis of the Company's revenue and results from continuing operations by reportable segments:

	Equipment Development Business Group	Others	Total
For the Year Ended December 31, 2022			_
Revenue from external customers	\$ 1,474,819	\$ 2,610	\$ 1,477,429
Inter-segment revenue	\$ 1.474.819	\$ 2.610	1 477 420
Segment revenue Eliminations	<u>\$ 1,474,819</u>	<u>\$ 2,610</u>	1,477,429
Consolidated revenue			\$ 1.477.429
Segment income	\$ 228,621	\$ 1,381	\$ 230,002
Unallocated amount:			,,
Non-operating income and			
expenses			102,299
Profit before tax (continuing			Ф. 222.201
operations)			<u>\$ 332,301</u>
	Equipment Development Business Group	Others	Total
For the Year Ended December 31, 2021			_
Revenue from external customers	\$ 1,406,301	\$ 2,953	\$ 1,409,254
Inter-segment revenue	<u> </u>	<u> </u>	1 400 254
Segment revenue Eliminations	<u>\$ 1,406,301</u>	<u>\$ 2,953</u>	1,409,254
Consolidated revenue			<u>\$ 1,409,254</u>
Segment income	\$ 126,657	\$ 531	\$ 127,188
Unallocated amount:			,0
Non-operating income and			
expenses			(0(500)
1			(26,593)

Segment profit represents the profit before tax earned by each segment without non-operating income and expenses. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

100,595

b. Total segment assets and liabilities

operations)

December 31							
2022	2021						
\$ 1,225,233	\$ 914,653						
34	318,627						
1,225,267	1,233,280						
<u>853,461</u>	971,484						
<u>\$ 2,078,728</u>	\$ 2,204,764						
<u>\$ 863,101</u>	\$ 1,233,577						
<u>\$ 863,101</u>	<u>\$ 1,233,577</u>						
	\$ 1,225,233						

Unallocated assets mainly include cash and cash equivalents, other financial assets, and deferred tax assets.

Favite, Inc. and Subsidiaries

MARKETABLE SECURITIES HELD

FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

		Relationship with the Holding		December 31, 2022								
Holding Company Name	Type and Name of Marketable Securities	Company	Financial Statement Account	Number of Shares (In Thousands)	• 0		Percentage of Ownership (%)	Fair Value		Note		
The Company	Camels Vision Technologies Inc.	_	Financial assets at FVTPL - non-current	910	\$	2,440	19	\$	2,240	-		
	Favepc Inc.	The chairman is the same person.	Financial assets at FVTPL - non-current	3,265		-	18		-	-		
	Wakom Semiconductor Corporation	_	Financial assets at FVTPL - non-current	387		-	11		-	-		

Favite, Inc. and Subsidiaries

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS

FOR THE YEAR ENDED DECEMBER 31, 2022

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

				Transaction Details								
No.	Company Name	Counterparty	Relationship (Note 3)	Financial Statement Accounts	Amount	Terms	Percentage of Consolidated Operating Revenue or Total Assets					
0	FAVITE, INC.	Favite (Shanghai)	1	Operating expenses Other payables	\$ 58,654 \$ 33,276	Note 1 Note 1	3.97% 1.60%					

Note 1: The transaction terms were based on negotiations, and were not comparable to market terms.

Note 2: The transaction payment terms were similar to normal commercial terms.

Note 3: No. 1 represents the transactions from parent company to subsidiary.

Favite, Inc. and Subsidiaries

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCES DECEMBER 31, 2022

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

		Main Businesses	Original Investment Amount			Balance as of December 31, 2022					Net Income (Loss) of		Share of Profit			
Investor	Investor Investee Loc	Location	and Products		er 31, 2022 ote 2)		er 31, 2021 ote 2)	Shares (Thousands)	Percentage of Ownership (%)	Carry	ing Amount	the Investee (Note 1)		,		Note
FAVITE, INC.	Favite Limited	Samoa	Investment	\$ (US\$	61,470 2,000)	\$ (US\$	61,470 2,000)	2,000	100	\$	36,827	\$	3,570	\$	3,570	Subsidiary

Note 1: Based on the reviewed financial statements of investees in the same period.

Note 2: Amounts denominated in foreign currencies are translated into New Taiwan Dollars using the exchange rates at the dates of the transactions.

Favite, Inc. and Subsidiaries
INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company Name	Main Businesses and Products	Total Amo Paid-in C (Note	Capital	Investment Type	Outf Investm Taiwan as	nulated low of ent from of January (Note 3)	Outf Investm Taiwa Decembe	nulated low of lent from in as of er 31, 2022 ite 3)	% Ownership of Direct or Indirect Investment	Net Income (Loss) of the investee	vestment Loss) (Note 2)	 Value as of er 31, 2022	Accumulated In Remittance Earnings as December 31, 2	of of
Favite (Shanghai)	Software design and sales of	\$	61,470	(Note 1)	\$	61,470	\$	61,470	100%	\$ 3,570	\$ 3,570	\$ 36,769	\$	-
	electronic components	(US\$	2,000)		(US\$	2,000)	(US\$	2,000)						

Accumulated Investment in Mainland China as of December 31, 2022 (Note 3)	Investment Amounts Authorized by the Investment Commission, MOEA (Note 3)	Limit on Investment
\$ 61,470 (US\$ 2,000)	\$ 61,470 (US\$ 2,000)	\$729,376

Note 1: Indirect investment in a company located in Mainland China through investment in a company located in a third country

Note 2: Based on the reviewed financial statements of investees in the same period.

Note 3: Amounts denominated in foreign currencies are translated into New Taiwan Dollars using the exchange rates at the dates of the transactions.

Favite, Inc. and Subsidiaries INFORMATION OF MAJOR SHAREHOLDERS FOR THE YEAR ENDED DECEMBER 31, 2022

	Shares		
Name of Major Shareholder	Number of Shares	Percentage of	
		Ownership (%)	
Utechzone Co., Ltd.	11,379,272	14.39%	

Note 1: The information of major shareholders presented in this table is provided by Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater that have been issued without physical registration (included treasury shares) by the Company as of the last business day for the current quarter. The share capital in the parent company only financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Stock Code: 3535

Favite, Inc.

Parent Company Only Financial Statements for the Years Ended December 31, 2022 and 2021 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders Favite, Inc.

Opinion

We have audited the accompanying parent company only financial statements of Favite, Inc., which comprise the parent company only balance sheets as of December 31, 2022 and 2021, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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

Key audit matter for Favite, Inc.'s parent company only financial statements for the year ended December 31, 2022 is stated as follows:

Revenue recognition

Favite, Inc.'s revenue is mainly from the sales of automated optical inspection machines, accounting for 88% of the total operating revenue. Please refer to Note 21 for details. As the revenue from the sales of the merchandise to some clients grew significantly, we listed the recognition of the above revenue as a key audit matter.

- 7. We reviewed Favite, Inc.'s policy on the recognition of the revenue from the sales of automated optical inspection machines to confirm and evaluate if the relevant internal control measures during sales were effective.
- 8. We randomly checked the sales details and examined the contracts, external orders, delivery orders, shipping documents, and sales invoices; and learned about the clients' relevant industry backgrounds to confirm the authenticity of the revenue.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are

free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

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

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Su-Li Fang and Tung-Hui Yeh.

Deloitte & Touche Taipei, Taiwan Republic of China

February 24, 2023

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying parent company only financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and the parent company only financial statements shall prevail.

Favite, Inc.

PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	2022		2021			2022	2	2021	
ASSETS	Amount	%	Amount	%	LIABILITIES AND EQUITY	Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 4, 6, and 27)	\$ 744,880	35	\$ 807,351	36	Short-term borrowings (Notes 15, 27, and 29)	\$ 150,000	7	\$ 120,000	5
Contract assets - current (Notes 21 and 28)	169,992	8	183,909	8	Financial liabilities at fair value through profit or loss -				
Notes and trade receivables (Notes 4, 8, 21, and 27)	432,873	21	325,507	15	current (Notes 4, 7, and 27)	-	-	372	-
Trade receivables from related parties (Notes 4, 8, 21,					Contract liabilities - current (Note 21)	4,518	-	191,441	9
27, and 28)	-	-	4,619	_	Trade payables (Note 16 and 27)	105,368	5	360,616	16
Current tax assets (Notes 4 and 23)	134	-	321	_	Trade payables to related parties (Notes 16, 27, and 28)	-	-	7,835	_
Inventories (Notes 4 and 9)	181,199	9	292,129	13	Other payables (Note 17 and 27)	121,182	6	124,912	6
Other financial assets - current (Notes14, 27, and 29)	23,194	1	33,923	2	Payable to employees compensation and remuneration of				
Other current assets (Note 14 and 27)	19,438	1	54,238	3	directors and supervisors (Note 22)	45,304	2	9,188	_
Total current assets	1,571,710	<u>1</u> <u>75</u>	1,701,997	<u>3</u> <u>77</u>	Other payables to related parties (Note 27 and 28)	33,276	2	24,814	1
					Current tax liabilities (Notes 4 and 23)	49,004	3	, <u>-</u>	_
NON-CURRENT ASSETS					Provisions - current (Notes 4 and 18)	69,393	3	57,984	3
Financial assets at fair value through profit or loss -					Lease liabilities - current (Notes 4 and 12)	1,337	-	1,490	_
non-current (Notes 4, 7 and 27)	2,440	_	4,034	_	Current portion of long-term borrowings (Notes 15, 27,	,		,	
Investments accounted for using the equity method	, -		,		and 29)	252,588	12	42,588	2
(Notes 4 and 10)	36,827	2	32,762	1	Other current liabilities (Note 17)	5,140		4,665	_
Property, plant and equipment (Notes 4, 11, and 29)	419,885	20	416,517	19	Total current liabilities	837,110	40	945,905	42
Right-of-use assets (Notes 4 and 12)	3,616		4,171	-					
Intangible assets (Notes 4 and 13)	10,436	_	2,912	_	NON-CURRENT LIABILITIES				
Deferred tax assets (Notes 4 and 23)	57,188	3	57,188	3	Long-term borrowings (Notes 15, 27, and 29)	43,028	2	295,616	14
Other non-current assets (Note 14 and 27)	399		1,043		Lease liabilities - non-current (Notes 4, 12, and 27)	2,352	-	2,705	-
Total non-current assets	530,791	25	518,627	23	Net defined benefit liability - non-current (Notes 4 and 19)	4,078	-	4,905	_
Total non-editent assets	330,771		310,027		Guarantee deposits received (Notes 27)	306		306	_
					Total non-current liabilities	49,764		303,532	14
					Total non-current natifices	49,704			14
					Total liabilities	886,874	42	1,249,437	56
					EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 20)				
					Share capital				
					Ordinary share	790,523	37	790,523	36
					Capital surplus	98,490	5	98,490	4
					Retained earnings	, , , , ,		, , , , ,	·
					Legal reserve	24,610	1	18,244	1
					Special reserve	5,045	-	5,318	_
					Unappropriated earnings	301,509	15	63,657	3
					Other equity	(<u>4,550</u>)		(5,045_)	-
								,,	
					Total equity	1,215,627	58	971,187	<u>44</u>
TOTAL	<u>\$ 2,102,501</u>	100	<u>\$ 2,220,624</u>	100	TOTAL	<u>\$ 2,102,501</u>	100	\$ 2,220,624	100

The accompanying notes are an integral part of the parent company only financial statements.

Favite, Inc.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

In Thousands of New Taiwan Donars, Exce	2022			2021		
		Amount	%		Amount	%
OPERATING REVENUE (Notes 4, 21, and 28)	\$	1,459,416	100	\$	1,406,597	100
OPERATING COSTS (Notes 9, 19, 22, and 28)		883,696	60	_	1,013,742	<u>72</u>
GROSS PROFIT		575,720	40		392,855	28
OPERATING EXPENSES (Notes 12, 13, 19, 22, and 28)						
Selling and marketing expenses General and administrative		39,170	3		42,976	3
expenses Research and development		95,798	7		66,318	5
expenses Expected credit loss (gain) (Notes		210,642	14		165,707	12
8 and 21)		3,385		(7,547)	(1)
Total operating expenses	_	348,995	24		267,454	<u>19</u>
PROFIT FROM OPERATIONS		226,725	<u>16</u>		125,401	9
NON-OPERATING INCOME AND EXPENSES (Notes 4 and 22)						
Interest income		7,246	1		1,636	-
Other income		698	-		10,944	1
Other gains or losses		101,586	7	(31,793)	(2)
Financial costs	(7,597)	(1)	(7,505)	(1)
Share of gain of subsidiaries (Note 10)		3,597	_		1,853	
Total non-operating income and expenses		105,503	7	(24,865)	(2)
PROFIT BEFORE INCOME TAX	\$	332,228	23	\$	100,536	7
INCOME TAX EXPENSE (Notes 4 and 23)		49,247	4		3,725	-
NET PROFIT FOR THE YEAR		282,981	19		96,811	7

(Continued)

Favite, Inc.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

_	2022		2021		
	Amount	%	Amount	%	
OTHER COMPREHENSIVE INCOME Items that will not be reclassified					
subsequently to profit or loss: Remeasurement of defined benefit plans (Notes 4 and 19) Items that may be reclassified subsequently to profit or loss:	490	-	(132)	-	
Exchange differences arising on translation of foreign operations (Notes 4 and 20) Other comprehensive	495		(-	
income (loss) for the year, net of income tax	985		(335)		
TOTAL COMPREHENSIVE INCOME FOR THE YEAR EARNINGS PER SHARE (Note 24)	<u>\$ 283,966</u>	19	<u>\$ 96,476</u>	<u> </u>	
Basic Diluted	\$ 3.58 \$ 3.50		\$ 1.22 \$ 1.22		

The accompanying notes are an integral part of the parent company only financial statements. (Concluded)

Favite, Inc.

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

					Retained earnings		Other Equity	
-	Share	capital	-			(Accumulated Deficit)	Exchange Differences on Translating Foreign	
DALANGE ATTANILADIA 2021	(Thousands)	Amount	Capital surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Operations	Total Equity
BALANCE AT JANUARY 1, 2021	79,052	\$ 790,523	\$ 98,490	\$ 18,244	\$ 5,318	(\$ 33,022)	(\$ 4,842)	\$ 874,711
Net profit for the year ended December 31, 2021	-	-	-	-	-	96,811	-	96,811
Other comprehensive income for the year ended December 31, 2021, net of income tax	<u>-</u>				<u> </u>	(132)	(<u>203</u>)	(<u>335</u>)
BALANCE AT DECEMBER 31, 2021	79,052	790,523	98,490	18,244	5,318	63,657	(5,045)	971,187
Appropriation of 2021 earnings								
Legal reserve	_	_	_	6,366	_	(6,366)	_	_
Special reserve	_	_	_	-	(273)	273	_	_
Cash dividends distributed by the Company	-	-	-	-	-	(39,526)	-	(39,526)
Net profit for the year ended December 31, 2022	-	-	-	-	-	282,981	-	282,981
Other comprehensive loss for the year ended December 31, 2022, net of income tax								
			_	-		490	<u>495</u>	985
BALANCE AT DECEMBER 31, 2022	79,052	<u>\$ 790,523</u>	<u>\$ 98,490</u>	<u>\$ 24,610</u>	<u>\$ 5,045</u>	<u>\$ 301,509</u>	(\$ 4,550)	<u>\$ 1,215,627</u>

The accompanying notes are an integral part of the parent company only financial statements.

Favite, Inc.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

H FLOWS FROM OPERATING ACTIVITIES		2022		2021
Income before income tax	\$	332,228	\$	100,536
Adjustments for:	Ф	334,440	Ф	100,550
Depreciation expense		11,979		11,449
Amortization expense		1,160		1,118
Expected credit loss (gain) on trade receivables		3,385	(
Net loss on the fair value change of financial assets at fair value through profit or loss		1,222	(7,547) 904
Financial costs		7,597		7,505
Interest income	((
Share of profit of subsidiaries	(7,246) 3,570)	(1,636) 1,853)
Loss on disposal of property, plant and equipment	(695	(1,055)
Lease modification benefit	(6)	(41)
Net (gain) loss on foreign currency exchange	(63,002)	(37,724
Provisions	(11,409		8,931
Changes in operating assets and liabilities:		11,707		0,731
Decrease (increase) in contract assets		13,800	(41,831)
(Increase) decrease in notes and trade receivables	((293,090
Decrease in inventories	(85,154) 110,930		,
Decrease in other current assets				11,366 31,015
(Decrease) increase in contract liabilities	(35,857 186,923)		611
Decrease in trade payables	(263,244)	(56,767)
Increase in other payables	(5,165	(48,879
Increase (decrease) in other current liabilities		475	(18,548)
Decrease in net defined benefit liability	(337)	(344)
Increase in payable to employees compensation and remuneration of	•	,	`	,
directors and supervisors Cash (used in) from operations		36,116		9,188
Interest received	(37,464)		433,749
		6,189		1,658
Interest paid Income tax paid	(7,723)	(7,682)
	(<u>56</u>)		
Net cash generated (used in) from operating activities	(_	39 <u>,054</u>)		427,725

(Continued)

Favite, Inc.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

CASH FLOWS FROM INVESTING ACTIVITIES		2022		2021
Payments of property, plant and equipment	(\$	15,826)	(\$	4,498)
Proceeds from disposal of property, plant and equipment Increase in refundable deposits	(167 933)	(4,133)
Decrease in refundable deposits		1,578		8,638
Payments for intangible assets	(8,684)	(2,772)
Decrease in other financial assets		12,318		18,502
Net cash generated (used in) from investing activities	(11,380)		15,737
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from short-term borrowings		630,000		580,000
Repayments of short-term borrowings	(600,000)	(813,309)
Repayment of long-term borrowings	(42,588)	(30,293)
Repayment of the principal portion of lease liabilities	(1,374)	(1,455)
Dividends paid to owners of the Company	(39,526)		<u>-</u> _
Net cash used in financing activities	(53,488)	(265,057)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		41,451	(7,267)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(62,471)		171,138
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		807,351		636,213
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$</u>	744,880	<u>\$</u>	807,351

The accompanying notes are an integral part of the parent company only financial statements.

(Concluded)

Favite, Inc.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

1. GENERAL INFORMATION

Favite Inc. (the "Company") was established on March 10, 2000 with the approval of the Ministry of Economic Affairs. It mainly engages in the manufacturing of general instruments, precision instruments, and controlled telecommunication radio-frequency devices and the sales of information software services. The Company's shares have been listed on the Taiwan Stock Exchange since January 31, 2008.

The parent company only financial statements are presented in the Company's functional currency, the New Taiwan dollar.

APPROVAL OF FINANCIAL STATEMENTS

The parent company only financial statements were approved by the Company's board of directors and authorized for issue on February 24, 2023.

APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

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

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have a material impact on the accounting policies of the Company:

b. The IFRSs endorsed by the FSC for application starting from 2023

New IFRSs	Effective Date Announced by IASB
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 1)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 2)
Amendments to IAS 12 "Deferred Tax related to Assets and	January 1, 2023 (Note 3)
Liabilities arising from a Single Transaction"	• ' ' '

- Note 1: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.
- Note 2: The amendments will be applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.
- Note 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were applied prospectively to transactions that occurred on or after January 1, 2022.

As of the date the parent company only financial statements were authorized for issue, the Company has assessed that the application of other standards and interpretations will not have a material impact on the Company's financial position and financial performance.

c. The IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - 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" Note 1:	January 1, 2024

- Note 1: Unless stated otherwise, the above IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.
- Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of the initial application of IFRS 16.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of Preparation

The parent company only financial statements have been prepared on the historical cost basis except for financial instruments, which are measured at fair values, and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

When preparing these parent company only financial statements, the Company used the equity method to account for its investments in subsidiaries. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments

accounted for using the equity method, the share of profit or loss of subsidiaries, the share of other comprehensive income of subsidiaries and the related equity items, as appropriate, in these parent company only financial statements.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the parent company only financial statements are authorized for issue; and
- 3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

d. Foreign currencies

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

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

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

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

e. Inventories

Inventories consist of raw materials, work in progress and finished goods, and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

f. Investment in subsidiaries

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

A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of the equity of subsidiaries attributable to the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are accounted for as equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of loss of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further loss, if any.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

Profit or loss resulting from downstream transactions is eliminated in full only in the parent company only financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries is recognized only in the parent company only financial statements and only to the extent of interests in the subsidiaries that are not related to the Company.

g. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Except for freehold land, which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

h. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Derecognition of intangible assets

On the derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Impairment of property, plant and equipment, right-of-use assets and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the assets maybe impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

j. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities,

as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

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

a) Measurement types

Financial assets are classified into the following categories: Financial assets at FVTPL and financial assets at amortized cost.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments that are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends or interest earned on such financial assets are recognized in other income; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 27.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes and trade receivable at amortized cost, trade receivables from related parties, other receivables, other financial assets and refundable deposits are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

 Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and ii). Financial asset that is not credit impaired on purchase or origination but has subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

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

b) Impairment of financial assets and contract assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables) as well as contract assets.

The Company always recognizes lifetime expected credit losses (ECLs) for trade receivables and contract assets. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Company considers the following situations as an indication that a financial asset is in default:

- i. Internal or external information shows that the debtor is unlikely to pay its creditors.
- ii. Financial asset is more than 90 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

2) Equity instruments

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

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

3) Financial liabilities

a) Subsequent measurement

Except in the following situations, all financial liabilities are measured at amortized cost using the effective interest method:

i. Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when such financial liabilities are either held for trading.

Financial liabilities held for trading are stated at fair value, and any gains or losses on such financial liabilities are recognized in other gains or losses.

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument; in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts that are within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets that are within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative; their risks and characteristics are not closely related to those of the host contracts; and the host contracts are not measured at FVTPL.

k. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

1) Warranties

Provisions for the expected cost of warranty obligations under the sales agreements are recognized on the date of sale of the relevant products at the best estimate by the management of the Company of the expenditures required to settle the Company's obligations.

l. Revenue recognition

The Company identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied. Advance sales receipts would be recognized as contract liabilities before the Company satisfies its performance obligations.

Revenue from the sale of goods

Revenue from the sale of goods comes from the sales of automated optical inspection machines. As the terms for automated optical inspection machines depend on each agreement, when a client has confirmed that the merchandise meets the specifications agreed in the agreement when it arrives at the location designated by the client or when it is shipped out, the client has the ability to lead the use of the merchandise and obtain almost all the remaining profit of the merchandise, at which the Company recognized the merchandise in revenue and contract assets and reclassifies it to accounts receivable after fulfilling the remaining obligations.

m. Leases

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

1) The Company as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheet.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments and variable lease payments, which depend on an index or a rate. The lease payments are discounted using the

interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. The Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

n. Borrowing costs

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

o. Government grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received.

Government grants related to income are recognized in other income on a systematic basis over the periods in which the Company recognizes as expenses the related costs that the grants intend to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they are received.

p. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost(including current service cost and past service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur, or when the plan amendment or curtailment occurs. Remeasurement, comprising actuarial gains and losses, and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities represent the actual deficit in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

3) Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plans, except that remeasurement is recognized in profit or loss.

q. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

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

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforwards to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

3) Current and deferred tax for the period

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Company considers the possible impact of the recent development of COVID-19 in Taiwan and its economic implications when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

6. CASH AND CASH EQUIVALENTS

	December 31			
		2022		2021
Cash on hand	\$	86	\$	81
Checking accounts and demand deposits		97,782		77,486
Cash equivalents (investments with original				
maturities of 3 months or less)				
Time deposits		449,431		397,508
Repurchase agreements collateralized by bonds				
		197,581		<u>332,276</u>
	\$	744,880	<u>\$</u>	807,351

The market rate intervals of cash in the bank at the end of the reporting period were as follows:

	December 31		
Bank balance	2022 0.001%~5.05%	2021 0.001%~2.52%	
Repurchase agreements collateralized by bonds	0.600%~3.90%	0.225%~0.40%	

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Decei	nber 31
2022	2021

<u>Financial assets at FVTPL - non-current</u> Financial assets mandatorily classified as at FVTPL

	Decer	nber 31
	2022	2021
Non-derivative financial assets		
Domestic unlisted shares	<u>\$ 2,440</u>	<u>\$ 4,034</u>
<u>Financial liabilities at FVTPL - current</u> Financial liabilities held for trading		
- Interest rate swap contracts (a)	<u>\$ </u>	<u>\$ 372</u>

a. At the end of the year, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

December 31, 2021

			Notional Amount
	Currency	Maturity Date	(In Thousands)
Buy	USD/NTD	2022.07.01	US\$3.000/NT\$83.385

8. NOTES AND TRADE RECEIVABLES, NET

	December 31		
	2022	2021	
Notes receivable			
Notes receivable - operating	<u>\$</u>	<u>\$ 133</u>	
<u>Trade receivables</u>			
At amortized cost			
Gross carrying amount - non-related parties	540,944	438,252	
Gross carrying amount - related parties	-	4,619	
Less: Allowance for impairment loss	(108,071)	(112,878)	
	<u>\$ 432,873</u>	<u>\$ 329,993</u>	

The Company's average credit period for the sales of RFID Tags and Readers is 30 to 90 days after the end of each month. The payment collection policy for the sales of automated optical inspection machines is that the Company charges 70% to 90% of the payment after the machines are installed and collect the remaining payment after acceptance is completed. The average credit period is about 30 to 120 days after the end of each month.

In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

The Company measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix approach considering the past default experience of the customer, the customer's current financial position, the economic condition of the industry in which the customer operates, as well as the industry outlook. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on the aging of trade receivable is not further distinguished according to the Company's different customer base.

The Company writes off a trade receivable when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Company continues to

engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The Company's current credit risk grading framework is shown in the following table:

December 31, 2022

	1–90 days	91–180 days	181–365 days	366–730 days	731 or more	Total
Gross carrying amount	\$ 197,407	\$ 45,336	\$ 128,313	\$ 105,081	\$ 64,807	\$ 540,944
ECLs			$(\underline{31,305})$	$(\underline{21,671})$	$(\underline{55,095})$	$(\underline{108,071})$
Amortized cost	<u>\$ 197,407</u>	\$ 45,336	\$ 97,008	\$ 83,410	\$ 9,712	\$ 432,873
D 1 21 2021						
<u>December 31, 2021</u>						
	1–90 days	91–180 davs	181–365 days	366-730 days	731 or more	Total
Gross carrying amount	\$ 72,049	\$ 20,050	\$ 63,795	\$ 85,023	\$ 201,954	\$ 442,871
ECLs	\$\(\frac{1}{2}\),\(\frac{1}{2}\)	\$ 25,050 -	(11,838)	(10,006)	(91,034)	(112,878)
	¢ 72.040	¢ 20.050	\ <u> </u>	(((
Amortized cost	<u>\$ 72,049</u>	<u>\$ 20,050</u>	<u>\$ 51,957</u>	<u>\$ 75,017</u>	<u>\$ 110,920</u>	<u>\$ 329,993</u>

The movements of the loss allowance of trade receivables were as follows:

	For the Year Ended December 31		
	2022	2021	
Balance at January 1	\$ 112,878	\$ 112,133	
Add: Net remeasurement of loss allowance	· -	745	
Less: Net remeasurement of loss allowance	(4,807)	-	
Balance at December 31	\$ 108,071	\$ 112,878	

9. INVENTORIES

	December 31	
	2022	2021
Finished goods	\$ 151	\$ 38,972
Work in progress	112,651	175,344
Raw materials	68,397	77,813
	<u>\$ 181,199</u>	<u>\$ 292,129</u>

The costs of inventories recognized as cost of goods sold for the years ended December 31, 2022 and 2021 were \$883,696 thousand and \$1,013,742 thousand, respectively.

The costs of inventories recognized as costs of goods sold for the years ended December 31, 2022 and 2021 were as follows:

	For the Year Ended December 31		
	2022	2021	
Loss on the obsolescence of inventory	\$ 10,985	\$ 4,813	
Inventory reversed	(6,117)	(8,024)	
Income from scrap sales	(<u>150</u>)	(217)	
	(<u>\$ 4,718</u>)	(<u>\$ 3,428</u>)	

The reversals of previous write-downs resulted from reduced inventories.

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2022	2021
Investments in subsidiaries	<u>\$ 36,827</u>	<u>\$ 32,762</u>

b. Investments in subsidiaries

	December 31	
	2022	2021
Favite Limited (Samoa) (Favite Limited)	<u>\$ 36,827</u>	<u>\$ 32,762</u>
	Proportion of Owners	ship and Voting Rights
	Decem	iber 31
Name of Subsidiary	2022	2021
Favite Limited	100%	100%

The amount of investments accounted for using the equity method and share of profit (loss) of subsidiaries were recognized based on the investees' audited financial statements for the years ended December 31, 2022 and 2021.

11. PROPERTY, PLANT AND EQUIPMENT

a. Assets used by the Company

	Land	Buildings	Machinery and equipment	Transportation equipment	Office and other equipment	Total
Costs Balance at January 1, 2022 Additions Disposals	\$ 277,866	\$ 183,876 9,163	\$ 10,233 361	\$ 1,622	\$ 16,700 5,256 (3,163	\$ 490,297 14,780
Balance at December 31, 2022	<u>-</u> \$ 277,866	<u>-</u> \$ 193,039	(<u>4,174</u>) \$ 6.420	(<u>1,090</u>) \$ 532	\$ 18,793	(<u>8,427</u>) \$ 496,650
Accumulated depreciation Balance at January 1, 2022	\$ -	\$ 55,732	\$ 6,162	\$ 1,319	\$ 10,567	\$ 73,780
Depreciation expense Disposals	- 	5,085	1,240 (<u>3,312</u>)	89 (<u>1,090</u>)	4,136 (<u>3,163</u>	10,550
Balance at December 31, 2022	<u>\$</u>	<u>\$ 60,817</u>	\$ 4,090	<u>\$ 318</u>	<u>\$ 11,540</u>	<u>\$ 76,765</u>
Carrying amounts at December 31, 2022	<u>\$ 277,866</u>	<u>\$ 132,222</u>	<u>\$ 2,330</u>	<u>\$ 214</u>	\$ 7,253	<u>\$ 419,885</u>
Costs Balance at January 1, 2021 Additions Disposals	\$ 277,866 -	\$ 179,938 3,938	\$ 130,104 233	\$ 1,622 -	\$ 15,510 1,487 (297	\$ 605,040 5,658
Balance at December 31, 2021	<u>-</u> <u>\$ 277,866</u>	<u>-</u> <u>\$ 183,876</u>	(<u>120,104</u>) <u>\$ 10,233</u>	<u> </u>	\$ 16,700	(<u>120,401</u>) \$ 490,297
Accumulated depreciation Balance at January 1, 2021 Depreciation expense Disposals	\$ - -	\$ 51,093 4,639	\$ 124,847 1,419	\$ 1,170 149	\$ 7,089 3,775 (\$ 184,199 9,982
Balance at December 31, 2021	<u> </u>	<u> </u>	(<u>120,104</u>) <u>\$ 6,162</u>	<u> </u>	\$ 10,567	(<u>120,401</u>) \$ 73,780
Carrying amounts at December 31, 2021	<u>\$ 277,866</u>	<u>\$ 128,144</u>	<u>\$ 4,071</u>	<u>\$ 303</u>	<u>\$ 6,133</u>	<u>\$ 416,517</u>

No impairment loss or reversal of impairment loss was recognized for the years ended December 31, 2022 and 2021.

The above items of property, plant and equipment used by the Company are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Main buildings of factories	32–51 years
Electrical and mechanical engineering	36 years
Others	5–11 years
Machinery and equipment	4–7 years
Transportation equipment	6 years
Office and other equipment	3–8 years

Land and buildings used by the Company and pledged as collateral for bank borrowings are set out in Note 29.

12. LEASE ARRANGEMENTS

a. Right-of-use assets

b.

	December 31			
	2022	2021		
<u>Carrying amounts</u> Buildings	<u>\$ 3,616</u>	<u>\$ 4,171</u>		
	For the Year	Ended December 31		
	2022	2021		
Additions to right-of-use assets	\$ 1.100	\$ 4,430		
Depreciation charge for right-of-use assets				
Buildings	\$ 1,42 <u>9</u>	\$ 1,467		
. Lease liabilities				
	Dec	ember 31,		
	2022	2021		
Carrying amounts				
Current	\$ 1 337	\$ 1.400		

	2022	2021
Carrying amounts		
Current	<u>\$ 1,337</u>	<u>\$ 1,490</u>
Non-current	\$ 2,35 <u>2</u>	\$ 2,70 <u>5</u>
Range of discount rates for lease liabilities was as follows:	·	

 December 31

 2022
 2021

 Buildings
 1.35%~1.52%
 1.34%~1.63%

c. Other lease information

	For the Year Ended December 31	
	2022	2021
Expenses relating to short-term leases Total cash outflow for leases	$(\frac{\$}{\$} \frac{950}{2,482})$	$(\frac{\$}{\$} \frac{660}{2,174})$

13. INTANGIBLE ASSETS

	Year Ended December 31, 2022
	Computer Software
Cost	
Balance at January 1	\$ 15,838
Additions	8,684
Disposals	(<u>2,407</u>)
Balance at December 31	<u>\$ 22,115</u>
Accumulated amortization	
Balance at January 1	\$ 12,926
Amortization expense	1,160
Disposals	(
Balance at December 31	<u>\$ 11,679</u>
Carrying amounts at December 31, 2022	<u>\$ 10,436</u>

	Year Ended December 31, 2021
Costs	Computer Software
Balance at January 1	\$ 13,066
Additions	<u>2,772</u>
Balance at December 31	<u>\$ 15,838</u>
Accumulated amortization	
Balance at January 1	\$ 11,808
Amortization expense	<u>1,118</u>
Balance at December 31	<u>\$ 12,926</u>
Carrying amounts at December 31, 2021	<u>\$ 2,912</u>

Other intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer software 3–5 years

	December 31				
	2	022	20	021	-
An analysis of the amortization by function:					
Operating costs	\$	129	\$	37	
Selling and marketing expenses		14		4	
General and administrative expenses		139		77	
Research and development expenses		878		1,000	
	\$	1,160	\$	1,118	

14. OTHER ASSETS

	December 31	
	2022	2021
Current Other financial assets Pledged bank deposits and time deposits (a)	\$ 23,194	<u>\$ 33,923</u>
Other current assets		
Tax refund receivable	\$ 12,334	\$ 8,515
Prepayments to suppliers	2,098	6,746
Prepayments for software maintenance	2,000	2,354
Interest receivable	1,304	250
Prepayments for software	-	6,124
Others	1,702	30,249
	<u>\$ 19,438</u>	<u>\$ 54,238</u>
Non-current		
Refundable deposits	<u>\$ 1,043</u>	<u>\$ 1,043</u>

a. The ranges of interest rates for pledged bank deposits and time deposits were 1.05%–1.175% and 0.03%–0.815% on December 31, 2022 and 2021, respectively. Please refer to Note 29.

15. BORROWINGS

a. Short-term borrowings

	December 31	
	2022	2021
Secured borrowings (Note 29)		
- Bank loans	\$ -	\$ 60,000
Unsecured borrowings		
- Bank loans	150,000	60,000
	\$ 150,000	\$ 120,000

The range of weighted average effective interest rates on bank loans were 1.675%-1.75% and 0.84%-1.20% per annum at December 31, 2022 and 2021, respectively.

b. Long-term borrowings

	Decemb	per 31
	2021	2020
Secured borrowings (Note 29)	\$ 295,616	\$ 338,204
Less: Current portion	(252,588)	(42,588)
	<u>\$ 43,028</u>	<u>\$ 295,616</u>

The Company provided land and buildings as collateral for the above borrowings as per agreements (refer to Note 29). The interval of effective borrowing rates as of December 31, 2022 and 2021 were 1.79%-2.125% and 1.22%-1.50%.

16. TRADE PAYABLES

	Dec	ember 31
	2022	2021
Trade payables	\$ 105,368	\$ 360,616
Trade payables- related parties	_	7,835
	<u>\$ 105,368</u>	<u>\$ 368,451</u>

The average credit period on purchases of certain goods was 30-180 days. The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

17. OTHER LIABILITIES

	December 31	
	2022	2021
Current	<u> </u>	
Other payables		
Payables for salaries or bonuses	\$ 56,323	\$ 41,899
Payables for commission	16,001	16,662
Payables for freight	15,642	26,682
Others	33,216	39,669
	<u>\$ 121,182</u>	\$ 124,912
Bonuses for unused paid leave	\$ 4,377	\$ 3,873
Others	7 <u>63</u>	792
	\$ 5,140	\$ 4,665

18. PROVISIONS - CURRENT

	December 31	
	2022	2021
Warranties	<u>\$ 69,393</u>	<u>\$ 57,984</u>

	Provision for warranty
Balance at January 1, 2021	49,053
Additional provisions recognized	13,825
Amount used	(<u>4,894</u>)
Balance at December 31, 2021	57,984
Additional provisions recognized	14,248
Amount used	$(\underline{2,839})$
Balance at December 31, 2022	\$ 69.393

The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Company's obligations for warranties under contracts for the sale of goods. The estimate has been made on the basis of historical warranty trends and may vary as a result of new materials, altered manufacturing processes or other events affecting product quality.

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

The defined benefit plans adopted by the Company in accordance with the Labor Standards Law are operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries for the 6 months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company's defined benefit plans are as follows:

	December 31	
	2022	2021
Present value of funded defined benefit obligation	\$ 9,177	\$ 9,286
Fair value of plan assets	(5,099)	(4,381)
Net defined benefit liability	<u>\$ 4,078</u>	<u>\$ 4,905</u>

Movements in net defined benefit liability were as follows:

	Present	t Value of				
	Funded	l Defined	Fair Va	lue of Plan	Net Defin	ed Benefit
	Benefit (Obligation	A	ssets	Lial	oility
Balance at January 1, 2021	\$	9,069	(\$	3,952)	\$	5,117
Net interest expense (income)		32	(<u>16</u>)		16
Recognized in profit or loss		32	(<u>16</u>)		16
Remeasurement						
Actuarial loss (gain) - changes in						
financial assumptions		95	(53)		42
Actuarial loss - experience						
adjustments		90		<u>-</u>		90
Recognized in other comprehensive						
income		185	(53)		132
Contributions from employer		<u> </u>	(360)	(<u>360</u>)
Balance at December 31, 2021		9,286	(4,381)		4,905
Net interest expense (income)	\$	45	(\$	22)		23
Recognized in profit or loss		45		22)		<u>23</u>
Remeasurement						
Actuarial gain- changes in financial						
assumptions	(185)	(336)	(521)
Actuarial loss- experience						
adjustments		31		<u> </u>		31
Recognized in other comprehensive						
income	(<u>154</u>)	(336)	(<u>490</u>)
Contributions from employer	 	<u> </u>	(360)	(<u>360</u>)
Balance at December 31, 2022	\$	9,177	(<u>\$</u>	5,099)	\$	4,078

An analysis by the function of the amounts recognized in profit or loss in respect of the benefit plans is as follows:

	For the Year Ended December 31			
	20)22	20	21
Operating costs	\$	8	\$	6
General and administrative expenses		7		4
Research and development expenses		8		6
	\$	23	\$	<u> 16</u>

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2022	2021
Discount rate(s)	1.70%	0.49%
Expected rate(s) of salary increase	3.00%	2.00%

If the possible reasonable change in each of the significant actuarial assumptions occurs and all other assumptions remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	December 31		
	2022	2021	
Discount rate(s)			
0.25% increase	(\$ 183)	(\$ 208)	
0.25% decrease	\$ 189	\$ 216	
Expected rate(s) of salary increase		·	
0.25% increase	<u>\$ 184</u>	\$ 209	
0.25% decrease	(<u>\$ 178</u>)	(<u>\$ 203</u>)	

The sensitivity analysis previously presented may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes in assumptions will occur in isolation of one another as some of the assumptions may be correlated.

	December 31		
	2022	2021	
The expected contributions to the plan for the next			
year	<u>\$ 371</u>	<u>\$ 367</u>	
The average duration of the defined benefit			
obligation	8 years	9 years	

20. EQUITY

a. Share capital

1) Ordinary shares:

	December 31		
	2022	2021	
Shares authorized (in thousands of shares)	150,000	<u>150,000</u>	
Value of authorized shares	\$ 1,500,000	<u>\$ 1,500,000</u>	
Shares issued and fully paid (in thousands of			
shares)	79,052	79,052	
Shares issued and fully paid	<u>\$ 790,523</u>	\$ 790,523	

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

Of the Company's authorized shares, 2,000 thousand shares had been reserved for the issuance of employee share options.

b. Capital surplus

	December 31		
	2022	2021	
May be used to offset a deficit, distributed as			
cash dividends, or transferred to share capital (1)			
Issuance of ordinary shares	\$ 82,517	\$ 82,517	
Right to convert to convertible corporate bonds	<u>15,973</u>	15,973	
	\$ 98,490	\$ 98,490	

Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital
surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of
the Company's capital surplus and to once a year).

c. Retained earnings and dividends policy

Based on the Company's Articles of Incorporation state that, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting accumulated losses, and setting aside as legal reserve 10% of the remaining profit. However, this limitation is not applicable when the legal reserve has reached the total capital. Setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders.

Regarding the Company's dividend policy, the Company's partial dividends are retained by the Board of Directors to meet operational needs based on the year's capital, financial structure, macro environment, and industrial growth to achieve the Company's goal of sustainable development and stable business performance, so no more than 90% of the Company's distributable earnings can be distributed as dividends. As per the future capital expenditure budgets and capital needs, the Company's dividends are distributed in two forms: stock dividends (including capitalization of earnings and capitalization of capital surplus) and cash dividends, of which cash dividends to be paid out shall not be less than 5% of the total dividends to be paid out. For the policies on the distribution of compensation of employees and remuneration of directors and supervisors after the amendment, refer to compensation of employees and remuneration of directors and supervisors in Note 22-7.

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

The appropriations from the 2021 earnings were approved at the shareholders' meetings on June 24, 2022, as follows:

	Appropriation of Earnings
	For the Year Ended December 31
	2021
Legal reserve	<u>\$ 6,366</u>
Reversal of special reserve	(\$ 273)
Cash dividends	\$ 39,526
Cash dividend per share (NT\$)	<u>\$ 0.50</u>

The 2020 deficit compensation statement was approved at the shareholders' meetings on August 26, 2021, as follows:

	Deficit Compensation Statement	
	For the Year Ended December 31	
	2020	
Balance at January 1, 2020	\$ 68,385	
Remeasured defined benefit plan recognized in retained earnings	<u>366</u>	
Adjusted undistributed earnings	68,751	
Net loss for the year	(<u>101,773</u>)	
Accumulated deficit	(<u>\$ 33,022</u>)	

The earnings distribution proposal for 2022 in the board of directors meeting proposed on February 24, 2023 as follows:

	Appropriation of Earnings
	For the Year Ended December 31
	2022
Legal reserve	<u>\$ 28,347</u>
Reversal of special reserve	(<u>\$ 495</u>)
Cash dividends	<u>\$ 79,052</u>
Cash dividend per share (NT\$)	<u>\$ 1.0</u>

The appropriation of earnings for 2022 is subject to resolution in the shareholders' meeting to be held on May 29, 2023.

d. Special reserve

	For the Year Ended December 31		
	2022	2021	
Beginning at January 1 Reversals	\$ 5,318	\$ 5,318	
Reversal of the debits to other equity items Balance at December 31	$(\frac{273}{\$})$	\$ 5,318	

e. Other equity items

Exchange differences on translating the financial statements of foreign operations:

	For the Year Ended December 31			
		2022		2021
Balance at January 1	(\$	5,045)	(\$	4,842)
Recognized				
Exchange differences on translating the				
financial statements of foreign				
operations		<u>495</u>	(203)
Balance at December 31	(<u>\$</u>	<u>4,550</u>)	(<u>\$</u>	<u>5,045</u>)

21. REVENUE

	For the Year Ended December 31		
	2022	2021	
Revenue from contracts with customers			
Revenue from the sale of goods	\$ 1,456,806	\$ 1,385,155	
Others	2,610	21,442	
	<u>\$ 1,459,416</u>	<u>\$ 1,406,597</u>	

a. Contract information

Revenue from the sale of goods

The revenue from sales of goods mainly comes from the sales of automated optical inspection machines. As the terms for automated optical inspection machines depend on each agreement, when a client has confirmed that the merchandise meets the specifications agreed in the agreement when it arrives at the location designated by the client or when it is shipped out, the client has the ability to lead the use of the merchandise and obtain almost all the remaining profit of the merchandise, at which the Company recognized the merchandise in revenue and contract assets and reclassifies it to accounts receivable after fulfilling the remaining obligations.

Please refer to Note 18 for the details of the warranty obligations of the automated optical inspection machines.

b. Contract balance

	Decen	ber 31, 2022	Decem	ber 31, 2021	Janu	ary 1, 2021
Trade receivables (Note 8)	\$	432,873	\$	329,993	\$	642,311
Contract assets						
Sale of goods	\$	186,093	\$	191,818	\$	163,021
Less: Allowance for impairment loss	(16,101)	(7,909)	(16,201)
Contract assets - current	\$	169,992	\$	183,909	\$	146,820
Contract liabilities						
Contract liabilities - current	\$	4,518	\$	191,441	\$	190,887

The Company measures the loss allowance for contract assets at an amount equal to lifetime ECLs. The contract assets will be transferred to accounts receivable when the corresponding invoice is billed to the client, and the contract assets have substantially the same risk characteristics as the trade receivables for the same types of contracts. Therefore, the Company concluded that the expected loss rates for trade receivables.

	December 31	
	2022	2021
Gross carrying amount	\$ 186,093	\$ 191,818
Allowance for impairment loss (Lifetime ECLs)	(16,101_)	(7,909_)
	<u>\$ 169,992</u>	<u>\$ 183,909</u>

The movements of the loss allowance of contract assets were as follows:

	Dece	ember 31
	2022	2021
Balance at January 1	\$ 7,909	\$ 16,201
Add: Net remeasurement of loss allowance	8,192	-
Less: Net remeasurement of loss allowance		(8,292)
Balance at December 31	<u>\$ 16,101</u>	<u>\$ 7,909</u>

Revenue of the reporting period recognized from the beginning contract liabilities in the previous periods is as follows:

	For the Year Ended December 31		
	2022	2021	
From contract liabilities at the beginning of the			
year Sale of goods	\$ 191,433	\$ 190,879	

c. Disaggregation of revenue

For the Year Ended December 31

	Reportable S	egments
	Direct Sa	ales
	2022	2021
Primary geographical markets		
China	\$ 958,116	\$ 1,178,941
Taiwan	501,235	227,656
Others	<u>65</u>	_
	<u>\$ 1,459,416</u>	<u>\$ 1,406,597</u>
Type of goods		
Sale of goods	\$ 1,456,806	\$ 1,385,155
Others	2,610	21,442
	<u>\$ 1,459,416</u>	\$ 1,406,597

22. NET PROFIT

Net profit included the following items:

a. Interest income

	For the Year Ended December 31	
	2022	2021
Bank deposits	\$ 5,851	\$ 704
Others	1,395	932
	<u>\$ 7,246</u>	<u>\$ 1,636</u>

b. Other income

	For the Year Ended December 31		
	2022	2021	
Government grant income (Note 25)	\$ -	\$ 10,021	
Others	698	923	
	<u>\$ 698</u>	<u>\$ 10,944</u>	

c. Other gains and losses

	For the Year Ended December 31			31
		2022	,	2021
Net foreign exchange gain (loss)	\$	103,497	(\$	30,930)
Fair value changes of financial assets and financial				
liabilities				
Financial assets mandatorily classified as at				
FVTPL	(1,222)	(904)
Loss on disposal of property, plant and equipment	Ì	695)	`	-

Others	6	41
	<u>\$ 101,586</u>	(<u>\$ 31,793</u>)

d. Finance costs

	For the Year 1	Ended December 31
	2022	2021
Interest on bank loans	\$ 7,538	\$ 7,446
Interest on lease liabilities	59	59
	<u>\$ 7,597</u>	<u>\$ 7,505</u>

e. Depreciation and amortization

	For the Year Ended December 31		
An analysis of depreciation by function	2022	2021	
Operating costs Operating expenses	\$ 4,559	\$ 5,742 5,707 <u>\$ 11,449</u>	
An analysis of amortization by function Operating costs Operating expenses	\$ 129	\$ 37 	

f. Employee benefit expense

For the Year Ended December 31		
2022	2021	
<u>\$ 234,644</u>	\$ 183,737	
23	16	
8,428	8,140	
<u>8,451</u>	<u>8,156</u>	
34,158	28,454	
<u>\$ 277,253</u>	\$ 220,347	
\$ 67,010	\$ 70,483	
<u>210,243</u>	149,864	
<u>\$ 277,253</u>	<u>\$ 220,347</u>	
	2022 \$ 234,644 23 8,428 8,451 34,158 \$ 277,253 \$ 67,010 210,243	

g. Employees' compensation and remuneration of directors and supervisors

The Company resolved amendments to its Articles of Incorporation to distribute employees' compensation and remuneration to directors and supervisors at rates of 10% and no higher than 2%, respectively. The employees' compensation and the remuneration of directors and supervisors for the years ended December 31, 2022 and 2021, which were approved by the Company's board of directors on February 24, 2023 and March 25, 2021, respectively, are as follows:

Accrual rate

	For the Year End	For the Year Ended December 31	
	2022	2021	
Employees' compensation	10%	10%	
Remuneration of directors and supervisors	2%	2%	

Amount

	For the Year Ended December 31		
	2022	2021	
	Cash	Cash	
Employees' compensation	\$ 37,753	\$ 7,657	
Remuneration of directors and supervisors	\$ 7,551	<u>\$ 1,531</u>	

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

There is no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the parent company only financial statements for the years ended December 31, 2021.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2022 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

23. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	For the Year Ended December 31			
		2022	202	21
Current tax				
In respect of the current year	\$	49,017	\$	-
Income tax on unappropriated earnings		35		-
Adjustments for the prior year		195		
		49,247		-
Deferred tax				
In respect of the current year		<u>-</u>		3,725
Income tax expense recognized in profit or loss	\$	49,247	\$	<u>3,725</u>

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

	For the Year Ended December 31		
	2022	2021	
Profit before tax from continuing operations	\$ 332,228	<u>\$ 100,536</u>	
Income tax expense calculated at the statutory rate	\$ 66,446	\$ 20,107	
Nondeductible expenses	12	-	
Tax-exempt income	-	(2,005)	
Income tax on unappropriated earnings	35	-	
Temporary differences	(9,343)	(3,767)	
Deferred tax		,	
Tax-exempt income	(7,706)	(10,665)	
Loss carryforwards	7,706	14,390	
Used loss carryforwards	(8,098)	(14,335)	
Adjustments for prior years' tax	195	<u> </u>	
Income tax expense recognized in profit or loss	\$ 49,247	\$ 3,725	

b. Current tax assets

	December 31			
	2022	2021		
Current tax assets Tax refund receivable	<u>\$ 134</u>	<u>\$ 321</u>		
Current tax liabilities Income tax payable	<u>\$ 49,004</u>	<u>\$</u>		

c. Deferred tax assets

For the year ended December 31, 2022

	pening Salance		gnized in it or Loss	Closi	ng Balance
Deferred Tax Assets					
Temporary differences					
Unrealized write-downs of					
inventories	\$ 10,882	(\$	1,223)	\$	9,659
Others	 38,600	· <u> </u>	8,929		47,529
	49,482		7,706		57,188
Loss carryforwards	7,706	(7,706)		-
•	\$ 57,188	\$		\$	57,188

For the year ended December 31, 2021

	pening alance		ognized in it or Loss	Closi	ng Balance
Deferred Tax Assets					
Temporary differences					
Unrealized write-downs of					
inventories	\$ 12,487	(\$	1,605)	\$	10,882
Others	 26,330		12,270		38,600
	38,817		10,665		49,482
Loss carryforwards	 22,096	(14,390)		7,706
•	\$ 60,913	(\$	3,725)	\$	57,188

d. Income tax assessments

The income tax returns of the Company before 2020 have been assessed by the tax authorities.

24. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Year Ended December 31				
	2022	2021			
Basic earnings per share	<u>\$ 3.58</u>	<u>\$ 1.22</u>			
Diluted earnings per share	<u>\$ 3.50</u>	<u>\$ 1.22</u>			

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

Net profit for the year

	For the Year Ended December 31				
Earnings used in the computation of basic and	2022	2021			
diluted earnings per share	<u>\$ 282,981</u>	<u>\$ 96,811</u>			

The weighted average number of ordinary shares outstanding (in thousands of shares) is as follows:

_	For the Year Ended December 31		
	2022	2021	
Weighted average number of ordinary shares used			
in the computation of basic earnings per share	79,052	79,052	
Effect of dilutive potential ordinary shares:			
Employees' compensation issued to employees	<u> </u>	416	
Weighted average number of ordinary shares used			
in the computation of diluted earnings per share	80,928	<u>79,468</u>	

If the Company offered to settle the compensation or bonuses paid to employees in cash or shares, the Company assumed that the entire amount of the compensation or bonuses would be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

25. GOVERNMENT GRANTS

The Company applied to the Ministry of Economic Affairs for a grant under" Salary and Working Capital of Businesses with Financial Difficulties in the Manufacturing and Technical Service Industries Affected by Severe Pneumonia with Novel Pathogens". The amount recognized as a credit to income was \$10,021 thousand for the years ended December 31, 2021 (in other income).

26. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities in the Company will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Company consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Company (comprising issued capital, reserves, retained earnings and other equity).

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

27. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

<u>December 31, 2022</u>				
E' '1 4 EVEDI	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL Unlisted shares	<u>\$</u>	<u>\$</u>	<u>\$ 2,440</u>	\$ 2,440
<u>December 31, 2021</u>				
	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Unlisted shares	<u>\$ -</u>	\$ -	<u>\$ 4,034</u>	<u>\$ 4,034</u>
Financial liabilities at FVTPL				
Swap contracts	<u>\$</u>	<u>\$ 372</u>	<u>\$</u>	<u>\$ 372</u>

There were no transfers between Levels 1 and 2 in the current and prior years.

2) Valuation techniques and inputs applied for Level 3 fair value measurement

With the market approach adopted, unlisted shares are adjusted for necessary discounts and premiums with the impact of market liquidity and control rights on their fair values considered.

b. Categories of financial instruments

	December 31				
•	2022	2021			
Financial assets FVTPL					
Mandatorily classified as at FVTPL Mandatorily classified as at FVTPL	\$ 2,440	\$ 4,034			
Financial assets at amortized cost (1)	1,215,607	1,173,047			
<u>Financial liabilities</u> FVTPL					
Mandatorily classified as at FVTPL Amortized cost (2)	705,748	372 976,687			

- 3) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes and trade receivables (including related parties), other receivables, other financial assets and refundable deposits.
- 4) The balances include financial liabilities at amortized cost, which comprise short-term loans, trade payables (including related parties), other payables (including related parties), the current portion of long-term borrowings, long-term borrowings and guarantee deposits received.
- c. Financial risk management objectives and policies

The Company's major financial instruments include trade receivables, trade payables, borrowings and lease liabilities. The Company's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Company through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

The corporate treasury function reports quarterly to the Company's board of directors.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

There has been no change to the Company's exposure to market risks or the manner in which these risks are managed and measured.

a) Foreign currency risk

The management of the foreign currency risk aims to hedge risks not for the purpose of making profits.

For exchange risk management, each foreign-currency item of net assets and liabilities is reviewed regularly.

The carrying amounts of the Company's foreign currency-denominated monetary assets and monetary liabilities at the end of the reporting period, please refer to Note 31.

Sensitivity analysis

The Company was mainly exposed to the USD.

The following table details the Company's sensitivity to a 5% increase and decrease in the NTD (i.e., the functional currency) against USD. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusted their translation at the end of the period for a 5% change in foreign currency rates. The sensitivity analysis included cash and cash equivalents, notes and trade receivables, contract assets, other financial assets, trade payables and other payables. A negative number below indicates a decrease in pre-tax profit associated with the NTD strengthening by 5% against USD. For a 5% weakening of the NTD against USD, there would be an equal and opposite impact on pre-tax profit and the balances below would be positive.

	USD	USD Impact			
	For the Year E	For the Year Ended December 31			
	2022	2021			
Profit or loss	(\$ 48,952)	(\$ 60,899)			

b) Interest rate risk

The Company is exposed to interest rate risk because entities in the Company borrowed funds at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix of fixed and floating rate borrowings. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied.

The carrying amounts of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31			
	2022	2021		
Fair value interest rate risk				
- Financial assets	\$ 647,012	\$ 729,784		
- Financial liabilities	153,689	124,195		
Cash flow interest rate risk				
- Financial assets	120,976	111,338		
- Financial liabilities	295,616	338,204		

Sensitivity analysis

The sensitivity analyses below were determined based on the Company's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared to assume the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year.

If interest rates increased/decreased by 0.125% and all other variables were held constant, the Company's post-tax profit for the years ended December 31, 2022 and 2021 decreased/increased by \$218 thousand and \$284 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. At the end of the year, the Company's maximum exposure to credit risk, which would cause a financial loss to the Company due to the failure of the counterparty to discharge its obligation and due to the financial guarantees provided by the Company, could be equal to the total of the carrying amount of the respective recognized financial assets as stated in the balance sheets.

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

The credit risk on liquid funds was limited because the counterparties are banks with high credit ratings.

Trade receivables consisted of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of trade receivables and, where appropriate, credit guarantee insurance cover is purchased.

The Company's concentration of credit risk was 78% and 74% of total trade receivables as of December 31, 2022 and 2021, respectively, which was attributable to the Company's five largest customers.

3) Liquidity risk

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

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

a) Liquidity and interest rate risk tables

The following table details the Company's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

December 31, 2022

	On Demand or Less than 1 Month	1–3 months	3 Months to 1 Year	1-5 Years	5+ Years
Non-derivative financial					
<u>liabilities</u>					
Non-interest bearing	\$118,214	\$ 56,962	\$117,904	\$ -	\$ 6,524
Variable in tersest rate liability	460	11,567	245,762	43,942	-
Fixed interest rate liabilities	216	50,361	100,437	-	-
Lease liabilities	127	255	1,145	2,553	
	<u>\$119,017</u>	<u>\$119,145</u>	<u>\$465,248</u>	<u>\$ 46,495</u>	\$ 6,524

Further information on the maturity analysis of the above financial liabilities was as follows:

	Less than			10-15	15-20	
	1 year	1-5 years	5-10 years	years	years	20+ Years
Lease liabilities	\$ 1,527	\$ 2,553	\$ -	\$ -	\$ -	\$ -

December 31, 2021

	On Demand or Less than 1 Month	1–3 months	3 Months to 1 Year	1-5 Years	5+ Years
Non-derivative financial					
<u>liabilities</u>					
Non-interest bearing	\$117,328	\$161,043	\$239,250	\$ -	\$ 6,524
Variable in tersest rate liability	366	11,378	35,008	299,836	-
Fixed interest rate liabilities	102	30,204	90,409	-	-
Lease liabilities	128	256	1,154	2,751	
	\$117,924	\$202,881	\$365,821	\$302,587	\$ 6,524

Further information on the maturity analysis of the above financial liabilities was as follows:

	Less than			10-15	15-20	
	1 year	1-5 years	5-10 years	years	years	20+ Years
Lease liabilities	\$ 1.538	\$ 2.751	\$ -	<u> </u>	<u>s</u> -	<u> </u>

b) Financing facilities

	December 31		
	2022	2021	
Unsecured bank loan facilities			
- Amount used	\$ 150,000	\$ 62,000	
- Amount unused	880,680	1,066,040	
	\$ 1,030,680	\$ 1,128,040	
Secured bank loan facilities			
- Amount used	\$ 445,743	\$ 513,398	
- Amount unused	555,451	<u>176,025</u>	
	\$ 1,001,194	\$ 689,423	

28. TRANSACTIONS WITH RELATED PARTIES

Details of transactions between the Company and other related parties are disclosed as follows:

a. Name and relationship of related parties

Name	Relationship with the Company
Favite (Shanghai) Co., Ltd.	Subsidiary
Favepc Inc.	Substantive related party
	Substantive related party (Non-related party from
Contrel Technology Co., Ltd.	2022.06.24)
Utechzone Co., Ltd.	Investor with significant influence over the Company

b. Sales of goods

		For the Year Ended December 31			per 31	
Account Item	Related Party Type	2	2022	2	021	
Sales	Substantive related party Investor with significant influence over	\$	505	\$	615	
	the Company		168		<u>-</u>	
		<u>\$</u>	673	\$	615	

Sales price to related parties is based on cost and market price. The sales terms to related parties were similar to those with external customers.

c. Purchases of goods

	For the Year Ended December 31			
Related Party Type	2022	2021		
Substantive related party	\$ -	\$ 7,833		

Purchases were made at market prices and discounted to reflect the quantity of goods purchased and the relationships between the parties.

d. Contract assets

		Decen	ıber 31	
Account Item	Related Party Type	2022		2021
Contract assets	Investor with significant influence over			
	the Company	\$ 7,739	\$	6,975

For the years ended December 31, 2022 and 2021, no impairment loss was recognized for contract assets from related parties.

e. Receivables from related parties

			Decem	ber 31	
Account Item Notes and trade	Related Party Type Investor with significant influence over	20	122		2021
receivable	the Company Substantive related party	\$ <u>\$</u>	- - -	\$ <u>\$</u>	4,186 433 4,619
Other receivables	Substantive related party	<u>\$</u>	<u> </u>	<u>\$</u>	126

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2022 and 2021, no impairment losses were recognized for trade receivables from related parties.

f. Payables to related parties

		Decem	nber 31
Account Item	Related Party Type	2022	2021
Notes and trade payables	Substantive related party	<u>\$ -</u>	<u>\$ 7,835</u>
Other payables	Subsidiary	<u>\$ 33,276</u>	<u>\$ 24,814</u>

The outstanding trade payables to related parties are unsecured.

g. Other transactions with related parties

		For the Year End	ded December 31
Account Item Manufacturing	Related Party Type Substantive related party	2022	2021
expenses		<u>\$ 646</u>	<u>\$</u>
Operating expenses	Subsidiary	<u>\$ 58,654</u>	<u>\$ 49,585</u>

The relevant manufacturing expenses between the Company and the related parties were negotiated and were thus not comparable with those in the market.

The relevant research and development expenses between the Company and the related parties were negotiated and were thus not comparable with those in the market.

h. Remuneration of key management personnel

	For the Year Ended December 31		
	2022	2021	
Short-term employee benefits	\$ 14,355	\$ 9,814	
Post-employment benefits	<u> </u>	<u> </u>	
	<u>\$ 14,496</u>	<u>\$ 9,955</u>	

Compensation of directors and other key management personnel was decided by the Compensation Committee in accordance with individual performance and market trends.

29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for performance guarantee, financing loan, and post clearance duty on goods pre-released by customs:

	December 31		
	2022	2021	
Property, plant and equipment	\$ 410,088	\$ 406,010	
Pledged bank deposits and time deposits (classified			
to other financial assets - current)	23,194	33,923	
	<u>\$ 433,282</u>	<u>\$ 439,933</u>	

30. SIGNIFICANT CONTINGENT LIABILITIES

CoreFlow Ltd. filed a lawsuit against the Company in Israel on July 28, 2020 due to a dispute over the payment for supplies and claimed 1,970 thousand NIS. The Company has appointed an attorney to respond to the lawsuit in accordance with the law, but if the payment for supplies should be made still depends on the court's ruling.

31. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies of the entities in the Company and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

December 31, 2022

	Cı	oreign urrency housands)	Exchange Rate	Carrying Amount		
<u>Financial assets</u>						
Monetary item USD CNY	\$	32,585 701	30.710 4.408	\$	1,000,685 3,090	
Financial liabilities						
Monetary item USD JPY EUR GBP	\$	705 10 10 10	30.710 0.2324 32.720 37.090	\$	21,651 2 327 371	
December 31, 2021						
Financial assets	Cı	oreign urrency housands)	Exchange Rate		Carrying Amount	
Monetary item USD CNY	\$	45,516 775	27.680 4.344	\$	1,259,883 3,367	
Financial liabilities						
Monetary item USD JPY EUR GBP	\$	1,514 4,304 42 9	27.680 0.2405 31.320 37.300	\$	41,908 1,035 1,315 336	

The significant unrealized foreign exchange gains (losses) were as follows:

	For the Year Ended Dec	ember 31, 2022	For the Year Ended Dec	ember 31, 2021
		Net Foreign		Net Foreign
Foreign		Exchange Gains		Exchange Gains
Currencies	Exchange Rate	(Losses)	Exchange Rate	(Losses)
USD	30.71 (USD:NTD)	\$ 19,915	27.68 (USD:NTD)	(\$ 29,946)

32. ADDITIONAL DISCLOSURES

- a. Information about significant transactions and investees and b. Information on investees:
 - 1) Financings provided to others: None.
 - 2) Endorsements/guarantees provided: None.
 - 3) Marketable securities held: See Table 1 attached.
 - 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None.
 - 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None.
 - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.

- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
- 9) Trading in derivative instruments: Refer to Note 7.
- b. Information on investees: See Table 2 attached.
- c. Information on investments in Mainland China
 - Information on any investee company in Mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and the limit on the amount of investment in the Mainland China area: See Table 3 attached.
 - Any of the following significant transactions with investee companies in Mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: Refer to Note 28.
 - a) The amount and percentage of purchases and the balance and percentage of the relevant payables at the end of the period.
 - b) The amount and percentage of sales and the balance and percentage of the relevant receivables at the end of the period.
 - c) The amount of property transactions and the amount of the resulting gains or losses.
 - d) The ending balance of negotiable instrument endorsements or guarantees or collateral pledged and the purposes.
 - e) The highest balance, the ending balance, the interest rate range, and total current-period interest with respect to financing.
 - f) Other transactions with a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.
- d. Information of major shareholders: List all shareholders with ownership of 5% or greater, showing the name of the shareholder, the number of shares owned, and the percentage of ownership of each shareholder: See Table 4 attached.

MARKETABLE SECURITIES HELD

FOR THE YEAR ENDED DECEMBER 31, 2022

		Relationship with the Holding				Decem	ber 31, 2022			
Holding Company Name	Type and Name of Marketable Securities	Company	Financial Statement Account	Number of Shares (In Thousands)	Carrying Amount		Percentage of Ownership (%)	Fair	Fair Value	
The Company	Camels Vision Technologies Inc.	_	Financial assets at FVTPL - non-current	910	\$	2,440	19	\$	2,240	-
	Favepc Inc.	The chairman is the same person.	Financial assets at FVTPL - non-current	3,265		-	18		-	-
	Wakom Semiconductor Corporation	_	Financial assets at FVTPL - non-current	387		-	11		-	-

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCES DECEMBER 31, 2022

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

Investor Investee			Main Businesses	Original Investment Amount			Balance as of December 31, 2022				Net Income (Loss) of		Share of Profit			
	Location	and Products		er 31, 2022 ote 2)		oer 31, 2021 (ote 2)	Shares (Thousands)	Percentage of Ownership (%)	Carry	ing Amount	the Investee (Note 1)		(Loss) (Note 1)		Note	
The Company	Favite Limited	Samoa	Investment	\$ (US\$	61,470 2,000)	\$ (US\$	61,470 2,000)	2,000	100	\$	36,827	\$	3,570	\$	3,570	Subsidiary

Note 1: Based on the reviewed financial statements of investees in the same period.

Note 2: Amounts denominated in foreign currencies are translated into New Taiwan Dollars using the exchange rates at the dates of the transactions.

INFORMATION ON INVESTMENTS IN MAINLAND CHINA

FOR THE YEAR ENDED DECEMBER 31, 2022

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

Investee Company Name	Main Businesses and Products		nount of Capital te 3)	Investment Type	Outf Investm Taiwan as	nulated low of ent from of January (Note 3)	Outf Investm Taiwa Decembe	nulated low of lent from in as of r 31, 2022 te 3)	% Ownership of Direct or Indirect Investment	Net Income (Loss) of the investee	vestment Loss) (Note 2)	 Value as of er 31, 2022	Accumulated In Remittance Earnings as December 31, 2	of of
Favite (Shanghai)	Software design and sales of	\$	61,470	(Note 1)	\$	61,470	\$	61,470	100%	\$ 3,570	\$ 3,570	\$ 36,769	\$	-
	electronic components	(US\$	2,000)		(US\$	2,000)	(US\$	2,000)						

Accumulated Investment in Mainland China as of December 31, 2022 (Note 3)	Investment Amounts Authorized by the Investment Commission, MOEA (Note 3)	Limit on Investment		
\$ 61,470 (US\$ 2,000)	\$ 61,470 (US\$ 2,000)	\$729,376		

Note 1: Indirect investment in a company located in Mainland China through investment in a company located in a third country

Note 2: Based on the reviewed financial statements of investees in the same period.

Note 3: Amounts denominated in foreign currencies are translated into New Taiwan Dollars using the exchange rates at the dates of the transactions.

Favite, Inc.
INFORMATION OF MAJOR SHAREHOLDERS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Shares						
Name of Major Shareholder	Number of Shares	Percentage of					
	Number of Shares	Ownership (%)					
Utechzone Co., Ltd.	11,379,272	14.39%					

Note 1: The information of major shareholders presented in this table is provided by Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater that have been issued without physical registration (included treasury shares) by the Company as of the last business day for the current quarter. The share capital in the parent company only financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

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STATEMENT OF CASH AND CASH EQUIVALENTS

DECEMBER 31, 2022

Item	Amount
Cash in banks	
Time deposits (Note 1)	\$ 461,431
Currency deposits	27,267
Foreign deposits (Note 2)	81,709
Cash on hand	86
	570,493
Cash equivalent	
Bonds under repurchase agreement	197,581
Less: Restricted assets (classified to other financial assets - current)	23,194
Total	<u>\$ 744,880</u>

- Note 1: Including NT\$29,000 thousand, an annual interest rate of 0.725%-0.925%, expired by the end of June 2023; US\$ 14,081 thousand @30.71, expired by the end of March 2023, an annual interest rate of 1.70%-5.05%.
- Note 2: Including US\$2,661 thousand @30.71 and RMB 1 thousand @4.408.

Favite, Inc. STATEMENT OF NOTES AND TRADE RECEIVABLES DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Client Name	Amount
Trade receivables - Non-related parties	
Client A	\$ 208,516
Client B	117,908
Client C	63,017
Client D	44,853
Others (Note)	106,605
	540,944
Less: Loss allowance	(108,071)
Total	<u>\$ 432,873</u>

Note: The amount of individual clients included in others does not exceed 5% of the account balance.

Favite, Inc.
STATEMENT OF INVENTORIES
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

	Amount						
Item	Cost	Net Realizable Value					
Finished goods	\$ 151	\$ 2,109					
Work in progress	112,651	209,374					
Raw materials	68,397	111,567					
Total	<u>\$ 181,199</u>	<u>\$ 323,050</u>					

Favite, Inc.
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2022

	Balance, Jan	nuary 1, 2022	Increase	e (Decrease) Amount Evalu Equity Method	ated by	Balance, December 31, 2022				
	Shares (Thousand)	Amount	Investment Gain	Exchange Differences on Translation to the Presentation Currency	Shares (Thousand)	%	Amount	Net Assets Value		
Favite Limited	2,000	\$ 32,762	<u>\$ 3,570</u>	<u>\$ 495</u>	2,000	100	<u>\$ 36,827</u>	\$ 36,827		

STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS AND STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF RIGHT-OF-USE ASSETS

DECEMBER 31, 2022

Item	Buildings				
Costs					
Balance at January 1, 2022	\$ 5,978				
Additions	1,100				
Disposals	(<u>1,548</u>)				
Balance at December 31, 2022	5,530				
Accumulated depreciation					
Balance at January 1, 2022	1,807				
Depreciation	1,429				
Disposals	(1,322_)				
Balance at December 31, 2022	<u>1,914</u>				
Carrying amount at December 31, 2022	<u>\$ 3,616</u>				

STATEMENT OF SHORT-TERM BORROWINGS

FOR THE YEAR ENDED DECEMBER 31, 2022

Item	Balance I	End of Year	Period	Range of Interest Rates (%)	Financing Facilities	Pledged or Mortgaged
CTBC Bank	\$	80,000	2022.11.18~2023.05.18	1.750	\$ 80,000	_
CTBC Bank		20,000	2022.12.09~2023.06.09	1.750	20,000	_
Shanghai Commercial Bank		50,000	2022.11.30~2023.02.25	1.675	50,000	
Total	<u>\$</u>	150,000			<u>\$ 150,000</u>	

Favite, Inc. STATEMENT OF TRADE PAYABLES DECEMBER 31, 2022 (In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Trade payables	
Vendor A	\$ 26,817
Vendor B	12,412
Vendor C	6,509
Vendor D	6,349
Vendor E	6,295
Others (Note)	46,986
	<u>\$ 105,368</u>

Note: The amount of individual vendors in others does not exceed 5% of the account balance.

Favite, Inc.
STATEMENT OF LONG-TERM BORROWINGS
FOR THE YEAR ENDED DECEMBER 31, 2022

Total

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

<u>\$ 43,028</u>

Creditor	Balance	End of Year	Period	Range of Interest Rates (%)	st Financing Facilities		Repayment Method	Pledged or Mortgaged
Secured mid-term loans	Φ.	220,000	2010 12 10 2022 12 10	1.70	Ф	200.000	A 1 4 11 4 4 1 2 1 1 1 2 1 1 1 2 1 1 1 2 1 1 1 2 1 1 1 2 1 1 1 2 1	DI . 11 1
Cathay United Bank	\$	228,000	2018.12.19~2023.12.19	1.79	\$	300,000	An installment was paid per quarter from March 2019, with a total of 20 installments.	Plants and land
Secured mid-term loans								
Mega International Commercial Bank		<u>67,616</u>	2018.09.17~2025.09.17	2.125		109,500	An installment was paid per quarter from December 2019, with a total of 24 installments; a grace period of one year was approved for the principal for the fourth installment on September 17, 2020, which was extended to be repaid on September 17, 2021, and each of the remaining installments was paid every three months to repay NT\$6,147 thousand for the principal per installment, and the last installment will be repaid on September 17, 2025.	Plants and land
		295,616						
Less: Current portion	(252,588)						

Favite, Inc.

STATEMENT OF LEASE LIABILITIES

FOR THE YEAR ENDED DECEMBER 31, 2022

Item	Lease Term	Discount Rate	Amount			
Buildings	2022.06~ 2026.05	1.35%~1.52%	\$	3,689		
Less: Lease liabilities - current			(1,337)		
Lease liabilities - non-current			\$	2,352		

Favite, Inc.
STATEMENT OF NET REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Item	Quantity	Amount			
Operating revenue					
Automated optical inspection machines	108	\$ 1,427,045			
RFID tags and electronic products	3,315,000	2,610			
Others		29,761			
Total		\$ 1,459,416			

Favite, Inc. STATEMENT OF COST REVENUE FOR THE YEAR ENDED DECEMBER 31, 2022 (In Thousands of New Taiwan Dollars)

Item		mount
Raw material, beginning of the year	\$	77,813
Raw material purchased		616,782
Transferred to expenses and others	(15,756)
Raw materials, end of year	(68,397)
Raw materials used		610,442
Direct labor		65,862
Overhead		88,165
Manufacturing expenses		764,469
Work in progress, beginning of the year		175,344
Transferred to expenses and others	(1,081)
Work in progress, end of year	(112,651)
Cost of finished goods		826,081
Finished goods, beginning of the year		38,972
Repair costs and others		18,794
Finished goods, end of year	(<u>151</u>)
Operating cost	<u>\$</u>	883,696

Favite, Inc.
STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Item	Selling and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses			
Payroll	\$ 13,856	\$ 56,990	\$ 108,420			
Commissions expense	14,369	-	-			
Advertisement expenses	2,696	-	-			
Remuneration of directors and supervisors	-	8,631	-			
Research and development expenses	-	-	70,042			
Others	8,249	30,177	32,180			
	<u>\$ 39,170</u>	<u>\$ 95,798</u>	<u>\$ 210,642</u>			

Favite, Inc. STATEMENT OF LABOR, DEPRECIATION AND AMORTIZATION BY FUNCTION FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

	For the Year Ended December 31										
				2022						2021	
		ssified as perating costs	O	assified as perating expenses		Total	OI	ssified as perating costs	O	assified as perating xpenses	Total
Labor cost				•						•	
Salaries	\$	55,378	\$	179,226	\$	234,644	\$	58,222	\$	125,515	\$ 183,737
Labor and health insurance		5,701		11,959		17,660		6,008		10,953	16,961
Pension		2,603		5,848		8,451		2,688		5,468	8,156
Remuneration of directors		-		7,614		7,614		_		2,023	2,023
Others		3,328		5,556		8,884		3,565		5,905	 9,470
	<u>\$</u>	67,010	\$	210,243	<u>\$</u>	277,253	\$	70,483	\$	149,864	\$ 220,347
Depreciation	\$	4,559	\$	7,420	\$	11,979	<u>\$</u>	5,742	\$	5,707	\$ 11,449
Amortization	\$	129	\$	1,031	\$	1,160	\$	37	\$	1,081	\$ 1,118

- Note 1: For the years ended December 31, 2022 and 2021, the Company had 217 and 224 employees on average, respectively, which included 8 directors who did not serve concurrently as employees for both years.
- Note 2: Companies whose stocks are listed on the stock exchange or listed on the stock counter trading center should disclose the following information:
 - The average employee welfare expense for the current year is 1,290 thousand ("Total employee welfare expenses for the current year-Total directors' remuneration"/"Number of employees for the current year-Number of directors who are not concurrent employees").
 The average employee welfare expense for the current year is 1,011 thousand ("Total employee welfare expenses for the current year-Total directors' remuneration"/"Number of employees for the current year-Number of directors who are not concurrent employees").
 - 2) The average employee salary expenses for the current year is 1,123 thousand (the total salary expenses for the current year/"the number of employees in the current year-the number of directors who are not part-time employees").
 The average employee salary expenses for the current year is 851 thousand (the total salary expenses for the current year/"the number of

employees in the current year-the number of directors who are not part-time employees").

- 3) Changes in the average employee salary expense adjustment 27.71% ("Average employee salary expense for the current year-Average employee salary expense for the previous year"/Average employee salary expense for the previous year).
- (4) The current year supervisors' remuneration was 54 thousand, and that for the prior year was 96 thousand.
- (5) Compensation and Remuneration Policy
 - A. The remuneration to directors is paid as per the Company's procedures for remuneration to directors and managers. If the Company makes a profit for a year, it shall also allocate amounts for remuneration to directors in accordance with Article 19 of the Articles of Incorporation.

 After deliberation by the Remuneration Committee and the resolution of the Board of Directors, it shall be reported to the shareholders' meeting. If a director is also an employee, the remuneration shall be paid in accordance with rules B and C below.

(Continued)

- B. The remuneration to managers is paid as per the Company's procedures for remuneration to directors and managers. If the Company makes a profit for a year, it shall also allocate amounts for remuneration to employees in accordance with Article 19 of the Articles of Incorporation. After deliberation by the Remuneration Committee and the resolution by the Board of Directors, it shall be reported to the shareholders' meeting. The employee remuneration to managers is based on the careful consideration of the Company's annual profitability and their annual contribution and is paid after the deliberation by the Remuneration Committee and the resolution by the Board of Directors.
- C. The Company's employee salary and remuneration is determined based on individuals' work performance, contribution to the Company, job position, job level, and other factors and are positively correlated with the Company's business performance. It includes base salary, allowances, bonuses, employee remuneration, and benefits. The base salary is determined based on the market standard for each employee's position and the Company's salary policy; allowances are mainly paid for work-related matters; bonuses and employee remuneration are calculated and paid with a linkage to each employee's position, work performance, achievement of departmental goals, and the Company's operating performance to reward employees' efforts and motivate them to continue to work hard, to link employees' rewards with shareholders' equity, thereby create a win-win-win outcome for the company, shareholders, and employees. The Company's benefits are aligned with employees' needs in compliance with laws and regulations to create a happy work environment.

(Concluded)

Chairman: CHEN, YUNG-HUA