

Stock code: 4912

***LemTech***  
**Lemtech Holdings Co., Limited**

**2022**  
**Annual Report**

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**Company Website: <http://www.lemtech.com>**

**The Annual Report is available at <http://mops.twse.com.tw>**

(This English version is a translation based on the original Chinese version. Where any discrepancy arises between the two versions, the Chinese version shall prevail.)

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V. Name of the Trading Place Where Overseas Securities are Listed for Trading and Methods to Inquire About the Overseas Securities Information: None.

VI. Company Website: <http://www.lemtech.com>

VII. List of Board Members

Title	Name	Nationality	Major academic (work) experience
Chairman	Hsu, Chi-Feng	Republic of China	Changhua Yang-Ming Middle School Chairman of Lemtech Holdings Co., Limited
Vice Chairman	Chan Kim Seng Maurice	Singaporean	Diploma in Management Studies (Singapore Institute of Management) Vice Chairman and Sales Director of Lemtech Holdings Co., Limited
Director	Ye, Hang	Mainland China	Shanghai Workers College for Mechanotronics Director and CTO of Lemtech Holdings Co., Limited
Director	Tan, Yong	Mainland China	Shanghai Machine Tool Electric Appliance Plant Technical School Director of Lemtech Holdings Co., Limited
Independent Director	Yang, Rui-Long	Mainland China	Instructor of Teaching and Research Office of Economics Department of Jiangsu Administration Institute Master of Economics in the Renmin University of China
Independent Director	Yu, Chi-Min	Republic of China	Doctor of Southern Methodist in Law and Science of Law Associate Professor of Department of Law in Soochow University
Independent Director	Lee, Wei-Ming	Republic of China	General Manager/Consultant of Kang Chu International Co., Ltd. Consultant/Deputy General Manager and Chief Financial Officer of C-techon International Co., Ltd. Bachelor of School of Business of National Taiwan University
Independent Director	Wang, Chi-Chuan	Republic of China	Ph.D., Department of Mechanical Engineering National Yang Ming Chiao Tung University Distinguished Professor of Department of Mechanical Engineering in National Yang Ming Chiao Tung University
Independent Director	Cheng, Frank	Republic of China	Oklahoma Central State University MBA Tamkang University BBA Vice President of MSI International Co. General Manager of Liuski International, Inc.

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## Chapter 1 Letter to Shareholders

Dear Shareholders,

Businesses worldwide faced a host of challenges during 2022 as the global economy slumped into a slowdown due to unfavorable factors arising from geopolitical tensions, growing inflationary cost pressures, rising interest rates and the Russia-Ukraine war which caused a severe dislocation in global supply chains. The China government's pandemic-related measures also posed more operating challenges for businesses in the country. Besides these factors, Lemtech performance in FY2022 was also affected by the weaker-than-anticipated recovery of the 3C industry as the customers undergo slow inventory digestions.

Notwithstanding the strong headwinds and difficult operating environment which resulted in the group sales revenue decrease by 6.03 percent to NTD 5.985 billion (previous year: NTD 6.369 billion) and net profit to down by 6.85 percent to NTD 435 million (previous year: NTD 467 million), Lemtech still delivered a relatively stable revenue and remained profitable in FY2022.

Amidst the challenging and unpredictable market environment, Lemtech has demonstrated resilience by securing new project orders from both existing and new customers in 2022. Notably, we have received a new model project nomination from the Connection Fitness industry, as well as numerous new project nominations from the Automotive industry, particularly in the areas of Electric Vehicle (EV) and Autonomous Driving. We are optimistic about the market outlook, particularly with the growing trend towards EV and Autonomous Driving. As a result, we believe that our strategic positioning in these areas will enable us to capture multiple growth opportunities in the near future when the market situation recovered.

Additionally, we continued to invest in our future growth and success by expanding our core stamping business capacities with increasing the factory size in Kunshan, China and establishing a new manufacturing location in Queretaro, Mexico. These strategic expansions will enable us to provide even more value-added services and solutions to our customers when both factories ready for production in Q4-FY2023, putting Lemtech in a strong position to secure more new projects and win market share, especially in North America - the world's second-largest automotive market.

Looking ahead, our development plans remain focused on expanding our customer base in the 3C (Computer, Communication, Consumer Electronics) industry, with a particular focus on cloud computing and smart devices. We will also continue to prioritize growth in the Automotive Industry, with a focus on Electric Vehicles (EV) and Autonomous Driving, as well as in the Connected Fitness Industry with a focus on smart digital fitness training equipment. We continued the integration of automated processes in our production system to optimize the product quality and operational efficiency while mitigating the company's reliance on manual labor to ensure operation sustainability.

We remain committed to maximizing value for our shareholders and will continue to capitalize on these opportunities and strategies to achieve sustained revenue growth in the long term.

At Lemtech, we recognize that the success of our company is a reflection of the hard work and dedication of our employees, partners, and shareholders. We are committed to pursuing our mission of continued growth and success, building on the strong foundation we have established over the past year. As we face the challenges of the year ahead, we remain optimistic about the future of our company and the opportunities that lie ahead. With your continued support, we are confident that Lemtech will continue to thrive and make a positive impact on the environmental and social sustainability. Thank you for your continued support and partnership.

## I. 2022 Business Report

### (I) Implementation results of the business plan

Unit: Thousand NTD

Item \ Year	2021	2022	Amount of increase (decrease)	Change by percentage (%)
Net operating revenue	6,369,118	5,984,928	(384,190)	(6.03)
Operating costs	5,037,774	4,708,823	(328,951)	(6.53)
Gross profit	1,331,344	1,276,105	(55,239)	(4.15)
Operating expenses	699,510	813,542	114,032	16.30
Net operating income	631,834	462,563	(169,271)	(26.79)
Non-operating income and expenses	(3,935)	67,904	71,839	(1,825.64)
Net income before tax	627,899	530,467	(97,432)	(15.52)
Less: Income tax expenses	160,727	95,313	(65,414)	(40.70)
Net income for this period	467,172	435,154	(32,018)	(6.85)

Analysis on the change of amount of increase/decrease:

1. Decrease in operating revenue: Mainly due to fitness equipment customers still digesting their inventory.
2. Decrease in operating costs: As operating income decreases, costs also decrease.
3. Decrease in gross profit: Mainly due to decrease in operating revenue with the gross profit decreasing.
4. Increase in operating expenses: Mainly due to the increase in personnel costs for the expansion of the subsidiary and the cost of the Zhongli plant.
5. Decrease in net operating income: Mainly due to the increase in personnel costs for the expansion of the subsidiary and the cost of the Zhongli plant.

6. Increase in non-operating expenses: Mainly due to the appreciation of the US dollar compared with the previous year, resulting in exchange benefits.
7. Decrease in net income before tax: Mainly due to the decrease in net operating income and increase in operation expenses.
8. Decrease in income tax expenses: Mainly due to decrease in net income before tax, causing the decrease in income tax expenses.
9. Decrease in net income for this period: Mainly due to the decrease in income expense and increase in expenses.

(II) Analysis of financial revenues and expenditures and profitability: We focuses on enhancing the portfolio of products which generate higher gross profit, integrating client resources, strengthening cooperation with well-known enterprises. Our financial operations have been consistent and stable, and revenue and expenditures are in good condition.

Unit: %

Year		2021	2022	Increase (decrease)
Item				
Financial structure	Ratio of liabilities to assets	56.84	59.44	(4.92)
	Ratio of long-term capital to fixed assets	242.36	233.16	(129.81)
Debt service ability	Current ratio	124.74	153.23	(88.41)
	Quick ratio	98.69	128.65	(82.89)
Profitability	Asset return ratio	5.78	7.7	(0.90)
	Shareholders' equity return ratio	13.44	19.94	(2.98)
	Basic earnings per share (NTD)	6.27	8.32	(1.24)

(III) Budget Execution Status

Our company did not disclose any financial forecasts for the year 2022, therefore there is no need to disclose the budget execution status.

(IV) Research and Development Status

The research and development (R&D) expenditure for our company in the fiscal years 2021 and 2022, as consolidated, amounted to approximately NTD 0.163 billion and 0.204 billion, accounting for approximately 2.56% and 3.41% of the consolidated revenue, respectively. Regarding future development, our company will continue to invest in R&D for automated production lines. We will gradually replace manual operations with robots in technical positions and establish intelligent production workshops. These efforts aim to enhance production efficiency and quality, reduce



manufacturing costs, decrease reliance on labor, ensure sustainable business development, and enhance competitiveness in the industry.

## II. 2022 Business Plan

### (I) Operating Strategies

#### a. Production and Manufacturing Strategies:

We have embraced automation and implemented new technologies to reduce dependency on labor, increase production speed and efficiency, and minimize waste. Our rigorous quality control measures ensure that our products meet or exceed the highest industry standards, and continually seek processes improvement through ongoing analysis and optimization.

#### b. Supply Chain Management Strategies:

We have focused on optimizing our sourcing, procurement, and logistics processes to ensure timely and cost-effective delivery of high-quality materials and products to our customers. We work closely with our suppliers to establish long-term partnerships based on mutual trust and shared values, and keep improving our supply chain performance through data analytics and continuous monitor.

#### c. Sales and Marketing Strategies:

We plan to leverage digital marketing channels to reach more potential customers and promote our manufacturing capabilities and services. The sales team will focus on building relationships with existing customers, while also targeting new customers through lead generation and networking events. Ultimately, we seek to differentiate ourselves from competitors by delivering high-quality products and exceptional customer service.

#### d. Research and Development Strategies:

We remain committed to invest in technology research and development to stay at the forefront of our industry. We focus on developing new and innovative solutions that meet our customers' evolving needs, while also improving our operational efficiency and sustainability. As part of our R&D efforts, we collaborate with leading academic institutions to expand our knowledge base and capabilities.

#### e. Human Resource Strategies:

We have focused on talent acquisition, employee development, and succession planning. We have implemented an employee development program to improve our staff's skills and knowledge, and we have established a succession planning program to ensure continuity in our leadership positions. Our performance management system helps us identify areas for improvement and provide regular feedback to employees. We also strive to create a diverse and inclusive workplace culture that values teamwork, innovation, and excellence.

#### f. Financial Strategies:

We will continue to optimize our capital structure and deploy capital to high-return projects, while maintaining a strong focus on cost management and operational efficiency. Through proactive cash flow management, prudent risk assessment and management, and strategic investments, we aim to achieve our financial objectives and create long-term value for our stakeholders.

g. Sustainability Strategies:

We have focused on environmental, social, and governance initiatives, including energy management, waste reduction, and community engagement. Our commitment to sustainable manufacturing practices includes reducing our carbon footprint, maximizing energy efficiency, and minimizing waste throughout the production process. Additionally, we plan to engage with our local community by sponsoring local events and supporting charitable organizations.

h. Risk Management Strategies:

We focused to mitigate potential risks and ensure the sustainability of the business by implementing regular assessments of internal and external risks, developing and implementing risk mitigation plans, and continuously monitoring and updating our risk management processes. We also maintain an insurance program to cover potential losses, and have established contingency plans to address unexpected events.

In conclusion, we remain committed to our operating strategies and believe that these strategies will position us for continued success in the years to come while achieving our business objectives and delivering exceptional results for our stakeholders.

(II) Expected Sales Quantity and Basis

Our company's expected sales are based on past sales performance, taking into account existing product orders for this year, as well as production and delivery plans for new projects granted by customers, to generate the sales forecast for the year 2023. As more new projects begin mass production, our company's shipment volume and revenue are expected to grow accordingly.

(III) Important Production and Sales Policies

- a) Adopting automated production capabilities and implementing new technologies to ensure strict quality control and deliver products that surpass industry standards, while continuously optimizing processes and making improvements.
- b) Establishing long-term partnerships with suppliers and improving supply chain performance through data analysis and continuous monitoring.
- c) Building digital marketing channels to focus on customer relationship building, as well as targeting potential customers through social activities.
- d) Sustained investment in technology research and development and the adoption of digital innovations to enhance operations and create new business models that meet

the evolving needs of customers. Collaborating with leading academic institutions to expand our knowledge base and research and development capabilities.

- e) Engaging in mergers and acquisitions with strategic partners to accelerate the company's global manufacturing footprint and explore new markets.

### III Company Future Development Strategy

As we look towards the future, we remain committed to achieving sustainable growth and creating value for our shareholders. In order to achieve this, we focused on following key areas of development:

- a. Manufacturing and Technology Innovation:

Through the investment and adoption of advanced technologies and continuous improvement initiatives, we aim to streamline its operations, reduce costs, and increase its competitiveness. The focus will be on developing new and innovative manufacturing processes, enhancing supply chain efficiency, and making use of data analytics to optimize the manufacturing processes.

- b. Geographic Expansion:

We plan to expand our operations into new geographic regions to diversify our revenue streams and access new markets. We plan to enter new markets in South East Asia and North America, and establish a strong presence in these regions. The focus will be on industries where the company has existing expertise, such as automotive, 3C and connected fitness. We will also invest in local talents, establish manufacturing facilities, and collaborate with local suppliers to ensure that our products and services meet the needs of customers in these new markets.

- c. Digital Transformation:

We recognize the importance of digital transformation in today's business environment and plan to invest in new technologies to improve our operations and create new business models. We will focus on building a data-driven culture to help in decision-making and drive innovation. We will also invest in employee training and development to ensure that they have the necessary skills and knowledge to implement these digital initiatives effectively.

- d. Sustainability:

We are committed to operating in an environmentally and socially responsible manner and will continue to implement sustainable practices throughout our operations. This includes reducing our carbon footprint, reducing waste, and engaging with people with related benefits to promote responsible business practices.

- e. Talent Management:

We recognize that our employees are our most valuable asset and will continue to invest in talent management to attract and retain the best talents. We will focus on developing our employees' skills and knowledge, creating a culture of teamwork and innovation, and ensuring diversity and inclusion throughout our organization.

- f. Mergers and Acquisitions:

We will explore opportunities for strategic mergers and acquisitions that complement our

existing operations and allow us to achieve our growth objectives more quickly. We will prioritize opportunities that offer synergies with our existing operations and access to new markets or technologies.

By focusing on these key areas of development, we believe we can achieve sustainable growth and create long-term value for our shareholders.

#### IV. Influenced by the external competitive environment, regulatory environment and overall business environment

The past year has been marked by a rapidly evolving external environment, with numerous factors influencing our business operations. We have been closely monitoring these current developments and have taken steps to respond to the changing situations.

Some of the key influences that we have observed include:

a. External Competitive Environment:

The competitive level has been highly challenging with increasing competition from both established players and new entrants in our industry. We have responded by investing in technical innovation and improving our operational efficiency, while also exploring opportunities for strategic partnerships and acquisitions.

b. Regulatory Environment:

The regulatory environment has continued to evolve, with new regulations impacting our operations in various regions. We have prioritized compliance with these regulations and have implemented measures to ensure that our operations are aligned with local laws and regulations.

c. Overall Business Environment:

As the overall business environment has been impacted by various factors such as economic conditions, geopolitical instability, and changing customer preferences, we have responded by diversifying our revenue streams, exploring new markets, and expanding our global manufacturing solution to meet changing customer needs.

Despite the ongoing external challenges, we stay confident in our ability to successfully overcome these obstacles and continue to grow our business. We will remain vigilant in closely monitoring the external environment and will make necessary adjustments to our strategies in response to emerging trends and developments. Our unwavering commitment to transparency with our shareholders will continue, and we pledge to keep you updated on our progress as we navigate this ever-changing business surroundings.

Lemtech Holdings Co., Limited

Chairman                      Chi-Feng, Hsu

General Manager              Eu, Ricky

Financial Manager              Chien, Yi-Ling

## Chapter 2 Company Introduction

### I. Date of Incorporation

Lemtech Holdings Co., Limited (hereinafter referred to as "the Company") is mainly engaged in production and selling of precision metal dies and metal stamping. The Company was established in Cayman Island on Sep. 29, 2009 with several production and operating sites in Taiwan, Mainland China, Hongkong, Thailand, Czech and the Philippines in consideration of the Company's development. The Company also set an office in the USA to obtain more shares in the overseas market, strengthen the layout of the overseas business market in the European and American markets, so as to improve the Company's business performance.

Since its establishment, the Company has been focusing on mold manufacturing, process and improvement of heat dissipation devices and timely adjusted its operation and development trend to cope with the continuous change of market demand. By actively introducing advanced equipment, and continuously developing and upgrading its processing technology, the Company has successfully shifted from engineering processing to single-equipment continuous processing and combined equipment continuous processing technology using manipulator. At the same time, to cope with the customer demand, the Company has gradually shifted from single-piece production and manufacturing of products to the assembly and production of components. This has further improved the Company's competitiveness and profitability.

Consequently, the Company has the capability to set foot in automotive components and building materials products from the manufacturing of heat sink. In addition, the Company has also conducted market research and surveys, continuously improving its existing production processes, and developing products with higher value-added.

By virtue of its excellent mold development, design capabilities and precision stamping technology, the Company has built a variety of product lines and customer clusters. Currently, the Company's products can be applied in different industries such as information, communications, consumer electronics, household appliances, automobile industry, and construction industry. The Company serves different customers in different industries instead of focusing on a single product. This has effectively reduced the Company's business risk.

### II. Company Overview

Date	Important event
Feb. 2012	(1) Kunshan Lemtech was awarded with the prize of Best Supplier in 2011 of Autoliv (2) Kunshan Lemtech passed the green product system attestation carried out by PEGATRON Unihan
MAR. 2012	The Hinge Division of Kunshan Lemtech passed the annual supervision and verification of ISO9001:2008 conducted by AFAQ/BellCERT and the verification of Panasonic, and became their qualified supplier
APR. 2012	(1) Kunshan Lemtech passed the annual supervision and verification of ISO/TS16949:2009 conducted by AFAQ/BellCERT as well as the IATF verification (2) Kunshan Lemtech established its Heat Dissipation Module Division

Date	Important event
	(3) Kunshan Lemtech passed the annual supervision and verification of ISO14001:2004 conducted by AFAQ/BellCERT
MAY 2012	The Module Division of Kunshan Lemtech passed the examination of Wistron and became its qualified supplier
JUN. 2012	Kunshan Lemtech was awarded the prize of Best Overseas Partner of Furukawa Electric
JUL. 2012	Kunshan Lemtech passed the examination of Google and became its qualified supplier
NOV. 2012	(1) Kunshan Lemtech was awarded the prize of Morse TEC Excellent Supplier in 2012 of BORGWARNER (2) Proceeded SEO and successfully raised NT\$ 215 million
DEC. 2012	The new factory of Kunshan Lemtech in Changp'u passed the construction completion approval
JAN. 2013	Kunshan Lemtech was awarded the prize of Excellent Supplier in 2012 of Autoliv
MAR. 2013	Established the company Aapico Lemtech (Thailand) Co., Ltd. jointly with Aapico, a major listed company in Thailand engaging in automobile parts, in order to expand its overseas operating points and add new customers
MAY 2013	Subsidiary company Lemtech USA INC. was established in the USA to expand the overseas market
MAY 2013	The factory of Kunshan Lemtech in Changp'u was formally put into operation
MAY 2013	The new factory of Kunshan Lemtech in Changp'u passed the ISO/TS16949:2009 attestation carried out by AFAQ/BellCERT
JAN. 2014	Kunshan Lemtech was awarded the prize of Excellent Supplier in 2013 of Autoliv
FEB. 2014	Kunshan Lemtech won the Best Quality Award in 2013 of TRW (Shanghai)
MAR. 2014	The new factory of Kunshan Lemtech in Changp'u passed the ISO14001 Environment management system attestation carried out by AFAQ/BellCERT
APR. 2014	Issued its first domestic unsecured convertible corporate bonds in 2014
MAY 2014	Established its subsidiary company Lemtech Technology Limited in Hongkong, to adjust the group's organizational function
SEP. 2014	Awarded the Golden Peak Prize of 16th Session of OEMA
JAN. 2015	Kunshan Lemtech was awarded the prize of Excellent Supplier in 2014 of Autoliv
APR. 2015	(1) Lemtech Technology Limited established Jimao Lemtech Co., Ltd. (Taiwan) jointly with Jimao Precision Co., Ltd., to cope with the technology development of server heat dissipation products, mutually benefiting two parties in revenues and technologies (2) Kunshan Lemtech won the Fujitsu Ten Quality Excellence Award in 2014
MAY 2015	Listed in stock exchange on May 21, 2015
JUN. 2015	Won the Golden Torque Prize of 12th Session of OEMA
DEC. 2015	(1) Lemtech Technology transferred its equities to Kunshan Lemtech (original shareholder was Super Solution) (2) Lemtech USA transferred its equities to Kunshan Lemtech (original shareholder was Super Solution)
JAN. 2016	Kunshan Lemtech was awarded the prize of Excellent Supplier in 2015 of BORGWARNER
MAR. 2016	Kunshan Lemtech was awarded the prize of Best Service Supplier in 2015 of TRW (Shanghai)

Date	Important event
APR. 2016	(1) Established its subsidiary, Lemtech Industrial Services Ltd, in Samoa as its operation management institution (2) Kunshan Lemtech was renamed as "Kunshan LemTech Precision Engineering Co., Ltd."
MAY 2016	(1) Lemtech Global Solution Co. Ltd. established Lemtech AMP Limited (Seychelles) jointly with Ch'engkuan Enterprise (Limited) Company by pooling of capital, for marketing and selling of new type fire extinguishers and highway guardrails made of plastic steel materials (2) Super Solution Co., Ltd. was renamed as "Lemtech Global Solution Co. Ltd."
JUL. 2016	(1) Kunshan Lemtech was renamed as "LemTech Precision Material (China) Co., Ltd." (2) LemTech Precision Material won the Global Excellent Supplier Award in 2015 of BORGWARNER
AUG. 2016	(1) Established its subsidiary "Kunshan Lemtech Slide Technology Co., Ltd." in Mainland China for more product diversification and layout expansion in the field of server (2) Established its subsidiary "New Fortune Global Limited" in Samoa, for considerations of the group's investment architecture and flexibility (3) LemTech Precision Material passed the customer's VDA 6.3 process verification conducted by Thyssenkrupp
SEP. 2016	(1) Established its subsidiary Lemtech Precision Material (Czech) s.r.o. in Czech, in order to strengthen its global layout and tax incentive (2) LemTech Precision Material won the Best Partner Award of Pollmann
OCT. 2016	LemTech Precision Material signed a strategic cooperation agreement with Pollmann
JAN. 2017	(1) LemTech Precision Material launched its ISO14001 environmental management system revision activity (2) LemTech Precision Material won the Quality Excellence Award in 2016 of BORGWARNER
MAR. 2017	LemTech Precision Material passed ISO3834 and ISO14554 international welding attestation
APR. 2017	LemTech Precision Material passed ISO14001:2015 environmental management system revision attestation
OCT. 2017	LemTech Precision Material launched its project for updating ISO/TS16949:2009 to IATF16949:2016
NOV. 2017	(1) LemTech Precision Material completed the decoration of its second-phase plant and formally put it into operation (2) LemTech Czech passed ISO9001:2015 quality management attestation
DEC. 2017	LemTech Precision Material won the Best Partnership Award in 2017 of BORGWARNER
JAN. 2018	LemTech Precision Material won the General Manager Award in 2017 of TRW (Wuhan)
MAY 2018	LemTech Precision Material passed IATF16949:2016 automobile quality system revision attestation
NOV. 2018	(1) Bought the land located in Huaya Section, Guishan District, Taoyuan to build a factory, in order to meet customers' requirements and spread the risks arising from centralized production in one area (2) Lemtech Global Solution Co. Ltd. bought 50% of equities of Jimao Lemtech (Taiwan), to cope with the group's operation plan and future development



Date	Important event
JAN. 2019	(1) Taiwan branch is set up to cope with the needs of its business development (2) Invested in an electroplate factory in Mainland China "Zhenjiang Emtron Surface Treatment Limited" in order to ensure the stability of its production and supply chain of automobile parts in Mainland China and improve the gross profits of products
JUN. 2019	Established a subsidiary "Lemtech Cooling System Limited" in Hongkong, for consideration of the group's structure and needs of expansion flexibility in future
JUL. 2019	(1) Established a subsidiary "Lemtech Philippine Thermal System Inc." in the Philippines, for consideration of expanding operation sites and obtaining more business orders in the Philippines (2) "Lemtech Energy Solutions Corporation" completed equity transfer and became a subsidiary of the group
OCT. 2019	Established its subsidiary "Kunshan Lemtech Electronics Technology Co., Ltd." in Mainland China, for consideration of its group structure and plans on heat dissipation business
AUG. 2020	Issued the third domestic unsecured convertible corporate bond in 2020
SEP. 2020	Established a subsidiary " Lemtech Electronic Technology (Changshu) Co., Ltd." in Mainland China to consider increasing the production capacity of cooling products
MAY. 2021	Established " LemTech Global Industries Ltd." in Taiwan, for consideration of its group structure and plans on sports equipment business
JUL. 2021	A transaction contract was signed in January 2021 to dispose of 100% of the shares of Lemtech Philippine Thermal System Inc., and on July 12, 2021, 100% of the shares were sold for a total price of NT\$67,200,000
OCT. 2021	(1) The company signed an investment agreement and invested in cash to acquire a 28.42% stake in Keycore Technology Corp. on October 6, 2021, for consideration of its group structure and plans on variety of products. (2) Issuance of the fourth domestic unsecured convertible corporate bonds in 2021
DEC. 2021	Purchased land in the middle section of Zhongli District, Taoyuan City and built a factory office, in order to set up the headquarter in Taiwan and integrate the subsidiaries in Taiwan to operate in the same factory area
FEB. 2022	Established " Lemtech Precision Engineering (Tianjin) Co., Ltd." in mainland China to consider increasing the production capacity of auto parts products and its tax incentives
MAR. 2022	The company acquired 40% of the shares held by "Lemtech-EAHWA Precision Technology Co., Ltd." for consideration of the group structure and the planning of the heat dissipation business
MAR. 2023	Set up a subsidiary Lemtech Mexico S.A. de C.V. to expand the Group's production and supply stability of auto parts in the United States and Mexico.

Note: In July 2016, Kunshan Lemtech was renamed as Lemtech Precision Material. In July 2022 Lemtech Cooling System Limited was renamed as Lemtech International Limited.

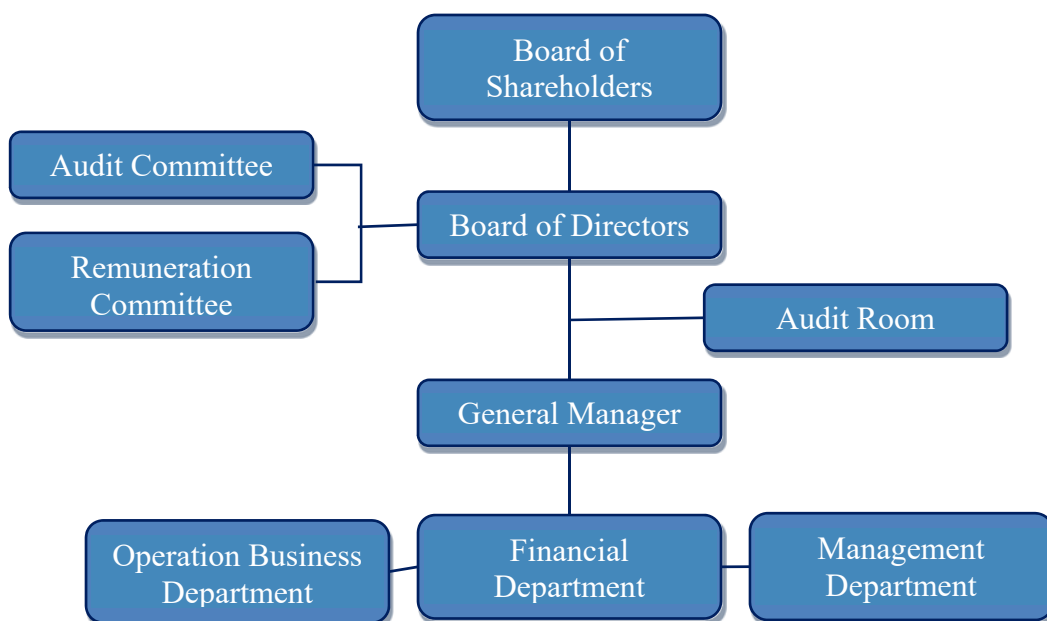
**III. Group Structure: Please refer to page 111 in this annual report.**

**IV. Risk Matters: Please refer to page 104 to 109 in this annual report.**

## Chapter 3 Corporate Governance Report

### I. Organizational System

(I) The Company's organization structure



(II) Functions of major departments

Department	Functions
Audit Committee	<ol style="list-style-type: none"> <li>(1) Sets or revises the internal control system according to requirements under Article 14-1 of the Securities and Exchange Act.</li> <li>(2) Evaluation of the effectiveness of an internal control system.</li> <li>(3) Adoptions or amendments, pursuant to Article 36-1 of the Securities and Exchange Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of capital loans to others, or endorsements or guarantees for others.</li> <li>(4) Matters involving the personal interest of directors.</li> <li>(5) Material asset or derivatives transactions.</li> <li>(6) Material capital loans, endorsements, or provisions of guarantees.</li> <li>(7) The offering, issuance, or private placement of any equity-type marketable securities.</li> <li>(8) The appointment, dismissal, or compensation of CPA.</li> <li>(9) The appointment or dismissal of financial, accounting, or internal audit officers.</li> <li>(10) consolidation of annual and semi-annual financial reports.</li> <li>(11) Other significant matters as required by the Company or the competent authority.</li> </ol>
Remuneration Committee	<ol style="list-style-type: none"> <li>(1) Establishes and periodically reviews compensation policies, system, standards, and structure, as well as the performance evaluation of directors and managers.</li> <li>(2) Periodically evaluates and establishes compensations for directors and managers.</li> </ol>

Department	Functions
General Manager	Decision-making personnel at the highest management level who is responsible for monitoring business operation and implementation, as well as executing the resolutions of the Board of Directors.
Audit Room	Responsible for auditing, maintenance, improvement, and proposing suggestions on internal control system. Assists each unit to solve problems, improve work and enhance working efficiency.
Management Department	Responsible for management of the Company's personnel, general affairs, security, information and customs affairs management, planning for the Board meetings, and management and execution of the convening of the shareholders' meeting and stock affairs (in accordance with the "Rules of Procedure of the Board of Directors").
Financial Department	Responsible for the management of the Company's investment and working capital, processing of production and sales cost accounting matters, preparation of financial statements and administration of tax affairs.
Operation Business Department	Responsible for the executions of the Board of Directors' decisions on investment, branch establishment and operation strategies in Taiwan, China, Hong Kong, Thailand, the U.S., Czech Republic, etc.; the operation and management of companies in Taiwan, China, Hong Kong, Thailand, the U.S., Czech Republic, etc. are carried out by the management teams in corresponding companies.

## II. Information on Directors, General Managers, Deputy General Managers, Assistant Managers, and Heads of Departments and Branches

### (I) Directors

#### 1. Information on directors

Apr. 30, 2021 Unit: Thousand shares; %

Title	Nationality	Name	Gender	Date elected	Term (years)	Date first elected	Shareholding when elected		Current shareholding		Spouse & minor current shareholding		Shareholding by nominees		Experience (education)	Other position concurrently held at the Company or other companies	Executives, directors or supervisors who are spouses or within the second degree of kinship			Remarks
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Chairman	Republic of China	Hsu, Chi-Feng	Male	2021.07.05	3	2009.09.29	7,289	13.40	8,294	13.34	-	-	99	0.16	Chairman and General Manager of the Company. Director of Lemtech Global Solution Co. Ltd. Chairman of LemTech Precision Material (China) Co., Ltd. Chairman and General Manager of LDC Precision Engineering Co., Ltd. Director of Lemtech Technology Limited Director of Aapico Lemtech (Thailand) Co., Ltd. Director of Lemtech USA INC. Director of Lemtech Industrial Services Ltd Chairman of Kunshan Lemtech Slide Technology Co., Ltd. Director of Lemtech USA INC. Director of Lemtech Industrial Services Ltd Chairman of Kunshan Lemtech Slide Technology Co., Ltd. Director of Zhenjiang Emtron Surface Treatment Limited Chairman of Lemtech Energy Solutions Corporation Director of Lemtech Precision Material (Czech) s.r.o. Director of Lemtech Lemtech International Limited Director of Zhenjiang Emtron Surface Treatment Limited Chairman of Lemtech Energy Solutions Corporation Director of Lemtech Precision Material (Czech) s.r.o. Director of Lemtech Lemtech International Limited Director of Lemtech Electronics Technology (Changshu) Co., Ltd. Legal Representative Supervisor of LemTech Global Industries Ltd. Director of Lemtech Precision Engineering (Tianjin) Co.,Ltd	Chairman and General Manager of the Company. Director of Lemtech Global Solution Co. Ltd. Chairman of LemTech Precision Material (China) Co., Ltd. Chairman and General Manager of LDC Precision Engineering Co., Ltd. Director of Lemtech Technology Limited Director of Aapico Lemtech (Thailand) Co., Ltd. Director of Lemtech USA INC. Director of Lemtech Industrial Services Ltd Chairman of Kunshan Lemtech Slide Technology Co., Ltd. Director of Zhenjiang Emtron Surface Treatment Limited Chairman of Lemtech Energy Solutions Corporation Director of Lemtech Precision Material (Czech) s.r.o. Director of Lemtech Lemtech International Limited Director of Lemtech Electronics Technology (Changshu) Co., Ltd. Legal Representative Supervisor of LemTech Global Industries Ltd. Director of Lemtech Precision Engineering (Tianjin) Co.,Ltd	None	None	None	Note 1

Title	Nationality	Name	Gender	Date elected	Term (years)	Date first elected	Shareholding when elected		Current shareholding		Spouse & minor current shareholding		Shareholding by nominees		Experience (education)	Other position concurrently held at the Company or other companies	Executives, directors or supervisors who are spouses or within the second degree of kinship			Remarks
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Vice Chairman	Singaporean	Chan Kim Seng Maurice	Male	2021.07.05	3	2009.09.29	5,101	9.38	5,775	9.29	-	-	-	-	Vice Chairman and Business Director of the Company Director of Lemtech Global Solution Co. Ltd. Director of LemTech Precision Material (China) Co., Ltd. Director of LemTech Precision Material (China) Co., Ltd. Director of Aapico Lemtech (Thailand) Co., Ltd. Director of Zhenjiang Emtron Surface Treatment Limited Director of Lemtech Precision Material (Czech) s.r.o. Director of Lemtech International Limited Director of Lemtech Precision Material (Czech) s.r.o. Director of Lemtech Lemtech International Limited Supervisor of Lemtech Energy Solutions Corporation Supervisor of Kunshan Lemtech Slide Technology Co., Ltd. Director of Lemtech Electronics Technology (Changshu) Co., Ltd. Legal Representative Chairman of LemTech Global Industries Ltd.	Vice Chairman and Business Director of the Company Director of Lemtech Global Solution Co. Ltd. Director of LemTech Precision Material (China) Co., Ltd. Director of Aapico Lemtech (Thailand) Co., Ltd. Director of Zhenjiang Emtron Surface Treatment Limited Director of Lemtech Precision Material (Czech) s.r.o. Director of Lemtech International Limited Supervisor of Lemtech Energy Solutions Corporation Supervisor of Kunshan Lemtech Slide Technology Co., Ltd. Director of Lemtech Electronics Technology (Changshu) Co., Ltd. Legal Representative Chairman of LemTech Global Industries Ltd.	None	None	None	
Director	Mainland China	Ye, Hang	Male	2021.07.05	3	2009.09.29	4,990	9.18	5,647	9.08	-	-	-	-	Director and Chief Technology Officer (CTO) of the Company Director of Lemtech Global Solution Co. Ltd. Director of LemTech Precision Material (China) Co., Ltd. Director of Lemtech Precision Material (Czech) s.r.o. Director of Lemtech Cooling System Limited Director of Lemtech Electronics Technology (Changshu) Co., Ltd.	Director and Chief Technology Officer (CTO) of the Company Director of Lemtech Global Solution Co. Ltd. Director of LemTech Precision Material (China) Co., Ltd. Director of Lemtech Precision Material (Czech) s.r.o. Director of Lemtech Cooling System Limited Director of Lemtech Electronics Technology (Changshu) Co., Ltd.	None	None	None	
Director	Mainland China	Tan, Yong	Male	2021.07.05	3	2009.11.24	2,013	3.70	2,104	3.38	-	-	-	-	Head of Mould Department of Shanghai Pioneer Speakers Co., Ltd. Sales Director of Shanghai Chin Jih Metal Products Co., Ltd. Shanghai Machine Tool Electric Appliance Plant Technical School	Director of the Company Director and General Manager Special Assistant for Factory Affairs of LemTech Precision Material (China) Co., Ltd.	None	None	None	
Independent Director	Mainland China	Yang, Rui-Long	Male	2021.07.05	3	2009.11.24	-	-	-	-	-	-	-	-	Instructor of Teaching and Research Office of Economics Department of Jiangsu Administration Institute Master of Economics in the Renmin University of China	Independent Director of the Company Professor of School of Economics in Renmin University of China	None	None	None	

Title	Nationality	Name	Gender	Date elected	Term (years)	Date first elected	Shareholding when elected		Current shareholding		Spouse & minor current shareholding		Shareholding by nominees		Experience (education)	Other position concurrently held at the Company or other companies	Executives, directors or supervisors who are spouses or within the second degree of kinship			Remarks
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Independent Director	Republic of China	Yu, Chi-Min	Male	2021.07.05	3	2010.06.17	-	-	-	-	-	-	-	-	Doctor of Southern Methodist in Law and Science of Law Associate Professor, Department of Law, Soochow University	Independent Director of the Company Secretary-general of Taiwan Technology Industry Legal Officers Association Arbitrator of Chinese Arbitration Association, Taipei Director of EasyCard Corporation Independent Director of Syncomm Technology Corporation	None	None	None	
Independent Director	Republic of China	Lee, Wei-Ming	Male	2021.07.05	3	2010.06.17	-	-	-	-	-	-	-	-	Bachelor of School of Business of National Taiwan University General Manager/Consultant of Kang Chu International Co., Ltd. Consultant/Deputy General Manager and Chief Financial Officer of C-techon International Co., Ltd.	Independent Director of the Company Group Business Administration Consultant of Lightel Technologies, Inc.	None	None	None	
Independent Director	Republic of China	Frank, Cheng	Male	2021.07.05	3	2021.07.05	-	-	-	-	-	-	-	-	Oklahoma Central State University MBA Tamkang University BBA MSI International Co. V. P. General Manager of Liuski International, Inc.	None	None	None	None	
Independent Director	Republic of China	Chi-Chuan, Wang	Male	2021.07.05	3	2021.07.05	-	-	-	-	-	-	-	-	Ph.D., Department of Mechanical Engineering National Yang Ming Chiao Tung University Distinguished Professor, Department of Mechanical Engineering, National Yang Ming Chiao Tung University	Distinguished Professor, Department of Mechanical Engineering, National Yang Ming Chiao Tung University	None	None	None	

Note 1: If the chairman of the Company is the same person, spouse or relative of first degree as the general manager or the person holding equivalent position (top manager), he/she shall explain the reasons, rationality, necessity, corresponding measures (such as increasing the number of independent directors, keeping more than half of the directors not concurrently serving as employees or managers, etc.) and other related information: None

2. Professional qualification and independence of directors information disclosure :

name \ qualification	Professional qualifications, and work experience (Note 1)	Status of independence (Note 2)	Number of other public companies where the individual concurrently serves as an independent director
Hsu, Chi-Feng	With at least five years of work experience for company business; serve as Chairman of the Company and does not have a condition defined in Article 30 of the Company Act.	Not independent director, N/A	None
Chan Kim Seng Maurice	With at least five years of work experience for company business; serve as Vice Chairman and sales director of the Company and does not have a condition defined in Article 30 of the Company Act.	Not independent director, N/A	None
Ye, Hang	With at least five years of work experience for company business; serve as CTO of the Company and does not have a condition defined in Article 30 of the Company Act.	Not independent director, N/A	None
Tan, Yong	With at least five years of work experience for company business; serve as Director and General Manager Special Assistant for Factory Affairs of LemTech Precision Material (China) Co., Ltd. of the Company and does not have a condition defined in Article 30 of the Company Act.	Not independent director, N/A	None
Yang, Rui-Long	With at least five years of instructor qualification for finance-related department; serve as Professor of School of Economics in Renmin University of China and does not have a condition defined in Article 30 of the Company Act.	(1) Independent director and meet the circumstances of independence, and he, his spouse, and relatives within the second degree	None
Yu, Chi-Min	With at least five years of instructor qualification for commerce-related department; once serve as Director of Computer Center of Soochow University and has over five-year experience of Arbitrator of Chinese Arbitration Association, Taipei and does not have a condition defined in Article 30 of the Company Act.	do not serve as directors, supervisors or employees of the company or its affiliated companies; (2) Not hold the shares of the company; (3) Not serve as a	1

Lee, Wei-Ming	With at least five years of work experience for finance and accounting; once serve as Consultant/Deputy General Manager and Chief Financial Officer of C-techon International Co., Ltd. and does not have a condition defined in Article 30 of the Company Act.	director, supervisor or employee of a company that has a specific relationship with the company; (4) Not serve as remuneration received for providing business, legal, financial, accounting and other services to the company or its affiliates in the last 2 years.	None
Frank, Cheng	With at least five years of work experience for company business; serve as Vice president of Micro-Star International Co. and does not have a condition defined in Article 30 of the Company Act.		None
Chi-Chuan, Wang	With at least five years of instructor qualification for finance-related department; serve as Distinguished Professor of Department of Mechanical Engineering, National Yang Ming Chiao Tung University" and does not have a condition defined in Article 30 of the Company Act.	(5) According to the listing review criteria and the establishment of independent directors of public companies and matters to be followed, the company has obtained a statement of independence for independent directors, confirming that they meet the independence qualifications stipulated by laws and regulations.	1

Note:

Note 1 : Professional qualifications and experience: state the professional qualifications and experience of individual directors and supervisors. If they are members of the audit committee and have accounting or financial expertise, their accounting or financial background and work experience should be stated, and whether there is no company law Article 30 of the various matters.

Note 2 : Independent directors shall state their independence, including but not limited to whether they, their spouse, or relatives within the second degree are the directors, supervisors or employees of the company or its affiliated companies; the number and proportion of the company's shares held in the name of another person; whether to serve as a director, supervisor, or supervisor of a company that has a specific relationship with the company (refer to the provisions of Article 3, Paragraph 1, Subparagraphs 5 to 8 of the Regulations on the Establishment of Independent Directors and Matters to be Obeyed by Public Offering Companies); the amount of remuneration received for providing business, legal, financial, accounting and other services to the company or its affiliates in the last two years.



### 3、Board Diversity and Independence：

(1)Board Diversity：Based on the policy of diversification and strengthening of corporate governance to promote the development of the composition and structure of the board of directors, the candidate nomination system in accordance with the regulations of the Company's Articles of Association is adopted. Professional background, integrity or relevant professional qualifications, etc. are measured after the resolution of the board of directors is passed, it will be sent to the shareholders' meeting for election. The board of directors also formulates appropriate diversification policies for its own operation, business model and development needs, including but not limited to the following:

- Basic conditions and values: gender, age, nationality and culture.
- Professional knowledge and skills: operational judgment ability, accounting and financial analysis ability, business management ability, crisis management ability, industry knowledge, international market outlook, leadership ability and decision-making ability.

(2) Board Diversity Goals and Achievements：

Management Goal	Achieve Status
The number of independent directors exceeds one third of the number of directors	5 independent directors / 9 directors
Directors who also serve as company managers should not exceed one-third of the number of directors	4 directors who also serve as company managers / 9 directors in total
The term of independent directors has not exceeded 3 terms	2 independent directors with less than 3 terms/5 independent directors in total
Adequate and diverse professional knowledge and skills to achieve	All achieved

(3)Board Independence：There are currently 9 members of the board of directors of the company, including 5 independent directors and 4 directors with employee status, with more than half of the seats of independent directors. As of the end of 2022, all independent directors were in compliance with the regulations of the Securities and Futures Bureau of the Financial Supervisory Commission on independent directors, and there were no matters 3 and 4 stipulated in Article 26-3 of the Securities and Exchange Act between the directors and independent directors. The board of directors of the company has Independence (please refer to page 18-19 of this annual report for directors' professional qualifications and information disclosure on independence of independent directors), each director's educational background, gender and work experience (please refer to page 15-17 of this annual report - director information).

Qualification Name	Gender	Operation Judgment	Accounting and Financial Analysis	operation management	Crisis management	industry knowledge	International Market Persepitive	Leadership	decision-making ability
Hsu, Chi-Feng	Male	✓	✓	✓	✓	✓	✓	✓	✓
Chan Kim Seng Maurice	Male	✓	✓	✓	✓	✓	✓	✓	✓

Ye, Hang	Male	✓	✓	✓	✓	✓	✓	✓	✓
Tan, Yong	Male	✓	✓	✓	✓	✓	✓	✓	✓
Yang, Rui-Long	Male	✓	✓		✓	✓	✓	✓	✓
Yu, Chi-Min	Male	✓	✓	✓	✓	✓	✓	✓	✓
Lee, Wei-Ming	Male	✓	✓	✓	✓	✓	✓	✓	✓
Frank Cheng	Male	✓	✓	✓	✓	✓	✓	✓	✓
Wang, Chi-Chuan	Male	✓	✓		✓	✓	✓	✓	✓

(II) General managers, deputy general managers, assistant managers, and heads of departments and branches

Apr. 29, 2023 Unit: Thousand shares; %

Title	Nationality	Name	Gender	Date of induction	Shares held		Spouse & minor shareholding		Shareholding by nominees		Experience (education)	Other position concurrently held at other companies	Managers who are spouses or within the second degree of kinship			Managers obtained an employee stock option certificate (shares)	Remarks
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship		
General Manager	Singaporean	Eu, Ricky	Male	2021.07	-	-	-	-	-	-	Lemtech Precision Material (Czech) s.r.o. Assistant Director Lemtech Precision Material (China) Co., Ltd Assistant General Manager Bachelor of Mechanical Manufacturing Engineering, Nanyang Technological University, Singapore	None	None	None	None	0	Note 1
Business Director	Singaporean	Chan Kim Seng Maurice	Male	2003.10	5,775	9.29	-	-	-	-	Vice Chairman and Business Director of the Company Director of Lemtech Global Solution Co. Ltd. Director of LemTech Precision Material (China) Co., Ltd. Director of Aapico Lemtech (Thailand) Co., Ltd. Director of Lemtech Precision Material (Czech) s.r.o. Director of Lemtech International Limited Supervisor of Lemtech Energy Solutions Corporation Supervisor of Kunshan Lemtech Slide Technology Co., Ltd. Director of Lemtech Electronics Technology (Changshu) Co., Ltd. Lemtech Precision Engineering Co., Ltd Legal Representative Chairman	Vice Chairman and Business Director of the Company Director of Lemtech Global Solution Co. Ltd. Director of LemTech Precision Material (China) Co., Ltd. Director of Aapico Lemtech (Thailand) Co., Ltd. Director of Zhenjiang Emtron Surface Treatment Limited Director of Lemtech Precision Material (Czech) s.r.o. Director of Lemtech International Limited Supervisor of Lemtech Energy Solutions Corporation Supervisor of Kunshan Lemtech Slide Technology Co., Ltd. Director of Lemtech Electronics Technology (Changshu) Co., Ltd. Lemtech Precision Engineering Co., Ltd Legal Representative Chairman	None	None	None	0	
Chief Technology Officer (CTO)	Mainland China	Ye, Hang	Male	2020.05	5,647	9.08	-	-	-	-	Director of Lemtech Global Solution Co. Ltd. Director of LemTech Precision Material (China) Co., Ltd. Director of Lemtech Precision Material (Czech) s.r.o. Director of Lemtech International Limited Director of Lemtech Electronics Technology (Changshu) Co., Ltd.	Director of Lemtech Global Solution Co. Ltd. Director of LemTech Precision Material (China) Co., Ltd. Director of Lemtech Precision Material (Czech) s.r.o. Director of Lemtech International Limited Director of Lemtech Electronics Technology (Changshu) Co., Ltd.	None	None	None	0	
Marketing Director	Malaysia	Murali Nair	Male	2013.02	-	-	-	-	-	-	Embatech Sdn Bhd (General Manager) Circuit Sales Inc (CSI) (Business Development and Strategy Consultant) Bachelor of Science Degree (Honors), University of Bradford, United Kingdom Diploma in Engineering, German Singapore Institute, Singapore	None	None	None	0		
Financial and Accounting Supervisor	Republic of China	Chien, Yi-Ling	Female	2021.06	-	-	-	-	-	-	Lemtech Holdings Co., Limited Senior Associate Accountant Deputy Audit Manager of Deloitte & Touche Accounting Firm Lianshuo Technology Co., Ltd. Audit Chinese Culture University Department of Accounting	None	None	None	0	Note2	

### III. Remuneration for Directors, General Managers and Deputy General Managers in Most Recent Year

#### 1. Remuneration to general directors and independent directors

Dec. 31, 2022 Unit: NT\$1,000

Title	Name	Remuneration								Ratio of total remuneration (A+B+C+D) to net income (%) (Note 10)		Relevant remuneration received by directors who are also employees								Ratio of total compensation (A+B+C+D+E+F+G) to net income (%) (Note 10)		Compensation from other non-subsidiary companies reinvested by the Company's subsidiaries or parent company (Note 11)				
		Remuneration (A) (Note 2)		Severance pay and pension (B)		Remuneration of directors (C) (Note 3)		Allowances (D) (Note 4)				Salary, bonus and special allowance (E) (Note 5)		Retirement pension (F)		Employee rewards (G) (Note 6)										
		The Company	All companies listed in the financial statements (Note 7)	The Company	All companies listed in the financial statements (Note 7)	The Company	All companies listed in the financial statements (Note 7)	The Company	All companies listed in the financial statements (Note 7)	The Company	All companies listed in the financial statements (Note 7)	The Company	All companies listed in the financial statements (Note 7)	The Company	All companies listed in the financial statements (Note 7)	Cash amount	Stock amount	Cash amount	Stock amount	The Company	All companies listed in the financial statements (Note 7)					
Director	Hsu, Chi-Feng	-	3,419	-	-	799	799	-	-	799	4,218	0.20%	1.08%	-	3,704	-	-	576	-	576	-	1,375	8,498	0.35%	2.17%	None
	Chan Kim Seng Maurice	-	4,389	-	-	799	799	-	-	799	5,188	0.20%	1.33%	-	4,755	-	-	576	-	576	-	1,375	10,519	0.35%	2.69%	None
	Ye, Hang	-	2,793	-	-	799	799	-	-	799	3,592	0.20%	0.92%	-	3,026	-	-	576	-	576	-	1,375	7,194	0.35%	1.84%	None
	Tan, Yong	-	1,048	-	-	799	799	-	-	799	1,847	0.20%	0.47%	-	1,135	-	-	288	-	288	-	1,087	3,270	0.28%	0.84%	None
Independent Director	Yang, Rui-Long	829	829	-	-	399	399	-	-	1,228	1,228	0.31%	0.31%	-	-	-	-	-	-	-	-	1,228	1,228	0.31%	0.31%	None
	Yu, Chi-Min	840	840	-	-	399	399	-	-	1,239	1,239	0.32%	0.32%	-	-	-	-	-	-	-	-	1,239	1,239	0.32%	0.32%	None
	Lee, Wei-Ming	840	840	-	-	399	399	-	-	1,239	1,239	0.32%	0.32%	-	-	-	-	-	-	-	-	1,239	1,239	0.32%	0.32%	None
	Wang, Chi-Chuan	840	840	-	-	200	200	-	-	1,040	1,040	0.27%	0.27%	-	-	-	-	-	-	-	-	1,040	1,040	0.27%	0.27%	None
	Cheng Frank	840	840	-	-	200	200	-	-	1,040	1,040	0.27%	0.27%	-	-	-	-	-	-	-	-	1,040	1,040	0.27%	0.27%	None

1. Please state the policy, system, standard and structure of remuneration for independent directors, and the correlation with the amount according to the responsibilities and duties of the independent directors, risks undertaken, time devoted and other factors:  
The remuneration of independent directors of the Company will be determined on the basis of the director performance evaluation results submitted by the Remuneration Committee by reviewing the degree of participation and contribution of each director in the Company's operation.  
The connection between performance risks and remuneration with the reference of remuneration standards of peers shall be submitted to the Board of Directors for resolution.
2. Other than disclosure in the above table, director remunerations received by providing services (e.g. providing consulting services such as serving as a consultant to all non-employees of the parent company/financial report of all companies/reinvested businesses, etc.) to companies in the financial statements in the most recent year: None.

Range of Remuneration

Range of remuneration paid to directors	Name of director			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements
Less than NT\$1,000,000	Hsu, Chi-Feng, Chan Kim Seng Maurice, Ye, Hang, Tan, Yong,	-	-	-
NT\$1,000,000 (inclusive) to NT\$2,000,000 (exclusive)	Yang, Rui-Long, Yu, Chi-Min, and Lee, Wei-Ming, Wang Chi-Chuan, Cheng Frank	Tan, Yong, Yang, Rui-Long, Yu, Chi-Min, and Lee, Wei-Ming, Wang Chi-Chuan, Cheng Frank	Hsu, Chi-Feng, Chan Kim Seng Maurice, Ye, Hang, Tan, Yong, Yang, Rui-Long, Yu, Chi-Min, and Lee, Wei-Ming, Wang Chi-Chuan, Cheng Frank	Yang, Rui-Long, Yu, Chi-Min, and Lee, Wei-Ming, Wang Chi-Chuan, Cheng Frank
NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive)	-	-	-	Tan, Yong
NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive)	-	Ye, Hang, Hsu, Chi-Feng	-	-
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)	-	Chan Kim Seng Maurice	-	Hsu, Chi-Feng, Chan Kim Seng Maurice, and Ye, Hang
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)	-	-	-	-
NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive)	-	-	-	-
NT\$30,000,000 (inclusive) to NT\$50,000,000 (exclusive)	-	-	-	-
NT\$50,000,000 (inclusive) to NT\$100,000,000 (exclusive)	-	-	-	-
More than NT\$100,000,000	-	-	-	-
Total	9 persons	9 persons	9 persons	9 persons

2. Remuneration to supervisors: Not applicable (the Company has set up the Audit Committee to replace the supervisors).

### 3. Remuneration to General Managers and Deputy General Managers

Dec. 31, 2022 Unit: NT\$1,000

Title	Name	Salary (A)		Severance pay and pension (B)		Bonus and allowances (C)		Employee's remuneration (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Compensation from other non-subsidiary companies reinvested by the Company's subsidiaries or parent company
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company		All companies included in the financial statements (Note 5)		The Company	All companies included in the financial statements	
								Cash amount	Stock amount	Cash amount	Stock amount			
General Manager	Eu, Rick	4,936	5,506	-	-	-	-	489	-	489	-	5,425 1.39%	5,995 1.53%	None
Business Director	Chan Kim Seng Maurice	-	4,389	-	-	-	-	576	-	576	-	576 0.15%	4,965 1.27%	None
Chief Technology Officer (CTO)	Ye, Hang	-	2,793	-	-	-	-	576	-	576	-	576 0.15%	3,369 0.86%	None
Marketing Director	Murali Nair	-	4,235	-	-	-	-	489	-	489	-	489 0.13%	4,724 1.21%	None

### Range of Remuneration

Range of remuneration paid to the General Managers and Deputy General Managers	Name of General Manager and Deputy General Manager	
	The Company (Note 6)	All companies included in the financial statements (Note 7) E
Less than NT\$1,000,000	Chan Kim Seng Maurice, Ye, Hang, and Murali Nair	-
NT\$1,000,000 (inclusive) to NT\$2,000,000 (exclusive)	-	
NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive)	Eu, Rick	Ye, Hang
NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive)	-	Chan Kim Seng Maurice, Murali Nair
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)	-	Eu, Rick
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)	-	-
NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive)	-	-
NT\$30,000,000 (inclusive) to NT\$50,000,000 (exclusive)	-	-
NT\$50,000,000 (inclusive) to NT\$100,000,000 (exclusive)	-	-
More than NT\$100,000,000	-	-
Total	4 persons	4 persons

4. Remuneration to top five managerial officers with the highest remuneration (names and remuneration thereof to be disclosed individually)

Title	Name	Salary (A)		Severance pay and pension (B)		Bonus and allowances (C)		Employee's remuneration (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Compensation from other non-subsidiary companies reinvested by the Company's subsidiaries or parent company
		The Company	All companies included in the financial statements (Note 5)	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company		All companies included in the financial statements (Note 5)		The Company	All companies included in the financial statements	
								Cash amount	Stock amount	Cash amount	Stock amount			
General Manager	Eu, Ricky	4,936	5,506	0	0	0	0	489	0	489	0	5,425 1.39%	5,995 1.53%	None
Business Director	Chan Kim Seng Maurice	0	4,389	0	0	0	0	576	0	576	0	576 0.15%	4,965 1.27%	None
Chief Technology Officer (CTO)	Ye, Hang	0	2,793	0	0	0	0	576	0	576	0	576 0.15%	3,369 0.86%	None
Marketing Director	Murali Nair	0	4,235	0	0	0	0	489	0	489	0	489 0.13%	4,724 1.21%	None
Financial and Accounting Supervisor	Chien, Yi-Ling	1,692	2,537	0	0	0	0	416	0	416	0	2,108 0.54%	2,953 0.76%	None



## 5. Employee's remuneration to managers and state of distribution

Dec. 31, 2022 Unit: NT\$1,000

	Title	Name	Stock amount	Cash amount	Total	Ratio of total amount to net income (%)
Manager	General Manager	Eu, Ricky	0	489	489	0.13%
	Business Director	Chan Kim Seng Maurice	0	576	576	0.15%
	Chief Technology Officer (CTO)	Ye, Hang	0	576	576	0.15%
	Marketing Director	Murali Nair	0	489	489	0.13%
	Financial Accounting Supervisor	Chien, Yi-Ling	0	416	416	0.11%

6. Compare and state separately on the analysis of the post-tax net profit ratio of total remuneration of the Directors, General Manager and Deputy General Managers of the Company and companies in the consolidated financial statements in the last two years to parent company only or individual financial reports; then, state the policies and standards for payment of remuneration, process of combining and deciding on the amount of remuneration, and correlation with business performance and future risks:

(1) Ratio of total remuneration paid to the Company's directors, General Managers and Deputy General Managers in the most recent two years to the net profit after tax:

Unit: %

Title	Total amount to net profit after tax (%)			
	2021		2022	
	The Company	All companies in consolidated financial statements	The Company	All companies in consolidated financial statements
Director	2.14%	6.82%	2.18%	9.03%
General Manager and Deputy General Managers	0.87%	3.14%	1.81%	4.88%

(2) The policies, standards, and portfolios for remuneration, the procedures for determining remuneration, and the correlation with risks and business performance:

The remuneration to directors of the Company shall be handled reasonably in accordance with the Articles of Association of the Company and given in consideration of the Company's operating results and their contribution to the Company's performance; the remuneration paid to the General Manager and Deputy General Managers of the Company is based on the correlation between the positions they held, the responsibilities they assumed, the operating performance and future risks they undertaken with the reference of the level of peers on similar positions. The procedure for determining remuneration is set up by referring to the "Measures for Distribution of Director Salary and Remuneration" on the basis of the results of director performance evaluation. The overall operating performance of the Company, future operating risks and development trends of the industry shall also be considered to offer reasonable compensation.

#### IV. Implementation of Corporate Governance

##### (I) Information on operation of Board of Directors

The Board held 5 meetings in 2022. The table below shows the attendance of directors and supervisors:

Title	Name	Attendance in person	Attendance by proxy	Attendance rate (%)	Remarks
Chairman	Hsu, Chi-Feng	5	0	100	
Vice Chairman	Chan Kim Seng Maurice	3	2	60	
Director	Ye, Hang	5	0	100	
Director	Tan, Yong	5	0	100	
Independent Director	Yang, Rui-Long	4	1	80	
Independent Director	Yu, Chi-Min	5	0	100	
Independent Director	Lee, Wei-Ming	5	0	100	
Independent Director	Cheng, Frank	5	0	100	
Independent Director	Wang, Chi -Chuan	5	0	100	

Other matters:

1. The date of the Board meeting, the term, the content of the proposals, opinion of all independent directors, and the Company's handling of the opinion of independent directors shall be recorded under the following circumstances in the operations of the Board of Directors meeting:
  - (1) Matters referred to in Article 14-3 of the Securities and Exchange Act: Not applicable.  
The Company has established an audit committee, which does not apply to the provisions of Article 14-3 of the Securities and Exchange Act. For relevant information, please refer to the operation of the audit committee on page 31-33 of the annual report.
  - (2) Any recorded or written Board resolutions to which independent directors have objections or reservations to be noted in addition to the above: No independent directors hold objections or reservations to the resolutions.
2. For director recusals due to conflicts of interests, name of directors, proposal, reason for recusal, and participation in vote or not shall be specified: None
3. TWSE/TPEX Listed Companies shall disclose the information on the evaluation cycle and period, evaluation scope, methods and evaluation contents of Board of Directors' self (or peer) evaluation, and fill in the following table "Implementation of Board of Directors Evaluation":

### Implementation of Board of Directors Evaluation

Frequency	Period	Scope	Method	Content
Executed every year	Jan. 1, 2022 ~ Dec. 31, 2022	Directors, Board of Directors and functional committees	Self-evaluation of directors is adopted; the Board of Directors and functional committees will be evaluated by the Board of Directors secretary office.	Please see the following for detailed information.

- (1) The overall performance evaluation of Board of Directors should include at least five aspects: Participation in the Company's operations, improvement of the quality of board decisions, board composition and structure, selection and continuing education of directors, and internal control.
  - (2) The performance evaluation of Directors should include at least six aspects: Knowledge about the Company's objectives and tasks, the understanding of director duties, the participation in the Company's operations, the internal relationship management and communication, the professional training and continuing education of directors and internal control.
  - (3) The performance evaluation of functional committees should include at least five aspects: Participation in the Company's operation, the understanding of the duties of the functional committee, improvement of the decision-making quality of the functional committee, composition of the functional committee, selection of its members, and internal control.
4. Objectives for strengthening the functions of the Board of Directors in the current year and the recent years (e.g., setting up an audit committee, improving information transparency, etc.) and evaluation of implementation: In order to improve corporate governance and strengthen the relevant functions of the Board of Directors, the Company has set up the Audit Committee and the Remuneration Committee. For implementation status, please refer to "Corporate governance operation status" and "Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof," and has formulated the "Measures for Performance Evaluation of the Board of Directors and Functional Committees" to establish a good governance system for Board of Directors of the Company, perfect supervision and strengthen functions of the Board of Directors.

#### (II) Operations of Audit Committee

The member number of Audit Committee in the Company is five. A total of 5 meetings of the Audit Committee were held in 2022. The attendance of independent directors is as follows:

Title	Name	Attendance in person	Attendance by proxy	Attendance rate (%)	Remarks
Independent Director (Convener)	Yang, Rui-Long	4	1	80	
Independent Director	Yu, Chi-Min	5	0	100	

Title	Name	Attendance in person	Attendance by proxy	Attendance rate (%)	Remarks
Independent Director	Lee, Wei-Ming	5	0	100	
Independent Director	Wang, Chi-Chuan	5	0	100	
Independent Director	Cheng, Frank	5	0	100	

Note: The actual attendance rate (%) is calculated based on the number of meetings held during the term of and the number of actual attendance.

Other matters:

1. With regard to the operation of the Audit Committee, if any of the following circumstances occur, the dates, terms of the meetings, contents of motions, objection of all independent directors, content of opinion reserve or major suggestion items, all Audit Committee resolutions, and the Company's handling of such resolutions shall be specified.

(1) Items listed in Article 14-5 of the Securities and Exchange Act

Board of Directors	Proposals	Resolution of the Audit Committee	The Company's response to the comments of the Audit Committee
2022.03.30	<ol style="list-style-type: none"> <li>1. 2021 Employee and Director Remuneration Distribution Proposal</li> <li>2. 2021 Annual Business Report and Consolidated Financial Statements</li> <li>3. 2021 Earnings Distribution Proposal</li> <li>4.. 2021 Q4 Distribution of cash dividends to shareholders</li> <li>5. 2021 "Internal Control System Statement"</li> <li>6. Amendment to Internal Control Regulations</li> <li>7. Dismissal of non-compete restrictions on directors</li> <li>8. 2022 General Meeting of Shareholders Convening Agenda and Matters Related to Shareholder Proposals</li> </ol>	All audit members approved.	None
2022.05.13	<ol style="list-style-type: none"> <li>1.2022Q1 Earnings Distribution Proposal</li> <li>2. To protect the company's credit and shareholders' rights and interests, planned purchase the company's shares for the third time according to the law, and handle the case of cancellation of shares</li> </ol>	All audit members approved.	None
2022.08.26	<ol style="list-style-type: none"> <li>1.Amendment to Internal Control Regulations</li> <li>2.2022Q2 Consolidated Financial Statements</li> <li>3.2022Q2Earnings Distribution Proposal</li> <li>4.Set the base date for the third repurchase of treasury shares and capital reduction</li> <li>5.Amendments to Internal Control Measures - "Operating Procedures for Buying Back Treasury Stocks"</li> <li>6.Greenhouse gas inventory and verification schedule plan</li> <li>7. Guarantee Provision Proposal</li> <li>8.Case of lending the company's funds to others</li> <li>9.The company's subsidiary Lemtech International</li> </ol>	All audit members approved.	None

Board of Directors	Proposals	Resolution of the Audit Committee	The Company's response to the comments of the Audit Committee
	Limited intended to transfer investment to Sun Company Lemtech Electronic Technology (Changshu) Co., Ltd.		
2022.11.11	1. 2022Q3 Earnings Distribution Proposal 2. Amendment to Internal Control Regulations 3. Guarantee Provision Proposal	All audit members approved.	None
2022.12.28	1. 2023 Budget Proposal 2. 2023 internal audit plan 3. The company's regular assessment of the independence of certified accountants 4. The company's year-end bonus distribution principles and managers' distribution amount	All audit members approved.	None
2023.03.29	1. 2022 Annual Business Report and Consolidated Financial Statements 2. 2021 Employee and Director Remuneration Distribution Proposal 3. 2022 Earnings Distribution Proposal 4. 2022 Q4 Distribution of cash dividends to shareholders 5. 2021 "Internal Control System Statement" 6. Amendment to Internal Control Regulations 7. 2023 General Meeting of Shareholders Convening Agenda and Matters Related to Shareholder Proposals 8. The company plans to set up a factory in Mexico 9. Proposed change of accountant case from the first quarter of 2023 10. Guarantee Provision Proposal	All audit members approved.	None

(2) Except for the previous matters, other matters that have not been approved by the Audit Committee but have been approved by more than two-thirds of all directors: The Company has no matter that had not approved by the Audit Committee but been approved by more than two-thirds of all directors.

2. Regarding recusals of independent directors due to conflicts of interests: The Company does not have any circumstances under which independent directors should withdraw from a proposal due to conflicts of interests.
3. Communication between independent directors and internal audit supervisor and accountants (including communication on major items, methods and results of the Company's financial and business conditions, etc.): The Company's internal audit supervisor regularly conducts audit reports and discussions with the members of the Audit Committee. Members of the Audit Committee and the internal audit supervisor have good communication. The company invites certified accountants to attend the audit committee, and report and communicate with the independent directors on the quarterly and annual financial statement review or audit results, key audit matters, amendments to the IFRSs bulletin or the impact of other laws and regulations on the company.

(III) Corporate governance implementation status and deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof

Evaluation items	Operating status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
I. Does the Company establish and disclose its Corporate Governance Best-Practice Principles based on the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	✓		The Company has formulated and disclosed the "Code of Practice on Corporate Governance of the Company" on the Company's website and MOPS in accordance with the "Code of Practice on Corporate Governance on TWSE/TPEX Listed Companies."	No deviation
<p>II. Shareholding structure &amp; shareholders' rights</p> <p>(I) Has the Company established internal operating procedures to deal with shareholders' suggestions, doubts, disputes and litigation, and does the Company implement the procedures in accordance with the procedure?</p> <p>(II) Does the Company possess a list of its major shareholders with controlling power as well as the ultimate owners of those major shareholders?</p> <p>(III) Has the Company established, and does it execute, a risk management and firewall system within its affiliated companies?</p> <p>(IV) Has the Company established internal rules against insiders using undisclosed information to trade with marketable securities?</p>	✓		<p>(I) The Company has appointed a special stock affairs agency to handle stock affairs, and has formulated the "Procedures for Spokesmen and Acting Spokesmen" on spokesmen and acting spokesmen's handling of shareholder proposals.</p> <p>(II) The Company has possessed the list of major shareholders who actually control the Company and the final controllers of the major shareholders, and regularly tracks and understands them when reporting monthly equity changes.</p> <p>(III) In addition to the provisions of the FSC's "Guidelines for the Establishment of Internal Control Systems for Publicly Issued Companies" and "Code of Practice on Corporate Governance for TWSE/TPEX Listed Companies", the Company has also formulated "Supervision and Management of Subsidiaries" and "Related Party Transaction Management" to form a risk control mechanism. Asset management among the related enterprises is independent, and the risk control mechanism and firewall mechanism are implemented accordingly.</p> <p>(IV) The Company has formulated the "Procedures for Management of Internal Material Information Processing and Prevention of Insider Trading" stipulating that no one shall use the undisclosed information he/she knows to engage in insider trading or disclose it to others, so as to prevent others from using the undisclosed information to engage in insider trading.</p>	No deviation
<p>III. Composition and responsibilities of the Board of Directors</p> <p>(I) Has the Board developed, and does it implement, a diversity policy for the composition of</p>	✓		(I) The Company has formulated the "Code of Practice on Corporate Governance" and disclosed the diversification policy	No deviation

Evaluation items	Operating status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
<p>its members?</p> <p>(II) In addition to the legally-required Remuneration Committee and Audit Committee, has the Company voluntarily established other functional committees?</p> <p>(III) Has the Company set up any method and form for performance evaluation of Board of Directors, conduct performance evaluation on an annual and regular basis, and report the results of the performance evaluation to the Board of Directors and apply them to the remuneration of individual directors and the reference for nomination for reappointment?</p> <p>(IV) Does the Company regularly evaluate the independence of the CPAs?</p>			<p>on the Company's website and public information observation station. The composition of the board of directors of the company is based on the company's business development scale and the shareholding situation of its major shareholders, and considers the practical needs. When considering and selecting director candidates, based on the diverse policy, the professional background, academic (experience), and integrity or related professional qualifications, etc. are measured. At present, all directors and independent directors of the company have completed and rich academic experience and diverse composition. There are 9 directors, including 5 independent directors, and the number of independent directors has reached more than half, which enables the company to exert its functions of business decision-making and supervision. See page 15 for details on implementing diversity among board members.</p> <p>(II) The Company has set up the Remuneration Committee and an Audit Committee, without any other functional committees for the time being, which might be set up as appropriate in the future.</p> <p>(III) The Company has formulated the "Performance Evaluation Measures for the Board of Directors and Functional Committees." The evaluation method adopts the self-evaluation of directors, and the Board of Directors and functional committees are evaluated by the Secretary Office of the Board of Directors. The results of the 2021 performance evaluation of the Board of Directors and functional committees have been submitted to the Board of Directors on Mar. 29, 2023.</p> <p>(IV) The Company passed a resolution of the Board of Directors on Nov. 12, 2020 to set out the "Regulations for the Evaluation of Independence and Competency of Certified Public Accountants." The Company regularly evaluates the independence and competency of certified public accountants on Dec 28th 2022. The</p>	



Evaluation items	Operating status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
			certified public accountants and certified public accountants elected by the Company have no interest in the Company and strictly observe independence and have not served as directors or independent directors or managers of the Company, who are not shareholders of the Company, and have not been paid salaries in the Company. Moreover, the same certified public accountant has not been appointed for seven consecutive years, so the independence of the certified public accountant is in conformity with the law.	
IV. Are TWSE/TPEX Listed Companies provided with competent and appropriate number of corporate governance personnel, has a corporate governance supervisor been appointed to be responsible for corporate governance-related affairs (including but not limited to providing the information required by directors and supervisors to carry out business, assisting directors and supervisors to comply with laws and regulations, handling relevant matters of Board of Directors and shareholders' meeting according to law, and making minutes of Board of Directors and shareholders' meeting, etc.)?	✓		The Company designates the management department to be concurrently responsible for corporate governance and corporate governance-related affairs, including providing the information required by directors to carry out business, handling relevant matters of Board of Directors and shareholders' meeting according to law, handling company registration and change registration, making minutes of Board of Directors and shareholders' meetings, etc. Although the Company has not yet reached the mandatory standard for setting up a corporate governance supervisor, the Company has planned to set up a corporate governance supervisor.	No deviation
V. Has the Company established a communication channel with stakeholders (including but not limited to shareholders, employees, customers, and suppliers)? Has a stakeholders' area been established in the Company's website? Are major corporate social responsibility (CSR) topics that the stakeholders are concerned with addressed appropriately by the Company?	✓		The Company has a spokesman system and a "special section for interested parties" on the Company's website. interested parties can contact the Company by telephone, letter, fax and e-mail if necessary.	No deviation
VI. Has the Company appointed a professional shareholder service agency to deal with shareholder affairs?	✓		The Company has appointed CTBC Bank Agency Department to be responsible for handling stock affairs.	No deviation
VII. Information disclosure (I) Has the Company established a website to disclose	✓		(I) The Company has set up websites in both Chinese and English, which disclose	No deviation

Evaluation items	Operating status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
<p>information on financial operations and corporate governance?</p> <p>(II) Does the Company have other information disclosure channels (e.g., setting up an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, and webcasting investor conferences)?</p> <p>(III) The Company is advised to publish and report its annual financial report within two months after the end of a fiscal year, and publish and report its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline.</p>			<p>financial, business, and corporate governance information. The website: <a href="http://www.lemtech.com">http://www.lemtech.com</a>, with designated personnel maintaining and updating the website information.</p> <p>(II) The Company has established the "Operating Procedures for Spokesmen and Acting Spokesmen", the relevant questions shall be answered by the spokesmen or acting spokesmen, and the relevant business departments shall be responsible for the collection and disclosure of company information; The information of the legal person explanation meeting has been placed on the Company's website for investors' reference; the Company enters the latest financial and business information about the Company on the designated information reporting website in accordance with the laws and regulations.</p> <p>(III) The Company shall report the financial reports for the first, second and third quarters and the operating conditions for each month in accordance with the provisions of "Business Matters to be Carried out by Listed Securities Issuers."</p>	
<p>VIII. 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 care, investor relations, supplier relations, stakeholder rights, directors' and supervisors' training records, implementation of risk management policies and risk evaluation measures, implementation of customer policies, and participation in liability insurance by directors and supervisors)?</p>	✓		<p>1. Employee Rights: The Company is governed by the labor laws of various countries. Please refer to page 88 to 91 in this annual report for other employee welfare measures, retirement system, further education and various employee rights and interests.</p> <p>2. Employee Care: In order to facilitate communication with employees, the Company provides diversified communication channels to ensure real-time transmission and transparency of information and to allow employees to fully express their suggestions to the Company as the basis for improvement of various measures.</p> <p>3. Investor relations: The Company attaches great importance to the rights and interests of investors. In addition to announcing the information on the MOPS designated by</p>	No deviation

Evaluation items	Operating status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
			<p>the authority in accordance with relevant regulations, the Company also places relevant information on the Company's website.</p> <p>4. Stakeholder rights: In order to protect the rights of interested parties, the Company has set up spokesmen and deputy spokesmen to respond to investors' questions and handle them properly in good faith and with a responsible attitude.</p> <p>5. Implementation of risk management policies and risk assessment standards: The Company has established various internal regulations and conducted various risk management and assessment in accordance with law and regulations.</p> <p>6. Implementation of customer policies: In order to provide all-round service and protection to customers, the Company communicates with customers in real time to understand their needs in response to customer complaints, so as to facilitate the interaction between the Company and customers, and conduct meeting review and improvement within the Company.</p> <p>7. Directors or supervisors' further education: The status of director and supervisor further education is stated in the following table and has been announced on the MOPS.</p> <p>8. The Company purchases liability insurance for directors and supervisors: The Board of Directors of the Company purchased the insurance for directors and managers on Mar. 29, 2023, with the insured amount of US\$3 million.</p>	
<p>IX. Please provide information on the status of improvement regarding the results of corporate governance evaluation published by the TWSE Corporate Governance Center in the most recent year. For improvements that are yet to be implemented, state the areas and policies the Company has set as a priority for improvement: The evaluation result of the Company in 2022 was 81~100% of the overall evaluation companies. The matters yet to be improved include: implementing the diversification policy of the Board of Directors, setting up the corporate governance supervisor, promoting and implementing concrete plan of corporate social responsibility, and preparing the corporate social responsibility report.</p>				

Schedule: Directors or Supervisors' Further Education

Title	Name	Training date	Organizer	Course	Hours of course
Director	Hsu, Chi-Feng	2022/11/8	Accounting Research and Development Foundation	Using "Intellectual Property Management" to Improve Corporate Governance and Internal Control Compliance.	6
Director	Ye, Hang	2022/11/8	Accounting Research and Development Foundation	Using "Intellectual Property Management" to Improve Corporate Governance and Internal Control Compliance.	6
Director	Chan Kim Seng Maurice	2022/12/7	Taiwan Investor Relations Association	Financial reporting responsibilities and risk management	3
Director	Chan Kim Seng Maurice	2022/12/21	Taiwan Investor Relations Association	Trade secret protection campaign	3
Director	Tang, Yong	2022/11/8	Accounting Research and Development Foundation	Using "Intellectual Property Management" to Improve Corporate Governance and Internal Control Compliance	6
Independent Director	Yang, Rui-Long	2022/10/26	Accounting Research and Development Foundation	The Basis of Preparation and Disclosure of Sustainability Report - Key Analysis of IFRS ISSB S1 and S2 Standards	3
		2022/11/4	Accounting Research and Development Foundation	Driving the Green Transition: Towards Net Zero Carbon	3
Independent Director	Lee, Wei-Ming	2022/10/21	Taiwan Corporate Governance Association	How directors and supervisors supervise the company do a good job in risk management and internal control	3
		2022/11/11	Taiwan Corporate Governance Association	Protection of business secrets and practice of fraud detection and prevention	3
Independent Director	Yu, Chin-Min	2022/5/19	Taiwan Institute of Financial Incorporation	Information Security Governance Lecture - Enterprise Information Security Situation under Digital Resilience	3
		2022/4/21	Taiwan Institute of Financial Incorporation	Information Security Governance Lecture-my country's Important Information Security Standards and Compliance	3
Independent Director	Chi-Chuan, Wang	2022/8/10	Taiwan Corporate Governance Association	From CSR to ESG corporate management mentality	3
		2022/8/10	Taiwan Corporate Governance Association	Impact of economic substance law and global anti-tax avoidance on corporate governance from the perspective of directors and supervisors	3
Independent Director	Frank, Cheng	2022/10/20	Republic of China Securities and Futures Market Development Foundation	The value of information security in the post-epidemic era and the Sino-US trade war	3
		2022/10/27	Republic of China Securities and Futures Market Development Foundation	TCFD discloses practices and the roles that directors should play	3

(IV) If the Company has set up a Remuneration Committee, it shall disclose its composition, responsibilities and operation:

1. Information on the members of Remuneration Committee

Apr. 30, 2023

Identity	Qualification Name	professional qualifications and experience	Status of independence	Number of other public companies where the individual concurrently serves as a member of Remuneration Committee
Independent Director (Convener)	Yu, Chi-Min	Please refer to director-related information content on page 15-17(I)		1
Independent Director	Yang, Rui-Long			0
Independent Director	Lee, Wei-Ming			0
Independent Director	Wang, Chi-Chuan			1
Independent Director	Cheng, Frank			0

2. Responsibility of the Remuneration Committee

- (1) The Company's Remuneration Committee shall exercise the care of a prudent manager to fulfill the following duties, and offer suggestions for discussion to the Board of Directors:
  - a. Establish and periodically review remuneration policies, system, standards, and structure, as well as the performance evaluation of directors and managers.
  - b. Periodically evaluate and establish remuneration and pays for directors and managers.
- (2) The Company's Remuneration Committee shall perform the duties in preceding paragraph in accordance with the following principles:
  - a. The directors' and manager' performance evaluation and remuneration should refer to the general standards in the industry and take into account the reasonable connection to individual performance, management performance, and future risks.
  - b. Directors and managers shall not be encouraged to engage in risky behaviors unacceptable to the Company for the pursuit of remuneration.
  - c. The proportion of dividends for directors and senior managers for short-term performance and the timing of issuing variable pay shall be determined based on the characteristics of a given industry and the nature of the Company's business.

### 3. Information on the operation of Remuneration Committee

(1) The Company's Remuneration Committee is comprised of five members.

(2) Service term for members of the current committee: From Aug. 18, 2021 to Jun. 4, 2024.

The Remuneration Committee convened 3 meetings in 2021. The following outlines the qualifications of the committee members and attendance:

Title	Name	Attendance in person	Attendance by proxy	Attendance rate (%)	Remarks
Convener	Yu, Chi-Min	3	0	100.00	
Committee member	Lee, Wei-Ming	3	0	100.00	
Committee member	Yang, Rui-Long	2	1	66.66	
Committee member	Wang, Chi-Chuan	3	0	100.00	
Committee member	Cheng, Frank	3	0	100.00	

#### Other matters:

- I. If the Board of Directors does not adopt or amend the proposals of the Remuneration Committee, please state the date and session of the Board meeting, proposals, resolutions from the Board of Directors, and handling of the Remuneration Committee's opinions (such as the difference and reason why the salary and remuneration approved by the Board of Directors are higher than those proposed by the Remuneration Committee and the reason): None.
- II. Where resolutions of the Remuneration Committee include dissenting or reserved opinion which is on record or stated in a written statement, the date, session, contents discussed, opinions from every member, and handling of the members' opinions shall be described in detail: None.

(V) Implementation of Sustainable Development and deviations from the " Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies " and reasons thereof

Evaluation items	Operating status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
I. Has the company established a governance structure to promote sustainable development, and set up a dedicated (part-time) unit to promote sustainable development, which is authorized by the board of directors to have senior management level handle, and supervised by the board of directors?	✓		The company designates the management department as a part-time unit, and the board of directors supervises the promotion of sustainable development, integrates sustainable development into the company's business strategy, and implements sustainable development for a long time in a purposeful, systematic and organized way. Please note 1 for details.	No deviation
II. Does the company conduct risk assessments on environmental, social and corporate governance issues related in accordance with the principle of importance, and formulate relevant risk management policies or strategies?	✓		Based on the principle of materiality of sustainable development, the company conducts risk assessments on important issues, and formulates relevant risk management policies or strategies based on the assessed risks. Please note 1 for details. °	No deviation
<p>III. Environmental issues</p> <p>(I) Has the Company established environmental management systems proper to its industry's characteristics?</p> <p>(II) Does the Company endeavor to utilize all resources more efficiently and use renewable materials that have low impact on the environment?</p> <p>(III) Has the Company assessed the potential risks and opportunities arising from climate change at present and in the future and taken related countermeasures?</p> <p>(IV) Has the Company the calculated the greenhouse gas emissions, water</p>	✓		<p>(I) The Company passed the Environmental Management System Certification (ISO 14001:2015) on Apr. 29, 2014, with a validity period from Jul. 1, 2020 to Apr. 28, 2023. The Company will handle it according to the above environmental management system.</p> <p>(II) The company has established [Conflict Mineral Control Procedures] conflict material management. In order to save and utilize resources, the company transformed the cooling system of welding equipment in 2022, replacing 20 cooling machines with one cooling tower, saving about 120,000 kw of electricity per year. Effectively improve the packaging materials in production to reduce the packaging materials in the box, Increase the quantity in the box for the purpose of improvement to reduce the loss of packaging materials. In 2022, the cost of loss will be reduced by about 450,000 RMB.</p> <p>(III) The company plans to install photovoltaic panels for solar power generation on the roof of the factory building, with an estimated annual power generation of 1.5 million kw/year to rationally utilize energy And advocate saving water, electricity, and paperless operations to achieve the goal of energy saving and carbon reduction, so as to make rational use of energy; the Company also advocates water conservation, electricity consumption and paperless operation to achieve the goal of energy conservation and carbon reduction. The company manages and controls the internal and external environment in accordance with the "Risk Assessment Management Program" and "Environmental Factor Identification and Evaluation Program".</p> <p>(IV) The Company has formulated the "Energy Control Procedures" to effectively control</p>	No deviation

Evaluation items	Operating status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Description	
consumption, and total weight of waste over the past two years and established the policies with regard to energy conservation and carbon reduction, greenhouse gas reductions, water consumption, and waste management?			<p>the rational use of water, electricity and gas, and to avoid waste reduction. In addition, the Company has also added an air compressor heat energy recovery system to supply heating for some workshops in winter, so as to effectively reduce energy consumption.</p> <p>The company has established water and electricity conservation and control goals:</p> <p>(1) The proportion of annual electricity output value is <math>\leq 0.90\%</math></p> <p>(2) The proportion of annual water fee output value <math>\leq 0.06\%</math></p> <p>In 2021, 0.86% and 0.05% respectively achieved the goal.</p>	
<p>IV. Social issues</p> <p>(I) Has the Company formulated management policies and procedures following relevant regulations and international human rights treaties?</p> <p>(II) Does the Company establish and deliver reasonable employee welfare programs (including salary, compensated absences, and other benefits) and adjust employee compensation in relation to business performance?</p>	✓		<p>(I) The group attaches great importance to the rights and interests of all its employees, and abides by the labor laws and regulations of various operating countries, and has established the "Procedures for the Management of Business Conduct and Ethical Standards."</p> <p>1. The company has established the RBA Business Ethics Alliance Policy: Compliance with Laws and Regulations, Labor Protection, Respect for Human Rights</p> <p>2. The company has established relevant programs for respecting personnel, and effectively implements them according to:</p> <p>"Personnel Information and Privacy Protection Program"</p> <p>"Anti-Harassment and Abuse Program"</p> <p>"Anti-Human Trafficking Program"</p> <p>"Prohibition of Child Labor Control Program"</p> <p>"Prohibition of Discrimination Control Program"</p> <p>"Prohibition of Forced Labor Control Program"</p> <p>"Women and Juvenile Workers Control Program"</p> <p>"Freedom of Association and Negotiation Control Program"</p> <p>(II) The Company has formulated the "Salary Management Rules" and "Employee Handbook" to clarify issues such as salary, performance, various welfare and rewards and punishment systems, and regularly make corresponding adjustments in accordance with relevant laws and market demands. The group provides employees with leave in accordance with local national laws and regulations of each subsidiary, and various gift subsidies. In addition, to enhance understanding and integration among employees, the group organizes various cultural and self-organized activities and other employee welfare measures. If the Company makes profits, it will share the operating results</p>	No deviation



Evaluation items	Operating status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
(III) Does the Company provide a healthy and safe work environment, and does it organize health and safety training for its employees on a regular basis?			<p>with its employees in accordance with the Company's dividend policy.</p> <p>The company strictly follows the various holidays stipulated by the local labor law, and at the same time gives employees gifts and subsidies as follows:</p> <ol style="list-style-type: none"> <li>1. Holiday gifts: Spring Festival/Dragon Boat Festival/Mid-Autumn Festival, birthday card gifts, Women's Day gifts, wedding gifts, maternity gifts, etc.</li> <li>2. Every year, the company will give year-end bonuses and bonuses according to the annual operating profit and combined with employee performance, and important cadres and technical personnel will give a certain percentage of dividends to share.</li> </ol>	
(IV) Has the Company established effective career development and training plans for its employees?			<p>(III) The Company has provided a safe and healthy working environment for its employees, and has formulated the "Processing Safety Operation Guidelines" and "Safety Management Measures" to track and improve work-related accidents and provide or subsidize health checks for employees. 1. The company has established a safety training plan, and has carried out safety training according to the plan, and reported and reviewed at the monthly business meeting. 2. The company conducts a health examination for all employees once a year. Occupational disease examinations for special positions. In 2021, the company had no employee safety incidents. And was approved as a Safety Member Unit by Kunshan City.</p> <p>(IV) The Company has established an "Annual Training Plan" to enhance the personal accomplishment and professional ability of employees through systematic training and adopt a rotation system to cultivate certain personnel and explore their personal expertise and make corresponding adjustments to their careers. The company has established a complete training system, and establishes different training requirements for new recruits, technical personnel, job rotation personnel, and cadre promotion. In 2022, the training plan for the whole year was effectively completed, and a relatively satisfactory training effect was also achieved.</p>	
(V) Has the Company followed relevant laws, regulations and international guidelines for the customer health and safety, customer d marketing and labeling of its products and services and established related consumer protection policies and grievance procedures?			<p>(V) The Company has established a "Management Procedure for Customer Information" to effectively control customer information and establish a "Customer Complaint and Return Control Procedure" in accordance with customer requirements. As the Company is a component manufacturer whose products are not directly facing consumers, no consumer rights policy for it has been formulated. The company has established</p>	

Evaluation items	Operating status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
(VI) Has the Company established the supplier management policies requesting suppliers to comply with laws and regulations related to environmental protection, occupational safety and health or labor rights and supervised their privacy, and compliance?			ISO27001 information security system and passed the certification. Information security management policy: standard information security system and implementation to avoid information security establishment risks. (VI) The Company has established a "Management Procedure for Relevant Parties" and requires suppliers to provide raw materials free of harmful substances. The Company has signed an EICC commitment letter for suppliers, clearly specifying that their internal management should conform to relevant policies and regulations of environmental protection, safety and EICC. 1. The company's supplier management department formulates an annual supplier audit plan and performs the audit every year. The audit content includes terms of quality, environment and safety. 2. Performance appraisal will be conducted every month based on the actual delivery situation of the supplier, and the monthly performance of the supplier will be sent to the supplier on a regular basis.	
V. Does the Company, following internationally recognized guidelines, prepare and publish reports such as its sustainability report to disclose non-financial information of the Company? Has the Company received assurance or certification of the aforesaid reports from a third-party accreditation institution?		✓	At present, the Company has prepared and published sustainability reportage.	Related matters are still being planned. Relevant matters are still under planning, and in line with the formulation of future systems, the disclosure of relevant sustainable development will be strengthened.
VI. If the Company has established the corporate social responsibility best practice principles based on the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies," please describe any discrepancy between the Principles and their implementation: On December 19, 2014, the company's board of directors approved the formulation of the company's "Corporate Social Responsibility Code of Practice." On March 25, 2020 and November 11, 2022, the board of directors approved the revision of the code to strengthen the implementation of corporate social responsibility. The company regularly reviews the implementation of the code and improves accordingly, and there has been no difference in the implementation so far.				
VII. Other important information to facilitate better understanding of the Company's corporate social responsibility practices: None				
7. Other important information helpful to understand the implementation of the promotion of sustainable development: None.				

Note 1 : The company designates the management department as a part-time unit, and the board of directors supervises the promotion of sustainable development, integrates sustainable development into the company's business strategy, and implements sustainable development for a long time in a purposeful, systematic and organized way. Establish relevant risk management policies or strategies as follows:

Major Issue	Item of Risk Assessment	Risk Management Policy or Strategy	Measures and Implementation
Environment	Environmental Protection	Formulate energy conservation and carbon reduction control plans and implementation plans every year, and regularly review and track the progress of various goals.	<ul style="list-style-type: none"> <li>● The company obtained the environmental management system certification (ISO 14001:2015) on April 29, 2014, and the valid period is from July 1, 2020 to April 28, 2023. The company conducts daily management in accordance with the above environmental management system.</li> <li>● The company has established the “Conflict Minerals Control Procedure” conflict material management.</li> <li>● The company manages and controls the internal and external environment in accordance with the "Risk Assessment Management Program" and "Environmental Factor Identification and Evaluation Program".</li> <li>● The company has formulated [Energy Control Procedures] to effectively control the rational use of water, electricity, gas, etc., and avoid waste, and add an air compressor heat energy recovery system to supply some workshops for winter heating, effectively reducing energy consumption.</li> </ul>
Society	Safe and Healthy Workplace	Formulate relevant systems and implementation plans, and regularly review and track the progress of various goals.	<ul style="list-style-type: none"> <li>● The Group attaches great importance to the rights and interests of all colleagues, and abides by the labor laws and regulations of the operating countries, and establishes “Business Conduct and Ethics Management Procedures.”</li> <li>● The company has formulated the “Remuneration Management Rules” and “Employee Handbook” to clarify the salary, performance and various welfare and reward and punishment systems, and make corresponding adjustments on a regular basis according to relevant laws and market demands.</li> <li>● The company has provided employees with a safe and healthy working environment, and has formulated “Processing Safety Operation Guidelines” and “Safety Management Measures”, tracking and improving work-related accidents, and providing or subsidizing employees' health checks.</li> <li>● The company has established an [annual training plan] to improve the personal quality and professional ability of employees through systematic training. Some employees use the rotation system to cultivate and explore personal expertise and make corresponding career adjustments.</li> </ul>
Corporate Governance	Law Compliance	By implementing an internal control mechanism and establishing a governance organization, we ensure that all operations of the company truly comply with relevant laws and regulations.	Executed by the audit unit and regularly reported to the board of directors.

(6) Climate-related information of listed companies climate-related information implementation status items: Not applicable.

(VII) The performance of the ethical corporate management and deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof

Evaluation items	Operating status		Description	Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No		
<p>I. Establishment of ethical corporate management policies and programs</p> <p>(I) Has the Company established the ethical corporate management policies approved by the Board of Directors and specified in its rules and external documents the ethical corporate management policies and practices and the commitment of the Board of Directors and senior management to rigorous and thorough implementation of such policies?</p> <p>(II) Has the Company established a risk assessment mechanism against unethical conduct, analyze and assess business activities on a regular basis within its business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly, which shall at least include the preventive measures specified in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies"?</p> <p>(III) Has the Company specified in its prevention programs the operating procedures, guidelines, punishments for violations, and a grievance system and implemented them and review the prevention programs on a regular basis?</p>	✓		<p>(I) The Company has clearly set out the principles and procedures of honest operation in its "Operating Procedures and Conduct Guidelines for Honest Business." The Board of Directors and management will regard honesty as the Company's operating philosophy.</p> <p>(II) The Company has formulated the "Operating Procedures and Conduct Guidelines for Honest Business" and specifically regulated the handling procedures for how relevant personnel of the Company prevent dishonest behaviors and violations.</p> <p>(III) The Company has clearly defined the operating procedures, guidelines for conduct, disciplinary and complaint systems for any violation against the "Operating Procedures and Conduct Guidelines for Honest Business" and encourages employees to report any violations of laws or ethical codes of conduct. the Company will timely advocate relevant personnel with high risk of dishonest conduct within the business scope to prevent the occurrence of dishonest conduct.</p>	No deviation
<p>III. Status of enforcing whistle-blowing systems in the Company</p> <p>(I) Has the Company established a</p>	✓		<p>(I) The Company has incorporated</p>	No deviation

Evaluation items	Operating status		Description	Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No		
<p>concrete whistleblowing and rewarding system, and set up accessible methods for whistleblowers, and designate appropriate and dedicated personnel to investigate the accused?</p> <p>(II) Has the Company established the standard operating procedures for investigating reported misconduct, follow-up measures to be adopted after the investigation, and related confidentiality mechanisms?</p> <p>(III) Does the Company take any measures to protect whistleblowers so that they are safe from mishandling?</p>			<p>integrity management into its staff performance appraisal and human resources policies, and has established a clear and effective reward and punishment and complaint system. The reporting and accepting units are the Management Department and the Audit Room.</p> <p>(II) The Company has established standard operating procedures for the investigation of reported matters, follow-up measures to be taken after the investigation is completed, and relevant confidentiality mechanisms in the "Operating Procedures and Conduct Guidelines for Honest Business."</p> <p>(III) The Company personnel handling whistle-blowing matters shall represent in writing they will keep the whistleblowers' identity and contents of information confidential. the Company also undertakes to protect the whistleblowers from improper treatment due to their whistle-blowing.</p>	
<p>IV. Enhanced disclosure of corporate social responsibility information Does the Company disclose its ethical corporate management policies and the results of its implementation on the Company's website and MOPS?</p>	✓		<p>The Company has provided relevant information on the ethical corporate management policies on the Company's website and annual report for investors' reference.</p>	No deviation
<p>V. Where the Company has stipulated its own ethical corporate management best practices according to the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies," please describe any differences between the prescribed best practices and the actual activities taken by the Company: The Company has formulated the "Operating Procedures and Conduct Guidelines for Honest Business" in accordance with the ethical corporate management principles There is no significant deviation in its operation and implementation, and the implementation state is normal.</p>				

Evaluation items	Operating status		Description	Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No		
<p>VI. Other important information to facilitate a better understanding of the Company's ethical corporate management policies (e.g., review and amend its policies) (if the Company reviews and amends its code of good faith, etc.):</p> <p>In order to establish a good corporate culture, sound development and good business operation mode, the Board of Directors has decided to adopt the "Operating Procedures and Conduct Guidelines for Honest Business," specifying that the directors, managers, employees or anyone with substantial control ability of the Company shall not directly or indirectly offer, promise, demand or accept any improper benefits or do other dishonest behaviors that violate good faith, illegal or fiduciary obligations in the process of engaging in business activities in order to obtain or maintain benefits.</p>				

(VIII) If the Company has formulated any corporate governance best practice principles or related bylaws, the inquiry method shall be disclosed:

The Company has formulated relevant regulations such as "Rules of Procedure for Shareholders' Meetings," "Procedures for Selecting Directors," "Rules on the Scope of Duties of Independent Directors," "Code of Ethical Conduct for Directors and Managers," and "Operating Procedures and Conduct Guidelines for Honest Business," as well as other relevant regulations. The Company operates in accordance with the spirit of corporate governance and implements relevant norms of corporate governance. The Company has also promoted the operation of corporate governance by revising relevant management measures, enhancing information transparency and strengthening the functions of the Board of Directors. Relevant regulations have been posted on the Company's website for shareholders' reference.

(IX) Other important information regarding corporate governance

1. The Company has a "Code of Ethical Conduct for Directors and Managers" to guide the conduct of directors and managers of the Company to conform to ethical standards and to enable the Company's stakeholders to better understand the Company's ethical standards. In addition, the Company also has the "Rules of Procedure of the Board of Directors" which stipulate the recusals of directors to protect the interests of the Company and the investing public.
2. In order to encourage shareholders to participate in the shareholders' meeting, the Company not only accepts shareholders' proposals in the shareholders' meeting every year according to laws and regulations, but also announces that shareholders can exercise voting rights in writing. Please refer to the MOPS for the methods of exercise and implementation.

- (X) Implementation of the internal control system  
1. Statement of Internal Control System

**Lemtech Holdings Co., Limited**  
Statement of Internal Control System

Date: Mar. 29, 2023

The Company hereby states the results of the self-evaluation of the internal control system for 2022 as follows:

- I. The Company acknowledges that the establishment, implementation and maintenance of an internal control system is the responsibility of the Board of Directors and managers, and the Company has established an internal control system. The internal control system is designed to provide reasonable assurance for the effectiveness and efficiency of the operations (including profitability, performance and protection of assets), reliability, timeliness, and transparency of reporting, and compliance with applicable laws and regulations.
- II. The internal control system has innate limitations. No matter how robust and effective the internal control system, it can only provide reasonable assurance of the achievement of the foregoing three goals; in addition, the effectiveness of the internal control system may vary due to changes in the environment and conditions. However, the internal control system of the Company has self-monitoring mechanisms in place, and the Company will take corrective action against any defects identified.
- III. The Company uses the assessment items specified in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Regulations") to determine whether the design and implementation of the internal control system are effective. Based on the process of control, the assessment items specified in the "Regulations" divide the internal control system into five constituent elements: 1. control environment; 2. risk assessment; 3. control activities; 4. information and communications; and 5. monitoring activities. Each constituent element includes a certain number of items. For more information on such items, refer to the "Regulations."
- IV. The Company has already adopted the aforementioned Regulations to evaluate the effectiveness of its internal control system design and operating effectiveness.
- V. Based on the findings of such evaluation, the Company believes that, as of Dec. 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.
- VI. This statement will constitute the main content of the Company's annual report and the prospectus and will be disclosed to the public. Any falsehood or concealment with regard to the above contents will entail legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Act.

This statement has been approved by the Board of Directors of the Company on Mar. 29, 2023. Among the nine directors present, none of them has any objection. The rest agree with the contents of this statement and make this statement.

Lemtech Holdings Co., Limited

Chairman: Hsu, Chi-Feng

General Manager: Eu, Ricky

2. Entrust the accountant project to review the internal control system: None.

(XXI) Penalties imposed upon the Company and its employees in accordance with the law, penalties imposed by the Company upon its employees for the violation of the internal control system policy, principal deficiencies, and improvement status during the most recent fiscal year up to the date of publication of the Annual Report: None.

(XII) Major resolutions of shareholders' meeting and Board meetings during the most recent fiscal year up to the date of publication of the Annual Report:

1. Important resolutions and implementation of the 2022 Annual Shareholders' Meeting

Date	Important resolutions	Implementation status
2022.6.30 Annual shareholders' meeting	Approval of 2021 Business Report and Consolidated Financial Statements	Adopted through resolution.
	Approval of the earnings distribution for 2021	Adopted through resolution.
	Adoption of amendment to "Rules of Procedure for Shareholders Meetings"	Adopted through resolution, and implemented in accordance with the resolution of the shareholders' meeting.
	Approval of amendment to Regulations Governing the Acquisition and Disposal of Assets	Adopted through resolution, and implemented in accordance with the resolution of the shareholders' meeting. °
	Adoption of amendment to Articles of Association of the Company	Adopted through resolution, and complete the Cayman registration filing.
	Adoption of the release of directors from non-compete restrictions	The resolution is passed and implemented according to the resolution of the shareholders' meeting.

2. Important resolutions of the Board of Directors for 2022 and up to the date of publication of the Annual Report

Date	Important resolutions
2022.03.30	<ol style="list-style-type: none"> <li>1. 2021 Employee and Director Remuneration Distribution Proposal</li> <li>2. 2021 Annual Business Report and Consolidated Financial Statements</li> <li>3. 2021 Earnings Distribution Proposal</li> <li>4.. 2021 Q4 Distribution of cash dividends to shareholders</li> <li>5. 2021 "Internal Control System Statement"</li> <li>6. Amendment to Internal Control Regulations</li> <li>7. Dismissal of non-compete restrictions on directors</li> <li>8. 2022 General Meeting of Shareholders Convening Agenda and Matters Related to Shareholder Proposals</li> </ol>
2022.05.13	<ol style="list-style-type: none"> <li>1.2022Q1 Earnings Distribution Proposal</li> <li>2. To protect the company's credit and shareholders' rights and interests, planned purchase the company's shares for the third time according to the law, and handle the case of cancellation of shares</li> </ol>
2022.08.26	<ol style="list-style-type: none"> <li>1.Amendment to Internal Control Regulations</li> <li>2.2022Q2 Consolidated Financial Statements</li> </ol>



Date	Important resolutions
	3.2022Q2Earnings Distribution Proposal 4.Set the base date for the third repurchase of treasury shares and capital reduction 5.Amendments to Internal Control Measures - "Operating Procedures for Buying Back Treasury Stocks" 6.Greenhouse gas inventory and verification schedule plan 7. Guarantee Provision Proposal 8.Case of lending the company's funds to others 9.The company's subsidiary Lemtech International Limited intended to transfer investment to Sun Company Lemtech Electronic Technology (Changshu) Co., Ltd.
2022.11.11	1. 2022Q3Earnings Distribution Proposal 2. Amendment to Internal Control Regulations 3. Guarantee Provision Proposal
2022.12.28	1.2023 Budget Proposal 2.2023 internal audit plan 3.The company's regular assessment of the independence of certified accountants 4.The company's year-end bonus distribution principles and managers' distribution amount
2023.03.29	1. 2022 Annual Business Report and Consolidated Financial Statements 2.2021 Employee and Director Remuneration Distribution Proposal 3.2022 Earnings Distribution Proposal 4.2022 Q4 Distribution of cash dividends to shareholders 5.2021 "Internal Control System Statement" 6.Amendment to Internal Control Regulations 7. 2023 General Meeting of Shareholders Convening Agenda and Matters Related to Shareholder Proposals 8. The company plans to set up a factory in Mexico 9、Proposed change of accountant case from the first quarter of 2023 10. Guarantee Provision Proposal

(XIII) Any dissenting opinions on record or stated in a written statement made by directors or supervisors regarding key resolutions of the Board meetings in the most recent year up to the publication date of this annual report: None.

(XIV) During the most recent year and up to the publication date of the annual report, the resignation and dismissal of the Company's personnel including Chairman, General Manager, Accounting Supervisor, Finance Supervisor, Internal Audit Supervisor, Company Management Supervisor and R&D Supervisor: None

## V. Information on CPA Fees

### I. Range of CPA Fees

Unit: NT\$1,000

CPA firm	Name of CPAs	Audit period	Audit fees	Non-audit fees	Total	Remarks
Deloitte & Touche	Lee, Li-Huang Chih, Jui-Chuan	2022/01/01- 2022/03/31	5,300	500 (Operation process planning 500,000 )	5,800	-
		2022/04/01- 2022/06/30				
		2022/07/01- 2022/09/30				
		2022/10/01- 2022/12/31				

II. Where the Company changed the accounting firm and the audit fees paid for the year of change was less than that of the prior year, the amount of audit fees before and after the change and reasons shall be disclosed: None.

III. Where the audit fees paid for the current year were 10% less than those of the previous year or more, the sum, proportion, and cause of the reduction shall be disclosed: None.

## VI. Information Regarding Replacement of CPAs:

### I. Information regarding the former CPAs

Date of replacement	2023/03/29		
Reason for replacement and explanation	Due to the internal adjustment of Deloitte & Touche Accounting Firm, accountants Lee, Li-Huang and Chih, Jui-Chua will be replaced by accountants Hsueh, Chun-Ming and Chih, Jui-Chua from the first quarter of 2023.		
Describe whether the Company terminated or the CPAs terminated or did not accept the engagement	Parties	CPAs	The Company
	Terminated the engagement	NA	NA
	No longer accepted (discontinued) the engagement	NA	NA
If the CPAs issued an audit report expressing any opinion other than an unqualified opinion during the 2 most recent years, specify the opinion and the reasons	NA		
Disagreement with the Company?	Yes	-	Accounting principles or practice
		-	Disclosure of financial reports
		-	Audit scope or steps

		-	Other
	No	✓	
	Specify detail		
Other disclosures (Any matters required to be disclosed under sub-items d to g of Article 10.6.A)	None		

## II. Information Regarding the Successor CPAs

Name of accounting firm	Deloitte & Touche
Names of CPAs	Hsueh, Chun-Ming
Date of engagement	Approved by the board of directors of our company on March 29, 2023.
Subjects discussed and results of any consultation with the CPAs prior to the engagement, regarding the accounting treatment of or application of accounting principles to any specified transaction, or the type of audit opinion that might be issued on the company's financial report	None
Successor CPAs' written opinion regarding the matters of disagreement between the Company and the former CPA	None

III. The reply letter from the former CPA regarding the Company's disclosures regarding the matters under Article 10.6.A and 10.6.B(c) of the Regulations: Due to internal work adjustments within the accounting firm, they are not applicable.

**VII. The Company's Chairman, General Manager, or Any Manager in Charge of Finance or Accounting Operations who Has, in the Most Recent Year, Held a Position at the Accounting Firm of Its CPA or at a Related Company: None.**

**VIII. Equity Transfer or Changes to Equity Pledge of Directors or Managers Holding More than Ten Percent (10%) of Company Shares during the Year Prior to the Publication Date of This Report**

**(I) Change in shareholding by directors, managers, and major shareholders**

Title	Name	2022		As of Apr. 29, 2023	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Chairman	Hsu, Chi-Feng	0 (90,000)	0	0	0
Vice Chairman and Business Director	Chan Kim Seng Maurice	0 (90,000)	0	0	0
Director and CTO	Ye, Hang	0 (90,000)	0	0	0
Director	Tan, Yong	0 (150,000)	0	0	0
Independent Director	Yang, Rui-Long	0	0	0	0
Independent Director	Yu, Chi-Min	0	0	0	0
Independent Director	Lee, Wei-Ming	0	0	0	0
Independent Director	Wang, Chi-Chuan	0	0	0	0
Independent Director	Cheng, Frank	0	0	0	0
General Manager	Eu, Ricky	0	0	0	0
Marketing Director	Murali Nair	0	0	0	0
Financial and Accounting Supervisor	Chien, Yi-Ling	0	0	0	0

(II) Information on the counterpart of equity transfer being a related party of the Company's directors, managers and major shareholders: None.

(III) Information on the counterpart of equity pledge being a related party of the Company's directors, managers and major shareholders: None.

**IX. Relationship Information, if among the Company's Ten Largest Shareholders Any One Is a Related Party or a Relative within the Second Degree of Kinship of Another**

Apr. 29, 2023 Unit: Share, %

Name	Current shareholding		Spouse & minor shareholding		Total shareholding by nominees		Among ten largest shareholders, name and relationship with any one who is a related party or a relative within the second degree of kinship		Remarks
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Name	Relationship	
Hsu, Chi-Feng	8,293,981	13.34%	0	0	98,879	0.16%	None	None	
Chan Kim Seng Maurice	5,774,618	9.29%	0	0	0	0	None	None	
Ye, Hang	5,647,238	9.08%	0	0	0	0	None	None	
Tan, Yong	2,104,016	3.38%	0	0	0	0	None	None	
HSBC in the custody of Morgan Stanley & Co. International Plc	1,858,905	2.99%	0	0	0	0	None	None	
Liao, Mu	1,828,000	2.94%	0	0	0	0	None	None	
Liao, Wen-Yen	975,072	1.57%	0	0	0	0	None	None	
Liao, Wen-Yi	803,608	1.29%	0	0	0	0	None	None	
Business Department of Standard Chartered Bank in the custody of the investment account of LGT Bank	777,121	1.25%	0	0	0	0	None	None	
Su, Li-Ru	694,812	1.12%	0	0	0	0	None	None	

**X. Number of Shares Held and Combined Shareholding Ratio in the Same Reinvested Business by the Company, the Company's Directors, Managers, and Companies Directly or Indirectly Controlled by the Company**

Dec. 31, 2022 Unit: Share; %

Reinvested company	Investment by the Company		Investment by directors/supervisors/managers and by companies directly or indirectly controlled by the Company		Total investment	
	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage
Lemtech Global Solution Co. Ltd.	2,500,000	100	0	0	2,500,000	100
LemTech Precision Material (China) Co., Ltd.	126,000	0.19	65,874,000	99.81	66,000,000	100
LDC Precision Engineering Co., Ltd.	0	0	(Note1)	100	(Note1)	100
Lemtech Technology Limited	0	0	(Note1)	100	(Note1)	100
Lemtech Precision Material (Czech) s.r.o.	0	0	(Note1)	100	(Note1)	100
Lemtech USA Inc.	0	0	(Note1)	100	(Note1)	100
Aapico Lemtech (Thailand) Co., Ltd.	0	0	160,000 (Note2)	40	160,000 (Note2)	40
Lemtech Industrial Services Ltd	1,425,000	57	0	0	1,425,000	57
Kunshan Lemtech Slide Technology Co., Ltd.	0	0	(Note1)	100	(Note1)	100
Lemtech Cooling System Ltd.	7,000,000	100	0	0	7,000,000	100
Lemtech Energy Solutions Corporation (Former name: Cryomax Lemtech Co., Ltd.)	0	0	3,000,000	100	3,000,000	100
Kunshan Lemtech Electronics Technology Co.,Ltd.	0	0	(Note1)	100	(Note1)	100
Zhenjiang Emtron Surface Treatment Limited	0	100	(Note1)	0	(Note1)	100
Lemtech Electronics Technology (Changshu) Co., Ltd.	0	0	(Note1)	100	(Note1)	100
Lemtech Precision Material Co., Ltd	3,000,000	100	0	0	3,000,000	100
Lemtech-Eahwa Precision Technonlogy Co., Ltd.	1,000,000	40	0	0	1,000,000	40
Keycore Technology Corporation	0	0	2900000 (註 2)	28.42	2900000 (註 2)	28.42
Lemtech Precision Engineering (Tianjin) Co., Ltd	0	0	(註 1)	100	(註 1)	100

Note 1: As the Company is a limited liability company, there is no stock and nominal amount.

Note 2: Long-term investments made by the Company using the equity method.

## Chapter 4 Capital Overview

### I. Capital and Shares

#### (I) Sources of capital

##### 1. Share capital formation:

Unit: Thousand shares; NT\$1,000

Year/month	Issue price	Authorized capital		Paid-in capital		Remarks		
		Number of shares	Amount	Number of shares	Amount	Sources of capital	Capital increase by assets other than cash	Others
2009.09	10	30,000	300,000	10	100	Capital stock at founding	None	-
2009.11	10	30,000	300,000	25,000	250,000	Conversion of capital 24,990 thousand shares	None	NT\$249,900 thousand are shares swapped with shareholders of Mauritius Super Solution Co., Ltd.
2011.04	36	30,000	300,000	27,800	278,000	Cash capital increase	None	FSC No. 1000009515, Mar. 17, 2011
2012.11	43	45,000	450,000	32,800	328,000	Cash capital increase	None	FSC No. 1010039209, Sep. 12, 2012
2013.07	10	100,000	1,000,000	32,800	328,000	None	None	Adjusted authorized capital
2015.07	56.7	100,000	1,000,000	39,828	398,281	Conversion of corporate bonds 7,028 thousand shares	None	FSC No. 1020054882, Jan. 17, 2014
2015.11	10	100,000	1,000,000	39,541	395,411	Buyback of treasury stock	None	TWSE-II- No. 1040023685, Nov. 20, 2015
2019.03	220	100,000	1,000,000	39,563	395,638	Conversion of corporate bonds 23 thousand shares	None	FSC No. 1070324423, Jul. 13, 2018
2019.09	10	100,000	1,000,000	47,472	474,720	Recapitalization of retained earnings	None	-
2020.05	10	100,000	1,000,000	46,967	469,670	Buyback of treasury stock	None	FSC No. 1090341924, May 7, 2020
2021.04	94.8	100,000	1,000,000	54,377	543,770	Conversion of corporate bonds 7,410 thousand shares	None	FSC No. 1090342822, May 13, 2020
2021.09	10	100,000	1,000,000	62,521	625,208	Recapitalization of retained earnings	None	-
2022.07	10	100,000	1,000,000	62,193	621,928	Buyback of treasury stock	None	FSC No. 1110349847, July 22, 2022

## 2. Type of shares:

Apr. 29, 2023 Unit: Share

Type of shares	Authorized capital			Remarks
	Issued shares	Unissued shares	Total	
Common shares	62,192,775	37,807,225	100,000,000	62,192,775

Note: The above shares are all listed company shares, counted to book closure date on Apr. 29, 2022.

## (II) Shareholder structure

April. 29, 2023

Shareholder structure	Government agencies	Financial institutions	Other institutional shareholders	Foreign institutions and foreign natural persons	Domestic natural persons	Mainland investment institutions and natural persons	Treasury stock	Total
Volume								
Number of shareholders	0	2	32	34	4	3,375	0	3,447
Shareholding (shares)	0	30,000	2,562,493	9,645,836	8,628,574	41,325,872	0	62,192,775
Shareholding percentage	0.00%	0.05%	4.12%	15.51%	13.87%	66.45%	0.00%	100.00%

Note: An initial TWSE/TPEX-listed company or an emerging stock company shall disclose the shareholding percentage of the company's shares held by companies in Mainland China; companies in Mainland China refers to companies invested by people, juridical persons, organizations, and other institutions in Mainland China or investments made in third regions by Mainlanders as stipulated in Article 3 of the Rules Governing Permits for People from Mainland China Investing in Taiwan.



## (III) Shareholding distribution (face value of NT\$10 per share)

## 1. Common share distribution:

April. 29, 2023 Unit: Share; %

Shareholding range	Number of shareholders	Shareholding (shares)	Shareholding percentage
1 to 999	816	146,078	0.23%
1,000 to 5,000	1,831	3,708,253	5.96%
5,001 to 10,000	301	2,222,177	3.57%
10,001 to 15,000	142	1,814,138	2.92%
15,001 to 20,000	67	1,173,669	1.89%
20,001 to 30,000	77	1,908,853	3.07%
30,001 to 40,000	41	1,448,645	2.33%
40,001 to 50,000	33	1,512,351	2.43%
50,001 to 100,000	60	4,267,734	6.86%
100,001 to 200,000	46	6,539,329	10.52%
200,001 to 400,000	13	3,714,339	5.97%
400,001 to 600,000	9	4,324,535	6.95%
600,001 to 800,000	3	2,127,236	3.42%
800,001 to 1,000,000	2	1,778,680	2.86%
1,000,001 or more	6	25,506,758	41.02%
Total	3,447	62,192,775	100.00%

## 2. Preferred share distribution: Not applicable.

## (IV) List of major shareholders

April. 29, 2023 Unit: Share; %

Shareholder's name	Shareholding (shares)	Percentage (%)
Hsu, Chi-Feng	8,293,981	13.34%
Chan Kim Seng Maurice	5,774,618	9.29%
Ye, Hang	5,647,238	9.08%
HSBC in the custody of Morgan Stanley & Co. International Plc	2,104,016	3.38%
Tan, Yong	1,858,905	2.99%
Liao, Mu	1,828,000	2.94%
Liao, Wen-Yen	975,072	1.57%
Business Department of Standard Chartered Bank in the custody of the investment account of LGT Bank	803,608	1.29%
Liao, Wen-Yi	777,121	1.25%
Tsai, Wen-Lung	694,812	1.12%

- (V) Market price per share for the past two years, with net worth per share, earnings per share, dividends per share, and related information

Unit: NT\$; Thousand shares

Item		Year	2021	2022	As of March 31, 2023
Market price per share(Note 1)	Highest		218	184.5	83.9
	Lowest		110.5	62.8	72.2
	Average		166.83	112.85	77.56
Net worth per share	Before distribution		49.23	52.84	52.37
	After distribution		48.23	52.34	52.37
Earnings per share	Weighted average shares		62,002	62,335	62,193
	Earnings per share	7.51	7.51	6.27	0.02
		7.51	7.51	6.27	0.02
Dividends per share	Cash dividends		4	2.505	0
	Share dividends	-	-	-	
		-	-	-	
Cumulative unpaid dividends		-	-	-	
Return on investment	Price/earnings ratio (Note 5)		22.21	18.00	-
	Price/dividend ratio (Note 6)		41.71	45.05	-
	Cash dividend yield (Note 7)		2.40%	2.22%	-

\*If retained earnings or capital reserves were used for capital increase, market prices and cash dividends that were retroactively adjusted based on the number of shares after distribution should be disclosed.

Note 1: The annual highest and lowest market value of common share shall be listed. The annual average market value is calculated based on each year's transaction value and volume.

Note 2: The number of shares issued at the end of the year shall be used as the reference. Please fill in the table according to the distribution amount as resolved by the shareholders' meeting held in the following year.

Note 3: Where retroactive adjustment is necessary due to issuance of share dividends, earnings per share before and after the adjustment shall be listed.

Note 4: If the terms of equity securities issuance allow unpaid dividends of the year to be accumulated to the subsequent years in which there is profit, the Company shall disclose the accumulated unpaid dividends respectively up to that year.

Note 5: Price/earnings ratio = Average closing price for each share in the year / Earnings per share.

Note 6: Price/dividend ratio = Average closing price per share in the year / Cash dividends per share.

Note 7: Cash dividend yield = Cash dividends per share / Current year average closing price per share.

Note 8: The per-share net value and earnings per share should be the values of the quarter nearest to the printing date of the annual report to be audited by accountant; the remaining column should be filled in with the annual data up to the printing date of the annual report.

(VI) Dividend policy and implementation

1. Dividend policy:

(1) If the Company is profitable this year, the employee remuneration and director remuneration shall be allocated in the following proportion. The allocation plan of employee remuneration and director remuneration shall be reported to the shareholders' meeting. However, the Company shall reserve a portion for the accumulated losses, if any, in advance.

(a) The employee remuneration shall be no less than 0.5% and may be paid either in

cash or stocks. The targets include the subsidiary companies' employees matching certain conditions, which are determined or revised by the Board meeting.

(b) The director remuneration is up to 2%.

- (2) The Company shall allocate earnings or cover losses at the end of each quarter in accordance with the listing regulations. The Company's proposal of allocating earnings or covering losses for the first three quarters shall be reviewed, together with the business report and financial statement, by the independent directors of the Audit Committee, and then reported to the Board meeting for approval.

When allocating earnings in accordance with the provisions of the preceding paragraph, the Company shall first estimate and reserve tax payable and cover losses according to law.

When the Company allocates earnings in accordance with the provisions of the first paragraph, all or part of dividends may be allocated by issuing new shares upon special resolution of the shareholders' meeting according to the listing regulations. Issuing cash shall be subject to the resolution of the Board meeting.

Earnings allocation or losses compensation by the Company in accordance with the provisions of the preceding three paragraphs shall be made based on the financial statements audited or reviewed by a certified public accountant.

- (3) If there is any surplus upon the final accounting, the Company shall first pay the tax, cover the previous losses, and withdraw special reserve, if any. If there is still a remaining surplus, except those reserved by the Board meeting as the undistributed surplus, the remaining amount may be distributed as shareholder dividends and bonuses according to the shareholders' shareholding ratio. The Board of Directors shall then draw up an allocation plan and submit it to shareholders' meeting for resolution.

The Company's dividend policy considers the Company's stable growth, sustainable operation, capital needs, sound financial structure and maintenance of shareholders' rights. The total shareholders' bonus shall not be less than 10% of the distributable surplus. The shareholders' dividend bonus shall be allocated in cash or stock, where the cash dividends shall be no less than 50% of the total shareholders' bonus. If the Company is free of losses, it can, considering its financial, business and operating factors, allocate all or part of the statutory surplus reserve and capital reserve according to laws or competent authority's regulations.

- (4) When allocating dividends or bonuses in accordance with the preceding paragraph, the Company shall, in accordance with the listing regulations, allocate all or part of the dividends or bonuses by issuing new shares upon the special resolution of the shareholders' meeting. Amount less than one share shall be allocated in cash.

When allocating dividends or bonuses in accordance with the preceding paragraph, the Company shall allocate all or part of the distributable dividends or bonuses by issuing cash upon resolution consented by a majority of present directors, who shall be over 2/3 of all directors from the Board of Directors, and report to the shareholders' meeting.

## 2. Implementation:

- (a) The Company's proposal to distribute cash dividends of NT\$1.00527392 per share, NT\$62,520,775 in total, for the first quarter of 2022 was approved by the Board meeting on May 13, 2022, with the ex-dividend date set on July 31 2022. Such cash dividends have been paid to shareholders in August 2022.
- (b) The Company's proposal to distribute cash dividends of NT\$0.50 per share, NT\$31,096,388 in total, for the second quarter of 2022 was approved by the Board meeting on November 11, 2022, with the ex-dividend date set on January 3 2023. Such cash dividends have been paid to shareholders in February 2023.

- (c) The Company's proposal to distribute cash dividends of NT\$0.50 per share, NT\$62,520,775 in total, for the third quarter of 2021 was approved by the Board meeting on November 11, 2021, with the ex-dividend date set on December 14 2021. Such cash dividends have been paid to shareholders in January 2023.
- (d) The Company's proposal to distribute cash dividends of NT\$0.50 per share, NT\$31,096,388 in total, for the fourth quarter of 2022 was approved by the Board meeting on March 29, 2023, with the ex-dividend date set on May 3 2023. Such cash dividends have been paid to shareholders in May 2023.

(VII) Impact on the Company's business performance and earnings per share (EPS) of share dividends proposed by this shareholder's meeting

The Company did not need to prepare the financial forecast information for 2022, therefore it is not applicable.

(VIII) Remuneration for employees and directors

1. Percentage or range of remuneration for employees and directors as stipulated in the Company's Articles of Association:

If the Company is profitable this year, the employee remuneration and director remuneration shall be allocated in the following proportion, and the allocation plan of employee remuneration and director remuneration shall be reported to the shareholders' meeting. However, the Company shall reserve a portion for the accumulated losses, if any, in advance.

(a) The employee remuneration shall be no less than 0.5% and may be paid either in cash or stocks. The targets include the subsidiary companies' employees matching certain conditions, which are determined or revised by the Board meeting.

(b) The director remuneration is up to 2%.

2. Basis for estimating the amount of remuneration to be allocated to employees and directors, basis for calculating the number of shares to be distributed as employee remuneration and accounting treatment for discrepancies between the actual and estimated amount of remuneration to be distributed for this period:

The Company's employee remuneration in 2022 is estimated based on the amount of pre-tax net profit for the current year with employee remuneration and director's remuneration not deducted in proportion. If there is any change until the date of resolution made by the shareholders' meeting, the estimated amount will be subject to change in accounting estimates, and adjusted and credited in the year of resolution made by the shareholders' meeting.

3. Remuneration approved by the Board of Directors:

(1) If the employee's remuneration and director's remuneration distributed in cash or stock differs from the annual estimated amount of the recognized expenses, the difference, reasons and treatment shall be disclosed:

Upon resolution of the Board meeting, the Company proposed that both the employee remuneration and director remuneration are allocated at the rate of 1% in 2022. The amount of employee remuneration and director remuneration is NT\$4,007,211, respectively, which will be issued in cash.

(2) The ratio of employee remuneration distributed in share to the sum of net income after tax specified in the parent company only or individual financial statements and total remuneration paid to employees: Not applicable, as there is no employee remuneration distributed in share.

4. If there is any discrepancy between the actual amount of remuneration distributed to employees and directors (including number and amount of shares distributed, as well as share price) and the recognized amount of remuneration to employees and directors in the

previous year, the amount, reasons and treatment of such discrepancies shall be stated:  
The Company's annual shareholders' meeting on June 30, 2022 passed the resolution of NT\$4,792,156 of employee remuneration and NT\$4,792,156 of director remuneration, which was proposed by the Board meeting on March 33, 2022 and has no difference with the amount actually allocated approved by the shareholders' meeting.

(IX) Share repurchases

1. Share repurchases (completed):

Repurchase session	The Third Time
Date of Board Resolution	May 13th 2022
Purpose of Repurchase	Maintain the company's credit and shareholder rights and interests
Original scheduled repurchase session	From May 14th 2022 to July 10th 2022
Original scheduled repurchase price range	NTD 70-200
Original scheduled repurchase share number	1,000,000 ordinary shares
Original scheduled ceiling on total monetary amount of repurchase.	NTD 2,211,253,316

Actual repurchase session	May 23th 2022 to July 7th 2022
Actual repurchased share type and number	328,000 ordinary shares
Ratio of the actual repurchased number to the total issued shares of the Company	0.52%
Actual repurchase share number	NTD 34,449,827
Actual average repurchased share price per share	NTD 105.03
Number of canceled and transferred share	Based on the resolution of the board of directors on August 26, 2022, 328,000 ordinary shares of repurchased shares were cancelled, and the cancellation was completed on September 6, 2022.
The reason of not finishing implementation after session expiration	Considering the market mechanism without affecting the repurchase price, the company repurchase in batches depending on the stock price change and trading volume, so the execution has not been completed.

2. Share repurchases (in progress): As of the date of publication of the annual report, there is no such situation.

## II. Corporate Bonds

(I) Corporate bonds: In order to repay the bank loan and purchase a factory and office building in Taiwan, the company issued the fourth domestic unsecured convertible corporate bond on October 26, 2021, with a total issuance of NT\$1.6 billion. The relevant matters are as follows:

Type of Corporate Bonds	Fourth domestic unsecured convertible corporate bonds	
Release Date	October 26 <sup>th</sup> , 2021	
Denomination	NTD 100,000	
Place of Issuance and Transaction	Taipei Exchange	
Issue Price	NTD 100.50	
Total	NTD 1,600,000,000	
Interest Rate	0%	
Period	Three years ; Matures on : October 26 <sup>th</sup> , 2024	
Guarantee Organization	N/A	
Trustee	Cathay United Bank Co. Ltd.	
Underwriting institution	Fubon Securities Co. Ltd.	
Certified Lawyer	Jheding International Law Offices Alston Chen	
Certified Public Accountant	Deloitte & Touche Lee, Li-Huang 、 Chih, Jui-Chuan	
Reimbursement Method	Except for the redemption by the company, the sale by the bondholder, the execution of the conversion, or the redemption and cancellation by the business premises of a securities firm, the company will repay this bond in cash based on the bond denomination upon maturity.	
Outstanding Amount	NTD 1,600,000,000	
Redemption and Advanced Redemption Provisions	Please refer to Issuance of the fourth domestic unsecured convertible corporate bonds regulation	
Restrictive Provisions	None	
Name of Credit Rating Agency, Rating Date, and Corporate Bond Rating Results	N/A	
Other rights attached	Amount of Converted(Exchanged or Subscribed Ordinary shares, Overseas Depository Receipts or Other Negotiable Securities)	By April 30 <sup>th</sup> , 2023 , there is no converted ordinary share.
	Issuance and Conversion (Exchange or Subscription) Method	Please refer to MOPS-Investment area- creditability area
The possible dilution of shareholding and influence on shareholder equity caused by the issuance and conversion, exchange, or subscription rules and the terms of issuance.	The coupon rate of the converted corporate bonds issued this time is 0%, which can obtain low-cost funds, and the conversion price is issued at a premium of the reference market price of ordinary shares, so there should be no negative impact on shareholders' rights and interests	
Name of the Custodian Institution for Underlying Exchange	None	

(II) Information on convertible corporate bonds

Type of corporate bond		Fourth domestic unsecured convertible corporate bonds	
Year		2022	As of April 30, 2023
Item			
Market price of the convertible corporate bond	Highest	116.00	98.70
	Lowest	92.00	96.60
	Average	102.15	98.02
Conversion price		157.9	156.9
Issuance(placement) date and conversion price on the date of issuance		Date: October 26, 2021 Conversion price: NT\$162.30	
Methods of fulfilling conversion obligations		Issuance of new shares	Issuance of new shares

**III. Preferred Shares:** None.

**IV. Overseas Depository Receipt:** None.

**V. Status of Employee Stock Option:** None.

**VI. New Restricted Employee Shares:** None.

**VII. Issuance of New Shares in Connection with Mergers or Acquisitions or with Acquisitions of Shares of Other Companies:** None.

**VIII. Implementation of Capital Utilization Plan**

1. As of the previous quarter of the publication of the annual report, plans that are not yet completed in the previous issuances or private offerings of marketable securities, or the plans that have been completed in the most recent three years with no obvious benefits: None.
2. Implementation: As of the previous quarter of the publication of the annual report, the Company's capital utilization plans for the previous public issuance of marketable securities have been completed.

## Chapter 5 Operational Highlights

### I. Business Activities

#### (I) Scope of business

1. Main content: The Company mainly engages in research and development, production and sales of precision metal stamping components, including various electronic product thermal modules, electronic product components, automotive components and building material components made by stamping and forming, as well as stamping die support for automotive and electronic product manufacturers. The Company's products are either standardized or non-standardized parts and components that are tailored to different customers.

#### 2. Percentage of business

The Company's main product items, sales performance and percentage, as well as its percentage of business in 2022 are as follows:

Unit: NT\$1,000

Item	2022	
	Net revenue	Percentage of business
Vehicle parts segment	2,102,521	35.13%
Sports equipment	2,100,280	35.09%
3C electronics segment	1,536,450	25.67%
Tooling and others	194,968	3.26%
Building material segment	50,709	0.85%
Total	5,984,928	100.00%

#### 3. The Company's current product items and new products planned

##### (1) The Company's current product items

Category	Application
3C electronics segment	Computers, radiators related stamping parts, servo slides, cloud computing and intelligence equipment
	Mobile phone internals, vapor chamber
	Metal stamping parts for medical equipment
Vehicle parts segment	Airbags, seat belt buckles, engines, steering systems, skylights, door hinges, seat brackets and other metal parts
Connected Fitness	Digital fitness training equipment assemblies
Tooling and others	Tooling manufacture, semi-conductor equipment manufacture, building material fixed metal tools

##### (2) New products planned

The Company is a comprehensive supplier of multiple fields including stamping parts and components. To protect the Company from the impact of change in a single industry prospect, the Company has gradually changed from the original single product production mode to



industry development with research and development of die technology-focused and products developing towards diversified fields. The Company now keeps developing different application products based on the existing four segments, such as cloud storage server cooling module, electric vehicle cooling plate, electric vehicle battery shell, semiconductor equipment, smart equipment and other related metal stamping products.

## (II) Industry overview

### 1. Industry status and development

The Company is a professional design manufacturer of thermal modules, with production and sales of various thermal module design products as its main business, which are widely used for cloud storage, 3C electronic stamping components, including notebook and desktop PC thermal fins, thermal components, mobile phone shields, computer server brackets, auto stamping parts, like door hinges, power steering wheels, skylights, airbags and seat belts, as well as digital fitness training equipment. One of the Company's important core technologies is the development and production of dies, which are mainly used for metal stamping process. The Company is mainly committed to the development and manufacture of continuous dies. An example of the metal stamping industry and the thermal industry is given below for a detailed description:

#### (1) Metal stamping industry

Stamping is a forming method in which plates, strips, pipes and profiles are applied with external force by stamping equipment and dies to cause plastic deformation or separation, so as to obtain workpieces (stamped parts) with desired shape and size. As defined by the metal center: Stamping die is a processing tool for forming thin sheet metal through the stamping process. The shape of the sheet metal depends on that of the upper and lower dies (in general, the upper die is movable while the lower is not). Simple shape can be made by a pair of dies, but complex shape needs to be completed by more than a pair of dies.

Through stamping, both extremely small-sized instrument parts and large parts such as automobile frames and pressure vessel heads can be manufactured, and both parts with general dimensional tolerance levels and shapes and parts with precision (micron-level tolerance) and complex shapes can be produced. Therefore, metal stamping is very important in the manufacture of automobiles, machinery, household appliances, motors, instruments, aerospace, weapons, etc. The characteristics of precision stamping products are as follows: consistent product quality, i.e. same model of products shall be highly consistent in quality and replaceable with each other; assembly adaptability, i.e. all parts must be perfect in matching with other parts in assembly, especially the precision components of high-precision electromechanical equipment, which requires a very strict dimensional error; production efficiency, i.e. compared with other metal forming processes such as casting and forging, the stamping process has clear advantages in production efficiency.

China has become the world manufacturing center, and achieved rapid development in automotive, communications, electronics, household appliances and other industries in the last 10 years, increasing the demands for metal stamping components. Many multinational

companies have repositioned complete machine manufacturing to China, accompanied by supporting factories, with the purchase of domestic accessories increasing rapidly year by year, driving the rapid development of related industries in China. In this context, the metal stamping industry, one of the basic manufacturing industries, has also achieved rapid development.

(2) Thermal industry

As the functions of high-tech products are increasingly stronger, the electrical power required is higher, and more heat is generated therefrom. Therefore, it is increasingly important to dissipate heat to keep the system running stably. In recent years, the thermal issue has become an increasingly important technical topic in the design and manufacturing of various 3C products, such as computers (desktops, notebooks, servers), DVD recorders/players, plasma display panels (PDP), LED modules, etc. Due to the large potential in thermal market, an independent "thermal management industry" has been developed. What's more, due to the continuous enhancement of the central processing unit (CPU) and graphics chipset in computing clock rate lead to more heat generated, the thermal solution has become an important part of the personal computer (PC) industry. The current thermal module is composed of thermal fins, heat pipes, fans and other components, which are properly designed. The main design concept is transferring heat generated by CPU, through metal material with high thermal conductivity, such as close contact of copper or aluminum and CPU surface, via heat pipes to the endmost thermal fins, and cooling it with a fan to form convection, thereby keeping CPU running at a certain working temperature, without causing the crash from overheating.

Thermal management products are collectively known as thermal modules, which are now widely used in desktop (DT), notebook (NB), server and other PC product lines, which are considered as the most mature application fields. Therefore, the growth of thermal industry is closely related to the prosperity of the global information and computer industry. With the advances in technology and improvement of product development technology, the demands of many electronic products or equipment for heat dissipation are gradually emerging, such as communication equipment and emerging light-emitting diode (LED) products that are used in the lighting field.

2. Relevance of industry up-, mid-, and down-streams



The relevance of industry up-, mid-, and down-streams that the Company belongs to is shown above. The Company is a professional metal stamping and die manufacturer, with the main raw materials of aluminum, iron, and copper. Its upstream involves manufacturers, agencies, processors or distributors of metal raw material, and the mid-stream involves stamping product manufacturers and component manufacturers in various industries. The Company is a stamping component manufacturer, delivering the manufactured products to various component manufacturers for assembly and then selling to down-stream OEMs or manufacturers. The products of the Company have been applied in a wide range of industries, covering 3C electronic stamping components, including notebook and desktop thermal fins, thermal components, mobile phone shields and computer server brackets, auto stamping parts, including door hinges, power steering wheels, skylights, airbags and seat belts, as well as building material stamping parts, including support fitting for house skylights and exterior wall plaques.

### 3. Various product trends

The Company is a professional metal stamping and die manufacturing, with products mainly used in thermal modules such as NB, mobile phones, servers and automobiles. The analysis of the product trends in the future is as follows:

#### (1) 3C electronics industry

##### A. Information industry

According to TrendForce, global notebook shipments may drop to 42.9 million units in the fourth quarter of 2022, a quarterly decrease of 7.2% and an annual decrease of 32.3%, Lower than the same period before the epidemic. In addition, market demand is impacted by negative factors such as inventory adjustments, the Russia-Ukraine War, and high inflation, which in turn leads to a further downward revision of the notebook market shipments to 189 million units in 2022, annual decrease of 23%, and the proportion of shipments in the first and second half of the year was 53:47, which is the first top-heavy situation in the past ten years.

The global economy continues to face headwinds. The International Monetary Fund (IMF) predicts that the economic growth rate in 2023 will be about 2.7%, which is 0.5 percentage points lower than that in 2022. It will be the most severe economic winter in 20 years. Overall, TrendForce predicts that the global notebook market will show no obvious signs of recovery in 2023. Even though the annual decline in shipments has narrowed to 6.9%, it will only be 176 million units.

According to the survey, the current structural imbalance between supply and demand in the notebook market is still unresolved, so shipments in 2022 will show a decreasing trend quarter by quarter. It is expected that the inventory digestion of the whole terminal will continue until at least the first half of 2023. TrendForce believes that after the inventory pressure gradually returns to a healthy level at this stage, Chromebooks may be the first wave of demand for products to recover in the second quarter of 2023, and the traditional cyclical growth momentum is expected to return to the market.

圖、2019~2023年全球筆電出貨量預估（單位：百萬台）



## (2) Mobile phone industry

Looking back on 2022, the smartphone industry will be dragged down by the epidemic and inflation factors, it will be difficult to remove channel inventory, and economic headwinds will impact sales. The research predicts that sales will pick up in the second quarter of this year as soon as the channel inventory level is corrected.

Research firm TrendForce pointed out that from the third quarter of 2021 to the fourth quarter of 2022, global mobile phone production has experienced annual decline for six consecutive quarters; The Institute of Industrial Intelligence estimates that the global smartphone market will reach 1.26 billion units in 2022, a 6.8% decline; DIGItimes estimates that the global smartphone shipments will reach 1.17 billion units in 2022, an annual decline of 10.7%.

Based on the survey information of the above research and research institutions, the smartphone industry has experienced a sharp freeze in sales due to the impact of the epidemic in 2020, and after finally returning to a positive growth track in 2021, it will fall into recession again in 2022. However, as the inventory level of the channel is corrected, it is expected to welcome the warmth of spring in the second quarter of 2023 at the earliest.

The DIGITIMES Research Center integrates supply chain information, regional market conditions, and observes global political and economic trends and it is estimated that in the next five years, the negative impacts of the epidemic, the Ukrainian-Russian War, the US interest rate hike, and global inflation will decrease year by year. The 5G replacement wave and the trend of feature phone users in emerging markets buying low-priced smartphones continue, and the market will return to the growth track. It is estimated that the annual shipment growth rate will fall between 2% and 9%, with a compound annual growth rate (CAGR) ) is estimated at 4.8%.

## (3) Server industry

According to IDC's forecast, the compound growth rate of artificial intelligence investment in the Asia-Pacific market from 2020 to 2025 is as high as 25.2%. And the largest investment is in hardware expenditure, accounting for 49.8%. Among them, servers accounted for 80% of the largest expenditure, followed by storage, and software expenditure ranked second to hardware, accounting for 31%.



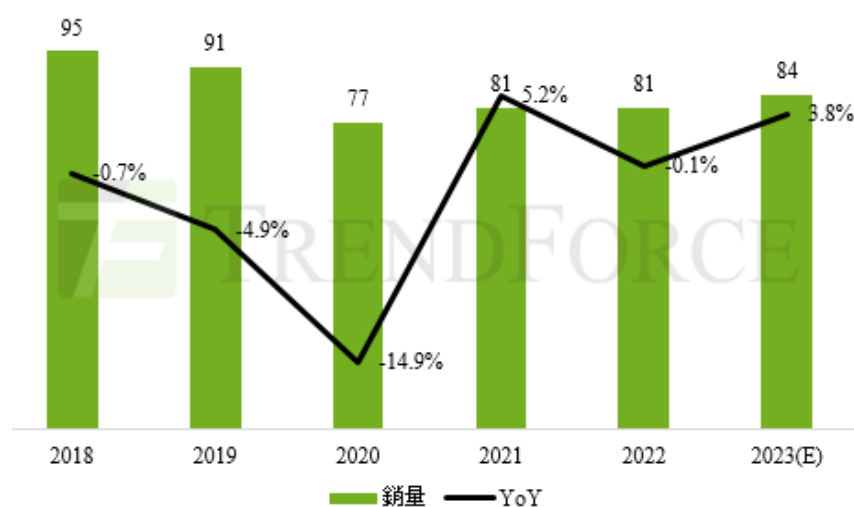
According to the research and forecast data from Synergy Research Group, the number of global hyperscale data centers was 430 in 2018. With the gradual transition of 5G mobile communication and the resulting significant increase in various Internet of Things applications, it is expected that the number of global hyperscale data centers will exceed 700 by 2022. The compound annual growth rate from 2018 to 2022 is estimated to be 12.96%. Additionally, Gartner predicts that the penetration rate of enterprise data center market will increase from 7% in 2022 to 16% in 2023. Verified Market Research also expects the global hyperscale data center market to grow to \$5,870.52 billion by 2030, with a compound annual growth rate of 23.25% from 2021 to 2030. Therefore, the demand for data centers and cloud services, among other related markets, is also increasing simultaneously.

### B Motor Industry

TrendForce data shows that China's annual car sales in 2022 will be 26.9 million units, an annual increase of 3.7%, which is the key to supporting the global new car market. Sales in the U.S. and Western Europe both hit record lows in the past ten years. The total in the U.S. reached only 13.7 million units, a year-on-year decline of 8.1%. Only 11.8 million vehicles were sold in Western Europe, an annual decline of 4.6%. In Russia, due to the impact of the Russo-Ukraine war, the sales of new cars decreased by 1 million units annually, while the sales in the Eastern European market also showed an annual decrease of 27.3%. However, emerging markets are performing well. For example, India's sales will replace Japan with 4.3 million vehicles in 2022 to become the world's third largest auto market; Indonesia will return to pre-epidemic levels after two consecutive years of growth.

According to TrendForce statistics, global auto sales in 2022 will be 81.05 million units, with an annual decline of 0.1%, which is almost the same as that in 2021. It is

estimated that in 2023, the sales volume of the global auto market may resume its growth trend, reaching 84.1 million units, an annual increase of 3.8%.



### C Sports Equipment Industry

The Industrial Technology Research Institute estimates that the global sports technology output value will reach NT\$13.4 trillion in 2030, with a compound growth rate of 7.7% in the next 10 years. The Executive Yuan has also set the sports technology industry as the next trillion-dollar new industry in 2026. Looking forward to the industry prospects, the covid-19 epidemic has certainly spawned sports technology business opportunities, but the metaverse concept has further strengthened the interest and community stickiness of sports.

Zhan Ruiran, an analyst at the Industrial Technology International Strategic Development Institute of the Industrial Technology Research Institute, said that with Taiwan's existing sports and fitness equipment supply chain and the advantages of the information and communication industry, 'No matter in the fields of smart venues, smart sports/fitness, smart training/planning and e-sports,' 'Taiwan's sports X technology industry ecosystem is very capable of international competitiveness.' It is suggested that existing businesses can make good use of this capacity to create new positioning. Including developing needs of different ethnic groups and fields, developing towards intelligent and networked products, and deepening professional knowledge in different fields. Those who want to invest in different industries can further introduce 5G, AI, Internet of Things and other technologies, connect data content, and develop new business models.

With the gradual preparation of 5G infrastructure, AI, Internet of Things and virtual reality integration technology is becoming more and more mature, my country can combine sports science to develop integrated solutions to build an Asia-Pacific sports technology training base, link the global market, and drive the industry to create greater added value.

#### 4. Competitive situation

The Company is a manufacturer specializing in the design and manufacture of metal precision dies and the stamping of hardware precision components and parts. Since its establishment, it

has focused on the improvements of die manufacturing, manufacturing procedures and heat-dissipating devices. With the constant change in market demands, the Company has timely adjusted the business and development direction, actively introduced advanced equipment and continued to develop and upgrade processing technology, so it has smoothly turned to single-equipment continuous processing and combination of equipment and manipulator for continuous processing technology from engineering processing. At the same time, in order to comply with customer demands, it has gradually transformed into the assembly and production of components from single product manufacturing. This has further improved the Company's competitiveness and profitability.

Consequently, the Company has the capability to set foot in automotive components and building materials products from the manufacturing of heat sink. In addition, the Company has also conducted market research and surveys, continuously improving its existing production processes, and developing products with higher value-added.

In summary, the Company, relying on excellent die sinking technology and the high sensitivity to market, gradually adjusts its operating strategy in this competitive industry. In the future, it will focus on products with higher added value, such as actively developing with cloud computing and smart device hubs, electric vehicle parts and other fields, continuous improvement of solderless thermal module technology and vertical integration of thermal module process. Through diversified product lines, the Company also looks forward to reducing the influences of single market competition or declining industry, lessening the impact of competitive imitation of the Company's thermal patent technology and profit compression, and maintaining its market position and competitiveness.

(III) Technology and research & development overview

1. R&D expenses invested in the most recent year and as of Mar. 31, 2023

Unit: NT\$1,000

Item \ Year	2021	2022	As of Mar. 31, 2023
R&D expenses	163,125	204,050	48,882
Net operating revenue	6,369,118	5,984,928	930,038
Ratio of R&D expenses to net operating revenue	2.56%	3.41%	5.26%

## 2. Successfully developed technologies or products

Year	R&D results	Description	Scope of application
2020	Visual inspection device for auto steering wheel parts	This project develops a visual inspection device for auto steering wheel parts. Steering wheel parts are placed behind the track, which then transmits the steering wheel parts to the visual inspection area for a quick inspection. Such an inspection is high in both efficiency and accuracy.	Automotive parts and other products
2020	Fixture for testing buckles	This project develops the fixture for testing buckles to avoid human errors. It can save a lot of costs and improve product competitiveness.	Automotive parts and other products
2020	Bilateral automatic pendulum device	This project provides two sets of automatic pendulum devices connected together through the bottom support plate and sharing a punch for riveting. After the device is turned on, the rivet vibration plate starts to work, and the rivets are screened through the rivet vibration plate to ensure that the rivets are in the required direction. The continuous movement of the rivet vibration plate ensures that there are enough rivets at the beginning of each circle for the sorting of misaligned rivets.	Automotive parts and other products
2020	Automated filtering system for air-bag components	This project develops an automated filtering system for air-bag components to enhance the yield. Save lots of costs and improve market competitiveness.	Automotive parts and other products
2020	One-time die-cut process for multi-slot holes and corresponding mold	This project provides a one-time die-cut process for multi-slot holes, which can save the work steps of the mold and further reduce the material and processing costs of the mold. Thereby, the unit price of the product is reduced. The product is placed on the mold's lower base, and the holes are positioned in the corresponding groove of the lower base; then the top base is driven downward so that the punch structure can directly punch the holes on the product at one time. Waste material is directly discharged through the waste discharge hole of the lower base.	Automotive parts and other products
2020	Felting machine	This project develops a felting machine that enables quick and stable matching of felt and hooks after felt is placed behind the surface area of the inner cavity. This improves productivity and ensures the quality of felt.	Automotive parts and other products
2020	Anti-corner bending and cracking mold	This project develops an anti-corner bending and cracking mold which can achieve the desired height of packaging without affecting the strength of the product. This lowers the floating content of the product, speeds up production, and reduces the non-performing risk due to cracking and the inspection thereof, effectively reducing the number of repairs and production costs.	Automotive parts and other products
2020	Automatic testing equipment for	This project develops automatic testing equipment for automobile engine components. After the lettering is completed, a test is conducted directly	Automotive parts and other products



Year	R&D results	Description	Scope of application
	automobile engine components	online for output. This simplifies the process and saves labor costs.	
2021	Riveting die automatic feeding riveting machine	This machine offers automatic feeding, freeing hands, and the efficiency is twice that of traditional manual feeding.	Automotive parts and other products
2021	Machine for improvement of strip float plate in the middle of the mold	This machine is mainly used for molds to produce auto parts. It can not only avoid the problem of holding up the movement of the float plate, but also reduce the damage of the mold and improve the production efficiency with middle strip float plate.	Automotive parts and other products
2021	Riveting mechanical stripping machine	This machine is mainly used for molds for the production of auto parts. The performance of this machine is stable, offering material removal stability of the riveting mold to improve the efficiency of the mold.	Automotive parts and other products
2021	Balanced Structure of Stamping and Stretch Transfer Dies for Automobiles	The structure is mainly used for molds to produce auto parts. Compared with the existing technology, transfer mold is no longer inclined by using the mold balance machine, and the frame mold efficiency is improved.	Automotive parts and other products
2021	A structure of for product ejection, sampling, and hopper transfer	The structure is mainly used for molds for auto parts production, and provides product ejection, sampling and hopper transfer, which can ensure that the product blanking state is regular and uniform, and greatly reduces the direct impact damage of the product to the assembly line.	Automotive parts and other products
2021	Visual Inspection Device for Laser Welded Parts	The device quickly detects the finished welded parts through CCD visual inspection and torque-sensing thread detection technology, which reduces the labor intensity and improves the detection efficiency.	Automotive parts and other products
2021	Structure of continuous die inner nut riveting	The structure provides the nut riveting structure in the continuous die, and the riveting structure is arranged in the rear section of the continuous die, which reduces the cost and improves the production efficiency.	Automotive parts and other products
2021	Machine for in-mold waste interrupting	Mainly used in molds for the production of auto parts, this machine provides scrap interruption in the mold, reducing costs and improving production efficiency.	Automotive parts and other products
2022	0-bit automatic inkjet equipment on the product line	This project provides 0-bit automatic coding equipment for products along the line, which can realize multi-angle and multi-directional coding of products, and detect the quality of product coding online, which improves the efficiency of coding.	Automotive parts and other products
2022	Automatic loading and unloading stacking storage equipment	This project provides automatic loading and unloading stacking storage equipment, which uses robots to replace operators for unloading and loading materials, which improves storage efficiency, and transfers materials through transfer vehicles, improving transfer efficiency.	Automotive parts and other products

Year	R&D results	Description	Scope of application
2022	Nut automatic assembly testing equipment	This project can make the vibrating plate automatically arrange the nuts and send the nuts to the position where the nuts are to be picked up. The output end of the robot's mechanical arm picks up the nuts in turn and waits for the assembly instructions. The operator puts the stamping parts into the product fixing fixture. After that, the robot assembles the nuts to the corresponding positions one by one, and then the CCD camera takes pictures to check whether the stamping parts meet the requirements.	Automotive parts and other products
2022	Automobile seat belt automatic production mold	This project provides an automatic production mold for automobile seat belts, which automatically transfers the connecting belt to the top of the frame. Then carry out punching and riveting operation, so that the positioning of the connecting belt is stable and reliable, and the production efficiency is high.	Automotive parts and other products
2022	Molds for automotive airbag components	This project makes the rivets neatly arranged through the vibrating plate to the exit arrangement mechanism. With the downward movement of the upper mold of the mold, the core plate of the upper mold and the core plate of the lower mold complete the stamping of the product. Afterwards, the riveting punch of the splint element continues to press down to complete the riveting action on the product, and the riveting is completed in one continuous mold, which reduces the production process and improves the production efficiency.	Automotive parts and other products
2022	In-mould press burr mechanism for automobile airbag mold	This project provides an in-mold deburring mechanism for automotive airbag molds, which enables the component shell to be deburred in a continuous mold, reducing costs and improving efficiency.	Automotive parts and other products
2022	Cold heading production process of gas control panel	In this project, the cold heading operation is carried out after the second step of deep drawing, so that the convex shape of the bottom is shaped upwards, so that the material connected between the bottom and the bottom edge of the product is smaller than the thickness of the material, which simplifies the mold structure, reduces the mold cost, and improves the market competitiveness of the enterprise.	Automotive parts and other products

#### (IV) Short-term and long-term business development plans

##### Short Term Plan

- 1 Position as a comprehensive manufacturing solution provider with integrated production capabilities capable of producing diversify products for different industry customers.
- 2 Emphasis on the sales and business development of existing or new customers from 3C Industry (Computer, Communication, Consumer Electronics) with focus on Cloud Computing and smart devices, Automotive Industry with focus on Electric Vehicle (EV), Connected Fitness Industry with focus on digital fitness training equipment, and Semiconductor Industry with focus on semiconductor equipment manufacturing.
- 3 Increase the application of robots in production, and gradually change the current production line production method into an automated production line in order to reduce the dependency on labor force, improve production efficiency and product quality, and ensure production sustainability.
4. By investing in and adopting advanced technology and continuous improvement measures, we aim to simplify operations, reduce cost and increase competitiveness. Focuses on developing innovative manufacturing processes, improving supply chain efficiency, and leveraging data analytics to optimize manufacturing processes.
5. Current group revenue is highly dependent on the manufacturing solutions from China and Taiwan. Company needs to start establishing the missing manufacturing footprint in North America and South East Asia in order to cater for the increasing customer demands for manufacturing solutions and business opportunities in these regions as customers raised their concern on increasing logistic cost, supply chains and political risk management. The M&A collaboration with strategic partners will enable company to accelerate its global manufacturing footprint and increase the business opportunities to new customers, new products and new business segment developments and increase business opportunities for the development of new customers, new products and new business.

##### Long Term Plan

- 1 Combine the resources of all similar business units to provide a common platform to customers with globally standardized services, including the industrialization solutions and the standardization of products delivery.
- 2 Continuous investment on research and development, innovation technology in order to gradually transform into Tier 1 solution provider whom able to provide product and manufacturing solutions to OEM customers.
- 3 Achieve sustainability by working with our stakeholders to develop strategy and goals in alignment with the social and environmental challenges to create thriving, healthy, diversity and resilient business operations for our employees and the communities in which we live and work in.
4. Committed to operating in an environmentally and socially responsible manner, and will implement sustainable development programs in the course of operations, including reducing carbon footprint, reducing waste and cooperating with our stakeholders to promote sustainable practices of energy saving and carbon reduction.

## II. Analysis of the Market as Well as Production and Marketing Situation

### (I) Market analysis

#### 1. Sales region(s) of main products

Unit: NT\$1,000; %

Geographical region \ Year	2021		2022	
	Amount	Ratio	Amount	Ratio
Asia	4,192,763	65.83	3,263,129	54.52
America	1,932,465	30.34	2,275,644	38.02
Europe	243,890	3.83	446,155	7.46
Total	6,369,118	100	5,984,928	100.00

#### 2. Market share

The Company's main products include thermal components for mobile phones, notebooks and servers, as well as auto parts and building parts. By now, the Company and its subsidiaries have transformed from the production of thermal fin to the production of complete thermal modules. Our sales targets are multinational corporation customers in the North America, Europe, and Asia, among which the Company and its subsidiaries have a good market share. In addition, the Company and its subsidiaries keep conducting market research and investigations, continue to improve the existing production processes, and are committed to developing products with higher added value, which further improves the Company's competitiveness and profitability, and maintains the Company's market position and share.

#### 3. Supply and demand, growth and competition niche of future market

##### (1) Supply and demand

There are numerous manufacturers of metal stamping products both at home and abroad, with a great difference in production scale and product precision. The Company's current main products can be divided into 3C electronic components, automotive stamping components and other stamping products. 3C electronic components principally are thermal components for mobile phones, notebooks and servers. The market supply and demand are closely related to the downstream industries.

##### (2) Growth

###### A. Information

Looking back on 2022, due to the reversal of demand in the global notebook market since the second quarter, the overbooking bubble during the ravages of the covid-19 epidemic has been corrected quarter by quarter, resulting in a sharp increase in the inventory level of PC brand manufacturers. Accelerating the depletion of notebook product inventory is the focus of PC brand manufacturers focus point.

It is expected that the current overbooking bubble in the global notebook market will continue to be corrected until the first half of 2023. ; In the second half of the year, major consumer electronics markets such as the United States, Europe, China, and Japan will experience cyclical growth momentum such as back-to-school wave and shopping season. The demand boom in half a year is better than that in the first half. It is also estimated that the global notebook market shipments will reach 176.55 million units in 2023, and the proportion of shipments in the first half of 2023 and the second half of 2023 is about 47:53.

## B. Mobile phone

DIGITIMES Research Center integrated supply chain information, regional market conditions and observed global political and economic trend analysis, it lowered the estimated global smartphone shipments in 2022 to 1.17 billion units, an annual decline of 10.7%. Looking forward to the next five years, the negative impacts of the COVID-19 (new crown pneumonia) epidemic, the Ukrainian-Russian war, the US interest rate hike and global inflation will decrease year by year. The 5G replacement trend and the trend of feature phone users in emerging markets to buy low-priced smartphones continue, and the market will resume growth. It is estimated that the annual shipment growth rate will fall at 2~9%, and the compound annual growth rate (CAGR) is estimated to be 4.8. %.

In terms of 5G smartphones, DIGITIMES Research Center estimates that shipments will reach 610 million units in 2022, an increase of less than 80 million units from 2021. It is estimated that from 2023 to 2027, the annual increase in 5G mobile phone shipments will be between 110 million and 170 million units. By 2027, the proportion of 5G mobile phone shipments is expected to be close to 90%.

## C. Server

Mainly due to the unsatisfactory global economic situation and high inflationary pressures, which affect market demand, TrendForce named the four major cloud service providers, including Amazon, Meta, Google, Microsoft, etc., to reduce their purchase volume from an annual increase of 6.9% to 4.4%. Major server manufacturers such as Dell and HPE have also reduced the production of motherboards, making the overall server market less than expected

Dell expects that there is a chance to see the market recover in the second quarter of 2023, especially in Taiwan. In addition to the continuous increase in investment in the manufacturing industry of traditional major customers, the demand momentum of the financial service industry driven by the epidemic is still there.

According to a Gartner report, 75% of enterprises plan to increase edge budgets in the next two years, while paying more attention to information security resilience. Nearly 70% of companies are worried about possible business interruptions in the next year, which is consistent with the main direction of Dell's product line. It is expected to continue to rely on multiple product lines to expand the scope of customer applications and strive to survive this wave of cold winter.

## D. Automobile

According to TrendForce statistics, global auto sales in 2022 will be 81.05 million units, with an annual decline of 0.1%, which is almost the same as that in 2021. It is estimated that in 2023, the sales volume of the global auto market may resume its growth trend, reaching 84.1 million units, an annual increase of 3.8%. Emerging markets are doing well, for example, India will overtake Japan to become the world's third largest auto market with 4.3 million units sold in 2022 for the first time; Indonesia has returned to pre-pandemic levels after two consecutive years of growth.

## E. Sports Equipment

The global sports technology output value will reach NT\$13.4 trillion in 2030, with a compound growth rate of 7.7% in the next 10 years. The Executive Yuan has also set the sports technology industry as the next trillion new industry in 2026. Looking forward to the industry prospects, although the covid-19 epidemic has given birth to business opportunities in sports technology, the concept of metaverse has strengthened the interest and community stickiness of sports.

### (3) Competitive niches

#### A. Excellent die development and design capabilities

Metal stamping is a process formed by applying external force to the metal relying on the stamping equipment and die. The die design and manufacture are the key to this process. Since the establishment, the Company has been committed to design, R&D and manufacturing of precision die, and has established a special die development department. Through cooperation and exchanges with large die development companies in Europe and the United States, it has continuously improved its die development level. So far, the self-used dies are 100% developed all by itself.

The advanced nature of the Company's die R&D and design is demonstrated in two aspects: The Company conducts analogue analysis for dies to simulate the potential problems in the actual assembly and debugging phase in advance by using PressCAD and Keycreator software in the die design stage. Meantime, in order to promote the standardization of die development and manufacturing, the Company develops the ERP software with a software development company specifically for die development and manufacturing, significantly improving its die development efficiency. For example, the die-sinking time of the thermal module products in the industry is about three weeks. The Company can shorten it to 12 days with the standardization die production process. In addition, the Company has advanced die production equipment, such as Japan's OKUMA CNC machining center and Swiss CHARMILLES wire cutting machine and other high-precision die manufacturing equipment, to ensure that the quality and precision of the dies produced are industry-leading.

The large three-plate multi-station concatenation die developed by the Company can complete all forming processes such as ribbing, hole drawing, bending, deburring, bumping and deep drawing only using a set of dies according to the structural characteristics and forming characteristics of the parts. Meanwhile, it has high-precision guidance and accurate distance setting system, and is provided with automatic feeding, automatic ejection and security detection devices for realizing automatic continuous stamping production. Compared with the traditional single-operation stamping production process, the large three-plate multi-station concatenation die improves the work efficiency by more than seven times, and reduces more than 70% of the staffs, and the die can be used for 10 million times and has reached the die technology level of developed countries.

#### B. Excellent quality control ability

The quality of metal stamping parts directly determines the quality of the complete machine products. Since its establishment, the Company has passed the ISO14001:2015 and ISO / TS16949:2009 quality control system certifications of AFAQ/BsetCERT, Ltd. It conducts quality control and management in strict accordance with quality control system and special customer requirements. Moreover, the Company has purchased three-coordinate measuring machines produced by Hexagon and profilometer and other high-precision product quality measurement and test devices from Japan and Switzerland and other countries to strictly measure and control the quality of raw materials, production and shipment throughout the process to ensure that the Company's product quality meets the certification requirements. The Company is equipped with Minitab process analysis software to ensure the effective operation of the quality system and effective control of product quality.

Over the years, the Company has gained recognitions of the customers with its product quality. From 2010 to 2014, it has won the Excellent Supplier Award of AUTOLIV, the world's largest automotive safety system manufacturer for many times, and has won the 2017 Best Cooperation Award and 2016 Quality Excellence Award of BorgWarner, the 2017 General Manager Award of Wuhan Tianhe and many other

awards.

#### C. Rich product structure

The Company has built diversified product lines and customer bases with its excellent die development and design capabilities and precise stamping technology. At present, its products can be used in communications, consumer electronics, home appliance, automotive, construction and medical industries, etc. The Company also has fixed customers in different industries, which is not limited to a single product or a single industry, effectively reducing its operating risks. In addition, the levels of the Company's stamping equipment range from 60t to 800t, meeting the different needs of customers.

#### D. Continuous R&D abilities

The Company is mainly engaged in the R&D, production and sales of precision metal stamping components. Since its establishment, it has focused on the metal stamping and has improved its own technical reserves through continuous R & D and innovation. The Company was recognized as Kunshan science and technology R&D institution by Kunshan Science and Technology Bureau in 2009. Since 2010, it has been recognized as a high-tech enterprise by Jiangsu Provincial Department of Science and Technology, Department of Finance of Jiangsu Province, State Tax Bureau of Jiangsu Province and Local Tax Bureau of Jiangsu Province. In 2013, it was recognized as a foreign-funded R&D institution in Jiangsu Province by Jiangsu Provincial Department of Science and Technology. In 2018, the R&D center passed the identification of Jiangsu Engineering Technology Center and Jiangsu Enterprise Technology Center.

In the future, the Company will continue to research and develop the technologies for large-scale high-precision progressive dies, 3D complex molding product progressive dies, and mechanical-electrical progressive dies and comprehensively use these technologies in stamping progressive dies, so that traditional mechanical theory and process molding die can become truly intelligent progressive dies with the help of mechanical-electrical integration and win market opportunities with fast and precise die sinking technology.

### 4. Favorable and unfavorable factors of development prospect and countermeasures

#### (1) Favorable factors

##### A. Global layout

In addition to the production base in China, the Company has set up branches in many countries and regions such as Taiwan of China, Mainland China, Thailand, , the United States and the Czech Republic because there is a market plate movement caused by the increasing production costs in China, and the rise of trade barriers in various countries, and the Company intends to provide customers with localized and most immediate production and sales services. Therefore, the Company can make full use of China's advantageous production environment and effectively meet the domestic demands of China. It also arranges production bases in ASEAN region and arranges sales branches in Europe and the United States in order to meet the needs of customers in real time by nearby service and reduce the impacts of US-China trade war. Therefore, the Company's global layout is an indispensable favorable factor affecting its future development.

##### B. Wide range of application of products

The Company's products are used in many fields such as motor machinery, 3C, automotive electronics, sports equipment, building materials, and medical care industry. Since the metal material has always been an indispensable element in various

industries, the overall market of this industry is promising and it is worthy of continuous development. Although the industry has entered a mature stage, the industry's market will be able to grow steadily every year, unless the global economy encounters unfathomable major adverse factors. The Company's products will be applied in more fields benefiting from the scale economies and ever-increasing design capabilities, providing a good environment and innate factors for the Company's sustainable operation and sustainable development.

C. Economies of scale and advantages of die design capabilities

The design and manufacture of dies is critical for stamping manufacturing and the purchase quantity of economies of scale is beneficial for reducing raw material procurement costs, which are critical for a company to maintain a competitive edge in the fierce market competition. Since the establishment, the Company has been concentrating on design, R&D and manufacturing of precision dies, and established a special die development department to continuously improve its own die development level. At present, the Company can develop dies all by itself for self-use and sell these dies to other stamping factories. With the high-precision product quality measurement and testing equipment, the entire process of the Company's raw materials, production and shipment are strictly measured and controlled to ensure that the Company's product quality meets certification requirements. In addition, the development and application of continuous dies improved the Company's production efficiency and production capacity, so its business scale continues to grow. The Company's ability to bargain in raw material procurement improves with the increase in economies of scale, making the Company a long-term partner for customers to jointly enhance their competitiveness.

(2) Unfavorable factors and countermeasures

A. Higher risk of enterprise management caused by short product life cycle

Currently, half of the products of the Company are 3C consumer products which will be replaced frequently, so the efficiency is high in the entire production process. The products are characterized by short development time, more design changes, short production cycle and poor versatility of tailor-made parts without accurate production forecast information provided by the customers.

Countermeasures:

For such parts, the Company takes the initiative to keep in touch with customers to obtain customer information as soon as possible. It also continuously develops 3C new products, diversifies the source of customers to avoid the risk of concentrated sales, and actively develops non-3C electronic stamping components such as auto parts, digital fitness training equipment and semiconductor equipment parts, to strengthen the stability of the Company's product structure and reduce the impact caused by 3C electronic products changing rapidly. In addition, Build-to-Order is preferred in the production schedule, raw materials in special specifications are strictly controlled, and the inventory is cut to decrease the loss of product stockpiling.

B. Many companies in the industry and fierce price competitions

Although there is a large number of companies in the industry in China, most of them have a relatively poor performance in terms of business philosophy, process development, product design, equipment and die and human resources compared with the international advanced companies. The entire stamping industry is facing price competitions, many small and medium-sized enterprises have gradually withdrawn from the market, and the investment in equipment has been less than that of the past.

Countermeasures:

The Company continuously improves technologies and introduces new technologies, shortens die sinking time, increases the application of robots in production, reduces



dependence on labor, improves production efficiency and product quality, improves service quality, and maintains close cooperative relations with manufacturers to gain customer trust and stabilize the existing market. In addition, the Company has continued to improve the management quality and effectively improve the operating efficiency. With the continuous improvement of existing technology and the development of diversified products, the Company's competitive advantage can be maintained.

C. Frequent fluctuations of the price of raw materials

The Company's products are widely used in computers, mobile phones, automobiles, building materials and consumer electronics. The materials used include copper, aluminum, iron, stainless steel and special materials. Due to the unsettled market in recent years, the price of raw materials has changed frequently.

Countermeasures:

The Company implements price management of quoted raw materials. When the new product cases are developed, the business personnel will record the quoted raw material price and notify the purchasing staffs. The Purchasing Department will conduct the weighted average for the price of materials purchased each time and the stock price of raw materials in the inventory to obtain the price of raw materials in the inventory. After comparing and analyzing the quoted raw material price and the price of raw material in the inventory, the Purchasing Department can adjust inventory immediately to reduce the risk of raw material price fluctuations.

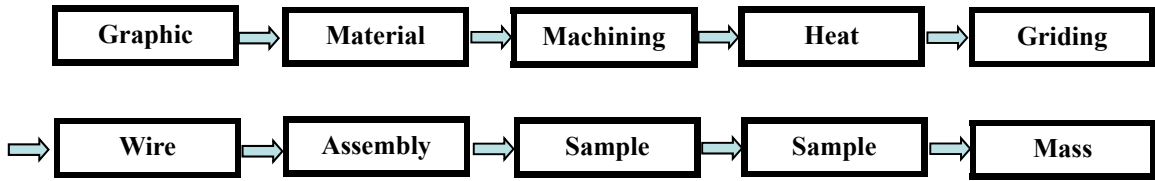
(II) Main functions and production process of main products

1. Major functions

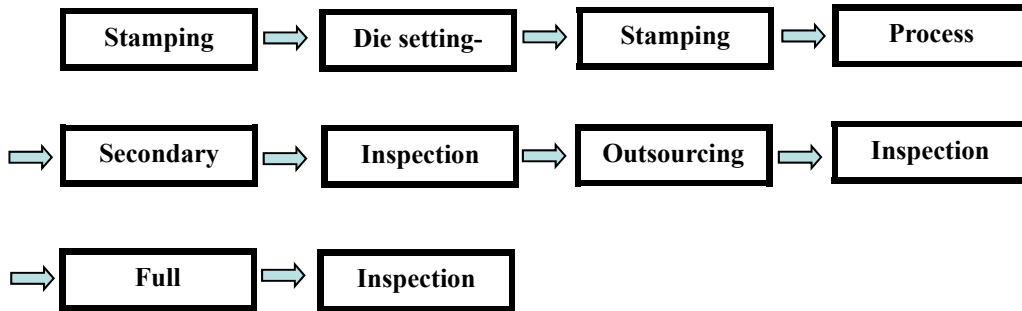
Major products	Products (services) applications
3C electronics segment	Computers, radiators related stamping parts, server slides, cloud computing and intelligence equipment
	Mobile phone internals, vapor chamber
	Metal stamping parts for medical equipment
Vehicle parts segment	Airbags, seat belt buckles, engines, steering systems, skylights, door hinges, seat brackets and other metal parts
Connected Fitness	Digital fitness training equipment assemblies
Tooling and others	Tooling manufacture, semi-conductor equipment manufacture, building material fixed metal tools

## 2. Production process

### (1) Die production process



### (2) Production process of stamping products



### (III) Supply of primary raw materials

The Company mainly engages in production and sales of precision metal stamping components, which are widely used in computers, mobile phones, automobiles, building materials and consumer electronics. The materials used include copper, aluminum, iron, stainless steel and special materials. In recent years, the quality of raw materials provided by dealers in mainland China has been improved, and has met the needs of the Company's customers. In consideration of cost and delivery time, the Company mainly purchases raw materials from mainland China, and assesses suppliers' cost, quality and delivery time at regular intervals to ensure product quality and yield. It also maintains a close partnership with major raw material suppliers, and maintains more than two suppliers providing major materials such as copper, iron and aluminum to ensure the supply of raw materials and reduce the risk of shortage of materials, and the supply of raw materials should be evaluated as being in good conditions.

(IV) A list of any suppliers and customers accounting for 10% or more of the Company's total procurement (sales) in either of the 2 most recent years, the percentage of total procurement (sales), and an explanation of the reason for changes in these figures

1. Names of suppliers who accounted for more than 10% of the gross purchases of the Company in the last two years, and the amount and ratio of purchases:

Unit: NT\$1,000

Item	2021				2022				Q1 2023			
	Name	Amount	Proportion to net purchases of goods for the entire year (%)	Relationship with the issuer	Name	Amount	Proportion to net purchases of goods for the entire year (%)	Relationship with the issuer	Name	Amount	Percentage of net purchases up to the preceding quarter of the current fiscal year (%)	Relationship with the issuer
1	- Company K	867,751	15.00	None	Company C	595,460	16.31	None	-	-	-	-
2	-	-	-	-	Company Y	458,622	12.57	-	-	-	-	-
	Others	4,918,798	85.00		Others	2,596,093	71.12		Others	463,695	100.00	
	Net purchase	5,786,549	100.00		Net purchase	3,650,176	100.00		Net purchase	463,695	100.00	

Main change reasons: In 2022, for the preparation and production of automotive products, the purchase amount of relevant purchasers will exceed 10%.

2. Name and gross sales of major clients that have accounted for at least 10% of sales in either of the most recent two years, and the percentage against total sales:

Unit: NT\$1,000

Item	2021				2022				Q1 2023			
	Name	Amount	Proportion to net sales of goods for the entire year (%)	Relationship with the issuer	Name	Amount	Proportion to net sales of goods for the entire year (%)	Relationship with the issuer	Name	Amount	Proportion to net sales up to the preceding quarter of the current fiscal year (%)	Relationship with the issuer
1	Company h	1,091,176	17.13	None	Company J	1,216,924	20.33	None	-	-	-	-
2	Company c	696,781	10.94	None	Company h	716,733	11.98	None	-	-	-	-
	Others	4,581,161	71.93		Others	4,051,271	67.69		Others	930,038	100.00	
	Net sales	6,369,118	100.00		Net sales	5,984,928	100.00		Net sales	930,038	100.00	

Main change reasons: Due to changes in product sales mix, resulting in changes in sales rankings.

## (V) Production value in the most recent two years

Unit: NT\$1,000

Main products	Unit	2021			2022		
		Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
3C electronics segment	1,000 PCS	216,258	198,167	1,023,365	329,000	289,502	560,457
Vehicle parts segment	1,000 PCS	139,889	126,300	1,410,355	153,621	138,422	1,699,472
Building material segment	1,000 PCS	1,718	1,576	41,818	44,072	1,338	223,682
Sports equipment segment	1,000 PCS	744	744	1,345,100	145,287	127,095	1,678,103
Toolings and others	PCS/set	917	768	235,235	20,506	18,409	725,932
Total		-	-	4,055,873	-	-	4,887,646

## (VI) Sales volume/value in the most recent two years

Unit: NT\$1,000

Primary commodity	Unit	2021				2022			
		Internal sales		External sales		Internal sales		External sales	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
3C electronics segment	1,000 PCS	10,831	91,711	405,593	2,233,680	6,649	23,822	884,202	1,334,458
Vehicle parts segment	1,000 PCS	-	-	121,136	1,821,153	1,000	15,277	131,101	2,032,932
Building material segment	1,000 PCS	-	-	1,511	50,527	-	-	1,354	50,767
Sports equipment segment	1,000 PCS	5,464	1,746,439	164	171,431	1,565	672,274	1,394	1,199,291
Tooling and others	PCS/set	116,184	1,242	650,377	252,935	424,687	116,079	420,178	540,027
Total		-	1,839,392	-	4,529,726	-	827,452	-	5,157,475

**III. Employee Overview**

The Number, Average Year of Services, Average Age, and Educational Background of the Employees in the Most Recent Two Years as of the Publication Date of the Annual Report

Year		2021	2022	As of Apr. 30, 2023
Number of employees	Direct personnel	408	404	387
	Indirect personnel	469	515	488
	Total	877	919	875
Average age		35.67	35.51	35.07
Average year of services		3.95	4.51	4.72
Educational background	PhD	0.34%	0.22%	0.34%
	Master	3.53%	4.35%	3.77%
	Bachelor	36.49%	39.06%	39.31%
	High school	30.56%	27.86%	28.00%
	Below high school	29.08%	28.51%	28.58%

#### **IV. Disbursements for Environmental Protection**

- (I) In the most recent years as of the publication date of the annual report, the losses due to the environment pollution (including indemnity) and total amount of punishment: All of the Company's expenditures were normal (hazardous waste disposal fee, environmental monitoring fee and domestic garbage disposal fee, etc.), and the total expenditure was NT\$418,490 in 2022.
- (II) Countermeasures in future (including improvement measures) and possible expenditures (including the estimated amount of loss, punishment, and indemnity that may occur if no countermeasure is taken. If it cannot be reasonably estimated, give a reason): It is estimated that the expenditure in 2023 will be about NT\$767,800. The company will standardize the company's internal management in accordance with the government's requirements to avoid unreasonable expenditures

#### **V. Labor Relations**

(I) Employee benefit measures

1. Employee benefits

(1) Taiwan, China:

Diversified employee benefits include labor insurance, health insurance, labor pension and group insurance, employee meal subsidies, employee health checks, departmental social dining, three-holiday cash gifts and wedding and funeral subsidies.

The communication channel is smooth and the employee complaint system is implemented, which includes a hotline, a suggestion box, an email address for complaint, and a sexual harassment complaint mailbox.

Regularly hold labor-management meetings and conduct employee opinion surveys for the references for executives, internal operations, enhancing employee engagement and improving work input.

Regularly organize various activities, such as employee sports meets, family days, various sporting events and artistic and cultural activities, so that employees can have more leisure and social activities after work.

(2) Mainland China:

A. Vacation: Public leave, annual leave, marriage leave, bereavement leave, maternity leave, parental leave, one-child leave, nursing leave etc. National statutory leave is paid leave.

B. Insurance: In addition to the social insurance stipulated by laws and regulations, the Company also purchases commercial insurance for some employees in special positions.

C. Health: The Company provides free physical examinations and follows up re-examination arrangements, reminds the employees every year, and assists them in medical consultation and hospital arrangements.

D. Benefits on holidays: Distribute festival fees or holiday gifts to all employees on every national legal holidays such as: Spring Festival, Women's Day, Dragon Boat

Festival, Mid-Autumn Festival, etc. In every summer, the Company distributes heatstroke prevention subsidies and cooling items (such as mung bean soup and industrial ice cubes) to outdoor operators or people working indoors with the temperature beyond the law.

E. Marriage, childbirth and birthday: The Personnel Division counts the list of employees for marriage, childbirth and birthday monthly, and issues wedding cash gifts, childbirth cash gifts and birthday cake coupons.

F. Cultural activities:

a. In order to enhance the understanding and integration between employees, the Company set up a Strategy Planning Office to create a harmonious working environment and a good interpersonal atmosphere for employees. The Strategy Planning Office will organize group activities and various sports activities from time to time, and plan the Welcome Party at the beginning of each year. In the Welcome Party, it will prepare incredible prizes and year-end employee commendations.

b. The Company will sponsor each unit to organize tourism activities from time to time.

c. Establish cooperation with the Government Federation of Literary and Art Circles, and hold calligraphy, painting, photography and other public welfare trainings in the Company every year to enrich the spare time of employees.

d. The Company regularly organizes outward-bound activities for middle-level management to enhance communication and collaboration between departments.

(3) Czech Republic:

A. Pay social and health insurance for employees, which account for 25% and 9% of total wages, respectively, and conduct regular medical examinations.

B. 20-day legal holidays + 5-day additional free days.

C. Meals subsidized by the canteen.

D. Liability insurance for machine operators.

E. Free tea and pastries in the workplace.

F. Summer BBQ and Christmas party.

2. Employees' continuing education and training

(1) The Company actively develops employees and enhances their professional capabilities. In addition to irregularly organizing internal education and training to enhance employees' skills and irregularly sending employees to participate in external training and studying, it also encourages employees to engage in advanced studies to improve work performance, so that employees can have long-term planning and investment in company services.

(2) The results of the Company's education and training in the most recent year are as follows:

Course	Total training hours	Fees (NT\$1,000)
Internal training	19,490	5,693
External training	3,014	

(3) Finance personnel obtaining relevant qualifications specified by the competent authority:

Title	Name	Organizer	Course title	Hours of courses
Financial and Accounting Supervisor	Chien, Yi-Ling	Accounting Research and Development Foundation	Continuing training class for principal accounting officers of issuers, securities firms, and securities exchanges	12
Finance Manager	Jed Huang		Continuing training class for principal accounting officers of issuers, securities firms, and securities exchanges	12
Compile financial reports accountants	Lu Zhi-fang		Policy development and internal control management practices related to "ESG sustainability" and "self-compilation of financial reports"	6

### 3. Retirement system

(1) Taiwan, China:

Subject to "Labor Pension Act", the labor retirement reserve is paid on a monthly basis, and the pension is paid within 6% of the insured salary. The Company has a sound financial system to ensure that employees are allocated and paid with a stable pension.

(2) Mainland China:

Employee's pension insurance: The Company pays pension insurance for employees in accordance with the local regulations. As specified by the local social insurance operation method, pension insurance is included in social insurance (including medical, maternity, pension, work injury and unemployment). After going through the formalities for social insurance of new members, the Company will begin to fulfill its obligations to pay pension insurance premiums for its employees.

### 4. Measures for safeguarding labor-management agreements and all employee rights and interests

Establish workers and employees' congress, and select employees' representatives to operate the congress and handle various employee welfare matters and labor-management relations. The Company's relevant labor-management relations are well handled in accordance with relevant laws, and the implementation situation is good.

The Company has always been committed to maintaining harmonious labor-management relations. So far, no major disputes or losses have occurred. In addition, various employee rights protection measures shall be taken in accordance with the relevant laws and regulations.

(II) List the losses due to labor disputes in the most recent year up to the publication date of this

annual report, and disclose the estimated amount arising both at present and in the future and the countermeasures. If the amount cannot be reasonably estimated, facts of which estimation cannot be made shall be explained

1. The Company has always focused on labor-management relations. In the most recent year up to the publication date of this annual report, no labor disputes or losses caused by labor disputes have occurred.
2. The Company has established an open communication channel between the employers and the employees, and the labor-management relations are rational and harmonious. In the future, if there are no other external factors impacting changes in the labor-management relations, no amount loss will occur.

(III) Protection measures and implementation of employee personal safety and working environment:

1. Safety Production Management System AQ/T9006-2010

Externally based on the consequences of safety production accidents and government regulatory requirements, internally based on the people-oriented corporate philosophy and long-term healthy development demands, led by the General Manager's Office to establish "safety first, prevention first, compliance with laws and regulations, implementation of responsibility and sound system supervision and implementation of all staff participating in continuous improvement" safety general policy. In 2017, the company received the AQ/T9006-2010 "Enterprise Safety Production Standardization" certification and the system continues to operate and optimize at present.

The safety production management system is based on the general idea of "safety first, prevention first, and comprehensive management", focusing on personnel safety training, safety risk inspection and control, and safety hazard management, and prevent personnel from false operations, reduce employees' hazards and risks, ensure a safe production environment, and improve employees' safety awareness in systematical ways. Based on good safety management, in 2022, there will be no industrial accidents and occupational injury cases in all departments of the company.

2. Safety hazard investigation and improvement matters

Throughout 2022, we conducted plant-wide safety hazard investigations on time every month, and require all departments to make rectifications exactly. Throughout the year, we inspected and recorded 152 safety hazards and illegal operations, and completed 100% closed-loop improvement. It was beneficial for supervising and promoting the overall safe working environment of the whole plant.

3. Safety Education

The company has established an annual safety education and training plan to ensure that supervisors at all levels and all employees receive necessary safety training, so as to achieve the purpose of mastering post safety operation specifications, fire protection knowledge, and improving safety awareness. We ensure that regular workers, labor workers, transfer workers, and interns receive corresponding safety training on the first day of employment, and can only enter the post after passing the assessment. For outsourced contractors



entering the factory, they must also undergo corresponding training and audits before they can operate.

At the same time, for risk operators, we ensure that they have received professional government functional training and obtained relevant qualification certificates before arranging operations.

The continuous safety training also corresponds to the "people-oriented" concept, which is the basis for the continuous improvement and progress of the company's safety management.

## **VI. Information Security Management :**

(I) Describe the information security risk management framework, the information security policy, the concrete management plans and the resources involved in the information security management, etc.:

### **1. Information Security Risk Management Framework**

(1) The information department of the company is responsible for planning, implementing and promoting information security management matters, and promoting information security awareness.

(2) The audit office of the company is the audit unit of information security supervision. If any defects are found in the audit, it will immediately request the audit unit to propose relevant improvement plans and report it to the board of directors, and regularly track the improvement results to reduce internal information security risks.

### **2. Information Security Policy**

(1) Maintain the continuous operation of various information systems

(2) Prevent hackers, various viruses from invading and destroying

(3) Prevention of improper and illegal use with human intent

(4) Prevent sensitive data from leaking

(5) Avoid human error

(6) Maintain physical environment security

### **3. Concrete Management Plans**

(1) The company established an information security committee in July 2021, with the general manager as the chairman, responsible for coordinating the company's information security policies and governance matters. In order to confirm the suitability, adequacy and effectiveness of the information security management system, the general manager reviews the information security management system once a year. The management review includes the evaluation of whether the information security management system needs to be improved or changed, as well as the evaluation of the security policy and security objectives.

(2) In July 2022, the company's board of directors revised the "Computer Information Cycle" and set up the posts of information security specialist and information security officer to comprehensively manage information security policy promotion and resource scheduling.

(3) The Information Security Management System (ISMS) was certified by a third-party

vendor in September 2021 and passed the ISO27001 international standard certification, which improved the information security management policy and related management procedures. For related management policies, please refer to the "Information Security Management Manual".

(4) The company started the TISAX system certification for the automotive industry in July 2022, and passed the certification to obtain an official label. This is a more industry-standard safety system based on ISO27001, combining with the actual situation of the company, determine information security policies and goals, effectively manage information security risks. It ensures that all employees understand and follow the implementation of information security management system documents, and continuously improve the effectiveness of the information security management system to achieve the goal of continuous improvement

(II) List the losses, possible impacts and countermeasures of major information security incidents in the most recent year and up to the date of publication of the annual report. If it cannot be reasonably estimated, the fact that it cannot be reasonably estimated shall be stated:  
None.

## VII. Important Contracts

Nature of contract	Counterparty	Effectiveness and termination/cancellation date	Major contents	Restrictions
Lease contract	Kunshan Jinliang Plastic Electronics Co., Ltd.	2018.06.01 2023.05.31	Building lease contract	None
Lease contract	LCJ Invest, a.s.	2017.02.15 2022.02.14	Building lease contract	None
Lease contract	Kunshan Shengxu Textile Co., Ltd.	2021.07.20 2024.11.30	Building lease contract	None
Lease contract	Jiangsu Baixue Electronics Co., Ltd.	2021.02.01 2026.01.31	Building lease contract	None

## Chapter 6 Financial Information

### I. Condensed Balance Sheets and Statements of Comprehensive Income for the Past Five Fiscal Years

#### (I) Condensed balance sheets

Unit: NT\$1,000

Item	Year	Financial information for the past five fiscal years					Financial information as of March 31, 2023
		2018	2019	2020	2021	2022	
Current assets		3,805,114	3,949,666	4,624,287	6,342,799	4,824,744	4,485,166
Property, plant and equipment		1,230,891	1,808,305	1,260,496	1,246,778	1,394,179	1,425,241
Intangible assets		22,634	42,204	40,098	32,545	26,476	24,530
Other assets		339,788	425,832	466,838	474,080	1,583,406	1,595,348
Total assets		5,398,427	6,226,007	6,391,719	8,096,202	7,828,805	7,530,285
Current liabilities	Before distribution	2,732,067	2,974,160	3,017,894	2,975,792	3,867,741	3,577,625
	After distribution	2,830,920	3,139,807	3,180,770	3,038,313	3,898,837	NA
Non-current liabilities		792,256	1,281,354	781,223	2,024,344	582,069	587,290
Total liabilities	Before distribution	3,524,323	4,255,514	3,799,117	5,000,136	4,449,810	4,164,915
	After distribution	3,623,176	4,421,161	3,961,993	5,062,657	4,480,906	NA
Equity attributable to owners of the parent		1,857,623	1,953,321	2,575,969	3,078,096	3,286,446	3,273,985
Share capital		395,411	474,720	505,535	625,208	621,928	621,928
Capital surplus		784,347	802,102	1,114,494	1,480,562	1,462,846	1,462,846
Retained earnings	Before distribution	676,490	744,848	1,004,607	1,054,736	1,215,668	1,185,823
	After distribution	577,637	579,201	841,731	992,215	1,184,572	NA
Other equity interest		1,375	(68,349)	(48,667)	(82,410)	(13,996)	3,388
Treasury stock		-	-	-	-	-	-
Non-controlling interests		16,481	17,172	16,633	17,970	92,549	91,385
Total equity	Before distribution	1,874,104	1,970,493	2,592,602	3,096,066	3,378,995	3,365,370
	After distribution	1,775,251	1,804,846	2,429,726	3,033,545	3,347,899	NA

Note 1: The financial information for the past five fiscal years has been audited or reviewed by the CPAs.

Note 2: It is filled in based on the resolution of the shareholders' meeting in the next year. The 2022 annual shareholders' meeting has not yet been convened.

## (II) Condensed statements of comprehensive income

Unit: NT\$1,000

Item \ Year	Financial information for the past five fiscal years					Financial information as of March 31, 2023
	2018	2019	2020	2021	2022	
Operating revenue	6,043,090	5,042,657	5,471,250	6,369,118	5,984,928	930,038
Gross profit	1,286,070	1,031,009	1,280,347	1,331,344	1,276,105	229,225
Operating profit (loss)	605,959	393,883	685,261	631,834	462,563	24,750
Non-operating income and expenses	(63,795)	(57,025)	(42,244)	(3,935)	67,904	(9,438)
Net income before tax	542,164	336,858	643,017	627,899	530,467	15,312
Net income from continuing operations	405,403	262,339	454,923	467,172	435,154	(280)
Loss from discontinued operations	-	-	-	-	-	-
Net income (loss)	405,403	262,339	454,923	467,172	435,154	(280)
Other comprehensive income (net, after tax)	(9,189)	(69,514)	20,065	(33,861)	68,615	17,751
Total comprehensive income	396,214	192,825	474,988	433,311	503,769	17,471
Net income attributable to owners of the parent	382,474	259,447	455,845	465,717	390,763	1,251
Net income attributable to non-controlling interests	22,929	2,892	(922)	1,455	44,391	(1,531)
Total comprehensive income attributable to owners of the parent	376,028	189,723	475,527	431,974	459,177	18,635
Total comprehensive income attributable to non-controlling interests	20,186	3,102	(539)	1,337	44,592	(1,164)
Earnings per share	8.06	5.47	8.32	7.51	6.27	0.02

Note: 1. The financial information for the past five fiscal years has been audited or reviewed by the CPAs.

2. Earnings per common share are expressed in yuan, and the effect of transferring earnings to capital increase has been retroactively adjusted.

## (III) Auditor's opinion for the most recent five years

Year	CPA firm	CPA	Audit opinion
2018	Deloitte & Touche	Chih, Jui-Chuan & Lee, Li-Huang	Unqualified opinion
2019	Deloitte & Touche	Lee, Li-Huang & Chih, Jui-Chuan	Unqualified opinion
2020	Deloitte & Touche	Lee, Li-Huang & Chih, Jui-Chuan	Unqualified opinion
2021	Deloitte & Touche	Lee, Li-Huang & Chih, Jui-Chuan	Unqualified opinion
2022	Deloitte & Touche	Lee, Li-Huang & Chih, Jui-Chuan	Unqualified opinion

## II. Financial Analyses for the Past Five Fiscal Years

### (I) Financial analysis

Analysis item		Year	Financial analysis for the past five fiscal years					Financial analysis as of March 31, 2023
		2018	2019	2020	2021	2022		
Financial structure (%)	Ratio of liabilities to assets	65.28	68.35	59.44	61.76	56.84	55.31	
	Ratio of long-term capital to property, plant and equipment	199.09	160.43	233.16	372.17	242.36	236.13	
Solvency	Current ratio (%)	139.23	132.8	153.23	213.15	124.74	125.37	
	Quick ratio (%)	102.48	105.17	128.65	181.58	98.69	98.48	
	Times interest earned ratio	12.88	6.72	17.6	30.5	15.41	2.12	
Operating ability	Receivables turnover rate (times)	2.94	2.31	2.52	3.06	3.13	2.36	
	Average days for cash receipts	124.02	158.06	144.84	119.28	116.61	154.84	
	Inventory turnover rate (times)	6.08	4.6	5.68	6.3	4.87	2.89	
	Payables turnover rate (times)	3.78	2.6	2.47	3.09	3.69	3.10	
	Average days for sale of goods	60.07	79.4	64.28	57.93	74.94	126.33	
	Turnover rate for property, plant and equipment (times)	4.91	2.79	4.34	5.11	4.29	2.61	
	Total asset turnover rate (times)	1.12	0.81	0.86	0.79	0.76	0.49	
Profitability	Return on assets (%)	8.77	5.37	7.7	6.68	5.78	-0.03	
	Return on equity (%)	23.21	13.65	19.94	16.42	13.44	-0.03	
	Ratio of income before tax to paid-in capital (%)	137.11	70.96	127.2	100.43	85.29	9.85	
	Profit margin (%)	6.71	5.2	8.31	7.33	7.27	-0.03	
	Earnings per share (NT\$)	8.06	4.76	8.32	7.51	6.27	0.02	
Cash flow	Cash flow ratio (%)	15.53	34.28	30.12	20.91	6.22	6.72	
	Cash flow adequacy ratio (%)	23.14	45.27	68.29	87.27	94.00	115.9	
	Cash reinvestment ratio (%)	9.99	24.8	18.51	4.85	1.36	10.59	
Leverage	Operating leverage	1.35	1.67	1.39	3.71	1.72	4.61	
	Financial leverage	1.08	1.18	1.06	1.03	1.09	2.24	

Description of causes for changes to various financial ratios in the most recent two years: (analysis would not be required if the increase and decrease is within 20%)

1. Decrease in ratio of long-term capital to property and plant: Mainly due to the fourth convertible corporate bond of 1.6 billion issued at the end of 2021, which has been transferred to current liabilities due within one year at the end of 2022.
2. Decrease in current ratio: Mainly due to Decrease in current assets in 2022 (reduction in bank deposits due to the purchase of factories in Zhongli).
3. Decrease in quick ratio: Mainly due to Current assets will decrease in 2022 (bank deposits will decrease due to the purchase of Zhongli factory buildings)
4. Decrease in times interest earned ratio: Mainly due to Interest expenses will increase significantly in 2022.
5. Decrease in inventory reduction turnover: Mainly due to fitness equipment customers will digest their own inventory, revenue will decrease slightly compared with the same period last year, and inventory at the end of the period will increase compared with the same period last year in the second half of 2022.
6. Increase in Average sales days: Mainly due to decrease in current operating income and increase in balance of accounts receivable at the end of the period.
7. Decrease in cash flow ratio: Mainly due to payment of accounts payable reducing net cash inflow from operating activities
8. Decrease in cash reinvestment ratio: Mainly due to Decrease in net cash flow from operating activities in the last five years.
9. Decrease in operating leverage: Mainly due to the decrease in operating income and the increase in variable costs.

Information Source: Consolidated financial reports audited and certified by accountants for each year

Note : The calculation formulas for the financial analysis ratio are as follow:

1. Financial structure
  - (1) Ratio of liabilities to assets = Total liabilities / Total assets.
  - (2) Ratio of long-term capital to property, plant and equipment = (Total equity + Non-current liabilities) / Net amount of property, plant and equipment.
2. Solvency
  - (1) Current ratio = Current assets / Current liabilities.
  - (2) Quick ratio = (Current assets - Inventory - Prepaid expenditures) / Current liabilities.
  - (3) Times interest earned ratio = Income before income tax and interest expense / Interest expenses for this period.
3. Operating ability
  - (1) Receivables (including accounts receivable and notes receivable resulting from operations) turnover rate = Net sales / Balance of average receivables (including accounts receivable and notes receivable resulting from operations).
  - (2) Average days for cash receipts = 365 / Accounts receivable turnover rate.
  - (3) Inventory turnover rate = Cost of goods sold / Average inventory.
  - (4) Payables turnover rate (including accounts payable and notes payable resulting from operations) = Cost of goods sold / Balance of average payables (including accounts payable and notes payable resulting from operations).
  - (5) Average days for sale of goods = 365 / Inventory turnover ratio.
  - (6) Turnover rate for property, plant and equipment = Net sale / Average net property, plant and equipment value.
  - (7) Total asset turnover ratio = Net sales / Average total assets.
4. Profitability
  - (1) Return on assets = [Net income after tax + Interest expenses \* (1 - Tax rate)] / Average total assets.
  - (2) Return on equity = Net income after tax / Average total equity.
  - (3) Profit margin = Net income after tax / Net sales.
  - (4) Earnings per share (EPS) = (Income attributable to owners of the parent - Dividend for preferred shares) / Weighted average of issued shares.(Note 4)
5. Cash flow
  - (1) Cash flow ratio = Net cash flows from operating activities / Current liabilities.
  - (2) Cash flow adequacy ratio = Net cash flows from operating activities for the past five fiscal years / (Capital expenditures + Additional inventory sum + Cash dividend) for the past five fiscal years.
  - (3) Cash re-investment ratio = (Net cash flows from operating activities - Cash dividend) / (Gross amount of property, plant and equipment + Long-term investments + Other non-current assets + Working capital).  
(Note 5)
6. Leverage
  - (1) Operating leverage = (Net operating revenue - Variable operating costs and expenses) / Operating profit  
(Note 6).
  - (2) Financial leverage = Operating profit / (Operating profit - Interest expenses).

### **III. Audit Committee's Audit Report for the Most Recent Fiscal Year's Financial Statements**

## **Lemtech Holdings Co., Limited**

### **Audit Report by Audit Committee**

The 2022 Business Report, Consolidated Financial Statements, and proposal of annual profit distribution are prepared by the Company's Board of Directors. The CPAs of Deloitte Taiwan, Lee, Li-Huang and Chih, Jui-Chuan, have audited the aforementioned Consolidated Financial Statements and issued the audit report.

The Audit Committee has reviewed the above books and statements submitted by the Board of Directors and has found no deviations. Therefore, pursuant to Article 14-4 of the Securities and Exchanges Act and Article 219 of the Company Act of the Republic of China, the Audit Committee hereby presents the audit report.

Sincerely,

Lemtech Holdings Co., Limited

Convener of the Audit Committee: Yang, Rui-Long

March 29, 2023

**IV. Financial Statements of the Most Recent Fiscal Year, Including a CPA's Report, Two-year Comparative Balance Sheets, Statements of Comprehensive Income, Statements of Changes in Equity, Statements of Cash Flows, and Notes or Schedules:** Please refer to page 128 to 206 in this annual report.

**V. Company's Individual Financial Statements of the Most Recent Fiscal Year Audited and Certified by CPAs:** The Company only issues Consolidated Financial Statements of the Parent Company and its Subsidiaries, and thus not applicable.

**VI. The Company Shall Disclose the Impact on Financial Status in Case of Any Financial Difficulties Experienced by the Company and Its Affiliated Companies during the Most Recent Year up to the Publication Date of This Annual Report:** None.



## Chapter 7 Review and Analysis of the Company's Financial Position and Financial Performance, and Listing of Risks

### I. Financial Position

(I) The main reasons for the significant changes in assets, liabilities and equity in the past two years and their impacts

Unit: NT\$1,000

Item	Year	2021	2022	Difference	
				Amount	%
Current assets		6,342,799	4,824,744	(1,518,055)	(23.93)
Property, plant and equipment		1,246,778	1,394,179	147,401	11.82
Intangible assets		32,545	26,476	(6,069)	(18.65)
Other non-current assets		474,080	1,583,406	1,109,326	234.00
Total assets		8,096,202	7,828,805	(267,397)	(3.30)
Current liabilities		2,975,792	3,867,741	891,949	29.97
Non-current liabilities		2,024,344	582,069	(1,442,275)	(71.25)
Total liabilities		5,000,136	4,449,810	(550,326)	(11.01)
Share capital		625,208	621,928	(3,280)	(0.52)
Capital surplus		1,480,562	1,462,846	(17,716)	(1.20)
Reserved earnings		1,054,736	1,215,668	160,932	15.26
Other equity interest		(82,410)	(13,996)	68,414	(83.02)
Non-controlling interests		17,970	92,549	74,579	415.02
Total shareholder equity		3,096,066	3,378,995	282,929	9.14

If the difference in comparison with the adjacent periods exceeds 20%, and the amount exceeds NT\$10 million, the main reason is analyzed as follows:

1. Current assets: Mainly due to bank deposits is used to purchase Zhongli plant expenses.
2. Non-current assets: Mainly due to investment real estate increased in this period
3. Current liabilities: Mainly due to increase in corporate bonds payable due within one year
4. Non-current liabilities: Mainly due to the fourth transfer of convertible corporate bonds to current liabilities due within one year.
5. Other equity interest: Mainly due to rotation of special surplus reserve.
6. Non-controlling interests: mainly due to exchange rate fluctuations resulting in large changes in exchange differences in the translation of financial statements of foreign operating institutions.

(II) Where the effect is of material significance, the annual report shall disclose the measures to be taken in response: No major impact on the Company's finances and business.

## II. Financial Performance

(I) The main reasons for any material change in operating revenues, operating income, or income before tax during the past two fiscal years

Unit: NT\$1,000

Item \ Year	2021	2022	Amount Of increase (decrease)	Percentage of increase (decrease) (%)
Net operating revenue	6,369,118	5,984,928	(384,190)	(6.03)
Operating costs	5,037,774	4,708,823	(328,951)	(6.53)
Gross profit	1,331,344	1,276,105	(55,239)	(4.15)
Operating expenses	699,510	813,542	114,032	16.30
Net operating profit	631,834	462,563	(169,271)	(26.79)
Non-operating income and expenses	(3,935)	67,904	71,839	(1,825.64)
Net income before tax	627,899	530,467	(97,432)	(15.52)
Income tax expenses	160,727	95,313	(65,414)	(40.70)
Net profit for this period	467,172	435,154	(32,018)	(6.85)
Other comprehensive income	(33,861)	68,615	102,476	(302.64)
Total comprehensive income attributable to owners of the parent	431,974	459,177	27,203	6.30
Total comprehensive income attributable to non-controlling interests	1,337	44,592	43,255	3,235.23

If the difference in comparison with the adjacent periods exceeds 20%, and the amount exceeds NT\$10 million, the main reason is analyzed as follows:

1. Net operating profit: Mainly due to operating gross profit decreased with revenue, and operating expenses increased compared with the same period last year due to the increase in Zhongli plant expenses and the two subsidiaries of Lemtech Precision Engineering (Tianjin) Co., Ltd. and Lemtech-Eahwa Precision Technology Co., Ltd..
2. Non-operating income and expenses: mainly due to the higher interest in foreign currency exchange in 2022.
3. Income tax expenses: mainly due to the reversal of deferred income tax expenses in 2022.
4. Other comprehensive profits and losses: mainly due to the appreciation of the Taiwan dollar, resulting in an increase in exchange differences in conversion expressions.
5. Total comprehensive income attributable to non-controlling interests: mainly due to the new 60% non-controlling interests of Lemtech-Eahwa Precision Technology Co., Ltd. in this period.

(II) The expected sales and its basis, the possible impact on the Company's future financial business and the countermeasures: No significant impact on the Company's finance and business.

### III. Cash Flow

(I) Analysis on the changes in cash flow in the most recent fiscal year

Units: NT\$1,000; %

Item	2021	2022	Amount of increase (decrease)	Percentage of increase (decrease) (%)
Operating activities	622,111	240,593	(381,518)	(61.33)
Investing activities	(293,659)	(1,791,981)	(1,498,322)	510.23
Financing activities	1,435,347	(412,137)	(1,847,484)	(128.71)
Description about material changes:				
1. Operating activities: Mainly due to the increase in the number of inventories at the end of the year, the net cash inflow from operating activities decreased.				
2. Investing activities: Mainly due to acquisition of land and factory buildings in Zhongli led to an increase in net cash outflow from investment activities.				
3. Financing activities: Mainly due to issuance of convertible corporate bonds in the previous period (2021), resulting in net cash inflow from financing activities.				

(II) Plan for improving insufficient liquidity: No shortage of cash.

(III) Cash liquidity analysis for the following year

Unit: NT\$1,000

Opening cash balance	Net cash inflow from operating activities throughout the year	Cash flow from investing and financing activities throughout the year	Cash balance (deficit)	Remedial measures for estimated cash deficit	
				Investing plan	Financing plan
1,477,691	1,322,897	(588,799)	2,211,789	-	-
1. Cash flow change analysis for the following year:					
(1) Net cash inflow from operating activities mainly due to the cash received from operating.					
(2) Cash outflow is mainly due to operating expenses, purchase of machinery and equipment, and distribution of dividends.					
2. Remedial measures for estimated cash deficit and cash liquidity analysis: The Company's cash outflow in the following year is estimated mainly based on future operating needs. In addition to cash inflow from operating activities, bank loans will be used in case of cash deficit.					

### IV. Effect upon Financial Operations of Any Major Capital Expenditures during the Most Recent Fiscal Year

The company purchased land and factories in Taiwan to set up an operating headquarters in consideration that Taiwan's subsidiaries LDC, Lemtech Energy Solutions and Lemtech Engineering are currently renting factories in Shulin District, New Taipei City, Bade District, Taoyuan City, and Luzhu District, Taoyuan City, respectively. In order to save rental expenses, avoid future rent increases, and reduce the cost of transportation and time for the group's personnel, suppliers will also be invited to join, and future development space will be reserved to make production smoother

**V. Company Reinvestment Policy for the Most Recent Fiscal Year, Main Reasons for Profits/Losses Generated Thereby, Plan for Improving Re-investment Profitability, and Investment Plans for Coming Year**

(I) The Company's reinvestment policy

The Company is a holding company, and the main profit comes from main businesses of subsidiaries. In addition, there are reinvestments for strategic purposes of industrial or business development. All subsidiaries of the Company's main business are profitable, and companies that make strategic reinvestments are not for profiting.

(II) Main reasons for profits/losses of reinvestment for the most recent year and plan for improving re-investment profitability

Unit: NT\$1,000

Reinvestment company	2022 investment profit (loss)	Main reason for such profit or loss	Improvement plan
Lemtech Global Solution Co. Ltd.	338,151	Mainly caused by recognition of investment gains of Lemtech Precision Materials (China) Co., Ltd.	-
Lemtech International Limited	(28,179)	Mainly caused by recognition of investment loss of Lemtech Electronics Technology Co.,Ltd (Changshu)	-
Lemtech Industrial Services Ltd	42,211	Mainly caused by recognition of investment gains of Lemtech Slide Co.,Ltd	-
Lemtech Precision Engineering Co., Ltd	114,020	Operations are in good condition	-
Lemtech-Eahwa Precision Technonlogy Co., Ltd.	9,048	Operations are in good condition	
Zhenjiang Emtron Surface Treatment Limited	(38,602)	The main source of operating income is the surface treatment of automobile parts, due to the long period of automobile certification, the revenue has not reached economic scale	Continue to win customer orders, expand business scale to achieve profits
Keycore Technology Corp.	(2,072)	R&D center focusing on the development of biometric chips	Still in the R&D stage, and should be improved and profitable when the actual mass production begins.
LemTech Precision Material (China) Co., Ltd.	308,311	Operations are in good condition	-
Lemtech Technology Limited	35,624	Operations are in good condition	-
LDC Precision Engineering Co., Ltd.	72,436	Operations are in good condition	
Lemtech Precision Material (Czech) s.r.o.	26,797	Operations are in continual improvement	-

Reinvestment company	2022 investment profit (loss)	Main reason for such profit or loss	Improvement plan
Lemtech USA Inc.	(223)	It is for maintaining relationship with US customers and obtaining real-time business information, not for profit	
Aapico Lemtech (Thailand) Co., Ltd.	(755)	Operations are in good condition	Continue to win customer orders, and expand business scale to be profitable
Kunshan Lemtech Slide Technology Co., Ltd.	81,990	Operations are in good condition	-
Kunshan Lemtech Electronics Technology Co., Ltd	10,002	Operations are in good condition	-
Lemtech Electronics Technology (Changshu) Co., Ltd.	(87,532)	With 3C cooling parts as the main source of revenue, losses increased due to weak market demand.	Continue to win customer orders, and expand business scale to be profitable.
Lemtech Energy Solutions Corporation	28,382	Operations are in continual improvement	-
Lemtech Precision Engineering (Tianjin) Co.,Ltd	(13,173)	Newly established company and has not yet entered the mass production stage.	After the actual mass production, it should be able to improve the profit.
Lemtech Philippine Thermal System Inc.		Sale of 100% equity interest on July 12, 2021	—

(III) Investment plans for coming year: The Company expects that there is no material investment plan in the following year.

## VI. Risks Items

(I) Impacts of interest rate, fluctuation in exchange and inflation on corporate gains and losses and future countermeasures

### 1. Interest rate movements

#### (1) Impact on the Company's revenue and profit

The interest expense of the Company and its subsidiaries in 2021 and 2022 accounted for 0.33% and 0.62% of the net operating income respectively, with a low proportion. Therefore, the change in interest ratio will not have a significant impact on the profit and loss of the Company and its subsidiaries.

#### (2) Specific countermeasures

The Company's Finance Department adjusts the use of funds in time in light of changes in financial interest rates in response to financial risks caused by changes in interest rates.

### 2. Exchange rate changes

#### (1) Effect of exchange rate changes on the Company's revenue and profit

The Company and its subsidiaries purchase and sell goods in USD and RMB as the main collection currencies. The amount of exchange (losses) gain in 2021 and 2022 was NT\$(12,244,000) and NT\$94,164,000 respectively, accounting for (0.19%) and

1.57% of the net operating income.

(2) Specific countermeasures

In the face of risks arising from exchange rate fluctuations, the group's internal financial professionals have taken the following specific countermeasures:

- A. The Company's Business Department has considered the influence of exchange rate fluctuations on the sales price, and adjusted the product price by measuring the changes in the exchange rate in response to the exchange rate fluctuation, ensuring the profits of the Company's products.
- B. The financial unit will discuss the exchange rate trend with the foreign exchange unit of the bank, engage external professionals to give hedging advice to the Company's exposed positions, and adopt appropriate hedging strategies at the appropriate time to reduce the risk of exchange rate.
- C. In addition to net assets and liabilities for a specific project, foreign exchange exposed positions arising from routine sales still adopt natural hedging as the main strategy for exchange rate risk control, and adjust foreign currency assets and liabilities at the appropriate time to reduce the risk of exchange rate changes.

3. Inflation: The Company's profits and losses in the past have not exerted a significant impact due to inflation. If the purchase cost increases due to inflation, the Company will also adjust the price appropriately. The Company has continued to monitor market price fluctuations and maintained a positive, interactive relationship with both suppliers and customers. There has been no significant impact caused by inflation.

(II) Policies on high risk, high-leverage investments, loans to other parties, endorsements, guarantees, and derivatives trading, the main reasons for profits or losses generated thereby, and future countermeasures

1. Policies on high risk, high-leverage investments, the main reasons for profits or losses generated thereby, and future countermeasures:

The Company has always adhered to a stable and conservative business strategy. In recent years, it has not engaged in high-risk, high-leverage investment and other transactions, so the risk is limited.

2. Policies on loans to other parties, the main reasons for profits or losses generated thereby, and future countermeasures:

In the most recent year and as of the publication date of the annual report, the Company and its subsidiaries provided loans for each other in consideration of the overall use of funds. The Company and its subsidiaries have set up the "Procedures for Loans to Other Parties" as the basis for relevant operations, and the risk status has been considered and the regulations are implemented carefully.

3. Policies on endorsements and guarantees, the main reasons for profits or losses generated thereby, and future countermeasures:

In the most recent year and as of the publication date of the annual report, the Company and its subsidiaries provided endorsements and guarantees for each other in consideration of the overall use of funds. The Company and its subsidiaries have set up the "Procedures for Endorsement Guarantee Operation" as the basis for relevant operations, and the risk status has been considered and the regulations are implemented carefully.

4. Policies on derivatives trading, the main reasons for profits or losses generated thereby, and future countermeasures:

In the most recent year and as of the publication date of the annual report, the Company did not engage in derivatives trading. In the future, the Company will always take measures subject to the "Investment Cycle" and "Procedures Governing Acquisition and Disposal of

Assets" when engaging in derivatives trading due to operational needs.

(III) Future R&D projects and anticipated R&D expenditures to be invested

At present, the group has R&D departments in mainland China and Taiwan. The department in mainland China mainly focuses on die development and process improvement of metal stamping products such as heat dissipation, auto parts, building materials parts, etc. In response to future growth, the Company established die R&D center with mainland higher professional institutions in 2010, and conducted school-enterprise cooperation to cultivate professional and technical talents. The department in Taiwan is actively committed to the development of new hub products and new heat dissipation systems with high added value. In 2020, it established cooperation with universities in mainland China in production, learning and research to realize the technical development of high precision multi-position continuous stamping die. Through a complete upstream and downstream industrial chain and a close system (which means production, government, college and research department), we can recruit excellent talents and obtain technical information to improve the Company's R&D competitiveness.

In 2021, the Company invested approximately NT\$132,480 thousand in research and development of product, production technology innovation and process improvement. In 2022, the Company continued to invest NT\$134,030 thousand in research and development. In the future, the Company will continue to invest in research and development of automated production lines and will gradually use robots to replace employees in technical positions to improve production efficiency and quality, and reduce manufacturing costs. Meanwhile, it assesses the rapid growth of China's labor costs, maintains sustainable development and improves horizontal competitiveness.

Item	Introduction	R&D expenses (NT\$10,000)	Expected time to complete
Development of Automatic Welding Process for Automotive Seat Belt Components	Manufacture of components for automotive safety systems	1,224	2023-09
Development of automatic production and on-line inspection process for automobile steering parts	Manufactured for automotive steering system parts	1,162	2023-09
Development of Automobile steering parts automatic production mold process	Mold manufacturing for automotive parts	1,679	2023-11
Development of deburring process in belt area of automobile mold	Mold manufacturing for automotive parts	1,661	2023-10
Development of production process new energy vehicle rear wing	For new energy auto parts manufacturing	2,578	2023-11
Development of new energy vehicle shock absorber production process	For new energy auto parts manufacturing	3,367	2023-12
Development of automatic production process for automobile seat belt frame	Manufacture of components for automotive safety systems	2,547	2023-12
Total		14,218	

(IV) Changes to local and overseas policies and laws that impact the Company's financial operations and countermeasures

The Company is registered in Cayman Islands and mainly operates in mainland China. Its execution of all business is subject to important domestic and foreign policies and legal regulations, and it keeps abreast of important domestic and foreign policy development trends and law changes so as to respond promptly to changes in the market environment and take appropriate countermeasures. As of now, the Company's finance and business have not been affected by important changes of domestic and foreign policies and laws.

(V) Impact of changes in technology and industry on the Company's financial operations, and countermeasures

The Company takes the initiative to keep in touch with customers to obtain customer information as soon as possible. It also continuously develops new products, diversifies the source of customers to avoid the risk of concentrated sales, and actively develops automobile parts and building materials parts and other non-3C electronic stamping parts and components to strengthen the stability of the Company's product structure and reduce the impact caused by electronic products changing rapidly. On the whole, the metal stamping parts are in great demand and will not be replaced by other high-tech products in the foreseeable future.

The company established an information security committee in July 2021, with the general manager as the chairman, responsible for coordinating the company's information security policies and governance (including information security risks). The Information Security Management System (ISMS) was certified by a third-party vendor in September 2021 and passed the ISO27001 international standard certification, which improved the information security management policy and related management procedures.

The company has established network and computer-related information security protection measures to ensure their appropriateness and effectiveness by continuously reviewing and evaluating its information security regulations and procedures. Even so, there is still no guarantee that companies will not be affected by new risks and cyberattacks in the ever-changing information security threats. In order to prevent and reduce the damage caused by such attacks, the company implements and continuously updates strict information security measures:

- (1) The company has professionals in charge of dealing with matters related to information system security prevention and crisis management, so as to prevent computer network crimes and crises and maintain information system security.
- (2) The company has established a computer network system security control mechanism to ensure the security of network transmission data.
- (3) For cross-company computer network systems, the company especially strengthens network security management, installs anti-virus software internally, and sets up external network firewalls to prevent computer viruses and aggressive malicious software from invading, causing damage to the company network and paralyzing the system.
- (4) To educate employees on the concept of using legal software correctly, encourage



employees to correctly recognize the threat of computer viruses, and further enhance employees' information security vigilance.

(VI) Impacts of changes in corporate image on corporate crisis management and countermeasures  
 Since the establishment, the Company has actively strengthened internal management, improved the management quality, and it is committed to maintaining the corporate image and legal compliance. In the most recent year, there has been no major image change affecting corporate crisis management.

(VII) The expected benefits and possible risks to engaging in mergers and acquisitions (M&A) and countermeasures: None.

(VIII) Expected benefits and possible risks of plant expansion and countermeasures

Name of company taking expansion	Lemtech Precision Engineering (Tianjin) Co.,Ltd
Purpose of expansion	In response to the request of automobile customers in northern China to supply goods nearby, and became their strategic supplier, a new factory was built.
Expected benefits	1.The business of China's automobile OEMs continues to grow, and the establishment of new factories has the opportunity to obtain new project orders from major customers of automobile products. 2.Setting up factories in northern China can disperse supply chain risks, such as the impact of epidemic closures and natural disasters.
Possible risks and countermeasures	Because the company's customers are relatively concentrated, if there are changes in orders or customers' own operations, it will have a greater impact on the company. Therefore, in addition to focusing on the industry and providing efficiency and technology, at the same time expand product lines and develop new customers to diversify the risk of excessive concentration.

(IX) Risks resulting from concentration of purchasing or sales operations and countermeasures

In the most recent year of the company and as of the publication date of the annual report, the number one customer has changed with the growth of different businesses. Other than the first largest customer, which accounts for about 20.33% of the revenue, and the new second largest customer, which accounts for about 11.98% of the revenue, the rest of the customers account for less than 10% of the revenue. The company continues to actively expand new customer sources and develop new markets, and there is no risk of sales concentration.

For procurement from suppliers, in the most recent year and as of the publication date of the annual report, the main suppliers did not exceed 20% of the total purchase amount. Unless specified by the customer, there will be at least two main raw material suppliers with good quality reputation. The Company's main suppliers all keep long-term cooperation with the group, and the source of procurement is still stable.

(X) The impact on the Company, and risks arising from the major exchange or transfer of shares by directors or major shareholders with over 10% of shareholdings, and the countermeasures

In the most recent year and as of the publication date of this annual report, there is no mass

transfer or change in shareholding of directors or major shareholders with a shareholding ratio of 10% or more.

(XI) Impact, risk, and response measures related to any change in governance rights

There has been no change in governance rights in the most recent year and as of the publication date of this annual report.

(XII) If there has been any substantial impact upon shareholders' equity or prices for the Company's securities as a result of any litigation, non-litigious proceeding, or administrative dispute involving the Company that was finalized or remained pending, the facts in dispute, amount in dispute, commencement date, main parties involved, and current status of the case up to the publication date of this annual report shall be disclosed

On Jun. 26, 2018, the subsidiary of the Company received a civil complaint which King Slide Works Co., Ltd. (hereinafter referred to as King Slide) filed to the Jiangsu Higher People's Court on Jun. 19, 2018, alleging that the slideway products produced, manufactured and sold by Lemtech Precision Material Co., Ltd. and Lemtech Slide Technology Co., Ltd. without the permission of King Slide infringed its patent rights, and claimed RMB100 million, and rights maintenance fee of RMB183,090 and NT\$31, 748. It filed a case of patent infringement in Jiangsu Higher People's court. The appointed lawyer said that Lemtech Precision Material Co., Ltd. is mainly engaged in the research and development, production and sales of precision metal stamping parts and dies, and its main products are heat dissipation module, auto part module, die and other parts stamping. It only undertakes stamping parts for slide rail products, not a manufacturer or seller of the slide rail products, so the tort liability in this case shall not be involved. According to the preliminary judgment of the appointed lawyer, all the slide products produced by Lemtech Slide Technology Co., Ltd. have relevant patents (some of which are still under application), which are different from that of King Slide. And the basis for King Slide to claim compensation is insufficient, so the possibility of compensation is not high. The case was first heard on Jan. 25, 2019, and it is still in the process of the first instance, so it is impossible to predict the result of the case.

King Slide sued for infringement in Jiangsu Higher People's Court of China, and declared that it had a negative impact on the reputation of Lemtech Precision Material Co., Ltd. by writing a letter to its customers. Therefore, the Company filed a lawsuit on behalf of Lemtech Precision Material Co., Ltd. to Taiwan Ciaotou District Court on Jan. 15, 2019. The Company assessed that it shall have no significant impact on shareholders' equity or securities prices, and has appointed a lawyer to make a protest and defense in order to protect the rights and interests of the Company and all shareholders.

(XIII) Other important risks and countermeasures: In the most recent year and as of the publication date of this annual report, there is no Other important risks.

## **VII. Other Important Matters**

The Company was registered in the British Cayman Islands, which is only the registered place of the group, and operates in mainland China, Taiwan, China and Hong Kong, China. Changes in the overall economic and political environment of the registered place and operation places and fluctuations in the exchange rate will affect the operation of the group. There are many different provisions between the company law of the British Cayman Islands and the company law of Taiwan, China. Although the Company has amended its Articles of Association in accordance with the Taiwan Stock Exchange's "Checklist for Protection of Shareholders' Rights and Interests in the Registered Place of Foreign Issuers", there are still many differences between the two laws and regulations on the operation of the company. Investors still need to know and consult experts about the risks of investment.



## (II) Basic information of all affiliates

Dec. 31, 2022 Unit: \$1,000

Short name of company	Company	Date of incorporation	Address	Actual paid-in capital	Scope of business or production
LGS (Mauritius)	Lemtech Global Solution Co. Ltd.	2003.01	3rd Floor, Standard Chartered Tower, Cybercity, Ebene 72201, Mauritius	US\$2,500	Investment holding companies
LPM (CN) (China)	LemTech Precision Material (China) Co., Ltd.	2003.03	No.486, West Yangguang Rd, Zhangpu Town, Kunshan City, Jiangsu, P.R. China	RMB66,000	Production and design of new electronic components such as computers, mobile terminals, materials for servers, materials for automobiles, various fine blanking dies, die-casting dies, non-metallic dies, computer connectors, and computer thermal modules; and sales of self-produced products
LDC (Taiwan)	LDC Precision Engineering Co., Ltd.	2010.05	Building E032, No. 1, Weiwang Street, Shulin District, New Taipei City	NT\$9,524	Manufacturing and wholesale of electrical appliances, audio-visual products, other motors and electronic mechanical equipment, automobiles and their parts, and other optical and precision machinery
AL (TH) (Thailand)	Aapico Lemtech (Thailand) Co., Ltd.	2013.03	161 Moo.1, Tambol Banlane, Amphur Bang-Pa-In Phranakhornsri Ayutthaya 13160	THB40,000	R&D, production, manufacturing and assembly of automotive, electronics and computer peripheral parts
LUS (USA)	Lemtech USA INC.	2013.06	185 Estancia Dr, Suite 117, San Jose, CA 95134	US\$50	U.S. business development, business information collection, provision of market intelligence and industry information
LTL (Hong Kong)	Lemtech Technology Limited	2014.04	Room 2702-03,CC Wu Building, 302-8 Hennessy Road, Wanchai, Hong Kong	US\$20	Sales of automotive, electronics and computer peripheral parts
LIS (Samoa)	Lemtech Industrial Services Ltd	2015.12	Offshore Chambers, P.O. Box 217, Apia, Samoa	US\$2,500	Sales of electronics and computer peripheral components
LST (KS) (China)	Kunshan Lemtech Slide Technology Co., Ltd.	2016.07	Room 6, No. 211, Zijing Road, Zhangpu Town, Kunshan City, Jiangsu Province	RMB15,000	Design and production of slide rails, spindles and related accessories, and sales of self-produced products
LPM (CZ) (Czech)	Lemtech Precision Material (Czech) s.r.o.	2016.09	Logistické Centrum Jihlava LCJ/Jipocar Hala B, 588 11 Stráž u	CZK152,000	Production of automotive components (sunroofs, brakes and seat belts, SRS, etc.) and assembly parts (steering wheel

Short name of company	Company	Date of incorporation	Address	Actual paid-in capital	Scope of business or production
			Jihlavy 3, Czech		transmission shafts, etc.), and supply of consumer electronic parts and server products
LES (Taiwan)	Lemtech Energy Solutions Corporation	2015.04	No. 39, Ruiyuan Street, Bade District, Taoyuan City	NT\$30,000	Manufacturing and wholesale of mechanical equipment, dies, electrical appliances and audio-visual products, other motors and electronic mechanical equipment, automobiles and their parts, and other optical and precision equipment
ZEST (China)	Zhenjiang Emtron Surface Treatment Limited	2015.08	No. 199, Yuehe Street, Dagang Town, Zhenjiang New Area, Jiangsu Province	USD 2,160	Surface treatment of mechanical, electronic and automotive components
LIL (Hong Kong)	Lemtech International Limited (Lemtech Cooling System Limited was renamed on July 13, 2022.)	2019.06	Flat/Rm A 12/F, Kiu Fu Commercial Bldg, 300 Lockhart Road, Wan Chai, Hong Kong	US\$ 7,000	Investment holding company
LET (KS) (China)	Kunshan Lemtech Slide Technology Co., Ltd.	2019.10	Plant 11, No.486, West Yangguang Rd, Zhangpu Town, Kunshan City, Jiangsu, P.R. China	US\$ 2,000	R&D, manufacturing of electronic components, special electronic materials, and thermal modules, sales of self-produced products, and wholesale, import and export of products similar to those produced by the company and their raw materials and mechanical equipment
LET (CS) (China)	Lemtech Electronics Technology Co., Ltd. (Changshu)(China)	2020.09	Building A2, No. 8, Baixuexin Road, Shajiabang Town, Changshu City, Jiangsu Province	US\$5,000	Manufacturing & wholesale of electronic components, manufacturing/sales/R&D of special electronic materials, manufacturing & sales of lighting equipment, manufacturing of automotive parts and accessories, manufacturing & sales of solar energy equipment and components, manufacturing of computer software and hardware, and sales of communication equipment
LGI (Taiwan)	LemTech Global Industries Ltd.	2021.05	No. 109, Dazhu Road, Luzhu District, Taoyuan City	NT\$ 30,000	Manufacturing and wholesale of electrical appliances, audio-visual electronic products, other electrical and electronic machinery

Short name of company	Company	Date of incorporation	Address	Actual paid-in capital	Scope of business or production
					equipment, automobiles and their parts, and other optical and precision machinery
LPE(TJ) (China)	Lemtech Precision Engineering (Tianjin) Co.,Ltd (China)	2022.02	Building No.4, No.28, Saida Wuzhi Road, XiQing Economic and Technological Development Zone, Tianjin City, China	US\$ 3,000	Manufacturing of auto parts and accessories; mold manufacturing; manufacturing of metal parts for construction; manufacturing of mobile terminal equipment; manufacturing of communication equipment; Manufacturing of computer hardware and software and peripheral equipment; manufacturing of electronic components; sales of mechanical parts and components; sales of molds; retailing of electronic components; sales of metal accessories for construction
LEPT (Taiwan)	Lemtech-Eahwa Precision Technonlogy Co., Ltd. (Taiwan)	2022.03	No. 191-47, Shigu Rd., Shengang Township, Changhua County, Taiwan	NT\$ 25,000	Machinery and equipment manufacturing, other machinery manufacturing, electronic components manufacturing
KTC (Taiwan)	Keycore Technology Corp	2016.03	6th Floor, No. 87-5, Guangming 6th Road, Zhubei City, Hsinchu County	NT\$102,044	Electronic component manufacturing, general instrument manufacturing, energy technology services, biotechnology services and research and development services, etc.

(III) Shareholders in common of the Company and its subsidiaries with deemed control relationship and subordination: None.

## (IV) Information on directors, supervisors, and General Manager of all affiliates

Dec. 31, 2022 Unit: Share; %

Name of affiliate	Title	Name or representative	Shareholding	
			Shares	Shareholding percentage
Lemtech Global Solution Co. Ltd.	Director	Hsu, Chi-Feng	-	-
	Director	Chan Kim Seng Maurice	-	-
	Director	Ye, Hang	-	-
LemTech Precision Material (China) Co., Ltd.	Chairman	Hsu, Chi-Feng	-	-
	Director	Chan Kim Seng Maurice	-	-
	Director	Ye, Hang	-	-
	Director	Tan, Yong	-	-
	Director	Tsai, Wen-Lung	-	-
	Director and General Manager	Li, Pei-Yu	-	-
LDC Precision Engineering Co., Ltd.	Chairman	Hsu, Chi-Feng	-	-
Aapico Lemtech (Thailand) Co., Ltd.	Director	Hsu, Chi-Feng	-	-
	Director	Chan Kim Seng Maurice	-	-
	Director	Yeap Swee Chuan	-	-
	Director	Teo Lee Ngo	-	-
	Director	Kawee Wasaruchareekul	-	-
Lemtech USA INC.	Director	Hsu, Chi-Feng	-	-
Lemtech Technology Limited	Director	Hsu, Chi-Feng	-	-
Lemtech Industrial Services Ltd	Director	Hsu, Chi-Feng	-	-
Kunshan Lemtech Slide Technology Co., Ltd.	Chairman	Hsu, Chi-Feng	-	-
	General Manager	Chay Chin Tat	-	-
Lemtech Precision Material (Czech) s.r.o.	Director	Hsu, Chi-Feng	-	-
	Director	Chan Kim Seng Maurice	-	-
	Director	Ye, Hang	-	-
	General Manager	Stanislav Stepanek	-	-



Name of affiliate	Title	Name or representative	Shareholding	
			Shares	Shareholding percentage
Lemtech Energy Solutions Corporation (Former Jimao Lemtech Co., Ltd.)	Chairman	Hsu, Chi-Feng	-	-
	Supervisor	Chan Kim Seng Maurice	-	-
Zhenjiang Emtron Surface Treatment Limited	Chairman	Hsu, Chi-Feng	-	-
	Director	Chan Kim Seng Maurice	-	-
	Director	Di, Cheng-Tao	-	-
	Director	Ling, Tai-Qiang	-	-
Lemtech International Limited (Lemtech Cooling System Limited was renamed on July 13, 2022.)	Director	Hsu, Chi-Feng	-	-
	Director	Chan Kim Seng Maurice	-	-
	Director	Ye, Hang	-	-
Kunshan Lemtech Electronics Technology Co., Ltd.	Chairman	Tsai, Wen-Lung	-	-
	Supervisor	Chan Kim Seng Maurice	-	-
Lemtech Electronics Technology (Changshu) Co., Ltd.	Director	Hsu, Chi-Feng	-	-
	Director	Chan Kim Seng Maurice	-	-
	Director	Ye, Hang	-	-
	General Manager	Tsai, Wen-Lung	-	-
LemTech Global Industries Ltd.	Chairman	Chan Kim Seng Maurice	-	-
	Supervisor	Hsu, Chi-Feng	-	-
Lemtech-Eahwa Precision Technonlogy Co., Ltd.	Chairman	Yao, Tsun-Chieh	50,000	2.00%
	Supervisor	Shih, Chin-Lung	50,000	2.00%
	Supervisor	Huang, Meng-Ching	50,000	2.00%
	Director	Cheng, Yao-Tsung	1,000,000	40.00%
	Director	Hsu, Wei-Yu	1,000,000	40.00%
Lemtech Precision Engineering (Tianjin) Co., Ltd	Director	Hsu, Chi-Feng	-	-
	Director	Cai, Wen-Long	-	-
	Director	Li, Pei-Yu	-	-
	Supervisor	Zhao, Wei-Bin	-	-

Name of affiliate	Title	Name or representative	Shareholding	
			Shares	Shareholding percentage
Keycore Technology Corp	Director	Zeng Shi-Xiu	300,000	2.94%
	Director	Xiao Jian-Ren	680,000	6.66%
	Director	Liu Zhong-Zan	190,476	1.87%
	Director	Tsai, Shan-Ze	400,000	3.92%
	Director	Deng Jie-Ren	1,328,000	13.01%
	Supervisor	Huang Tai-Hao	516,280	5.06%

## (V) Operation of affiliates

Dec. 31, 2022 Unit: NT\$1,000

Name	Capital	Total assets	Total liabilities	Net value	Operating revenue	Operating profit	Profit or loss (after tax)	Earnings per share (after tax)
Lemtech Global Solution Co. Ltd.	112,397	3,714,658	213,048	3,501,610	0	(22)	338,151	135.26
LemTech Precision Material (China) Co., Ltd.	286,242	4,791,111	1,158,876	3,632,235	2,249,259	221,811	308,311	4.67
LDC Precision Engineering Co., Ltd.	9,524	556,044	86,390	469,653	1,241,388	50,401	72,436	(Note1)
Lemtech Technology Limited	597	1,038,628	422,551	616,077	1,215,783	31,249	35,624	(Note1)
Lemtech Precision Material (Czech) s.r.o.	195,984	404,399	266,638	137,761	288,802	25,903	26,797	(Note1)
Lemtech USA INC.	1,502	607	0	607	6,530	(223)	(223)	(Note1)
Lemtech Industrial Services Ltd	82,091	172,289	23,506	148,784	11,492	698	74,055	29.62
Kunshan Lemtech Slide Technology Co., Ltd.	69,758	312,709	155,443	157,267	555,272	69,728	81,990	(Note1)
Lemtech International Limited (Lemtech Cooling System Limited was renamed on July 13, 2022.)	214,320	429,302	112,320	316,982	65,081	9,186	(28,179)	(14.09)
Lemtech Energy Solutions Corporation	30,000	142,866	94,472	48,393	161,576	26,301	28,382	9.46
Kunshan Lemtech Electronics Technology Co., Ltd.	60,990	254,232	1,753	252,479	40,623	2,195	10,002	(Note1)
Lemtech Electronics Technology (Changshu) Co., Ltd.	155,265	233,103	181,143	51,960	49,502	(81,611)	(87,532)	(Note1)
Zhenjiang Emtron Surface Treatment Limited	65,043	130,088	224,542	(94,454)	81,069	(8,352)	(17,458)	(Note1)
LemTech Global Industries Ltd.	30,000	492,122	335,732	156,390	1,274,371	127,404	114,020	38.01
Lemtech-Eahwa Precision Technonlogy Co., Ltd.	25,000	150,901	103,282	47,619	146,097	30,122	22,619	9.05
Lemtech Precision Engineering (Tianjin) Co.,Ltd (China)	88,868	124,389	48,179	76,210	0	(12,789)	(13,173)	(Note1)

Note 1: Not a shares limited company; hence EPS is not applicable.

(VI) Consolidated financial statements of the affiliates: Same as the Consolidated Financial Statements of the Parent Company and Subsidiaries. Please refer to page 128 to 206.

(VII) Reports of the affiliates: Not applicable.

**II. In the Most Recent Year as of the Publication Date of the Annual Report, Any Private Placement of Securities:** None.

**III. Holding or Disposal of the Company's Shares by Subsidiaries in the Most Recent Year as of the Publication Date of the Annual Report:** None.

**IV. Other Necessary Additional Information:** None.

**V. Any Material Differences from the Rules of Taiwan, China in Relation to the Protection of Shareholders' Equity**

Important Matters for the Protection of Shareholders' Rights and Interests	Related articles of 《Company Act》 or 《Securities and Exchange Act》	Article of Association	Regulations & Difference
<b>II. Convening Procedures and Resolutions of Shareholders' Meetings</b>			
<p>1. Regular meeting of shareholders should be held at least once every year. The regular meeting of shareholders referred to in the preceding Paragraph shall be convened within six months after close of each fiscal year. A shareholders meeting shall be convened by the Board of Directors.</p> <p>2. A company may explicitly provide for in its Articles of Incorporation that its shareholders' meeting can be held by means of visual communication network or other methods promulgated by the central competent authority.</p> <p>3. In case a shareholders' meeting is proceeded via visual communication network, the shareholders taking part in such a visual communication meeting shall be deemed to have attended the meeting in person.</p> <p>4. The shareholder meeting shall be held via visual conference, and the company shall comply with the conditions, operating procedures, and other matters to be complied with in accordance with the Securities Act of ROC.</p> <p>5. The physical shareholder meeting of the company shall be held within the territory of the Republic of China. If a physical shareholder meeting is held outside the Republic of China, it shall report to the stock exchange for approval within two days after the resolution of the board of directors or the shareholder obtains the permission to convene from the authority.</p> <p>6. Shareholder(s) holding one percent (1%) or more of the total number of outstanding shares of a company may propose to the</p>	<p>1. Company Act Article 170</p> <p>2. Company Act Article 172-2</p> <p>3. Company Act Article 172-1</p> <p>4. Company Act Article 173-1 &amp;2, 173-1</p> <p>5. Company Act Article 172 and Securities and Exchange Act 26-1 &amp;43-6</p>	<p>Article 23</p> <p>Article 25</p> <p>Article 26</p> <p>Article 29</p> <p>Article 32</p> <p>Article 33</p>	<p>The revision of the Company Act this time didn't add "The shareholder meeting shall be held via visual conference, and the company shall comply with the conditions, operating procedures, and other matters to be complied with in accordance with the Securities Act of ROC." And "The physical shareholder meeting of the company shall be held within the territory of the Republic of China. If a physical shareholder meeting is held outside the Republic of China, it shall report to the stock exchange for approval within two days after the resolution of the board of directors or the shareholder obtains the permission to convene from the authority" is revised.</p>

Important Matters for the Protection of Shareholders' Rights and Interests	Related articles of 《Company Act》 or 《Securities and Exchange Act》	Article of Association	Regulations & Difference
<b>II. Convening Procedures and Resolutions of Shareholders' Meetings</b>			
<p>company a proposal for discussion at a regular shareholders' meeting via written or electronic form. Unless where the subject (the issue) of the said proposal cannot be settled or resolved by a resolution to be adopted at a meeting of shareholders, shareholders who propose hold less than 1% of the shares, where the said proposal is submitted on a day beyond the deadline fixed and announced by the company for accepting shareholders' proposals, where the said proposal containing more than 300 words or more than one matters in a single proposal, the board of directors of the company shall include the proposal submitted by a shareholder in the list of proposals to be discussed. A shareholder proposal proposed under Paragraph One for urging a company to promote public interests or fulfill its social responsibilities may still be included in the list of proposals to be discussed at a regular meeting of shareholders by the board of directors.</p> <p>7. Any or a plural number of shareholder(s) of a company who has (have) continuously held 3% or more of the total number of outstanding shares for a period of one year or a longer time may, by filing a written proposal setting forth therein the subjects for discussion and the reasons, request the board of directors to call a special meeting of shareholders.</p> <p>If the board of directors fails to give a notice for convening a special meeting of shareholders within 15 days after the filing of the request under the preceding Paragraph, the proposing shareholder(s) may, after obtaining an approval from the competent authority, convene a special meeting of</p>			<p>The article wasn't added that the shareholder meeting shall be held via visual conference, and the company shall comply with the conditions, operating procedures, and other matters to be complied with in accordance with the Securities Act of ROC because if the shareholders' meeting is held by video conference, the company shall abide by the Securities and Exchange Act, and must meet the relevant conditions, operating procedures and other matters to be complied with before holding a video conference of shareholders. This obligation of compliance does not have to be expressly stated otherwise in the Articles of Association, the company shall abide by the relevant laws and regulations. In other words, Relevant laws and</p>

Important Matters for the Protection of Shareholders' Rights and Interests	Related articles of 《Company Act》 or 《Securities and Exchange Act》	Article of Association	Regulations & Difference
<b>II. Convening Procedures and Resolutions of Shareholders' Meetings</b>			
<p>shareholders on his/their own.</p> <p>8. Shareholders continuously holding 50% or more of the total number of outstanding shares of a company for a period of three months or a longer time may convene a special shareholders' meeting. The calculation of the holding period and holding number of shares in the preceding paragraph shall be based on the holding at the time of share transfer suspension date.</p> <p>9. The following matters shall be specified in the notice of a general meeting with the description of their major content, and shall not be proposed as ad hoc motions; the major content may be posted on the website designated by the Commission, the TPEX or the TWSE or the Company, and such website shall be indicated in the above notice:</p> <p>(a) election or discharge of Directors &amp; Supervisors.</p> <p>(b) amendments to the Memorandum of Association and/or these Articles;</p> <p>(c) capital reduction;</p> <p>(d) application for the approval of ceasing the Shares to be publicly offered;</p> <p>(e) winding-up, Merger/Consolidation or Spin-off of the Company;</p> <p>(f) entering into, amendment to, or termination of any contract for lease, management by others, or regular joint operation with others of its business in whole;</p> <p>(g) the transfer of the whole or any material part of its business or assets; and</p> <p>(h) taking over another's whole business or assets, which will have a material effect on the business operation of the Company;</p> <p>(i) carrying out a Private Placement of equity securities;</p>			<p>regulations should not be separately stipulated in the articles of Company Act. Therefore, the revision of the Company Act this time didn't add "The shareholder meeting shall be held via visual conference, and the company shall comply with the conditions, operating procedures, and other matters to be complied with in accordance with the Securities Act of ROC." There is no risk of conflict with the protection of shareholders' rights and interests.</p> <p>As for unrevised part "The physical shareholder meeting" due to regulation in Article 25 of Company Act of the Company that during listing, all shareholder meetings of the Company shall be held within the territory of the Republic of China. If board of directors</p>

Important Matters for the Protection of Shareholders' Rights and Interests	Related articles of 《Company Act》 or 《Securities and Exchange Act》	Article of Association	Regulations & Difference
<b>II. Convening Procedures and Resolutions of Shareholders' Meetings</b>			
<p>(j) granting a waiver to the Director's non-competition obligation;</p> <p>(k) distributing part or all of its dividends or bonus by way of issuance of new Shares; and</p> <p>(l) capitalization of the Legal Reserves and capitalization of the Capital Reserve of the Company, the Share Premium Account of the Company and/or the income from endowments received by the Company as Capital Reserve, by issuing new Shares or cash to</p> <p>(1) its existing Members in proportion to the number of Shares being held by each of them.</p>			<p>resolve a physical shareholder meeting is held outside the Republic of China, the Company shall report to the stock exchange for approval within two days after the resolution of the board of directors or the shareholder obtains the permission to convene from the authority according to Article 26. From the Article, whether the company convenes a shareholders' meeting in a physical, video, or video-assisted way, in principle, it should be held within the territory of the Republic of China. When exceptionally holding a shareholders' meeting outside the Republic of China, regardless of whether it is held in a physical, video, or video-assisted way, it must be approved by the competent authority before it can be held.</p>



Important Matters for the Protection of Shareholders' Rights and Interests	Related articles of 《Company Act》 or 《Securities and Exchange Act》	Article of Association	Regulations & Difference
<b>II. Convening Procedures and Resolutions of Shareholders' Meetings</b>			
			<p>This Article is stricter than 111 Annual Review Checklist for Amendments to the Protection of Shareholders' Rights and Interests of Foreign Issuers. Since the Article has included the content of 111 Annual Review Checklist for Amendments to the Protection of Shareholders' Rights and Interests of Foreign Issuers, there is no risk of conflict with the protection of shareholders' rights and interests. To sum up, there is no discrepancy between the content of the company's amendments to the Articles of Association and the protection of shareholders' rights and interests.</p>
<ol style="list-style-type: none"> <li>1. The shareholders' meeting shall adopt the electronic transmission as one of the methods for exercising the voting power. ◦</li> <li>2. The company whose shareholders may exercise their voting power in writing or by way of electronic transmission in a shareholders' meeting shall describe in</li> </ol>	<ol style="list-style-type: none"> <li>1. Company Act Article 173-1</li> <li>2. Company Act Article 173-2</li> </ol>	Article 46 Article 47 Article 47-1 Article 48 Article 54	In full compliance with Checklist for the Protection of Shareholders' Rights and Interests of Registration of Foreign Issuers in the Country after

Important Matters for the Protection of Shareholders' Rights and Interests	Related articles of 《Company Act》 or 《Securities and Exchange Act》	Article of Association	Regulations & Difference
<b>II. Convening Procedures and Resolutions of Shareholders' Meetings</b>			
<p>the shareholders' meeting notice the method of exercising their voting power. A shareholder who exercises his/her/its voting power at a shareholders meeting in writing or by way of electronic transmission shall be deemed to have attended the said shareholders' meeting in person, but shall be deemed to have waived his/her/its voting power in respective of any extemporary motion(s) and/or the amendment(s) to the contents of the original proposal(s) at the said shareholders' meeting.</p> <p>3. In case a shareholder elects to exercise his/her/its voting power in writing or by way of electronic transmission, his/her/its declaration of intention shall be served to the company two days prior to the scheduled meeting date of the shareholders' meeting, whereas if two or more declarations of the same intention are served to the company, the first declaration of such intention received shall prevail; unless an explicit statement to revoke the previous declaration is made in the declaration which comes later. In case a shareholder who has exercised his/her/its voting power in writing or by way of electronic transmission intends to attend the shareholders' meeting in person, he/she/it shall, two days prior to the meeting date of the scheduled shareholders' meeting and in the same manner previously used in exercising his/her/its voting power, serve a separate declaration of intention to rescind his/her/its previous declaration of intention made in exercising the voting power under the preceding</p>			revision

Important Matters for the Protection of Shareholders' Rights and Interests	Related articles of 《Company Act》 or 《Securities and Exchange Act》	Article of Association	Regulations & Difference
<b>II. Convening Procedures and Resolutions of Shareholders' Meetings</b>			
<p>Paragraph Two. In the absence of a timely rescission of the previous declaration of intention, the voting power exercised in writing or by way of electronic transmission shall prevail.</p> <p>4. In case a shareholder has exercised his/her/its voting power in writing or by way of electronic transmission, and has also authorized a proxy to attend the shareholders' meeting in his/her/its behalf, then the voting power exercised by the authorized proxy for the said shareholder shall prevail.</p>			
<p>1. This Company shall announce meeting notice and proxy forms, and the origins of and explanatory materials relating to all proposals, including proposals for ratification, matters for deliberation, or the election or dismissal of directors or supervisors before 30 days before the date of a regular shareholders meeting or before 15 days before the date of a special shareholders meeting.</p> <p>2. If the shareholders' meeting of the company adopts the written way of voting rights, the above-mentioned materials and the written paper shall be sent to the shareholders together.</p> <p>3. The Company shall prepare the shareholders meeting agenda and supplemental meeting materials and announce before 21 days before the date of the regular shareholders meeting or before 15 days before the date of the special shareholders meeting. If, however, the Company has the paid-in capital of NT\$10 billion or more as of the last day of the most current fiscal year, or total shareholding of foreign shareholders</p>	<p>1.Regulations Governing Content and Compliance Requirements for Shareholders' Meeting Agenda Handbooks of Public Companies Article 5</p> <p>2.Regulations Governing Content and Compliance Requirements for Shareholders' Meeting Agenda Handbooks of Public Companies Article 6</p>	<p>Article 28 Article 31</p>	<p>In full compliance with Checklist for the Protection of Shareholders' Rights and Interests of Registration of Foreign Issuers in the Country after revision</p>

Important Matters for the Protection of Shareholders' Rights and Interests	Related articles of 《Company Act》 or 《Securities and Exchange Act》	Article of Association	Regulations & Difference
<b>II. Convening Procedures and Resolutions of Shareholders' Meetings</b>			
and PRC shareholders reaches 30% or more as recorded in the register of shareholders of the shareholders meeting held in the immediately preceding year, transmission of these electronic files shall be made by 30 days before the regular shareholders meeting.			

**VI. In the most recent year and up to the date of publication of the annual report, if there has been an event that has a significant impact on shareholders' equity or securities prices as stipulated in Subparagraph 2, Article 36, Paragraph 2 of the Securities and Exchange Act: None.**

## **Independent Auditors' Report**

Lemtech Holdings Co., Limited public notice:

### **Audit opinion**

Lemtech Holdings Co., Limited (Lemtech Holding Group) and its subsidiaries' Consolidated Balance Sheets as of December 31, 2022 and 2021, in addition to the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Statements of Cash Flows, and Notes for Consolidated Financial Statement (including a summary of significant accounting policies) from January 1 to December 31, 2022 and 2021, have been audited by the CPAs.

In our opinion, the consolidated financial statements mentioned above have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," as well as the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), law and regulation reviews and their announcements recognized and announced by the Financial Supervisory Commission in all material aspects, and are considered to have reasonably expressed the consolidated financial conditions of Lemtech Holding Group and its subsidiaries as of December 31, 2022 and 2021, as well as the consolidated financial performance and consolidated cash flows from January 1 to December 31, 2022 and 2021.

### **Basis for Auditor's Opinions**

We conducted review work in accordance with the "Rules Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and auditing standards, we implemented the review work. Our responsibilities required under said standards will be detailed in the paragraph about the external auditor's responsibility on auditing consolidated financial statements. 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 obligations under the Norm. We are convinced that we have acquired enough and appropriate audit evidence to serve as the basis of audit 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 of Lemtech Holding Group 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 matters for the consolidated financial statements of Lemtech Holding Group and its subsidiaries for the year ended December 31, 2022 are stated as follows:

### Key Audit Matters: Revenue recognition authenticity of partial specific customer

The revenue of Lemtech Holding Group is mainly derived from computer, communication, consumer electronics, automotive parts, and fitness equipment. Since the materiality and the Statements on Auditing Standards has defaulted revenue recognition as a significant risk. Therefore, the assessment of the authenticity of sales transactions with major customers meeting certain conditions was listed as a key audit matter. For details of the revenue recognition policy, please refer to Note 4 and 26 of the consolidated financial report.

In addition to testing related internal control, our major audit procedures executed on the key audit matter are as follows.

1. Sampling check the details of sales revenue transactions of specific customer groups and the corresponding sales orders, bills of offset and receipts to confirm that sales transactions have actually occurred.
2. Confirm the authenticity of the foregoing transactions after the implementation of the balance sheet date that whether there is a major sales return and discount test and whether the return discount is reasonable.

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

It is the management's responsibility to fairly present the consolidated financial statements in conformity with "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and IFRS, IAS, IFRIC, and SIC endorsed by the FSC, and to sustain internal controls respecting preparation of the consolidated financial statements so as to avoid material misstatements due to fraud or errors therein.

In preparing the consolidated financial statements, the responsibility of management includes assessing the company's ability to continue as a going concern, disclosing going concern related matters, as well as adopting going concern basis of accounting unless the management intends to liquidate the company or terminate the business, or has no realistic alternative but to do so.

The governing bodies of the company (including the audit committee) have the responsibility to oversee the procedures for financial reporting.

### **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards in the Republic of China will always detect a material misstatement when it exists. Misstatement may arise from frauds or errors. If it could be reasonably anticipated that the misstated individual amounts or aggregated sums could have influence on the economic decisions made by the users of the consolidated financial statements, they will be deemed as material.

We have utilized our professional judgment and maintained professional skepticism when exercising auditing work according to the auditing standards in the Republic of China. We also execute the following tasks:

1. Identify and assess the risks of material misstatement within the consolidated financial statements, whether due to fraud or error; design and execute counter-measures in response to those risks; and obtain sufficient and appropriate audit evidence to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Understand internal controls relevant to the audit in order to design appropriate audit procedures under the circumstances. However, the purpose is not to express an opinion on the effectiveness of the company's internal control.
3. Evaluate the appropriateness of accounting policies adopted and the reasonableness of accounting estimates and relevant disclosures made by management.
4. Based on the audit evidence obtained, to conclude on the appropriateness of management's use of the going concern basis of accounting and whether a material uncertainty exists for events or conditions that may cast significant doubts 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 auditor's 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 auditor's report. However, future events or circumstances may cause the company to no longer continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements (including relevant notes), 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 Group to express an opinion on the consolidated

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 governing bodies with a declaration that we have complied with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China regarding independence, and to communicate with them on all relationships and other matters that may possibly be deemed to impair our independence (including relevant preventive measures).

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.

Deloitte & Touche

Taipei, Taiwan (Republic of China)

March 29, 2023

#### **Notes to Readers**

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

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



(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)  
Lemtech Holdings Co., Limited and its subsidiaries  
Consolidated Balance Sheet  
December 31, 2022 and 2021

Units: NT\$1,000

Code	Total assets	December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
<b>Current assets</b>					
1100	Cash and cash equivalents (Note 6 and 33)	\$ 1,477,691	19	\$ 3,392,595	42
1110	Financial assets at fair value through profit or loss - Current (Note 7 and 35)	177,240	2	43,606	-
1136	Financial assets at amortized cost - Current (Note 8, 9, 33, and 37)	260,300	4	-	-
1150	Note receivables (Note 10, 26, and 35)	1,543	-	3,847	-
1170	Account receivables (Note 10, 26, 35, and 36)	1,867,166	24	1,910,320	24
1197	Finance lease receivables (Note 11 and 35)	1,959	-	6,412	-
1200	Other receivables (Note 10 and 35)	22,691	-	36,218	-
1220	Current tax assets (Note 28)	2,955	-	3,947	-
130X	Inventory (Note 12)	924,981	12	874,565	11
1410	Prepayments (Note 20)	82,817	1	64,662	1
1470	Other current assets (Note 20)	5,401	-	6,627	-
11XX	Total Current Assets	<u>4,824,744</u>	<u>62</u>	<u>6,342,799</u>	<u>78</u>
<b>Non-current assets</b>					
1535	Financial assets at amortised cost - Non-current (Note 8, 9, and 35)	44,094	-	-	-
1550	Investment using equity method (Note 14)	50,350	1	49,226	1
1600	Real estate, plant, and equipment (Note 15 and 33)	1,394,179	18	1,246,778	15
1755	Right-of-use assets (Note 16)	286,720	4	209,754	3
1760	Investment property, net (Note 17)	996,607	13	-	-
1805	Goodwill (Note 18)	72,490	1	72,062	1
1821	Other intangible assets (Note 19)	26,476	-	32,545	-
1840	Deferred tax assets (Note 28)	21,588	-	15,868	-
194D	Finance lease receivables - Non-current (Note 11 and 35)	-	-	1,931	-
1915	Prepayments for equipment (Note 20)	102,097	1	118,991	2
1920	Refundable deposits (Note 20 and 33)	9,460	-	6,248	-
15XX	Total Non-current Assets	<u>3,004,061</u>	<u>38</u>	<u>1,753,403</u>	<u>22</u>
1XXX	Total Assets	<u>\$ 7,828,805</u>	<u>100</u>	<u>\$ 8,096,202</u>	<u>100</u>
<b>Liabilities and Equity</b>					
<b>Current liabilities</b>					
2100	Short-term borrowings (Note 21 and 35)	\$ 774,774	10	\$ 934,539	12
2120	Financial liabilities at fair value through profit or loss - Current (Note 7, 22, and 35)	17,600	-	-	-
2130	Contract liabilities - Current (Note 26)	54,852	1	116,476	2
2150	Note payables (Note 23 and 35)	189,312	2	193,092	2
2170	Account payables (Note 23, 35, and 36)	841,896	11	1,324,506	16
2219	Other payables (Note 24 and 35)	293,783	4	318,354	4
2230	Current tax liabilities (Note 28)	66,127	1	29,102	-
2280	Lease liabilities (Note 16, 33, and 35)	48,652	-	46,474	1
2321	Corporate bonds payable - Current (Note 22, and 35)	1,563,696	20	-	-
2399	Other current liabilities (Note 24)	17,049	-	13,249	-
21XX	Total Current Liabilities	<u>3,867,741</u>	<u>49</u>	<u>2,975,792</u>	<u>37</u>
<b>Non-current liabilities</b>					
2500	Financial liabilities at fair value through profit or loss - Non-current (Note 7, 22, and 35)	-	-	965	-
2530	Bonds payables (Note 22 and 35)	-	-	1,544,106	19
2570	Deferred tax liabilities (Note 28)	406,354	6	376,152	5
2580	Lease liabilities - Non-current (Note 16, 33, and 35)	163,145	2	93,987	1
2645	Deposited Margin (Note 35)	12,570	-	9,134	-
25XX	Total non-current liabilities	<u>582,069</u>	<u>8</u>	<u>2,024,344</u>	<u>25</u>
2XXX	Total Liabilities	<u>4,449,810</u>	<u>57</u>	<u>5,000,136</u>	<u>62</u>
<b>Equity attributable to owners of the company (Note 25)</b>					
<b>Equity</b>					
3110	Ordinary stock	621,928	8	625,208	8
3200	Capital surplus	1,462,846	18	1,480,562	18
<b>Retained earnings</b>					
3320	Special reserve	-	-	113,584	1
3350	Unappropriated retained earnings	1,215,668	15	941,152	12
3300	Total Retained Earnings	<u>1,215,668</u>	<u>15</u>	<u>1,054,736</u>	<u>13</u>
3410	Exchange differences on translation of foreign financial statements	( 13,996)	-	( 82,410)	( 1)
31XX	Equity attributable to shareholders of the parent	<u>3,286,446</u>	<u>42</u>	<u>3,078,096</u>	<u>38</u>
36XX	Uncontrolled equity	92,549	1	17,970	-
3XXX	Total equity	<u>3,378,995</u>	<u>43</u>	<u>3,096,066</u>	<u>38</u>
<b>Total Liabilities and Equity</b>					
		<u>\$ 7,828,805</u>	<u>100</u>	<u>\$ 8,096,202</u>	<u>100</u>

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

Chairman: Hsu, Chi-Feng  
Manager: Eu, Ricky  
Accounting Supervisor: Chien, Yi-Ling

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

Lemtech Holdings Co., Limited and its subsidiaries  
Consolidated Statement of Comprehensive Income  
Jan. 1 to Dec. 31, 2022 and Jan. 1 to Dec. 31, 2021

(Units: NT\$1,000, Except Earnings Per Share)

Code		2022		2021	
		Amount	%	Amount	%
	Operating revenue (Note 26 and 36)				
4110	Sales	\$ 6,057,992	101	\$ 6,410,268	101
4190	Sales returns and allowances	( 73,064)	( 1)	( 41,150)	( 1)
4000	Total operating revenue	5,984,928	100	6,369,118	100
5000	Operating cost (Note 12 and 36)	( 4,708,823)	( 79)	( 5,037,774)	( 79)
5900	Gross profit	1,276,105	21	1,331,344	21
	Operating expenses (Note 27 and 36)				
6100	Selling expenses	( 186,049)	( 3)	( 175,927)	( 3)
6200	Administrative expenses	( 411,533)	( 7)	( 365,476)	( 6)
6300	Research and development expenses	( 204,050)	( 3)	( 163,125)	( 2)
6450	Expected credit impairment loss	( 11,910)	-	5,018	-
6000	Total operating expenses	( 813,542)	( 13)	( 699,510)	( 11)
6900	Net operating profit	462,563	8	631,834	10
	Non-operating income and expenses (Note 27)				
7100	Interest income	16,390	-	8,435	-
7010	Other income	39,045	1	15,279	-
7020	Other gains and losses	52,106	1	( 9,072)	-
7050	Finance costs	( 36,810)	( 1)	( 21,282)	-
7060	Share of profit (loss) of associates and joint ventures accounted for using the equity method	( 2,827)	-	2,705	-
7000	Total non-operating income and expenses	67,904	1	( 3,935)	-

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Code		2022		2021	
		Amount	%	Amount	%
7900	Net income before taxes from continuing operations	\$ 530,467	9	\$ 627,899	10
7950	Income tax expenses (Note 28)	( 95,313)	( 2)	( 160,727)	( 3)
8200	Net profit for the period	435,154	7	467,172	7
	Other comprehensive income (loss)				
8360	Items that may be reclassified subsequently to gain or loss:				
8361	Exchange differences on translation of foreign financial statements	68,615	1	( 33,861)	-
8300	Other comprehensive income/(loss) for the year, net of income tax	68,615	1	( 33,861)	-
8500	Total comprehensive income	\$ 503,769	8	\$ 433,311	7
	Net income attributable to				
8610	Shareholders of the parent	\$ 390,763	6	\$ 465,717	7
8620	Uncontrolled equity	44,391	1	1,455	-
8600		\$ 435,154	7	\$ 467,172	7
	Total comprehensive income (loss) attributable to				
8710	Shareholders of the parent	\$ 459,177	7	\$ 431,974	7
8720	Uncontrolled equity	44,592	1	1,337	-
8700		\$ 503,769	8	\$ 433,311	7
	Earnings per share (Note 29)				
	From continuing business				
9710	Basic	\$ 6.27		\$ 7.51	
9810	Diluted	\$ 5.68		\$ 6.48	

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

Chairman: Hsu, Chi-Feng  
 Manager: Eu, Ricky  
 Accounting Supervisor: Chien, Yi-Ling

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)  
Lemtech Holdings Co., Limited and its subsidiaries  
Consolidated Statement of Changes in Equity  
Jan. 1 to Dec. 31, 2022 and Jan. 1 to Dec. 31, 2021

Units: NT\$1,000

Code		<i>Equity attributable to owners</i>									
		Share capital		Retained earnings			Exchange differences on translation of financial statements of foreign operations	Treasury stock	Total	Uncontrolled equity	Total equity
		Number of Shares (in Thousands)	Amount	Capital surplus	Special reserve	Unappropriated retained earnings					
A1	Balance as of January 1, 2021	50,553	505,535	1,114,494	100,707	903,900	( 48,667)	-	2,575,969	16,633	2,592,602
	Appropriation of earnings										
B3	Special reserve	-	-	-	12,877	( 12,877)	-	-	-	-	-
B5	Cash dividend attributable to shareholders	-	-	-	-	( 334,150)	-	-	( 334,150)	-	( 334,150)
B9	Stock dividend attributable to shareholders	8,144	81,438	-	-	( 81,438)	-	-	-	-	-
I1	Corporate bonds converted into common shares	3,824	38,235	306,759	-	-	-	-	344,994	-	344,994
	Other changes in capital surplus										
C5	Issuance of convertible corporate bonds with recognized equity component	-	-	59,309	-	-	-	-	59,309	-	59,309
D1	2021 Net Profit	-	-	-	-	465,717	-	-	465,717	1,455	467,172
D3	2021 Other Comprehensive Income (Loss) after tax	-	-	-	-	-	( 33,743)	-	( 33,743)	( 118)	( 33,861)
D5	Total comprehensive income (loss) in 2021	-	-	-	-	465,717	( 33,743)	-	431,974	1,337	433,311
Z1	Balance as of December 31, 2021	62,521	625,208	1,480,562	113,584	941,152	( 82,410)	-	3,078,096	17,970	3,096,066
	Appropriation of earnings										
B3	Special reserve	-	-	-	( 113,584)	113,584	-	-	-	-	-
B5	Cash dividend attributable to shareholders	-	-	-	-	( 187,234)	-	-	( 187,234)	-	( 187,234)
O1	Other additional paid-in capital Non-controlling interests	-	-	( 15,969)	-	( 13,223)	-	-	( 29,192)	29,987	795
L1	Treasury shares buyback	-	-	-	-	-	-	( 34,401)	( 34,401)	-	( 34,401)
L3	Retirement of treasury shares	( 328)	( 3,280)	( 1,747)	-	( 29,374)	-	34,401	-	-	-
D1	2022 Net profit	-	-	-	-	390,763	-	-	390,763	44,391	435,154
D3	2022 other comprehensive profit and loss after tax	-	-	-	-	-	68,414	-	68,414	201	68,615
D5	2022 total comprehensive profit and loss	-	-	-	-	390,763	68,414	-	459,177	44,592	503,769
Z1	Balance as of December 31, 2022	62,193	\$ 621,928	\$ 1,462,846	\$ -	\$ 1,215,668	(\$ 13,996)	\$ -	\$ 3,286,446	\$ 92,549	\$ 3,378,995

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

Chairman: Hsu, Chi-Feng  
Manager: Eu, Ricky  
Accounting Supervisor: Chien, Yi-Ling

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

Lemtech Holdings Co., Limited and its subsidiaries

Consolidated Statement of Cash Flows

Jan. 1 to Dec. 31, 2022 and Jan. 1 to Dec. 31, 2021

Units: NT\$1,000

Code		2022	2021
	Cash flows from operating activities		
A10000	Net income before tax of the current year	\$ 530,467	\$ 627,899
A20010	Income Charges (Credits):		
A20100	Depreciation expenses	302,246	284,805
A20200	Amortization expense	12,734	11,940
A20300	Expected credit (returning profits) impairment loss	11,910	( 5,018)
A20400	Net (profit) loss of financial assets and liabilities measured at fair value through profit and loss	10,324	( 5,296)
A20900	Finance costs	36,810	21,282
A21200	Interest income	( 16,390)	( 8,435)
A22300	Share of profit (loss) of associates and joint ventures accounted for using the equity method	2,827	( 2,705)
A22500	Gains on disposal of real estate, plant, and equipment	20,504	( 359)
A23700	Goodwill impairment loss	-	10,000
A23700	Allowance for inventories	12,879	23,108
A29900	gain on Disposal of subsidiary company of investments	-	( 11,778)
A24100	Net foreign currency exchange profits	34,134	( 3,035)
A24200	Loss from redemption and reversal of corporate bonds payables	-	8
A30000	Net changes in operating assets and liabilities		
A31130	Notes receivable	2,304	( 310)
A31150	Accounts receivable	30,524	269,187
A31180	Other receivables	13,527	( 13,210)
A31200	Inventories	( 64,112)	( 291,308)
A31230	Prepayments	( 18,155)	50,479
A31240	Other current assets	1,226	( 6,505)
A32125	Contract liabilities	( 61,624)	20,421
A32130	Notes payable	( 3,780)	18,986
A32150	Accounts payable	( 482,610)	( 215,295)
A32180	Other payables	( 54,962)	( 37,842)
A32230	Other current liabilities	3,800	( 7,556)
A33000	Cash from operating activities	324,583	729,463
A33300	Interest paid	( 11,926)	( 12,083)
A33500	Income tax paid	( 72,064)	( 95,269)
AAAA	Net cash flows from operating activities	240,593	622,111

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Code		2022	2021
	Cash flows from investing activities		
B00040	Acquisition of financial assets at amortized cost	( 304,394)	-
B00050	Disposal of financial assets at amortized cost	-	4,141
B00100	Acquisition of financial assets at fair value through profit or loss	( 176,376)	( 43,471)
B00200	Proceeds from sale of financial assets at fair value through profit or loss	44,094	8,694
B01800	Acquisition of affiliates	-	( 20,085)
B02300	Net cash inflow from dispossessed subsidiaries	-	56,682
B02700	Purchase of real estate, plant, and equipment	( 442,772)	( 271,477)
B02800	Disposal of real estate, plant, and equipment	61,452	21,810
B03700	Refundable deposits paid	( 3,212)	( 1,463)
B04500	Purchase of intangible asset	( 6,314)	( 7,772)
B05400	Acquisition of investment properties	( 1,002,044)	-
B07100	Increases Prepayments for business facilities	-	( 54,830)
B07200	Decrease in prepayments for business facilities	14,811	-
B06100	Decrease in long-term lease and installment receivables	6,661	6,250
B07500	Interest received	16,113	7,862
BBBB	Net cash generated from/(used in) investing activities	( 1,791,981)	( 293,659)
	Cash flows from financing activities		
C00100	Increases in short-term borrowings	-	161,881
C00200	Decrease in short-term borrowings	( 159,765)	-
C01200	Proceeds from issuance of convertible bonds	-	1,602,305
C01300	Repayments of bonds	-	( 200)
C03000	Guarantee deposits received	3,436	-
C03100	Guarantee deposits received return	-	( 64)
C04020	Cash payments for the principal portion of the lease liability	( 66,218)	( 56,947)
C05400	Acquisition of ownership interests in subsidiaries	( 14,205)	-
C05800	Change in non-controlling interests	15,000	-
C04500	Dividend paid to shareholders	( 155,984)	( 271,628)
C04900	Payments for buy-back of ordinary shares	( 34,401)	-
CCCC	Net cash (outflow) inflow from fundraising activities	412,137	1,435,347
DDDD	Effect of exchange rate changes on cash and cash equivalents	48,621	( 11,203)
EEEE	Net increase in cash and cash equivalents	( 1,914,904)	1,752,596
E00100	Cash and cash equivalents at beginning of year	3,392,595	1,639,999
E00200	Cash and cash equivalents at end of year	\$ 1,477,691	\$ 3,392,595

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

Chairman: Hsu, Chi-Feng  
 Manager: Eu, Ricky  
 Accounting Supervisor: Chien, Yi-Ling

Lemtech Holdings Co., Limited and its subsidiaries  
Notes to the Consolidated Financial Statements  
For the Years Ended December 31, 2022 and 2021  
(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

I. Company History

Lemtech Holdings Co., Limited (hereinafter referred to as "the company") was established in the British Cayman Islands in September 2009. It is founded during organizational restructure mainly to apply for registration with the Taipei Exchange to facilitate stock trading. After the restructuring, the company became the controlling company of Lemtech Global Solution Co. Ltd. (hereinafter referred to as "Global Solution"), and obtained shares of Global Solution at a conversion ratio of 24.99: 1. The company, Global Solution and its subsidiaries (hereinafter referred to as the "combined company") mainly engaged in the production and design of various types of fine blanking die, non-metal die-casting toolings, computer connectors, computer cooling modules and other new electronic plug-ins and the sales of self-produced products. The company's stock has been traded in the Taipei Exchange since Apr. 29, 2011, and it was listed and traded in the Taiwan Stock Exchange Corporation since May 21, 2015. The company's functional currency is New Taiwan Dollars.

II. Approval Date and Procedures of the Financial Statements

The Consolidated Financial Statements have been approved by the Board of Directors on March 29, 2023.

III. Application of New and Amended Standards and Interpretations

(I) Initial application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations Committee (IFRIC), and Standard Interpretations Committee (SIC) (the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (the "FSC")

The application of the revised financial reporting standards for securities issuers and the IFRSs approved and published by the Financial Supervisory Commission (FSC) will not result in significant changes to the accounting policies of the consolidated company.

As of the date of issuance of this consolidated financial report, the consolidated company continues to assess the impact of revisions to other standards and interpretations on its financial position and performance, and relevant effects will be disclosed when the assessment is completed.

(II) FSC-endorsed IFRSs that are applicable from 2023 onward

<u>New Standards, Interpretations, and Amendments</u>	<u>Effective Date Issued by IASB</u>
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 Liabilities Arising from a Single Transaction with a Taxable Presence in a Jurisdiction"	January 1, 2023 (Note 3)

Note 1: This amendment applies to annual reporting periods beginning January 1, 2023.

Note 2: This amendment applies to changes in accounting estimates and changes in accounting policies that occur during the reporting period beginning January 1, 2023

Note 3: Except for the recognition of deferred income tax on temporary differences in lease and decommissioning obligations on January 1, 2022, this amendment is applicable to transactions occurring after January 1, 2022

As of the date of adoption of this consolidated financial report, the amendments to other standards and interpretations of the consolidated company's assessment will not have a significant impact on its financial position and financial performance.

(III) Standards issued by IASB but not yet endorsed by FSC

<u>New Standards, Interpretations, and Amendments</u>	<u>Effective Date Published by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	TBD
Amendments to IFRS16 "Lease Liability in Sale and Leaseback"	January 1, 2024(Note 2)
IFRS17 "Insurance Contracts"	January 1, 2023
Amendment of IFRS 17	January 1, 2023
Amendments of IFRS 17 "Initial application of IFRS 17 and IFRS 9 - Comparative information"	January 1, 2023
Amendments to IAS1 "Classify Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current liabilities with contractual terms"	January 1, 2024

Note 1: Unless otherwise specified, the above-mentioned newly issued/amended/revised standards or interpretations are effective for the annual reporting period starting after the respective dates.

Note 2: The seller and lessee should apply the amendments of IFRS 16 retrospectively to the sale and leaseback transactions signed after the first application of IFRS 16

As of the release date of this consolidated financial report, the consolidated company is still evaluating the impact of amendments to other standards and interpretations on its financial status and financial performance, and the relevant impact will be disclosed when the assessment is completed.



#### IV. Summary of Significant Accounting Policies

##### (I) Statement of Compliance

The Consolidated Financial Report was formulated in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs endorsed by the FSC that have entered into effect.

##### (II) Basis of Preparation

The consolidated financial reports were prepared on a historical cost basis, except for financial instruments measured at fair value.

The fair value measurement is classified into 3 levels based on the observability and importance of related input:

1. Level 1 inputs: Quoted (unadjusted) prices of identical assets or liabilities obtainable in active markets on the measurement date.
2. Level 2 inputs: Inputs, other than quoted market prices within level 1, that are observable directly (i.e. the price) or indirectly (deduced from the price) for the assets or liabilities.
3. Level 3 inputs: Unobservable inputs for the assets or liabilities.

##### (III) 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 balance sheet date; and
3. Cash and cash equivalent (excluding assets restricted from being exchanged or used to settle a liability for at least 12 months after the balance sheet date).

Current liabilities include:

1. Liabilities held primarily for the purpose of trading;
2. Liabilities to be settled within 12 months after the balance sheet date; and
3. Liabilities with a repayment deadline that cannot be unconditionally deferred till at least 12 months after the balance sheet date.

The company shall classify all other assets or liabilities that are not specified above as non-current.

##### (IV) Basis of Consolidation

The Consolidated Financial Report includes the financial reports of the company and its wholly owned subsidiaries. Income and expenses of subsidiaries acquired or disposed of are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. The financial reports of subsidiaries have been reorganized to bring uniformity in their accounting policies and those of the combined company. In the Consolidated Financial Report, all intercompany transactions, account balances, income and expenses between the entities have been offset. A subsidiary's total comprehensive income is attributed to the shareholders of the company and non-controlling interests, even if non-controlling interests become deficit balance in the process.

When a change is effected in the ownership of the subsidiary, the combined company does not lose control of it and it will be treated as equity transaction. The carrying amounts of the combined company and its non-controlling interests have been adjusted to reflect the relative

changes in the interest of the subsidiaries. The difference between the adjusted amount in non-controlling interest and the fair value of consideration will be considered as interest belonging to the owners of the company.

Please refer to Note 13 and Attachment 8 and 9 for details, shareholding ratio, and operations of subsidiaries.

(V) Foreign currencies

In preparing each individual financial statement, transactions denominated in a currency other than the entity's functional currency (i.e. foreign currency) are translated into the entity's functional currency by using the exchange rate at the date of the transaction before they are recorded by each entity.

Monetary items denominated in foreign currencies are translated at the closing rates on the balance sheet date. Exchange differences arising on the settlement or on translating of monetary items 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 translated at the rates prevailing at the date when the fair value was determined. The resulting exchange difference is recognized in gain or loss. For items whose changes in fair value are recognized in other comprehensive income, the resulting exchange difference is recognized in other comprehensive income.

Non-monetary items measured at historical cost that are denominated in foreign currencies are translated at the rates of exchange prevailing on the transaction dates and are not re-translated.

In the preparation of the consolidated financial statements, the assets and liabilities of foreign operations (including subsidiaries, affiliated companies, and branch office that operate in a country or currency different from the Company) are translated into the New Taiwan dollar at the closing rate of exchange prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Where exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity and attributed to the proprietors of the company and non-controlling interests as appropriate.

(VI) Inventories

Inventories include raw materials, work in progress and finished goods. The value of inventory shall be determined based on the cost and Net Realizable Value (NRV), whichever is lower. With the exception of inventory of the same category, individual items shall be assessed when comparing the cost and NRV. The NRV is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale. Cost of inventory is calculated using weighted-average method.

(VII) Investment in the affiliates

Affiliates are entities over which the combined company has significant influence but they are neither subsidiaries nor joint ventures.

The combined company follows equity method for investment in affiliates.

Under the equity method, the investment on affiliates is initially recognized at cost and adjusted thereafter for the post-acquisition change in the investor's interest in gain and loss, shares in other comprehensive income and profit distribution by the affiliates. Also, the

combined company's interest in affiliates and joint ventures are recognized in accordance with the shareholding ratio.

Any excess of acquisition cost over the combined company's share of an affiliate's or a joint venture's identifiable assets and liabilities measured at the fair value on the date of acquisition is recognized as goodwill. The goodwill shall be included in the carrying amount of the investment but not allowed for amortization. If the combined company's share of the net fair value of the identifiable assets and liabilities exceeds acquisition cost, the excessive amount is recognized immediately in gain or loss.

When the combined company's share of loss derived from the investment of an affiliate equals or exceeds the combined company's interest (including the carrying amount of the investment and other long-term substantial interests in the affiliate's net asset in proportion to ownership percentage), the combined company shall cease recognizing losses further. The combined company only recognizes extra losses and liabilities to the extent that there is a legal obligation, constructive obligation, or payment on behalf of an affiliate.

When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of the value in use and fair value less costs to sell) with its carrying amount. Any impairment loss will not be recognized as a charge against the carrying amount of an investment (including goodwill). Any reversal of the impairment loss shall be recognized after subsequent increases in the recoverable amount of investment.

Gain or loss in upstream and downstream transactions between the combined company and the affiliates or transactions between investees needs to be shown in the Consolidated Financial Report when not affecting the interests of the combined company or the affiliate.

#### (VIII) Property, Plant and Equipment

Property, Plant and Equipment are recognized at cost and subsequently measured at cost less accumulated depreciation and impairment.

Property, Plant and Equipment under construction are recognized at cost less accumulated impairment. The cost shall include professional service expenses and the cost of loans eligible for capitalization. Such assets shall be classified into appropriate Property, Plant and Equipment categories upon completion and reaching the expected use status and the depreciation shall begin.

Except that the depreciation of own land is not mentioned, the depreciation of real estate, plant, and equipment in its useful life is made on a straight-line basis for each major part/component separately. The combined company must conduct at least one annual review at the end of each year to assess the estimated useful life, residual value, and depreciation methods and infer the effect of changes in accounting estimates.

When derecognizing Property, Plant and Equipment, the difference between the net disposal proceeds and the carrying amount of the asset shall be recognized in gain or loss.

#### (IX) Investment property

Investment property refers to real estate held for the purpose of earning rent or capital appreciation or both. Investment property also includes land held for which the future use has not yet been determined.

Owned investment property is initially measured at cost (including transaction costs), and subsequently measured at the cost after deducting accumulated depreciation and accumulated impairment losses.

All investment property is depreciated on a straight-line basis.

When investment property is delisted, the difference between the net disposal price and the book value of the asset is recognized in profit or loss.

(X) Goodwill

The value of goodwill received through business combination has to be shown as the amount of goodwill recognized on the acquisition date and subsequently evaluated as cost less accumulated impairment loss.

To evaluate impairment, the goodwill is distributed among various cash-generating units or cash-generating groups which the combined company hopes to derive benefit from the overall performance after business combination (hereinafter referred to as the "cash-generating units").

The cash-generating units that were allocated the goodwill will compare the unit's carrying amount and its recoverable amount including goodwill every year (and whenever there are signs of impairment) to evaluate the impairment of the unit. If the goodwill was obtained by the cash-generating unit through a business combination in the current year, an impairment test is to be conducted prior to the end of the current year. If the recoverable amount of the cash-generating unit that received goodwill is lower than the carrying amount, the loss on impairment is added to the carrying cost of the unit that got goodwill allocation. The proportion of reduction in other carrying amounts of assets in the unit will be used to reduce the carrying cost of such asset. Any impairment loss is recognized directly as loss in the current period. Loss in impairment of goodwill cannot be reversed subsequently.

When disposing a certain operation within the cash-generating unit with amortized goodwill, the amount of goodwill related to the disposed operations is included in the carrying amount of the operations to determine the disposal of gain or loss.

(XI) 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 loss. Amortization is recognized using the straight-line method. The combined company must conduct at least one annual review at the end of each year to assess the estimated useful life, residual value, and depreciation methods and infer the effect of changes in accounting estimates.

2. Acquisition from business combinations

Intangible assets acquired in a business combination are recognized at fair value at the acquisition date, with goodwill recognized separately and are subsequently measured the same separately as intangible assets acquired separately.

3. Derecognition

When derecognition of an intangible asset, the difference between the net proceed of disposal and the carrying amount of the asset is recognized in gain or loss for the period.

(XII) Impairment of real estate, plant, and equipment, right-of-use assets, investment property, intangible assets (excluding goodwill), and contract costs

On each balance sheet date, the Group reviews the carrying amounts of real estate, plant, and equipment, right-of-use assets, investment property, intangible assets (excluding goodwill), to determine whether there is any indication that those assets have suffered an impairment loss. If there is any sign of impairment, an estimate is made of its recoverable amount. If it is not possible to determine the recoverable amount of an individual asset, the combined company must determine the recoverable amount for the asset's cash-generating unit.

The recoverable amount is the fair value minus cost of sales or its value in use, whichever is higher. If the individual asset or recoverable amount of the cash generating unit is lower than the carrying amount, the carrying amount of the asset or of the cash generating unit will be reduced to the extent of recoverable amount and the impairment loss will be recognized in gain or loss.

The amount of the impairment loss on inventories, real estate, plant and equipment and intangible assets recognized due to customer contracts shall be recognized, firstly, in accordance with rules governing the impairment of inventory and the above rules governing the recognition of impairment. Secondly, where the carrying amount of the contract cost relevant assets exceeds the sum of the estimated balance that the relevant product or service is expected to be received minus relevant costs, such amount shall be recognized as impairment loss. Subsequently, the carrying amount of the contract cost relevant assets shall be accounted for in the cash-generating unit in which they belong in order to conduct impairment assessment on the cash-generating unit.

When the impairment loss is subsequently reversed, the carrying amount of an asset, the cash generating unit, or the contract cost-related asset is reversed to the extent not exceed the carrying amount (minus amortization or depreciation) of the asset, cash generating unit, or contract cost-related asset that had not been impaired in the previous years. The reversed impairment loss will be recognized in gain or loss.

(XIII) Financial instruments

Financial assets and liabilities will be recognized in the balance sheet when the combined company becomes a party to the contract of financial instrument.

When recognizing the original financial assets and liabilities, if they are not measured at fair value through profit or loss, it is assessed based on the fair value plus the cost of transaction, that is, of its acquisition or issuance of the financial assets or financial liabilities. The transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities at fair value through profit or loss shall be immediately recognized in profit and loss.

1. Financial assets

Regular trading of financial assets shall be recognized and derecognized in accordance with trade date accounting.

(1) Measurement types

Financial assets held by the combined company are classified as financial assets at fair value through profit or loss and the financial assets at amortized cost.

A. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets mandatorily measured at fair value through profit or loss and financial assets designated as at fair value through profit or loss. Such assets include investments in equity instruments that are not designated by the combined company to be measured at fair value through other comprehensive income and investments in debt instruments that fail to meet the criteria as to be measured at amortized cost or at fair value through other comprehensive income.

Financial assets are designated as measured at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency.

Such assets are measured at fair value, their interest and remeasurement benefits or losses are recognized in other profits and losses. Please refer to Note 35 for the methods for determining fair values.

B. Financial assets at amortized cost

When the combined company's investments in financial assets satisfy the following two conditions simultaneously, they are classified as financial assets measured at amortized cost:

- a. Financial assets are under a business model whose purpose is to hold financial assets and collecting contractual cash flows; and
- b. The terms of the contract generate a cash flow on a specified date that is solely for the payment of interest on the principal and the amount of principal outstanding.

Subsequent to initial recognition, such assets (including cash and cash equivalents, note receivables, accounts receivable, other receivables, finance lease receivables, and refundable deposits that are measured at amortized cost) are measured at the amortized cost equal to the gross carrying amount as determined using the effective interest method less any impairment loss; any foreign exchange gain or loss arising therefrom is recognized in profit or loss.

Except for the following two circumstances, interest revenue is calculated at the value of effective interest rate times the gross carrying amount of financial assets:

- a. For purchased or originated credit-impaired financial assets, interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial assets.
- b. Financial assets that are not credit impairment from purchases or at the time of founding but subsequently become credit impairments shall be calculated by multiplying the effective interest rate in the reporting period after the credit impairment by the cost after the amortization of financial assets.

Cash equivalents include fixed deposits obtained within three months with high liquidity and relatively low price changes convertible to cash any time. They are used for meeting short-term cash commitments.

(2) Impairment of financial assets and contract assets

On each balance sheet date, the combined company assesses the impairment loss of financial assets (including accounts receivable) and finance lease receivables measured at amortized cost based on expected credit losses.

Loss allowance shall be recognized for accounts receivable and finance lease receivable based on lifetime expected credit losses. Other financial assets are first assessed based on whether the credit risk has increased significantly since the original recognition. If there is no significant increase in risks, an allowance for expected credit loss shall be recognized based on a 12-month period. If the risks have increased significantly, loss allowance shall be recognized in the lifetime of such assets.

The expected credit loss is the weighted average credit loss determined by the risk of default. The 12-month expected credit losses represent the expected credit losses from possible defaults of the financial instrument within 12 months after the reporting date. The lifetime expected credit losses represent the expected credit losses from all possible defaults of the financial instrument during the expected period of existence.

For the purpose of internal credit risk management, without consideration of the collateral held, the combined company shall determined that a default of financial instrument has occurred if one of the following applies:

- A. Internal or external information indicates that it is not possible for the debtor to settle the debt.
- B. Overdue for more than one year, unless there is reasonable evidence showing that a delayed basis of default is more appropriate.

The impairment loss of all financial assets is accrued from their carrying amount based on the allowance account. However, the allowance for the investment in the debt instruments measured at fair value through other comprehensive income is recognized in other comprehensive income and shall not reduce its carrying amount.

(3) Derecognition of financial assets

The combined company may only derecognize the financial assets when the contractual rights to the cash flow from the asset expire or when the company transfers all the risks and rewards of ownership of the financial assets to other enterprises substantially.

On derecognition of a financial asset measured at amortized cost in its entirety, the difference between the carrying amount and the sum of the consideration received is recognized in gain or loss. On derecognition of debt instruments measured at fair value through other comprehensive income in its entirety, the difference between the financial asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. When the equity instrument investment measured at fair value through other comprehensive profits and losses is derecognized as a whole, the cumulative profit or loss is directly transferred to retained earnings and not reclassified to profit or loss.

2. Financial liabilities

(1) Subsequent measurement

All financial liabilities are measured at amortized cost, using the effective interest method, except for:

Financial liabilities at fair value through profit or loss (FVTPL)

Financial liabilities at fair value through profit or loss are designated as measured at fair value through profit or loss.

The combined company designated the financial liabilities as being measured at fair value through profit or loss in the original recognition in the following cases:

- A. it eliminates or significantly reduces a measurement or recognition inconsistency; or
- B. a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the investment is provided internally on that basis to the key management personnel.



C. Designate the overall mixed (combined) contract containing one or more embedded derivatives.

Once designated as financial liabilities at fair value through profit or loss, its amount of changes in fair value due to changes in credit risk is recognized in other comprehensive income, and will not be reclassified to profit or loss, will only be reclassified to retained earnings when derecognizing such financial liabilities. Except for the interest accrued, which is recognized in financial costs, the changes in fair value of such liability are reported in other gains and losses. However, if change in fair value due to credit risk is recognized in other comprehensive income, its will cause or worsen the accounting mismatch, then such changes in fair value of the liability in its entirety shall be fully recognized in gain or loss.

Please refer to Note 35 for the methods for determining fair values.

(2) Derecognition of financial liabilities

When derecognizing financial liabilities, the difference between its carrying amount and the paid consideration (including any transferred non-cash assets or liabilities assumed) shall be recognized in gain or loss.

3. Convertible bonds

Compound financial instruments issued by the combined company (convertible bonds) are classified separately as financial liabilities and equity in accordance with the substance of contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, fair value of the liability component is calculated by using the prevailing market interest rate of similar non-convertible instruments. This amount is recorded as a liability amortized at effective interest method until extinguished upon conversion or the instrument's maturity date. The liability component of an embedded derivative instrument is measured at fair value.

Conversion option is the equity component of a compound financial instrument which is measured at the amount of the fair value of the overall compound instrument deducted by the fair value of the liability component. The amount of the conversion option net of tax is recognized as equity so is not subsequently remeasured. When the conversion option is exercised, the associated liability component and the amounts recognized in equity are transferred to share capital and reserves – premium. If the conversion option of convertible bonds remains unexercised at the maturity date, the amount recognized in equity will be transferred to capital surplus – premium.

Transaction costs that relate to the issuance of the convertible bonds are divided into liability (list the carrying amount of liability) and equity (list in equity) components and in proportion to the respective values of the liability and equity components of the overall instrument.

4. Derivatives

The derivative instruments signed by the combined company are structured time deposits, which are for managing its exposure to interest rate risks and foreign exchange rate risks.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently re-measured 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 hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

If derivatives are embedded in the asset master contract within the scope of IFRS 9, the classification of financial assets is determined by the overall contract. If derivatives are embedded in an asset master contract that is not in the scope of IFRS 9 (e.g., embedded in the master contract of financial liabilities), and if the derivatives embedded meet the definition of a derivative of which their risks and characteristics are not closely related to those of the master contract, and the contracts are not measured at fair value through profit or loss, the derivatives are recognized as separate derivatives.

(XIV) Revenue Recognition

After the combined company identifies its performance obligations in contracts with customers, it shall amortize the transaction costs to each obligation in the contract and recognize revenue upon satisfaction of performance obligations.

Revenue from sales of goods

Revenue is derived from the sales of computer, communication, consumer electronics, automotive components and fitness equipment. Because the customer has the right to use the product when the product is sold, and bears the risk of loss or damage to the product, the combined company recognizes the revenue and accounts receivable at that point.

(XV) Leases

The combined company assesses whether a contract is (or contains) a lease on the execution date of the contract.

1. The combined company is a lessor

Leases in which the lessee assumes substantially all of the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases.

When the combined company subleases the right-of-use asset, it determines the classification of the sublease by the right-of-use asset (not the underlying asset). However, if the main lease is a short-term lease where the recognition exemption is applicable for the combined company, the sublease is classified as an operating lease.

Under finance leases, lease payments are fixed payments. Net lease investment is measured as the sum of the present value of lease receivables and unguaranteed residual value plus the original direct cost and expressed as finance lease receivable. Financing income is allocated to each accounting period to reflect the fixed rate of return on the unexpired net lease investment of the combined company in each period.

Under operating leases, lease payments net of lease incentives are recognized as income on a straight-line basis over the relevant lease period.

When the lease includes both land and building elements, the company evaluates whether the classification of each element is a finance lease or an operating lease based on whether almost all the risks and rewards attached to the ownership of each element have been transferred to the lessee. Lease payments are apportioned to land and buildings in proportion to the fair value of the land and building leasehold rights on the date of contract establishment. If the lease payments can be allocated reliably between these two elements, each element is treated according to the applicable lease classification. If the lease payments cannot be reliably allocated to these two elements, the entire lease is classified as a finance lease, but if both elements clearly meet the criteria for an operating lease, the entire lease is classified as an operating lease.

2. The combined company is a Lessee

A right-of-use asset and a lease liability are recognized for all leases at the inception date of such leases, except for leases qualified for recognition exemption, e.g. leases with low-value underlying assets and short-term leases, for which an expense is recognized on a straight-line basis over the lease term.

The right-of-use asset is initially measured at cost (including the original measured amount of the lease liability,) and subsequently measured at cost minus the accumulated depreciation and the accumulated impairment loss and adjusted for the remeasurement of the lease liability. Right-of-use assets are expressed separately in the consolidated balance sheet.

A right-of-use asset is depreciated on a straight-line basis over the period from the lease commencement date to the end of its useful lives, or to the end of the lease term, whichever is earlier.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments and in-substance fixed payments. If the interest rate implicit in a lease can be easily determined, the lease payment is discounted at the interest rate. If the interest rate cannot be easily determined, the lessee's incremental borrowing rate of interest shall be used.

Subsequently, lease liabilities are measured at the amortized cost using the effective interest rate method, and interest expense is amortized over the lease term. In the case that future lease payments change as a result of a change in the lease term, the combined company remeasures the lease liability and correspondingly adjusts the right-of-use asset, except in the case when the carrying amount of the right-of-use asset has reduced to zero, in which case any residual remeasured amount shall be recognized in gain or loss. Lease liabilities are expressed separately in the consolidated balance sheet. Government subsidies

Government subsidies are only recognized when they can be reasonably assured that the combined company will comply with the conditions imposed by government subsidies and that such subsidies will be recognized when received.

If the government subsidy is used to compensate fees or losses that had occurred, or is given to the combined company for the purpose of immediate financial support without related future costs, it can be recognized as income within the collectible period.

(XVI) Employee benefits

1. Short-term employee benefits

Related liabilities for short-term employee benefits are measured by the non-discounted amount expected to be paid in exchange for employee services.

2. Benefits after retirement

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

(XVII) Income tax

Income tax expenses are the sum of current income tax and deferred income tax.

1. Current income tax

The Group determines the current income (loss) in accordance with the laws and regulations established by each income tax jurisdiction, and calculates the income tax payable (recoverable) on such basis.

A tax is levied on the unappropriated earnings pursuant to the Income Tax Act and is recorded as an income tax expense in the year when the shareholders' meeting resolves to appropriate the earnings.

Adjustments to income tax payable from previous years are recognized in the income tax of current year.

2. Deferred income tax

Deferred income tax is calculated based on the temporary difference between the carrying amount of the assets and liabilities and the taxable basis of the taxable income.

Deferred income tax liabilities are generally recognized for all taxable temporary differences and deferred income tax assets are recognized when there are likely to be taxable income for the deductible temporary differences or the carryforward of unused tax losses.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and affiliates, except where the combined 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 these investments 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 the deferred income tax assets is re-examined at each balance sheet date and the carrying amount is reduced for assets that are no longer likely to generate sufficient taxable income to recover all or part of the assets. Assets that have not been recognized as deferred income tax assets are re-examined at each balance sheet date and the carrying amount is increased for assets that are likely to generate sufficient taxable income to recover all or part of the assets.

Deferred income tax assets and liabilities are measured at the tax rate of the period of expected repayment of liabilities or realization of assets. The rate is based on the

tax rate and tax laws that have been enacted prior to the balance sheet date or have been substantially legislated. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the combined company expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

3. Current and deferred taxes for the year

Current and deferred income tax are recognized in gain 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.

If current income or deferred tax arises from business combination, the income tax effects are included in the accounting of business combination.

V. Significant Accounting Judgments, Estimates and Key Sources of Uncertainty over Assumptions

When the combined company adopts accounting policies, the management must make judgments, estimates and assumptions based on historical experience and other critical factors for related information that are not readily available from other sources. Actual results may differ from original estimates.

The merged company will take the recent development of the novel coronavirus pneumonia epidemic in my country and the possible impact on the economic environment into consideration of cash flow estimates, growth rates, discount rates, profitability and other relevant major accounting estimates. The management will continue to Examine estimates and underlying assumptions. If the revision of the estimate affects only the current period, it is recognized in the current period of revision; if an amendment of accounting estimates affects the current year and future periods, it shall be recognized in the current year and future periods.

Major Sources of Uncertainty in Estimates and Assumptions

(I) Estimated impairment of accounts receivable

The estimated impairment of accounts receivable is based on the combined company's assumptions about the probability of default and the loss given default. Merging companies consider historical experience, current market conditions and forward-looking information to make assumptions and select inputs for impairment assessments. Please refer to Note X for important assumptions and input values adopted. If the actual future cash flow is less than the combined company's expectations, significant impairment losses may arise.

(II) impairment of inventories

The net realizable value of inventories is the estimated selling price in the normal course of business less the estimated costs to be invested to completion and the estimated costs to complete the sale, which are based on current market conditions and historical sales of similar products Based on experience assessment, changes in market conditions may significantly affect the results of these estimates.

VI. Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand and working capital	\$ 1,165	\$ 1,029
Checking accounts and demand deposits	1,065,450	1,674,888
Cash equivalents (investments with original maturity date of less than three months)		
Bank fixed deposit	411,076	1,716,678
	<u>\$ 1,477,691</u>	<u>\$ 3,392,595</u>

VII. Financial instruments measured at fair value through profit or loss

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Financial assets - Current		
Mandatorily measured at fair value through profit or loss		
Mixed financial assets -		
Structured deposits (I)	<u>\$ 177,240</u>	<u>\$ 43,606</u>
Financial assets - Non-current		
Designated as fair value through profit and loss		
Derivatives (hedge unspecified) -		
Redemption Option	<u>\$ 17,600</u>	<u>\$ -</u>
Financial liabilities - Non-current		
Designated as fair value through profit and loss		
Derivatives (hedge unspecified) -		
Redemption Option	<u>\$ -</u>	<u>\$ 965</u>

- (I) In 2022, the combined company signed a 3~7 month structured time deposit contract with the bank. The structured deposits include an embedded derivative that is not closely related to the main contract. Because the main contract included in the hybrid contract is an asset within the scope of IFRS 9, the overall hybrid contract evaluation is mandatory to be classified as fair value through profit or loss.

VIII. Financial assets at amortized cost

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current		
Domestic investment		
Bank deposits - restricted	\$ 47,303	\$ -
Time deposit with original maturity over 3 months		
Time deposit with original maturity over 3 months	212,997	-
	<u>\$ 260,300</u>	<u>\$ -</u>
Non-Current		
Domestic investment		
Time deposits with original maturity over one year	<u>\$ 44,094</u>	<u>\$ -</u>

Please refer to Note 37 for information on the pledge of financial assets measured at amortized cost.

#### IX. Credit Risk Management for Debt Instruments

All debt instruments invested by the combined company are financial assets measured at amortized cost.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Total carrying amount	\$ 304,394	\$ -
Loss allowance	<u>\$ -</u>	<u>-</u>
Amortized cost	<u>\$ 304,394</u>	<u>\$ -</u>

To mitigate credit risk, the management of the combined company shall perform credit rating assessments to assess the default risk of debt instrument investment institutions. For credit rating items which lacks external rating information, appropriate internal rating shall be given by referencing public financial information. The combined company continuously tracks information such as material information from the financial institutions to monitor changes in the credit risk of the debt instruments it has invested in, and evaluates whether the credit risk of the debt instrument investments has increased significantly since its original recognition.

The combined company takes stock of the historical default records and current financial conditions of financial institutions provided by the internal credit rating team, so as to measure the 12-month expected credit loss or the lifetime expected credit loss of the debt instrument investment.

The combined company's current credit risk rating mechanism and the total carrying amount of investments in debt instruments at each credit rating are as follows:

<u>Credit Rating</u>	<u>Definition</u>	<u>Basis of Recognition of Expected Credit Losses</u>
Normal	The debtor has a low credit risk and is fully capable of paying off contractual cash flows.	12-month expected credit losses

The total book value of each credit rating debt instrument investment and the applicable expected credit loss rate are as follows:

<u>Credit Rating</u>	<u>Expected credit loss rate</u>	<u>Total carrying amount</u>	
		<u>Measured at amortized cost</u>	
		<u>December 31, 2022</u>	<u>December 31, 2021</u>
Normal	0%	<u>\$ 304,394</u>	<u>\$ -</u>

X. Notes receivable, accounts receivable and other receivables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Notes receivable - operating</u>		
Measured at amortized cost		
Total carrying amount	\$ 1,543	\$ 3,847
Deduct: Loss allowance	<u>-</u>	<u>-</u>
	<u>\$ 1,543</u>	<u>\$ 3,847</u>
<u>Accounts receivable</u>		
Measured at amortized cost		
Total carrying amount	\$ 1,895,360	\$ 1,925,884
Deduct: Loss allowance	( 28,194)	( 15,564)
	<u>\$ 1,867,166</u>	<u>\$ 1,910,320</u>
<u>Other receivables</u>		
Others	<u>\$ 22,691</u>	<u>\$ 36,218</u>

Note receivables and account receivables

The average credit granting period for product sales of combined company is 150 days. The combined company adopts a policy of treating transactions with counterparties approved by the company's credit ratings assessment and where necessary, sufficient collateral is obtained to mitigate the risk of financial losses arising from defaults. The combined company shall use publicly obtainable financial information and past transaction records to grade main customers. The combined company continues to monitor credit risk exposure and the credit ratings of counterparties, and diversify total transaction amounts among qualified customers. It also controls credit risk exposure through reviews and credit line approval by the management.

The combined company recognizes loss allowance for accounts receivable in accordance with lifetime expected credit loss. Lifetime expected credit losses are calculated based on the bad debt provision matrix which accounts for the customer's past default records, current financial status, and economic conditions in the industry. GDP forecasts and the outlook of the industry are also considered. The combined company separates individual customers into different risk groups and recognizes loss allowance based on the expected loss rate of each group.

The combined company has no notes receivable that are overdue but for which allowance has not been recognized as of the balance sheet date, and considering that no impairment has occurred in the past, the expected credit impairment loss rate of notes receivable is set at 0%. The combined company writes off accounts receivable when there is information indicating that the debtor is experiencing severe financial difficulty and there is no realistic prospect of recovery of the receivables. For accounts receivable that have been written off, the combined company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in gain or loss.

Measurement of loss allowance for notes receivable and accounts receivable based on provisional matrix by the combined company is as follows:



## December 31, 2022

	Not overdue	1 - 60 days overdue	61 - 120 days overdue	121 - 180 days overdue	181 - 240 days overdue	241 - 365 days overdue	Overdue over 365 days	Total
Expected credit loss rate	0%-1.55%	1%-23.46%	0%-23.25%	0%-34.39%	0%-48.4%	0%-90.37%	34.5.67%-100%	
Total carrying amount	\$ 1,151,242	\$ 220,059	\$ 226,284	\$ 269,512	\$ 3,819	\$ 16,624	\$ 9,363	\$1,896,903
Loss allowance (lifetime expected credit loss)	( 974)	( 1,813)	( 1,773)	( 6,076)	( 2,387)	( 6,095)	( 9,076)	( 15,564)
Amortized cost	<u>\$ 1,150,268</u>	<u>\$ 218,246</u>	<u>\$ 224,511</u>	<u>\$ 263,436</u>	<u>\$ 1,432</u>	<u>\$ 10,529</u>	<u>\$ 287</u>	<u>\$ 1,868,709</u>

## December 31, 2021

	Not overdue	1 - 60 days overdue	61 - 120 days overdue	121 - 180 days overdue	181 - 240 days overdue	241 - 365 days overdue	Overdue over 365 days	Total
Expected credit loss rate	0%-7.17%	0%-12.4%	0%-17.89%	0%-27.16%	16.12%-38.88%	17.7%-70.94%	44.67%-100%	
Total carrying amount	\$ 1,770,677	\$ 135,214	\$ 6,808	\$ 5,965	\$ 2,099	\$ 2,419	\$6,549	\$1,929,731
Loss allowance (lifetime expected credit loss)	( 837)	( 5,412)	( 371)	( 606)	( 157)	( 1,688)	( 6,493)	( 15,564)
Amortized cost	<u>\$ 1,769,840</u>	<u>\$ 129,802</u>	<u>\$ 6,437</u>	<u>\$ 5,359</u>	<u>\$ 1,942</u>	<u>\$ 731</u>	<u>\$ 56</u>	<u>\$ 1,914,167</u>

Changes in loss allowance for accounts receivable are as follows:

	2022	2021
Opening balance	\$ 15,564	\$ 20,857
Addition: Impairment loss provision for the year	\$ 11,910	-
Deduct: Amounts actual written off	-	( 12 )
Deduct: Reversal impairment loss of the year	-	( 5,018)
Foreign currency translation differences	720	( 263)
Balance at the end of the year	<u>\$ 28,194</u>	<u>\$ 15,564</u>

## XI. Finance lease receivables

	December 31, 2022	December 31, 2021
Undiscounted lease payments		
Year 1	\$ 1,978	\$ 6,488
Year 2	-	1,949
	<u>1,978</u>	<u>8,633</u>
Less: unearned finance income	( 19)	( 290)
Lease payment receivable	<u>1,050</u>	<u>8,343</u>
Net investment in a lease (expressed as finance lease receivables)	<u>\$ 1,959</u>	<u>\$ 8,343</u>

The combined company sub-leased part of the leased plant in 2019 and received a fixed lease payment annually. Since the remaining period of the main lease was fully sub-leased, it was classified as a finance lease.

The interest rate implicit in a lease during the lease period will not change after a determination on the contract date. The interest rate implicit in the finance lease as of Dec. 31, 2022 is 5% per annum.

The combined company measures the loss allowance of finance lease receivables based on lifetime expected credit losses. Finance lease payment receivables are pledged by leased equipment. As of the balance sheet date, there were no overdue outstanding finance lease receivables. At the same time, considering counterparties' past default records, the future development of the relevant industry of the subject if the lease and the value of collateral, the combined company deemed that no impairment has occurred for the above financial lease payment receivable.

XII. Inventories

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Finished goods	\$ 322,601	\$ 447,623
Work-in-progress	270,838	188,469
Raw materials	<u>331,542</u>	<u>238,473</u>
	<u>\$ 924,981</u>	<u>\$ 874,565</u>

The nature of cost of goods sold is as follows:

	<u>2022</u>	<u>2021</u>
Cost of inventory sold	\$ 4,695,944	\$ 5,014,666
Loss of inventory falling price	<u>12,879</u>	<u>(23,108)</u>
	<u>\$ 40,708,823</u>	<u>\$ 5,037,774</u>

### XIII. Subsidiaries

#### Subsidiaries included in the consolidated financial reports

The entities involved in the preparation of the Consolidated Financial Statements are listed as follows:

Investor company	Name of subsidiaries	Business activities	Percentage of equity interest held		Description
			December 31, 2022	December 31, 2021	
Lemtech Holdings Co., Limited.	Lemtech Global Solution Co. Ltd. (formerly Super Solution Co., Ltd., hereinafter referred to as "Global Solution")	Investment holding companies	100	100	On November 23, 2009, all shares were obtained by a stock swap.
Lemtech Holdings Co., Limited.	Lemtech Precision Material (China) Co., Ltd (China) (hereinafter referred to as "Lemtech Precision Material")	Production and design of various types of fine blanking die, non-metal die-casting toolings, computer connectors, computer cooling modules and other new electronic plug-ins, sales of self-produced products, etc.	0.19	0.19	Merged LDC Precision Engineering Co., Ltd (Kunshan) on March 17, 2010.
Lemtech Holdings Co., Limited.	Zhenjiang Emtron Surface Treatment Limited Company (hereinafter referred to as "Emtron Company")	Surface treatment of mechanical, electronic and automotive components	100	83.33	Investment funds were remitted on January 22, 2019. (Note 3)
Lemtech Holdings Co., Limited.	Lemtech Industrial Services Ltd (hereinafter referred to as "LIS")	Sales of electronics and computer peripheral component	57	57	Note 1.
Lemtech Holdings Co., Limited.	LemTech Global Industries Ltd. (hereinafter referred to as "LemTech Global Industries")	Manufacturing and wholesale of electrical appliances, audio-visual products, other motors and electronic mechanical equipment, automobiles and their parts, and other optical and precision machinery	100	100	Established on May 13, 2021
Lemtech Holdings Co., Limited.	Lemtech International Limited (original name is Lemtech Cooling System Limited, rename on July 13, 2022. hereinafter referred to as "LIL")	Investment holding companies	100	100	Established on June 12, 2019, and funds remitted for the shares on August 22, 2019.
Lemtech Holdings Co., Limited.	Lemtech-Eahwa Precision Technology Co., Ltd. (hereinafter referred to as "Lemtech-Eahwa Precision")	Manufacturing and wholesale of electrical appliances, audio-visual electronic products, other electrical and electronic mechanical equipment, automobiles and their parts, and other optical and precision machinery	40	-	Established on March 24, 2022.
Global Solution	Lemtech Precision Material (China) Co., Ltd (China) (hereinafter referred to as "Lemtech Precision Material")	Production and design of various types of fine blanking die, non-metal die-casting toolings, computer connectors, computer cooling modules and other new electronic plug-ins, sales of self-produced products, etc.	99.81	99.81	Merged LDC Precision Engineering Co., Ltd (Kunshan) on March 17, 2010. (Note 2)
Global Solution	Lemtech Precision Engineering (Tianjin) Co., Ltd (hereinafter referred to as "Lemtech Precision Engineering")	Manufacturing of auto parts and accessories; mold manufacturing; manufacturing of metal parts for construction; manufacturing of mobile terminal equipment; manufacturing of communication equipment; manufacturing of computer hardware and software and peripheral equipment; manufacturing of electronic components; sales of mechanical parts and parts; sales of molds; Retailing of components; sales of metal fittings for construction	51	-	Established on February 11, 2022, and funds remitted for the shares on May 19, 2022. (Note 4)
LIL	Lemtech Philippine Thermal System Inc. (hereinafter referred to as "Lemtech Philippine")	Manufacturing, purchasing, sales, distribution, wholesale sales, and precision metal stamping tools, customized metal hinges, cooling modules, slides, mechanical components and other related items	-	-	Established on July 15, 2019, and funds remitted for the shares on October 30, 2019.
LIL	Lemtech Energy Solutions Corporation (Taiwan) (hereinafter referred to as "Lemtech Energy Solutions Corporation")	Manufacturing and wholesale of mechanical equipment, dies, electrical appliances and audio-visual products, other motors and electronic mechanical equipment, automobiles and their parts, and other optical and precision equipment	100	100	
LIL	Kunshan Lemtech Electronics Technology Co., Ltd. (hereinafter referred to as "Lemtech Electronics Company")	R&D, manufacturing of electronic components, special electronic materials, and thermal modules, sales of self-produced products, and wholesale, import and export of products similar to those produced by the company and their raw materials and mechanical equipment	100	100	Established on October 9, 2019, and funds remitted for the shares on December 3, 2019.
LIL	Lemtech Electronics Technology (Changshu) Co., Ltd. (hereinafter referred to as Lemtech Electronics Technology (Changshu))	Electronic component manufacturing, electronic component wholesale, electronic special material manufacturing, electronic special material sales, electronic special material research and development, lighting equipment manufacturing, lighting equipment sales, manufacturing of auto parts and accessories, manufacturing of solar equipment and components, sales of solar equipment and components, manufacturing of computer software and hardware equipment, sales of communication equipment	100	100	Established on September 24, 2020, and remitted share funds on October 26, 2020.
Lemtech Precision Material	LDC Precision Engineering Co., Ltd. (hereinafter referred to as "LDC Company")	Manufacturing and wholesale of electrical appliances, audio-visual products, other motors and electronic mechanical equipment, automobiles and their parts, and other optical and precision machinery	100	100	Established on May 10, 2010.

(Continued)

(Continued from previous page)

Investor company	Name of subsidiaries	Business activities	Percentage of equity interest held		Description
			December 31, 2022	December 31, 2021	
Lemtech Precision Material	Lemtech Technology Limited (hereinafter referred to as "Lemtech HK")	Sales of automotive, electronics and computer peripheral parts	100	100	Established on April 9, 2014.
Lemtech Precision Material	Lemtech Precision Material (CZECH) s.r.o. (hereinafter referred to as Lemtech CZ)	Manufacture of automotive parts (sunroof, brakes, seat belts, airbags, etc.) and assemblies (drive shafts for steering wheel, etc.), supply of consumer electronics parts and server product	100	100	Operations began on January 1, 2017. (Note 1)
Lemtech Precision Material	Lemtech Precision Engineering (Tianjin) Co., Ltd (hereinafter referred to as "Lemtech Precision Engineering ")	Manufacturing of auto parts and accessories; mold manufacturing; manufacturing of metal parts for construction; manufacturing of mobile terminal equipment; manufacturing of communication equipment; manufacturing of computer hardware and software and peripheral equipment; manufacturing of electronic components; sales of mechanical parts and parts; sales of molds; Retailing of components; sales of metal fittings for construction	49	-	Established on February 11, 2022, and funds remitted for the shares on May 19, 2022. (Note 4)
Lemtech HK	Lemtech USA Inc. (hereinafter referred to as "Lemtech USA")	U.S. business development, business information collection, provision of market intelligence and industry information	100	100	Established on May 31, 2013.
LIS	Kunshan Lemtech Slide Technology Co., Ltd. (China) (hereinafter referred to as "Lemtech Slide Company")	Design and production of slide rails, shafts and related accessories, and sales of self-produced products, etc.	100	100	Established on July 21, 2016.

#### Note

1. The combined company Sold 100% equity interest on July 12, 2021 for a total consideration of \$67,200,000, please refer to Note 31.
2. The combined company holds 40% of the shares of Lemtech-Eahwa Precision. Since the proportion of representative directors exceeds half, it is judged that the combined company has the substantial ability to lead the relevant activities of Lemtech-Eahwa Precision, so it is listed as a subsidiary.
3. The combined company bought back the remaining shares of Emtron Company at a price of \$14,205 thousand on February 15, 2022.
4. The combined company established Lemtech Precision Engineering on February 11, 2022 with the capital contribution of Global Solution and Lemtech Precision Material, holding 51% and 49% of the shares respectively.

XIV. Investment using equity method

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Affiliates not individually significant		
Aapico Lemtech (I)	\$ 31,056	\$ 29,945
Keycore Technology Corp. (II)	<u>\$ 19,294</u>	<u>\$ 19,281</u>
	<u>\$ 50,350</u>	<u>\$ 49,226</u>

- (I) The combined company signed an investment agreement with Thai listed company Aapico Hitech Plc. (AH: TB) on February 1, 2013, invested in cash, and jointly established Aapico Lemtech (Thailand) Co. on March 1, 2013. , Ltd. (hereinafter referred to as "Aapico Lemtech"). In accordance with the company's operating plan, on June 30, 2016, the combined company adjusted the equity held of Aapico Lemtech, the holding is assigned to Global Solution to Lemtech HK.
- (II) The merged company signed an investment agreement with Keycore Technology Corp. on October 6, 2022 and made a cash contribution to acquire 28.42% of the equity of Keycore Technology Corp. on October 6, 2021.
- (III) The combined company the percentage of ownership, equities, and voting rights of the combined company in affiliated companies on the balance sheet date are as follows:

Name	Business activities	Principal place of business	Percentage of Ownership and Votes	
			December 31, 2022	December 31, 2021
Aapico Lemtech	R&D, production, manufacturing and assembly of automotive, electronics and computer peripheral parts	Thailand	40%	40%
Keycore Technology Corp.	Electronic component manufacturing, general instrument manufacturing, energy technology services, biotechnology services and research and development services, etc.	Taiwan	28.42%	28.42%

Please refer to Attachment 8 for the aforementioned associates' nature of business, main business premises, and countries of registration.

## XV. Real estate, Plant and Equipment

	December 31, 2022							December 31, 2021	
	<u>\$ 1,394,179</u>							<u>\$ 1,246,778</u>	
For self-use									
For self-use									
	Land	Buildings	Machinery equipment	Transportation equipment	Office equipment	Leasehold improvements	Other Equipment	Unfinished constructions and equipment to be tested	Total
<b>Cost</b>									
Balance as of January 1, 2022	\$ -	\$ 494,455	\$ 1,166,177	\$ 30,168	\$ 41,265	\$ 27,929	\$ 501,653	\$ 65,702	\$ 2,327,349
Addition	41,716	13,680	281,207	2,178	3,372	11,309	68,547	20,231	442,240
Disposal	-	( 27,986)	( 1,654)	( 1,483)	( 1,487)	-	( 1,173)	( 60,786)	( 94,569)
Reclassification	-	( 661)	140,166	77	2,918	27,500	( 161,064)	( 6,853)	2,083
Net exchange differences	-	7,154	28,926	420	732	2,040	5,411	669	45,352
Balance as of December 31, 2022	<u>\$ 41,716</u>	<u>\$ 486,642</u>	<u>\$ 1,614,822</u>	<u>\$ 31,360</u>	<u>\$ 46,800</u>	<u>\$ 68,778</u>	<u>\$ 413,374</u>	<u>\$ 18,963</u>	<u>\$ 2,722,455</u>
<b>Accumulated depreciation and impairment</b>									
Balance as of January 1, 2022	\$ -	\$ 136,800	\$ 562,462	\$ 23,387	\$ 31,730	\$ 1,063	\$ 325,129	\$ -	\$ 1,080,571
Depreciation expense	-	25,471	134,196	3,854	4,032	10,534	62,957	-	241,044
Disposal	-	( 8,979)	( 362)	( 1,483)	( 1,484)	-	( 305)	-	( 12,613)
Reclassification	-	( 96)	48,016	-	2,674	5,862	( 56,456)	-	-
Net exchange differences	-	1,855	12,066	310	608	564	3,871	-	19,274
Balance as of December 31, 2022	<u>\$ -</u>	<u>\$ 155,051</u>	<u>\$ 756,378</u>	<u>\$ 26,068</u>	<u>\$ 37,560</u>	<u>\$ 18,023</u>	<u>\$ 335,196</u>	<u>\$ -</u>	<u>\$ 1,328,276</u>
Balance as of December 31, 2021	<u>\$ 41,716</u>	<u>\$ 331,591</u>	<u>\$ 858,444</u>	<u>\$ 5,292</u>	<u>\$ 9,240</u>	<u>\$ 50,755</u>	<u>\$ 78,178</u>	<u>\$ 18,963</u>	<u>\$ 1,394,179</u>
	Land	Buildings	Machinery equipment	Transportation equipment	Office equipment	Leasehold improvements	Other Equipment	Unfinished constructions and equipment to be tested	Total
<b>Cost</b>									
Balance as of January 1, 2021	\$ -	\$ 498,009	\$ 1,100,639	\$ 34,073	\$ 40,610	\$ 82,658	\$ 463,891	\$ 3,811	\$ 2,223,691
Addition	-	-	118,254	1,916	6,020	27,930	69,727	62,296	286,143
Disposal	-	( 152)	( 34,684)	( 6,134)	( 4,386)	( 82,104)	( 4,366)	( 362)	( 132,188)
Reduced by corporate sanction	-	-	( 11,207)	-	( 798)	-	( 18,797)	-	( 30,802)
Reclassification	-	-	805	537	65	-	1,163	-	2,570
Net exchange differences	-	( 3,402)	( 7,630)	( 224)	( 246)	( 555)	( 9,965)	( 43)	( 22,065)
Balance as of December 31, 2021	<u>\$ -</u>	<u>\$ 494,455</u>	<u>\$ 1,166,177</u>	<u>\$ 30,168</u>	<u>\$ 41,265</u>	<u>\$ 27,929</u>	<u>\$ 501,653</u>	<u>\$ 65,702</u>	<u>\$ 2,327,349</u>
<b>Accumulated depreciation and impairment</b>									
Balance as of January 1, 2021	\$ -	\$ 112,828	\$ 475,229	\$ 24,380	\$ 30,998	\$ 49,148	\$ 270,612	\$ -	\$ 963,195
Depreciation expense	-	24,853	109,618	4,157	3,700	34,304	59,330	-	235,962
Disposal	-	( 152)	( 18,647)	( 5,534)	( 2,656)	( 82,104)	( 1,643)	-	( 110,736)
Reduced by corporate sanction	-	-	( 1,467)	-	( 186)	-	( 142)	-	( 1,795)
Reclassification	-	-	805	537	65	-	1,163	-	2,570
Net exchange differences	-	( 729)	( 3,076)	( 153)	( 191)	( 285)	( 4,191)	-	( 8,625)
Balance as of December 31, 2021	<u>\$ -</u>	<u>\$ 136,800</u>	<u>\$ 562,462</u>	<u>\$ 23,387</u>	<u>\$ 31,730</u>	<u>\$ 1,063</u>	<u>\$ 325,129</u>	<u>\$ -</u>	<u>\$ 1,080,571</u>
Balance as of December 31, 2021	<u>\$ -</u>	<u>\$ 357,655</u>	<u>\$ 603,715</u>	<u>\$ 6,781</u>	<u>\$ 9,535</u>	<u>\$ 26,866</u>	<u>\$ 176,524</u>	<u>\$ 65,702</u>	<u>\$ 1,246,778</u>

In 2022 and 2021, No impairment losses have been recognised or reversed.

Depreciation expenses are calculated on a straight-line basis according to the following durable years:

Buildings	
Plant main building	20 years
Other projects	5 years
Machinery equipment	3 to 10 years
Office equipment	2 to 5 Years
Transportation equipment	3~5 years
Leasehold improvements	3~15 years
Other Equipment	2~10 years

XVI. Lease Agreement

(I) Right-of-use assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Carrying value of right-of-use assets		
Land	\$ 80,321	\$ 81,375
Buildings	200,860	123,031
Transportation equipment	<u>5,539</u>	<u>5,348</u>
	<u>\$ 286,720</u>	<u>\$ 209,754</u>
	<u>2022</u>	<u>2021</u>
Addition to right-of-use assets	<u>\$ 133,943</u>	<u>\$ 29,277</u>
Depreciation expenses of right-of-use assets		
Land	\$ 2,230	\$ 2,185
Buildings	50,785	44,203
Transportation equipment	<u>2,750</u>	<u>2,455</u>
	<u>\$ 55,765</u>	<u>\$ 48,843</u>

Other than the above increase in right-of-use assets and recognition of depreciation expenses, the combined company's right-of-use assets did not undergo significant sublease or impairment for the years ended December 31, 2022 and 2021.

The right-of-use asset includes long-term prepaid rent for leased land in China, and the combined company has obtained certificate for the land use rights of such land.

(II) Lease liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Carrying amount of lease liabilities		
Current	<u>\$ 48,652</u>	<u>\$ 46,474</u>
Non-current	<u>\$ 163,145</u>	<u>\$ 93,987</u>

The discount rate intervals for lease liabilities are as follows:

	<u>2022</u>	<u>2021</u>
Buildings	0.85%~5.00%	0.85%~5.00%
Transportation equipment	1.00%~3.16%	1.00%~3.16%

(III) Important Leasing Activities and Terms

The combined company rent certain land, buildings, and transportation equipment as plant, office, and office use by employees. The lease period is 1 to 50 years. At the end of the lease term, the combined company has no preferential right to take over the leased building.

(IV) Sublease

For information on subleasing, please refer to Note 11.

(V) Other lease information

	<u>2022</u>	<u>2021</u>
Expense on short-term leases of low-value assets	<u>\$ 16,545</u>	<u>\$ 17,318</u>
Total cash outflow from lease	<u>\$ 82,763</u>	<u>\$ 74,265</u>

The combined company chooses to apply the recognition exemption for leases that qualify for low-value asset leases, and does not recognize related right-of-use assets and lease liabilities for such leases.

XVII. Investment property

	<u>Land</u>	<u>Plant main building</u>	<u>total</u>
<u>cost</u>			
Balance as of January 1, 2022	\$ -	\$ -	\$ -
Addition	<u>757,398</u>	<u>244,646</u>	<u>1,002,044</u>
Balance as of December 31, 2022	<u>\$ 757,398</u>	<u>\$ 244,646</u>	<u>\$ 1,002,044</u>
<u>Accumulated depreciation and impairment</u>			
Balance as of January 1, 2022	\$ -	\$ -	\$ -
Depreciation expense	<u>-</u>	<u>5,437</u>	<u>5,437</u>
Balance as of December 31, 2022	<u>\$ -</u>	<u>\$ 5,437</u>	<u>\$ 5,437</u>
Net amount as of December 31, 2022	<u>\$ 757,398</u>	<u>\$ 239,209</u>	<u>\$ 996,607</u>
Net amount as of December 31, 2021 and January 1, 2022	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

January 1, 2021 to December 31, 2021 : None.

The lease period for investment property leases is 2 to 4 years. At the end of the lease period, the lessee has no preferential right to purchase the real estate.

Investment property is accrued on a straight-line basis based on the following useful years :

Plant main building	30 years
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The fair value of the investment property on December 31, 2022 has not been evaluated by an independent appraiser, and is only measured by the management of the merged company using the evaluation model commonly used by market participants with the third-level input value. The evaluation refers to the market evidence of similar real estate transaction prices, and the fair value obtained from the evaluation is as follows :

<u>December 31, 2022</u>	<u>December 31, 2021</u>
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Fair value \$ 1,088,182 \$ \_\_\_\_\_  
The total lease payment to be received in the future for leasing investment property under operating lease is as follows :

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
1st year	\$ 35,365	\$ -
2nd year	26,502	-
3rd year	14,948	-
4th year	14,948	-
5th year	<u>7,988</u>	<u>-</u>
	<u>\$ 99,751</u>	<u>\$ _____</u>

XVIII. Goodwill

	<u>2022</u>	<u>2021</u>
<u>Cost</u>		
Opening balance	\$ 82,062	\$ 82,175
Net exchange differences	<u>428</u>	<u>( 113)</u>
Balance at the end of the year	<u>\$ 82,490</u>	<u>\$ 82,062</u>
<u>Accumulated impairment losses</u>		
Opening balance	\$ 10,000	\$ -
Recognized Impairment of the Year	<u>-</u>	<u>10,000</u>
Balance at the end of the year	<u>\$ 10,000</u>	<u>\$ 10,000</u>
Net balance at the end of the year	<u>\$ 72,490</u>	<u>\$ 72,062</u>

The combined company acquired Zhenjiang Emtron Surface Treatment Limited on January 22, 2019, gained goodwill of NT\$78,155 thousand, which is mainly due to the benefits expected from a stable production supply chain of automotive components in China.

Due to the impact of the Covid-19 epidemic and the unsatisfactory market development, the combined company was unable to adjust its sales strategy in a timely manner, resulting in a less than expected growth in actual operating income after the merger. It was assessed that the recoverable amount of Zhenjiang Emtron Surface Treatment Limited was less than the book amount, so it was recognized in 2011. Goodwill impairment loss of 10,000,000.

The recoverable amount of Zhenjiang Emtron Surface Treatment Limited is determined on the basis of value in use. The cash flow estimate of the financial budget for the next 5 years approved by the management of the merged company is calculated using the annual discount rate of 15.63%. The cash flow over 5 years is 4.6%. % growth rate extrapolation. Other key assumptions include estimated operating income and gross profit on sales, which are based on the past operations of the cash-generating unit and management's expectations on the market.

The combined company acquired Lemtech Energy Solutions Corporation on July 1, 2019, gained goodwill of NT\$4,585 thousand, which was mainly due to the benefits expected from the production and sales of server cooling products in Taiwan.

XIX. Other Intangible Assets

	Computer software cost	Fair value of franchises and customer relationships	Total
<u>Cost</u>			
Balance as of January 1, 2022	\$ 58,010	\$ 26,811	\$ 84,821
Separate acquisition	6,314	-	6,314
Disposal	( 504)	-	( 504)
Net exchange differences	<u>807</u>	<u>-</u>	<u>807</u>
Balance as of December 31, 2022	<u>\$ 64,627</u>	<u>\$ 26,811</u>	<u>\$ 91,438</u>
<u>Accumulated amortization and impairment</u>			
Balance as of January 1, 2022	(\$ 36,798)	(\$ 15,478)	(\$ 52,276)
Amortization	( 7,493)	( 5,241)	( 12,734)
Disposal	504	-	504
Net exchange differences	<u>(456)</u>	<u>-</u>	<u>(456)</u>
Balance as of December 31, 2022	<u>(\$ 44,243)</u>	<u>(\$ 20,719)</u>	<u>(\$ 64,962)</u>
Net profit as of December 31, 2022	<u>\$ 20,384</u>	<u>\$ 6,092</u>	<u>\$ 26,476</u>
<u>Cost</u>			
Balance as of January 1, 2021	\$ 55,508	\$ 26,811	\$ 82,319
Separate acquisition	7,772	-	7,772
Disposal	( 4,903)	-	( 4,903)
Net exchange differences	<u>(367)</u>	<u>-</u>	<u>(367)</u>
Balance as of December 31, 2021	<u>\$ 58,010</u>	<u>\$ 26,811</u>	<u>\$ 84,821</u>
<u>Accumulated amortization and impairment</u>			
Balance as of January 1, 2021	(\$ 31,878)	(\$ 10,343)	(\$ 42,221)
Amortization	( 6,805)	( 5,135)	( 11,940)
Disposal	1,702	-	1,702
Net exchange differences	<u>183</u>	<u>-</u>	<u>183</u>
Balance as of December 31, 2021	<u>(\$ 36,798)</u>	<u>(\$ 15,478)</u>	<u>(\$ 52,276)</u>
Net profit as of December 31, 2021	<u>\$ 21,212</u>	<u>\$ 11,333</u>	<u>\$ 32,545</u>

Amortized expenses were calculated on a straight-line basis over estimated useful lives listed as follows:

Computer software	1~10 year(s)
Fair value of franchises and customer relationships	5 years

XX. Other Assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Current</u>		
Prepayments		
Prepayments for goods	\$ 10,252	\$ 24,863
Purchase taxes/overpaid sales tax	26,244	12,590
Other prepayments	46,321	27,209
	<u>\$ 82,817</u>	<u>\$ 64,662</u>
Other current assets		
Temporary payments	<u>\$ 5,401</u>	<u>\$ 6,627</u>
<u>Non-current</u>		
Prepayments for equipment	\$ 102,097	\$ 118,991
Refundable deposit	9,460	6,248
	<u>\$ 111,557</u>	<u>\$ 125,239</u>

XXI. Loans

Short-term loans

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Unsecured loans</u>		
Line of credit loans	<u>\$ 774,774</u>	<u>\$ 934,639</u>

The interest rates of bank revolving loans were 1.3% to 6.27% and 0.67% to 4.5% on December 31, 2022 and 2021, respectively.

XXII. Bond payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
The fourth domestic unsecured convertible corporate bond	\$ 1,600,000	\$ 1,600,000
Less: Discount on corporate bonds payable	( 36,894)	( 55,894)
Less: Corporate bonds due within one year	<u>( 1,563,696)</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 1,544,106</u>

The fourth domestic unsecured convertible corporate bond

We issued 16 thousand units of unsecured convertible bonds in NTD in Taiwan on October 18, 2021 with a nominal amount of NT\$100 thousand per unit and an interest rate of 0%, issued at a premium of 100.5% of the par value, or NT\$ 1,600,000 thousand; the total amount received is NT\$1,608,000 thousand.

- (1) Each unit of corporate bondholders has the right to convert the Company's converted corporate bonds into common stock of the Company. The conversion period is from January 27, 2022 to October 26, 2024.
- (2) Where the abovementioned corporate bonds are not converted during the conversion period, the outstanding corporate bonds will redeemed in cash at par value on October

26, 2024.

- (3) At the end of two years from the issuance date (October 26, 2023), bondholders have the right to sell the bonds back to the company at par value.

The equity component is recorded in capital surplus-stock options under equity. The equity component is initially recognized at the effective interest rate of 1.26%.

Issue price (minus transaction cost NT\$ 5,695 thousand)	\$ 1,602,305
Equity component (less transaction cost allocated to equity of NT\$ 211 thousand)	( 59,309)
Financial liability	<u>( 2,408)</u>
Liability component (less the liability transaction cost of NT\$ 5,492 thousand)	<u>\$ 1,540,588</u>
Liability component as of October 26, 2021	\$ 1,540,588
Interest calculated at effective interest rate 1.26%	<u>3,518</u>
Liability component as of December 31, 2021	<u>\$ 1,544,106</u>
Liability component as of January 1, 2022	\$ 1,544,106
Interest calculated at effective interest rate 1.26%	<u>19,590</u>
Liability component as of December 31, 2022	1,563,696
Deduct: corporate bonds due within one year	<u>( 1,563,696)</u>
	<u>\$ -</u>

XXIII. Note Payables and Account Payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes payable		
Arising from operations	<u>\$ 189,312</u>	<u>\$ 193,092</u>
Accounts payable		
Arising from operations	<u>\$ 841,896</u>	<u>\$ 1,324,506</u>

The average credit period for accounts payable is approximately 120 days, and interest is not added to accounts payable. The combined company has established financial risk management policies to ensure that all payables are paid within the pre-agreed credit terms.

XXIV. Other Liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current		
Other payables		
Equipment payment and construction payment payable	\$ 19,534	\$ 20,066
Payroll and bonus payable	81,836	82,784
Benefits payable	1,538	1,491
Remuneration payable to employees, directors and supervisors	39,426	42,852
Interest payable	12	339
Commissions payable	1,410	164
Customs and logistics fees payables	24,248	20,877
Cash dividends distributed by the Company payables	31,250	62,522
Others	<u>94,529</u>	<u>87,259</u>
	<u>\$ 293,783</u>	<u>\$ 318,354</u>
Other liability		
Temporary payment	\$ 119	\$ 2,400
Others	<u>16,930</u>	<u>10,849</u>
	<u>\$ 17,049</u>	<u>\$ 13,249</u>

XXV. Equity

(I) Share capital

Common shares

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Authorized shares (in thousands shares)	<u>100,000</u>	<u>100,000</u>
Authorized capital stock	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>
Number of shares issued and fully paid (in thousand shares)	<u>62,293</u>	<u>62,521</u>
Issued capital	<u>\$ 621,928</u>	<u>\$ 625,208</u>

On July 5, 2021, the company passed the resolution of the shareholders' meeting to increase the capital was NT\$ 81,438 thousand from the surplus, of which NT\$10 per share. The base date for the capital increase was September 12, 2021, and the paid-in share capital after the capital increase was NT\$ 625,208 thousand.

The board of directors resolved to write off the treasury shares of 328 thousand shares on August 26, 2022, of which NT\$10 per share. The base date of the capital reduction was August 26, 2022, and the paid-in share capital after the capital reduction was NT\$ 621,928 thousand.

(II) Capital surplus

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>May be used to offset deficits, appropriated as cash dividends or transferred to capital (1)</u>		
Stock issuance premium	\$ 329,694	\$ 331,432
Treasury share transactions	-	9
Premium on conversion of convertible bonds	970,007	970,007
<u>May only be used to offset deficits</u>		
Recognized value of changes in equity of ownership of subsidiaries (2)	\$ 78,314	\$ 78,314
Forfeited stock subscription	25,523	25,523
<u>Not for any purpose</u>		
Issuance of convertible bonds with recognized equity component	<u>59,309</u>	<u>59,309</u>
	<u>\$ 1,462,846</u>	<u>\$ 1,408,562</u>

1. This type of capital surplus may be used to cover loss or issue cash or replenish capital when there are no loss, but capital replenishment is restricted to the ratio of actual capital stock each year.
2. This type of capital surplus recognized as equity transaction effect due to changes in subsidiary equity, when the Company's has not acquired or disposed of subsidiary shares.

(III) Retained earnings and dividend policy

According to the company's articles of association, the laws and regulations of the Cayman Islands and listing regulations, in the case of a surplus in the company's annual final accounts, such surplus shall be first subject to taxation, reimbursement of accumulated deficit, followed by a provision for special reserve, if any. Unless the board of directors resolves to keep the remainder as retained earnings, any remainder may be distributed as stock dividend and cash dividend for the shareholders based on their shareholding ratios. Such distribution shall be proposed by the board of directors and submitted to the shareholders' meeting for resolution.

The company's dividend policy considers factors such as the company's stable growth, sustainable operation, capital requirements, sound financial structure, and maintenance of shareholders' equity. The total shareholder dividend shall be not less than 10% of the distributable surplus and may be distributed in stock or in cash, of which cash dividends shall account for no less than 50% of the total dividend distributed. If the company has incurred no loss, it may allocate all or part of the legal capital reserve and capital surplus in accordance with the laws or regulations of the competent authority in consideration of the company's financial, business and operating factors.

For distribution of dividends or bonuses in accordance with the preceding article, the

company may, in accordance with the listing regulations, by resolution of the shareholders' meeting, issue all or a portion of the dividends and bonuses by issuing new shares; amounts less than one share may be distributed in cash.

For the valuation basis and actual distribution of the remuneration for employees and directors, please refer to Note 27 [7] for remuneration of employees and directors.

The shareholders' meetings approved the distribution of earnings for years ended 2021 and 2022 on June 30, 2022 and July 5, 2021 as follows:

	<u>Quarter 4 of 2021</u>	<u>Quarter 4 of 2020</u>
Special reserve	<u>(\$ 31,173)</u>	<u>(\$ 52,040)</u>
Cash dividends	<u>\$ 62,521</u>	<u>\$ 162,876</u>
Stock dividend	<u>\$ -</u>	<u>\$ 81,438</u>
Cash dividend capital bonus for each share (NT\$)	\$ 1	\$ 3
Stock dividend capital bonus for each share (NT\$)	\$ -	\$ 1.5

The proposals to appropriate earnings for the years 2022,2021 and 2020 resolved by the board of directors are as follows:

	<u>2022Q3</u>	<u>2022Q2</u>	<u>2022Q1</u>
Date of resolution by the board of directors	November 11, 2022	August 26, 2022	May 13, 2022
Special reserve	<u>(\$ 12,171)</u>	<u>\$ 12,171</u>	<u>(\$ 82,410)</u>
Cash dividends	<u>\$ 31,096</u>	<u>\$ 31,096</u>	<u>\$ 62,521</u>
Cash dividend capital bonus for each share (NT\$)	\$ 0.5	\$ 0.5	\$ 1.005
	<u>2021Q3</u>	<u>2021Q2</u>	<u>2021Q1</u>
Date of resolution by the board of directors	November 11, 2021	August 18, 2021	May 12, 2021
Special reserve	<u>\$ 16,773</u>	<u>\$ 25,370</u>	<u>\$ 22,774</u>
Cash dividends	<u>\$ 62,521</u>	<u>\$ 54,377</u>	<u>\$ 54,377</u>
Cash dividend capital bonus for each share (NT\$)	\$ 1	\$ 1	\$ 1
	<u>2020Q3</u>	<u>2020Q2</u>	<u>2021Q1</u>
Date of resolution by the board of directors	November 12, 2020	August 14, 2020	May 13, 2020
Special reserve	<u>\$ 54,849</u>	<u>\$ -</u>	<u>\$ -</u>
Cash dividends	<u>\$ 118,680</u>	<u>\$ -</u>	<u>\$ -</u>
Cash dividend capital bonus for each share (NT\$)	\$ 2.5	\$ -	\$ -

On March 29, 2023, the board of directors approved the distribution of earnings and the dividend per share for 2022 as follows:

	<u>2022Q4</u>
Special reserve	\$ <u>13,996</u>
Cash dividend (Note 1)	\$ <u>31,096</u>
Cash dividend capital bonus for each share (NT\$)	\$ 0.5

The distribution of earnings for 2022 is subject to the resolution of the Stockholders' meeting to be held on June 27, 2023.

(IV) Uncontrolled equity

	<u>2022</u>	<u>2021</u>
Beginning Balance		\$ 112,397
	\$ 17,970	7
Net profit for the period	44,391	214,320
Other comprehensive profit and loss for the period		
Exchange difference on translation of financial statements of foreign operating institutions	201	( 118)
Acquisition of a non-controlling interest in a subsidiary (Note 32)	14,987	-
Increased non-controlling interest in newly established subsidiaries (Note 13)	15,000	-
Ending balance	<u>\$ 92,549</u>	<u>\$ 17,970</u>

(V) Treasury shares

<u>Reason of repatriate</u>	<u>Repurchase for Cancellation (in Thousand Shares)</u>
Number of shares as of January 1, 2022	-
Increase of the year	3285
Decrease of the year	( 528)
Number of shares as of December 31, 2022	<u>          -</u>

1. In order to secure the Company's credit and shareholders' rights and interests, the board of directors of the Company determined to purchase and write off 1,000 thousand shares of treasury shares in accordance with Article 28-2 of the Securities Exchange Act in March 2022. As of the expiry date of the repurchase period, 328 thousand shares have been repurchased at a repurchase cost of NT\$ 34,401 thousand. In order to take into account the market mechanism and not affect the stock price, the Company repurchased it according to the stock price changes and trading volume status, therefore, the execution has not been completed.



2. We wrote off 328 thousand treasury shares in August 2022, which was based on the original purchase cost of NT\$ 34,401 thousand, and the capital reserve was reduced in proportion to the wrote off equity - the stock issuance premium and was NT\$ 3,564 thousand and the retained surplus and capital reserves - treasury stock transactions was NT\$ 29,374 thousand. This cancellation has been approved by the Ministry of Economic Affairs and the change registration has been completed on August 26, 2022.

## XXVI. Revenue

	<u>2022</u>	<u>2021</u>	
Revenue from contracts with customers			
Revenue from sales of goods	\$ <u>5,984,928</u>	\$ <u>6,369,118</u>	
(I) Revenue from the sale of goods			
Revenue from sales of goods derived from the sales of computer, communication, consumer electronics, automotive components and fitness equipment. Because the customer has the right to use the product when the product is sold, and bears the risk of loss or damage to the product, the combined company recognizes the revenue and accounts receivable at that point.			
(II) Contract Balance			
	December 31, <u>2022</u>	December 31, <u>2021</u>	January 1, 2021
Notes receivable (Note X)	\$ 1,543	\$ 3,847	\$ 3,537
Accounts receivable (Note X)	<u>1,867,166</u>	<u>1,901,320</u>	<u>2,203,951</u>
	<u>\$ 1,868,709</u>	<u>\$ 1,914,167</u>	<u>\$ 2,207,488</u>
Contract liabilities -			
Current	<u>\$ 54,852</u>	<u>\$ 116,476</u>	<u>\$ 70,142</u>
(III) Disaggregation of Revenue from Customer Contracts			
Please refer to Note 44 for information on revenue breakdown.			

## XXVII. Net profit of continuing operation unit

### (I) Interest income

	<u>2022</u>	<u>2021</u>
Bank deposits	\$ 16,862	\$ 7,862
Net lease investment	<u>277</u>	<u>573</u>
	<u>\$ 16,390</u>	<u>\$ 8,435</u>

### (II) Other income

	<u>2022</u>	<u>2021</u>
Lease income	\$ 25,649	\$ -
Subsidy income (Note 30)	4,479	12,336
Others	<u>2,943</u>	<u>2,943</u>
	<u>\$ 39,045</u>	<u>\$ 15,279</u>

### (III) Other profits and (losses)

	<u>2022</u>	<u>2021</u>
Profit (loss) of financial assets and financial liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	\$ 6,311	\$ 3,301
Designated as financial assets at fair value through profit or loss	-	552
Designated as financial liabilities at fair value through profit or loss	( 16,635)	1,443
Foreign exchange profits (loss)- Net	94,164	( 12,244)
Disposal of real estate, plant, and equipment (loss) profits	( 20,504)	359
Goodwill impairment loss	-	( 10,000)
Dealing with subsidiaries' interests(Note 31)	-	11,778
Loss from redemption and reversal of corporate bonds payables	-	( 8)
Others	( 11,230)	( 4,253)
	<u>(\$ 52,106)</u>	<u>(\$ 9,072)</u>
 (IV) Finance cost		
	<u>2022</u>	<u>2021</u>
Interest on bank loans	(\$ 11,599)	(\$ 11,198)
Interest on lease liabilities	( 5,621)	( 5,956)
Interest on convertible bonds	( 19,590)	( 4,128)
	<u>(\$ 36,810)</u>	<u>(\$ 21,282)</u>
 (V) Depreciation and amortization expenses		
	<u>2022</u>	<u>2021</u>
Depreciation expenses summarized by function		
Operating costs	\$ 189,427	\$ 200,302
Operating expenses	112,819	84,503
	<u>\$ 302,246</u>	<u>\$ 284,805</u>
 Amortized cost summarized by function		
Operating costs	\$ 332	\$ 284
Operating expenses	12,402	11,656
	<u>\$ 12,743</u>	<u>\$ 11,940</u>

(VI) Employee benefits

	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 626,733	\$ 660,996
Benefits after retirement		
Defined contribution plans	<u>31,609</u>	<u>25,808</u>
Total employee benefit expenses	<u>\$ 658,342</u>	<u>\$ 686,804</u>
Summarized by functions		
Operating costs	\$ 253,630	\$ 303,317
Operating expenses	<u>404,712</u>	<u>383,487</u>
	<u>\$ 658,342</u>	<u>\$ 686,804</u>

(VII) Remuneration of employees and directors

In accordance with the regulations of the Articles of Incorporation, the Company deducts the pre-tax profits before the distribution of employees and directors' remuneration for the current year, and allocates the remuneration of employees, directors, and supervisors at a rate of no less than 0.5% and no more than 2%, respectively. Remunerations for employees and directors for 2022 and 2021 were resolved by the Board of Directors on March 29, 2023 and March 30, 2022 respectively.

Estimated ratio

	<u>2022</u>	<u>2021</u>
Remunerations for employees	1%	1%
Remunerations for directors	1%	1%

Sum

	<u>2022</u>	<u>2021</u>
	<u>Cash</u>	<u>Cash</u>
Remunerations for employees	\$ 4,007	\$ 4,792
Remunerations for directors	4,007	4,792

If changes are made to the amount after the publication of the consolidated annual financial report, they apply in accordance with accounting estimation changes and will be included in the financial reports of the following year.

The amounts of employee remunerations distributed for the years ended December 31, 2021 and 2020 and those recognized in the consolidated financial statements are consistent.

For information on the Company's remunerations for employees and Directors as resolved by the Board of Directors, please visit the "Market Observation Post System" of Taiwan Stock Exchange.

(VIII) Foreign currency exchange (profit) and loss

	<u>2022</u>	<u>2021</u>
Total currency exchange gains	\$ 225,148	\$ 88,921
Total currency exchange losses	( 130,1984)	( 101,165)
Net (loss) profit	<u>(\$ 94,164)</u>	<u>(\$ 12,244)</u>

XXVIII. Income tax of continuing operation units

(I) Income tax recognized in profit or Loss

	<u>2022</u>	<u>2021</u>
Current tax		
Generated in the current year	\$ 109,349	\$ 80,982
Additional tax on undistributed earnings	5,685	3,094
Adjustments from the previous years	( 4,953)	( 16,538)
	<u>110,081</u>	<u>67,538</u>
Deferred income tax		
Generated in the current year	30,039	33,477
Undistributed earnings of subsidiaries	( 44,807)	59,712
	<u>( 14,768)</u>	<u>93,189</u>
Income tax expenses recognized in gain or loss	<u>\$ 95,313</u>	<u>\$ 160,727</u>

Adjustments for accounting income and income tax expenses are as follows:

	<u>2022</u>	<u>2021</u>
Net income before taxes from continuing operations	<u>\$ 530,467</u>	<u>\$ 627,899</u>
Income tax expenses calculated as the product of income before income tax and the statutory tax rate	\$ 171,196	\$ 136,445
Non-deductible expenses	1,291	1,172
Effects on the deferred income tax of subsidiaries' earnings	( 44,807)	59,712
Additional tax on undistributed earnings	5,685	\$ 3,094
Unrecognized deductible temporary difference	( 33,764)	( 23,173)
Others	665	15
Adjustments on income tax of prior periods	( 4,953)	( 16,538)
Income tax expenses recognized in gain or loss	<u>\$ 95,313</u>	<u>\$ 160,727</u>

In 2022 and 2021, the tax rate applicable to the individuals in the combined company that is applicable to the Income Tax Law of the Republic of China is 20%, and the tax amount generated in other jurisdictions is calculated according to the tax rates applicable in the relevant jurisdictions.

(II) Income tax assets and liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current income tax assets		
Tax refunds receivables	<u>\$ 2,955</u>	<u>\$ 3,947</u>
Current income tax liabilities		
Income tax payables	<u>\$ 66,127</u>	<u>\$ 29,102</u>

(III) Deferred income tax assets and liabilities

Changes in deferred income tax assets and liabilities were described as follows:

2022

	<u>Opening balance</u>	<u>Recognized in gain or loss</u>	<u>Recognized in other comprehensive income</u>	<u>Exchange differences</u>	<u>Balance at the end of the year</u>
<u>Deferred income tax assets</u>					
Temporary differences					
Allowance for inventory valuation loss	\$ 7,985	\$ 2,321	\$ -	\$ 1,953	\$ 12,259
Allowance for doubtful accounts	2,214	2,317	-	( 352)	4,179
Recognition of investment gains and losses by foreign equity method	2,805	-	( 2,858)	53	-
Unrealized exchange profits and losses	63	-	-	( 63)	-
Deductible loss	1,310	( 1,310)	-	-	-
Others	1,491	0000003,644	-	15	5,150
Subtotal of deferred income tax assets	<u>\$ 15,868</u>	<u>\$ 6,972</u>	<u>(\$ 2,858)</u>	<u>\$ 1,606</u>	<u>\$ 21,588</u>
<u>Deferred income tax liabilities</u>					
Temporary differences					
Recognition of investment gains and losses by foreign equity method	\$ 128,463	\$ 32,101	\$ -	\$ 1,693	\$ 162,257
Exchange differences on translation of foreign operations	-	-	10,250	( 47)	10,203
Others	247,689	( 39,897)	-	26,102	233,894
Subtotal of deferred income tax liabilities	<u>\$ 376,152</u>	<u>(\$ 7,796)</u>	<u>\$ 10,250</u>	<u>\$ 27,748</u>	<u>\$ 406,354</u>

2021

	<u>Opening balance</u>	<u>Recognized in gain or loss</u>	<u>Recognized in other comprehensive income</u>	<u>Exchange differences</u>	<u>Balance at the end of the year</u>
<u>Deferred income tax assets</u>					
Temporary differences					
Allowance for inventory valuation loss	\$ 5,459	\$ 2,559	\$ -	\$ 33)	\$ 7,985
Allowance for doubtful accounts	2,229	-	-	( 15)	2,214
Exchange differences on translation of foreign operations	192	-	2,611	2	2,805
Unrealized exchange profits and losses	1,288	( 1,225)	-	-	63
Deductible loss	3,086	( 1,776)	-	-	1,310
Others	1,565	( 63)	-	( 11)	1,491
Subtotal of deferred income tax assets	<u>\$ 13,819</u>	<u>(\$ 505)</u>	<u>\$ 2,611</u>	<u>(\$ 57)</u>	<u>\$ 15,868</u>

<u>Deferred income tax liabilities</u>					
Temporary differences					
Recognition of investment gains and losses by foreign equity method	\$ 96,081	\$ 32,996	\$ -	(\$ 614)	\$ 128,463
Others	<u>194,662</u>	<u>59,688</u>	<u>-</u>	<u>( 6,661)</u>	<u>247,689</u>
Subtotal of deferred income tax liabilities	<u>\$ 290,743</u>	<u>\$ 92,684</u>	<u>\$ -</u>	<u>(\$ 7,275)</u>	<u>\$ 376,152</u>

(IV) Income tax approval status

For business income tax returns of LDC Company, part of the merged company, the filed cases before the year 2020 have been approved by the tax collection authority.

XXIX. Earnings per Share

		Unit: NT\$ per share
	<u>2022</u>	<u>2021</u>
Basic earnings per share	<u>\$ 6.27</u>	<u>\$ 7.51</u>
Diluted earnings per share	<u>\$ 5.68</u>	<u>\$ 6.48</u>

For the calculation of earnings per share and the weighted average number of ordinary shares are as follows:

Net profit for the period

	<u>2022</u>	<u>2021</u>
Net profit attributable to owners of the Company	<u>\$ 390,763</u>	<u>\$ 465,717</u>
Net profit used in calculating basic earnings per share	\$ 390,763	\$ 465,717
Impact on ordinary shares with dilutive effect:		
after-tax interest on convertible bonds	<u>19,590</u>	<u>4,128</u>
Net profit used in calculating diluted earnings per share	<u>\$ 410,353</u>	<u>\$ 469,845</u>

Number of shares

		Unit: Thousand shares
	<u>2022</u>	<u>2021</u>
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	62,335	62,002
Impact on ordinary shares with dilutive effect:		
Convertible bonds	9,913	10,432
Remunerations for employees	<u>58</u>	<u>37</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>72,306</u>	<u>72,471</u>

If the merged company chooses to offer employees remuneration by way of shares or cash, then while calculating the diluted earnings per share, assuming that the remuneration is paid in the form of stocks, the potential ordinary shares with dilutive effect will be included in the weighted average number of outstanding shares to calculate the diluted earnings per share. The dilutive effect of such potential ordinary stocks shall continue to be considered when calculating the diluted earnings per share before resolving the number of stocks to be distributed as employee remunerations in the following year.

XXX. Government Grants

The Chinese subsidiary obtains financial subsidies from the local competent authority in accordance with the regulations. In 2022 and 2021, the amounts were recognized in other income at NT\$ 4,479 thousand and NT\$ 12,336 thousand.

XXXI. Disposal of a subsidiary

(I) Consideration received

	<u>Lemtech Philippine</u>
Cash and cash equivalents	\$ 60,200
Receivable disposition investment	<u>7,000</u>
Total consideration	<u>\$ 67,200</u>

The investment receivables for disposal are expected to be collected in July 2022 and July 2023, respectively, at NTD 3,500 thousand (US\$125,000).

(II) Analysis of assets and liabilities out of control

	<u>Lemtech Philippine</u>
<u>Current assets</u>	
Cash and cash equivalents	\$ 3,518
Account receivables	29,725
Other receivables	170
Inventory	20,226
Prepayment	152
<u>Non-current assets</u>	
Real estate, plant, and equipment	29,007
Refundable deposits	4,131
Right-of-use assets	24,506
<u>Current liabilities</u>	
Account payables	( 26,267)
Other payables	( 418)
Current tax liabilities	( 7)
Lease liabilities	( 9,967)
<u>Non-current liabilities</u>	
Lease liabilities	( 16,851)
Deposited Margin	<u>( 269)</u>
Disposal of net assets	<u>\$ 57,656</u>

(III) Benefit of Disposal of Subsidiary

	<u>Lemtech Philippine</u>
Consideration received	\$ 67,200
Disposal of net assets	( 57,656)
Accumulated exchange differences on net assets of subsidiaries reclassified from equity to profit or loss due to loss of control over subsidiaries	<u>2,234</u>
Disposal benefits	<u>\$ 11,778</u>

(IV) Net cash flow of disposed subsidiaries

	<u>Lemtech Philippine</u>
Consideration received in cash and cash equivalents	\$ 60,200
Less: Disposal cash and cash equivalent balance	( 3,518)
	<u>\$ 56,682</u>

XXXII. Transactions of interests with non-controlling interests

The combined company acquired the equity of Zhenjiang Emtron Surface Treatment Limited Company on February 15, 2022, increasing the shareholding ratio from 83.33% to 100%. Since the above transactions did not change the control of the merged company over these subsidiaries, the merged company was treated as an equity transaction.

	<u>February 15, 2022</u> <u>Zhenjiang Emtron</u> <u>Surface Treatment</u> <u>Limited Company</u>
Consideration received (paid)	(\$ 14,205)
The carrying amount of the subsidiary's net assets shall be transferred to non-controlling interests based on changes in relative equity	( 14,987)
Equity Transaction Difference	<u>(\$ 29,192)</u>
<u>Equity transaction balance</u>	
<u>adjustment subject</u>	
capital reserve	(\$ 15,969)
undistributed surplus	( 13,223)
	<u>(\$ 29,192)</u>

XXXIII. Information on Cash flow information

(I) Non-cash transactions

Except for those disclosed in other Notes, the Group has invested and raised funds for the following non-cash transactions in 2022 and 2021:

The adjustment of cash payments for the purchase of real property, plant and equipment is as follows:



	<u>2022</u>	<u>2021</u>
Added this year	\$ 442,240	\$ 286,143
Changes in equipment payments and construction payments payable	<u>532</u>	<u>( 14,666)</u>
Cash amount paid for procurement of property, plants and equipment	<u>\$ 442,772</u>	<u>\$ 271,477</u>

(II) Changes in liabilities from financing activities

2022

	<u>2022</u>		<u>Non-cash flow changes</u>		<u>2022</u>
	<u>January 1</u>	<u>Cash flow</u>	<u>New lease</u>	<u>Others</u>	<u>December 31</u>
Lease liabilities	<u>\$ 140,461</u>	<u>(\$ 66,218)</u>	<u>\$ 133,943</u>	<u>\$ 3,611</u>	<u>\$ 211,797</u>

2021

	<u>2021</u>		<u>Non-cash flow changes</u>		<u>2021</u>
	<u>January 1</u>	<u>Cash flow</u>	<u>New lease</u>	<u>Others</u>	<u>December 31</u>
Lease liabilities	<u>\$ 189,646</u>	<u>(\$ 56,947)</u>	<u>\$ 29,277</u>	<u>(\$ 21,515)</u>	<u>\$ 140,461</u>

XXXIV. Capital Risk Management

The merged company manages its capital based on the policy to ensure the continual operations of the entities in the merged company. By optimizing its debts and liabilities, the combined company can maximize return for stakeholders.

The combined company's capital structure consists of net debts (i.e. loans and corporate bonds less cash and cash equivalents) and equities (i.e. equity, capital reserve, retained earnings, and other equity).

The merged company is not subject to any other external capital requirements.

The merged company's management periodically reassesses the merged company's capital structure; the inspection items include capital costs of various categories and related risks. The merged company will distribute dividend, issue new stocks and new debts, repurchase shares, or repay old debts among other methods to balance its overall capital structure (in accordance with the recommendations of its management).

XXXV. Financial Instruments

(I) Fair value information - financial instruments not measured at fair value

The merged company's financial assets and financial liabilities whose carrying amounts are not measured at fair value are close to their fair value.

(II) Fair value information - Financial instruments measured at fair value on a recurring basis

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

Fair value hierarchy

December 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at fair value through profit or loss</u>				
Structured deposits	\$ -	\$ 177,240	\$ -	\$ 177,240
<u>Financial liabilities at fair value through profit or loss</u>				
Redemption rights of corporate bonds payable	\$ -	\$ -	\$ 17,600	\$ 17,600

December 31, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at fair value through profit or loss</u>				
Structured deposits	\$ -	\$ 43,606	\$ -	\$ 43,606
<u>Financial liabilities at fair value through profit or loss</u>				
Redemption rights of corporate bonds payable	\$ -	\$ -	\$ 965	\$ 965

There was no transfer between Level 1 and Level 2 fair value measurements in 2022 and 2021.

(Continued)

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2. Reconciliation of financial instruments at Level 3 fair value measurement  
2022

	<u>Derivatives instruments</u>
Financial assets at fair value through profit or loss	
Opening balance	(\$ 965)
Recognized in gain or loss (other gains and losses)	( 16,635)
Balance at the end of the year	<u>\$ 17,600</u>
Changes in unrealized profits or losses of the year related to the assets held at the end of the year are recognized in profit or loss.	<u>(\$ 16,635)</u>

2021

	<u>Derivatives instruments</u>
Financial assets at fair value through profit or loss	
Opening balance	\$ 1,224
Recognized in gain or loss (other gains and losses)	552
Disposal/settlement	( 1,776)
Balance at the end of the year	<u>\$ -</u>
Changes in unrealized profits or losses of the year related to the assets held at the end of the year are recognized in profit or loss.	<u>\$ 552</u>
Financial liabilities at fair value through profit or loss (FVTPL)	
Opening balance	\$ -
Recognized in gain or loss (other gains and losses)	( 2,408)
Disposal/settlement	<u>1,443</u>
Balance at the end of the year	<u>(\$ 965)</u>
Changes in unrealized benefits or losses in the current year related to liabilities held at the end of the year and recognized in gains or losses.	<u>\$ 1,443</u>

3. Valuation techniques and inputs of Level 2 fair value measurement

<u>Category of Financial Instruments</u>	<u>Valuation Technique and Inputs</u>
Structured deposits	Discounted cash flow method: Estimate future cash flows based on observable interest rates at the end of the period and discount them at a discount rate that reflects credit risk.

4. Valuation techniques and inputs of Level 3 fair value measurement  
 Derivatives - Convertible corporate bond redemption rights are based on the use of binary tree convertible bond evaluation model to estimate the fair value, the significant unobservable input value adopted is the stock price volatility. When stock price volatility increases, the fair value of these derivatives will increase.

(III) Classification of financial instruments

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Measured at fair value through gain or loss		
Mandatorily measured at fair value through profit or loss	177,240	43,606
Financial assets measured at amortized cost (Note 1)	3,684,904	5,357,571
<u>Financial liabilities</u>		
Measured at fair value through gain or loss		
Designated as fair value through profit and loss	17,600	965
Valuation of cost after amortization (Note 2)	3,676,031	4,323,731

Note 1: The balances include cash and cash equivalents, accounts receivable, notes receivable, other receivables, finance lease receivables and refundable deposits, which are measured at amortized cost.

Note 2: The balances include financial liabilities measured at amortized cost such as short-term loans, notes payable, accounts payable, other payables, long-term loans, corporate bonds payable, and guarantee deposits.

(IV) Objectives and policies of financial risk management

The main financial instruments of the combined company include cash and cash equivalent, accounts receivable, accounts payable, corporate bonds payable and loans. The financial management department of the merged company provides services to the business units, including coordinating operations in the domestic and international financial markets, and managing financial risks relating to the operations of the merged company based on the degree of risk and the degree of the breadth of the exposure. These risks include market risk (including exchange rate risk, interest rate risk and other price risks), credit risk and liquidity risk.

The financial management department reports monthly to the management of the merged company, and the management would carry out risk monitoring and policy implementation based on its duties and responsibilities to mitigate risk exposure.

1. Market risks

The combined company's activities expose it primarily to the financial risks of changes in foreign exchange rates (see (1) and the changes in interest rates (see (2) below).

The management and measurement of market risks of financial instruments and risk exposure of the merged company remain unchanged.

(1) Foreign currency exchange risk

The Group's sales and purchase transactions are denominated in foreign currency; as a consequence, the Group is exposed to the risk of fluctuation in the exchange rate.

For the monetary assets and liabilities of the merged company denominated in non-functional currencies on the balance sheet date (including those monetary items denominated in non-functional currencies that have been written off in the consolidated financial statements), please refer to Note 40.

Sensitivity analysis

The merged company is mainly impacted by the exchange rate fluctuations in USD.

The following table includes the sensitivity analysis of the merged company's financial position under circumstances that the exchange rate of a foreign currency to NTD (the function currency) increases or decreases by 1%. The hypothetical increase of 100 basis point (1%) in exchange rates is used in the Management's internal sensitivity analysis report on currency exchange risks; it also reflects the reasonable range of change in exchange rates the management believes would be. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and the adjustment of their translation at the end of the period for a 1% change in exchange rate. A positive number in the table below indicates an increase in net profit before income tax that would result when the functional currency strengthens 1% against the relevant currency. For a 1% weakening of NTD against the relevant currency, the effect on the net profit before income tax would be the same amount in negative.

	Impact of USD	
	2022	2021
Increase in net profit before tax	\$ 9,762	\$ 674

The impact of profit and loss is mainly derived from the USD-denominated cash and cash equivalents, receivables, and payables that are still in circulation at the balance sheet date of the merged company and have not been hedged with cash flow.

(2) Interest rate risk

By taking out loans at both the fixed rate and the floating rate at the same

time, the Group is exposing to interest rate risk. The policy of the merged company is to maintain floating-rate borrowings to reduce the risk of interest rate changes, and currently does not operate interest rate hedging tools. The management of the merged company will monitor the interest rate risk timely, and will take necessary measures to respond to the risk control caused by the huge changes in market interest rates if necessary. The carrying value of financial assets and liabilities exposed to interest rate risk of the merged company on the balance sheet date are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Interest rate risks with cash flow		
– Financial assets	\$ 1,780,920	\$ 3,391,566
– Financial liabilities	2,338,470	2,478,645

#### Sensitivity analysis

The sensitivity analysis below is based on the non-derivative instruments' interest rate risk exposure at the balance sheet date. For liabilities at floating interest rates, the analysis assumes they are outstanding throughout the reporting period if they are outstanding at the balance sheet date. The rate of change used when reporting interest rates within the Group to key management levels increased or decreased by 0.5%, which also represents the management's assessment on the reasonably possible scope of the interest rate.

If interest rate increases/decreases by 0.5%, held other variables constant, the merged company's income before tax will increase/decrease by NT\$ 2,788 thousand and NT\$ 4,565 thousand for 2022 and 2021, respectively.

#### 2. Credit risk

Credit risks refer to risks that cause financial loss of the merged company due to the counterparty's delay in performing contractual obligations. Due to the nature of the industry in which it operates, the merged company has no significant concentration of credit risk. The combined company has formulated a policy that when assessing the credit line granted to customers, it must obtain appropriate financial information from customers to conduct credit ratings of customers to ensure that sales services do not generate significant credit risk. The maximum amount of credit risk of the combined company is the net amount of the carrying amount of financial assets after deducting the amounts that can be offset according to regulations and the impairment losses recognized in accordance with regulations without considering collateral and other credit enhancement policies.

The main objects of the accounts receivable and other receivables of the combined company are foreign-funded enterprises established in China and internationally renowned manufacturers. The credit risk management and impairment status are detailed in Note 10.

The bank deposits of the consolidated company and other investment in financial assets are mainly deposited in banks with good credit ratings assigned by international credit rating agencies, so this credit risk is not significant.

3. Liquidity risk

The consolidated company's supports its business operations and reduces cash flow fluctuation through appropriate management and the maintenance of sufficient cash and cash equivalents. The combined company's management supervises bank financing conditions and ensures compliance with loan contracts.

The bank loans are a significant source of liquidity for the combined company. Please refer to (2) Financing limit below for the unfunded financing amount of the combined company as of December 31, 2022 and 2021.

(1) Liquidity and interest rate risk of non-derivative financial liabilities

The non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flow. Therefore, the Consolidated Company may be required to repay a bank loan immediately and the possibility is listed in the table below and categorized into the earliest period line item disregard the probability of exercising such right on instance by the bank. The analysis of the maturity of other non-derivative financial liabilities is prepared in accordance with the agreed repayment date.

December 31, 2022

	<u>Within 1 year</u>	<u>1 - 5 years</u>	<u>More than 5 years</u>
<u>Non-derivative financial liabilities</u>			
Bank loans	\$ 774,774	\$ -	\$ -
Notes payable	189,312	-	-
Accounts payable	841,670	-	-
Other payables	293,783	-	-
Lease liabilities	48,652	130,898	32,247
Corporate bonds payable	<u>1,600,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,748,191</u>	<u>\$ 130,898</u>	<u>\$ 32,247</u>

Further information on the maturity analysis of lease liabilities is listed as follows:

	<u>Within 1 year</u>	<u>1 - 5 years</u>	<u>More than 5 years</u>
Lease liabilities	<u>\$ 53,126</u>	<u>\$ 136,930</u>	<u>\$ 32,736</u>

December 31, 2021

	<u>Within 1 year</u>	<u>1 - 5 years</u>	<u>More than 5 years</u>
<u>Non-derivative financial liabilities</u>			
Bank loans	\$ 934,539	\$ -	\$ -
Notes payable	193,092	-	-
Accounts payable	1,324,506	-	-
Other payables	318,354	-	-
Lease liabilities	46,474	93,987	-
Corporate bonds payable	-	1,600,000	-
	<u>\$ 2,816,965</u>	<u>\$ 1,693,987</u>	<u>\$ -</u>

Further information on the maturity analysis of lease liabilities is listed as follows:

	<u>Within 1 year</u>	<u>1 - 5 years</u>	<u>More than 5 years</u>
Lease liabilities	<u>\$ 51,559</u>	<u>\$ 99,581</u>	<u>\$ -</u>

(2) Loan Commitments

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Unsecured bank loan line		
— Amount used	\$ 774,774	\$ 934,539
— Amount unused	<u>2,466,767</u>	<u>1,826,821</u>
	<u>\$ 3,241,541</u>	<u>\$ 2,761,360</u>

XXXVI. Related Party Transactions

All transactions, account balances, income, and expenses between the Company and its subsidiaries (related parties of the Company) are fully offset by intercompany netting and therefore are not shown in this Note. The transactions between the Group and other related parties are as follows.

(I) The names and relations of related parties

<u>Name of related party</u>	<u>Relationship with the combined company</u>
Aapico Lemtech	Affiliates
Total Vantage Technology Limited Taiwan Branch	Substantial relationship

(II) Operating revenue

<u>Accounting item</u>	<u>Category of related parties</u>	<u>2022</u>	<u>2021</u>
Sales	Affiliates	<u>\$ 1,146</u>	<u>\$ 5,173</u>

There are no significant differences between the terms and conditions of sales and collection for related parties and that of general transactions.



(III) Purchase of goods

<u>Category of related parties</u>	<u>Category of related parties</u>	<u>2022</u>	<u>2021</u>
Purchase of good	Substantial relationship	\$ -	\$ 352
	Affiliates	\$ 432	\$ -

There are no significant differences between the terms and conditions of purchase and payment for related parties and that of general transactions.

(IV) Account receivables from related parties (excluding loans extended to related parties and contract assets)

<u>Accounting item</u>	<u>Category of related parties</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivable	Affiliates	\$ 381	\$ 344

The related parties in circulation did not receive guarantees, and no loss allowances were set aside for receivables from related parties for the years ended December 31, 2022 and 2021.

(V) Account payables to related parties (excluding loans extended to related parties and contract assets)

<u>Accounting item</u>	<u>Category of related parties</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Account payables	Substantial relationship	\$ -	\$ 352
	Affiliates	\$ 226	\$ -

The outstanding balance of payables to related parties is not guaranteed.

(VI) Remuneration to the management

	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 45,054	\$ 34,631

The remuneration for directors and other key management is determined by the remuneration committee based on personal performance and market trends.

XXXVII. Pledged Assets

The following assets have been provided as the collateral for financing borrowings:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Bank deposits-restricted (accounts for financial assets measured at amortized cost)	\$ 47,303	\$ -

XXXVIII. Material Contingent Liabilities and Unrecognized Contractual Commitments

Except for those disclosed in other Notes, significant commitments and contingencies of the combined company on the balance sheet date are as follows:

(I) significant commitments

The unrecognized contractual commitments of the merged company are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Acquisition of Land and Immovable Property, Plant and Equipment (Attachment 4)	\$ <u>                    -</u>	\$ <u>          1,055,000</u>

(II) contingencies

Contingent liabilities

The subsidiary of the combined company was served a civil complaint from King Slide Works Co., Ltd. (hereinafter referred to as "King Slide") on June 26, 2018. The complaint was filed with the Higher People's Court of Jiangsu Province on June 19, 2018 by King Slide, suing Lemtech Precision Material and Lemtech Slide Company for the production, manufacture, and sale of rail products without King Slide's license, infringing its patent rights, and request compensation of CNY 100 million, rights maintenance costs of CNY 183,090, and NT\$31,748. The attorney appointed for the case states that since Lemtech Precision Material mainly engages in the research and development, production, and sales of precision metal stamping components and toolings with the cooling module, automobile modules, and components and stamping toolings for other components. For rail products, it only produced stamping components, it is not a manufacturer or dealer of rail product, thus no infringement has occurred in this case. The rail product produced by Lemtech Slide Company is all subject to its relevant patents (some still in the application process), which by the attorney's initial judgment are different from that of King Slide. Furthermore, King Slide failed to produce evidence to prove its claim, thus the payment of compensation is unlikely. The case was first trialed in court on January 25, 2019. The merged company received a judgment from the Higher People's Court of Jiangsu Province on August 23, 2021, and King Slide filed should immediately stop the manufacture and sales as mentioned in the judgment. Products and compensated King Slide filed RMB 3,000,000 and paid some lawyers and litigation costs of RMB 450,000. The amount of claims adjudicated by the Jiangsu Higher People's Court has no significant impact on the consolidated company's finances. In addition, since the consolidated company's sliding rail product revenue does not account for a large portion of the consolidated company's overall revenue, it has no significant impact on the consolidated company's business. The merged company has appointed a lawyer to continue to submit a petition to the Supreme Court of the People's Republic of China for ruling.

King Slide filed infringement claims with the Higher People's Court of Jiangsu Province, and issued statement letters to the customers of Lemtech Precision Material, which had a negative impact on the reputation of Lemtech Precision Material. Therefore, the company represented Lemtech Precision Material and filed a claim with the Taiwan Ciaotou District Court on January 15, 2019.

XXXIX. Losses Due to Major Disasters: None.

XL. Other Matters

The combined company is affected by the global pandemic of COVID-19, which has caused the suspension of economic and commercial activities in various countries. After evaluating items such as operating conditions and capital use, the epidemic did not cause significant abnormal effects on the combined company, and sales and production activities related to operations were operating normally. However, the epidemic has directly affected global market operations. The combined company will also pay close attention to the follow-up impact of the epidemic, evaluate market changes immediately, and take relevant anti-epidemic measures timely.

XLI. Significant Events after the Balance Sheet Date: None.

XLII. Information on Foreign Currency-denominated Assets and Liabilities of Significant Influence

The following summary is presented in foreign currencies other than the functional currency. The exchange rates disclosed in the summary refers to the exchange rate of a foreign currency to the functional currency.

Information on foreign currency-denominated assets and liabilities of significant influence is as follows:

December 31, 2022

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Carrying amount</u>
<u>Foreign currency assets</u>			
<u>Monetary items</u>			
	\$		\$
USD	27,697	30.7097 (USD:NTD)	850,575
USD	15,844	6.96464 (USD:RMB)	486,560
RMB	386	4.4094 (RMB:NTD)	1,701
RMB	17	0.1436 (RMB:USD)	76
JPY	500	0.2324 (JPY:NTD)	116
JPY	154,587	0.0527 (JPY:RMB)	35,922
EUR	2,493	7.4205 (EUR:RMB)	81,558
SGD	263	0.745 (SGD:USD)	6,017
SGD	10	22.8799 (SGD: NTD)	219
			<u>\$ 1,462,744</u>
<u>Foreign currency liabilities</u>			
<u>Monetary items</u>			
USD	10,922	30.7097 (USD:NTD)	\$ 335,413
USD	832	6.96464 (USD:RMB)	25,549
JPY	52,528	0.0527 (JPY:RMB)	12,206
EUR	1,000	7.4205 (EUR:RMB)	32,720
			<u>\$ 405,888</u>

December 31, 2021

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Carrying amount</u>
<u>Foreign currency assets</u>			
<u>Monetary items</u>			
	\$		
USD	31,176	27.6600 (USD:NTD)	\$ 862,315
USD	15,206	6.3674 (USD:RMB)	420,609
RMB	896	4.3440 (RMB:NTD)	3,894
RMB	17	0.1570 (RMB:USD)	75
JPY	500	0.2411 (JPY:NTD)	121
JPY	79,593	0.0555 (JPY:RMB)	19,189
EUR	1	31.3198 (EUR:NTD)	29
EUR	5,072	7.2099 (EUR:RMB)	158,845
SGD	195	0.7397 (SGD:USD)	3,987
SGD	21	20.4598 (SGD:NTD)	423
			<u>\$ 1,469,487</u>
<u>Foreign currency liabilities</u>			
<u>Monetary items</u>			
USD	34,308	27.6600 (USD:NTD)	\$ 948,969
USD	9,637	6.3674 (USD:RMB)	266,546
JPY	25,359	0.0555 (JPY:RMB)	6,114
SGD	18	20.4598 (SGD:NTD)	360
			<u>\$ 1,221,989</u>

The combined company is mainly exposed to foreign currency exchange rate risks of RMB, USD, CZK, and PHP. The following information is aggregated in terms of the functional currency of the foreign currency held. The exchange rate disclosed is the exchange rate of the functional currency into the presentation currency. The realized and unrealized foreign currency exchange profits and losses that have a significant impact are as follows:

	<u>2022</u>		<u>2021</u>	
<u>Functional currency</u>	<u>Functional Currency and Presentation Currency</u>	<u>Net exchange gains and losses</u>	<u>Functional Currency and Presentation Currency</u>	<u>Net exchange gains and losses</u>
NTD	1.0000 (NTD:NTD)	\$ 57,579	1.0000 (NTD:NTD)	\$ 5,746
RMB	4.4094 (RMB:NTD)	33,444	4.4344 (CNY:NTD)	( 23,346)
USD	30.7097 (USD:NTD)	( 23)	27.66 (USD:NTD)	56
CZK	1.3607 (CZK:NTD)	3,164	1.2656(CZK:NTD)	4,829
PHP	- (PHP:NTD)	-	0.5809 (PHP:NTD)	471
		<u>\$ 94,164</u>		<u>(\$ 12,244)</u>

XLIII. Supplementary Disclosures

Information on (I) Significant Transactions and (II) Investees:

1. Financings provided (Attachment 1)
2. Endorsements/guarantees provided to others (Attachment 2)
3. Marketable securities held at the end of year (excluding investments in subsidiaries, affiliates and interest in joint ventures) (Attachment 3)
4. Accumulated purchase or disposal of individual marketable securities equal to or in excess of NT\$300 million or 20% of paid-in capital (None)
5. Acquisition of real estate at cost in excess of NT\$300 million or 20% of paid-in capital (Attachment 4)
6. Disposal of real estate at cost in excess of NT\$300 million or 20% of paid-in capital (None)
7. Purchases or sales to related parties of at least NT\$100 million or 20% of paid-in capital (Attachment 5)
8. Accounts receivable from related parties equal to or in excess of NT\$100 million or 20% of paid-in capital (Attachment 6)
9. Engage in derivative transactions (Note 7 and 35)
10. Others: Business relationships, important transactions and the amounts between parent company and subsidiaries (Attachment 7)
11. Information on investees (Attachment 8)

(III) Information on investments in China:

1. Information on any investee company in China; disclose the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment gain or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in China. (Attachment 9)
2. Significant transactions with investee companies in China, either directly or indirectly through a third region, and their prices, payment terms, and unrealized gains or losses. (Attachment 9)
  - (1) Purchase amount and percentage, and the ending balance and percentage of payables.
  - (2) Sales amount and percentage, and the ending balance and percentage of payments receivables.
  - (3) Property transaction amount and the resulting gain or loss.
  - (4) Ending balance of endorsement, guarantee or collateral provided and purposes.
  - (5) The maximum balance, ending balance, interest rate range and total amount of interest of financing for the current year.
  - (6) Other transactions having a significant influence on profit or loss or financial status of the current year, such as providing or receiving services.

(IV) Information on major shareholders: Names of shareholders with a shareholding ratio of 5% or more and the amount and proportion of shareholding. (Attachment 10)

XLIV. Segment Information

The information is provided to the main decision-maker to allocate resources and

assess the performance of each department and focus on each type of product or service delivered or provided. information on the combined company's reporting segments is presented as follows:

Taiwan manufacturing segment

China manufacturing segment

Others

Department revenues and the results of operations

- (I) The combined company's revenue and operational results by reportable segment are analyzed as follows:

2022

	Taiwan R&D segment	China manufacturing segment	Others	Intercompany netting	Total
Revenue from external customers	\$ 2,155,268	\$ 2,257,063	\$ 1,572,597	\$ -	\$ 5,984,928
Intercompany revenue	<u>522,656</u>	<u>863,682</u>	<u>19,499</u>	<u>(1,405,837)</u>	<u>-</u>
Department Revenue	<u>\$ 2,677,924</u>	<u>\$ 3,120,745</u>	<u>\$ 1,592,096</u>	<u>(\$ 1,405,837)</u>	<u>5,984,928</u>
Interest income	\$ 973	\$ 18,480	\$ 6,026	(\$ 9,089)	16,390
Other company's income					<u>39,045</u>
					<u>\$ 6,040,363</u>
Finance costs	3,918	16,089	25,892	( 9,089)	\$ 36,810
Depreciation and amortization	24,934	255,769	34,653	( 376)	314,980
Share of gains (losses) of affiliates accounted for using equity method	-	128,403	789,005	( 920,235)	( 2,827)
Income tax expenses (benefits)	65,803	72,173	( 42,663)	-	95,313
Departments gain (loss)	<u>\$ 237,457</u>	<u>\$ 280,944</u>	<u>\$ 836,988</u>	<u>(\$ 920,235)</u>	<u>\$ 435,154</u>
Departments assets	<u>\$ 1,341,932</u>	<u>\$ 5,845,632</u>	<u>\$12,017,878</u>	<u>(\$11,376,637)</u>	<u>\$ 7,828,805</u>
Departments liabilities	<u>\$ 619,876</u>	<u>\$ 1,769,939</u>	<u>\$ 4,009,604</u>	<u>(\$ 1,949,609)</u>	<u>\$ 4,449,810</u>

2021

	Taiwan R&D segment	China manufacturing segment	Others	Intercompany netting	Total
Revenue from external customers	\$ 1,969,151	\$ 2,731,173	\$ 1,668,794	\$ -	\$ 6,369,118
Intercompany revenue	<u>250,150</u>	<u>681,809</u>	<u>49,513</u>	<u>( 981,472)</u>	<u>-</u>
Department Revenue	<u>\$ 2,219,301</u>	<u>\$ 3,412,982</u>	<u>\$ 1,718,307</u>	<u>(\$ 981,472)</u>	<u>6,369,118</u>
Interest income	\$ 68	\$ 14,887	\$ 1,175	(\$ 7,695)	8,435
Other company's income					<u>15,280</u>
					<u>\$ 6,392,833</u>
Finance costs	1,165	19,519	8,293	( 7,695)	\$ 21,282
Depreciation and amortization	16,226	252,313	28,206	-	296,745
Share of gains (losses) of affiliates accounted for using equity method	-	219,975	1,054,855	( 1,272,125)	2,705
Income tax expenses (benefits)	34,807	59,203	66,717	-	160,727
Departments gain (loss)	<u>\$ 128,429</u>	<u>\$ 518,104</u>	<u>\$ 1,092,764</u>	<u>(\$ 1,272,125)</u>	<u>\$ 467,172</u>
Departments assets	<u>\$ 965,548</u>	<u>\$ 5,228,470</u>	<u>\$10,814,288</u>	<u>(\$ 8,912,104)</u>	<u>\$ 8,096,202</u>
Departments liabilities	<u>\$ 548,319</u>	<u>\$ 1,613,820</u>	<u>\$ 3,496,583</u>	<u>(\$ 658,586)</u>	<u>\$ 5,000,136</u>

Interdepartmental sales are based on market prices.

Segment profit refers to the profit earned by each segment, including the apportionable headquarters management cost and directors' remuneration, the share of profits and losses of affiliated companies that adopt the equity method, rental income, interest income, disposition of real estate, plant, and equipment profits and losses, foreign currency exchange net (profit) losses, financial instrument evaluation profits and losses, financial cost, and Income tax expenses. The assessment is provided to the main decision- maker to allocate resources to departments and assess their performance.

(II) Revenue from major products and services

The analysis of profits from the main products and services of the combined company's continuing business units is as follows:

	<u>2022</u>	<u>2021</u>
Computer, communication and consumer electronics	\$ 1,536,450	\$ 2,325,391
Motor vehicles	2,102,521	1,821,153
Building materials	50,709	50,527
Fitness Equipment	2,100,280	1,917,870
Toolings and others	<u>194,968</u>	<u>254,177</u>
	<u>\$ 5,984,928</u>	<u>\$ 6,369,118</u>

(III) Regional information

The combined company mainly operates in two areas - Taiwan and China.

Revenue of the combined company's continuing operations from external customers classified by the location of the business and the non-current assets is listed as follows:

	<u>Revenue from external customers</u>		<u>NON-CURRENT ASSETS</u>	
	<u>2022</u>	<u>2021</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Asia	\$ 3,263,129	\$ 5,521,625	\$ 2,716,213	\$ 1,573,507
America	2,275,644	536,192	-	-
Europe	<u>446,155</u>	<u>311,301</u>	<u>266,260</u>	<u>164,028</u>
	<u>\$ 5,984,928</u>	<u>\$ 6,369,118</u>	<u>\$ 2,982,473</u>	<u>\$ 1,737,535</u>

Non-current assets do not include deferred income tax assets.

(IV) Information of main customer

The annual revenues of 2022 and 2021 are NT\$ 5,984,928 thousand and NT\$ 6,369,118 thousand, the revenue from single customers of the company reaching more than 10% of the total revenue of the combined company are as follows:

	<u>2022</u>	<u>2021</u>
Customer GH (Note 1)	\$ 716,733	\$ 1,091,176
Customer C (Note 1)	Note 2	696,781
Customer J	1,674,908	Note 2

Note 1: This is revenue from Fitness Equipment

Note 2: The amount of income did not reach 10% of the total income of the consolidated company..

Lemtech Holdings Co., Limited and its subsidiaries  
Loans extended to others  
2022

Attachment 1

Unit: Unless Specified Otherwise  
, NTD thousands.

No. (Note 1)	Lending company	Borrower	General ledger account	Related party or not	Maximum Balance for the Period	Balance at the end of period (Note 2)	Actual expenditure	Interest range	Nature of loan	Business transaction amount	Reason for short-term financing	Allowance for bad debts recognized	Collateral		Financing limit for each borrower (Note 3)	Total loan limit (Note 3)	Remarks
													Name	Value			
0	Lemtech Holdings Co., Limited	Lemtech Energy Solutions Corporation	Other receivables	Yes	\$ 50,500	\$ -	\$ -	1%	Necessity of short-term financing	\$ -	- Operating capital	\$ -	-	\$ -	\$ 1,314,578	\$ 1,314,578	
0	Lemtech Holdings Co., Limited	LemTech Global Industries Ltd.	Other receivables	Yes	319,720	307,100	-	3%	Necessity of short-term financing	-	- Operating capital	-	-	-	1,314,578	1,314,578	
1	Lemtech Precision Material (China) Co., Ltd	Zhenjiang Emtron Surface Treatment Limited Company	Other receivables	Yes	171,228	166,896	166,896	3.5%~4%	Necessity of short-term financing	-	- Operating capital	-	-	-	1,452,894	1,452,894	
2	Lemtech Technology Limited	Lemtech International Limited	Other receivables	Yes	114,500	61,420	61,420	0.25%	Necessity of short-term financing	-	- Operating capital	-	-	-	246,431	246,431	
2	Lemtech Technology Limited	LemTech Global Industries Ltd.	Other receivables	Yes	159,860	153,550	-	3%	Necessity of short-term financing	-	- Operating capital	-	-	-	246,431	246,431	
3	Kunshan Lemtech Slide Technology Co., Ltd. (China)	Lemtech Electronics Technology (Changshu) Co., Ltd.	Other receivables	Yes	90,120	87,840	87,840	4%	Necessity of short-term financing	-	- Operating capital	-	-	-	100,902	100,902	

Note 1: Explanations for the numbering column are as follows:

- (1) The issuer is coded 0.
- (2) Investees are numbered consecutively from 1 in the order presented in the attachment above.

Note 2: If a public company extend loans by submitting each loan for the board resolution in accordance with Paragraph 1, Article 14 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, although the drawdown had not been made, the amount resolved by the board shall be included in the balance announced in order to disclose the risks borne; however, if subsequently the amount is repaid, the balance after repayment shall be disclosed to reflect the adjustment of risk. If a publicly company authorized the chairman of the board of directors to extend loans in installments or to make a revolving credit line within a certain amount and within a period of one year in accordance with Article 14 (2) of the regulation, the loan limit resolved by the board shall be the reported balance. Although the amount may subsequently be repaid, considering the that further installments may be made, the loan limit resolved by the board shall still be the reported balance.

Note 3: (1) The loan limit to others is approved by the shareholders' meeting of Lemtech Holdings Co., Limited in accordance with the Operational Procedures for Loaning Funds to Others: For loans extended to companies with business ties, 1. the loan limit shall not exceed 20% of the company's net worth; amount of individual loans shall not exceed the total amount of trading between the parties in the most recent year. The amount of trading means the sales or purchasing amount between the parties, whichever is higher. 2. Where the extension of loans for companies with short-term financing needs is necessary, the total amount of loan extended shall not exceed 40% of the company's net value; the amount extended for each individual loans shall not exceed 40% of the company's net value.

(2) According to the above regulations, the maximum value of short-term financing extended by Lemtech Holdings Co., Limited out of necessity is net value of NT\$3,286,446 thousand x 40% = NT\$1,314,578 thousand; the limit for a single entity is NT\$3,286,446thousand x 40% = NT\$1,314,578 thousand.

(3) According to the above regulations, the maximum value of short-term financing extended by Lemtech Precision Material (China) Co., Ltd out of necessity is net value of NT\$3,632,235 thousand x 40% = NT\$1,452,894 thousand; the limit for a single entity is NT\$3,632,235 thousand x 40% = NT\$1,452,894 thousand.

(4) In accordance with the above regulations. According to the above regulations, the maximum value of short-term financing extended by Lemtech Technology Limited out of necessity is net value of NT\$ 252,479 thousand x 40% = NT\$ 100,992 thousand; the limit for a single entity is NT\$ 252,479 thousand x 40% = NT\$ 100,992 thousand.

(5) In accordance with the above regulations. According to the above regulations, the maximum value of short-term financing extended by Kunshan Lemtech Slide Technology Co., Ltd. (China)out of necessity is net value of NT\$ 252,479 thousand x 40% = NT\$100,992 thousand; the limit for a single entity is NT\$ 252,479 thousand x 40% = NT\$100,992 thousand.



Lemtech Holdings Co., Limited and its subsidiaries  
Endorsement/guarantee provided for others  
2022

Attachment 2

(In Thousands of NTD, Unless Stated Otherwise)

No. (Note 1)	Endorsement/guarantee provider name	Subject of endorsements/guarantees		Limit on endorsements/gua rantees provided for a single party	Maximum balance for this period	Endorsement and guarantee closing balance	Actual expenditure	Amount of endorsement/guar antee collateralized by properties	Ratio of Accumulated Endorsements/G uarantees to Net Worth per Latest Financial Statements (%)	Endorsements/Gu arantees Maximum limit	Guarantee provided by parent company to a subsidiary	Guarantee provided by a subsidiary	Guarantee provided to subsidiarie s in China
		Name	Relationship (Note 2)										
0	Lemtech Holdings Co., Limited	Lemtech Electronics Technology(Changshu)Co., Ltd	2	\$ 3,943,735	\$ 45,060	\$ -	\$ -	\$ -	-	\$ 9,859,338	Yes	No	Yes
0	Lemtech Holdings Co., Limited	LemTech Global Industries Ltd.	2	3,943,735	729,938	337,810	-	-	10.28%	9,859,338	Yes	No	No
0	Lemtech Holdings Co., Limited	Lemtech Precision Material (Czech) s.r.o.	2	3,943,735	191,940	196,320	130,880	-	5.97%	9,859,338	Yes	No	No
0	Lemtech Holdings Co., Limited	Kunshan Lemtech Slide Technology Co., Ltd. (China)	2	3,943,735	46,335	46,065	21,497	-	1.40%	9,859,338	Yes	No	Yes
0	Lemtech Holdings Co., Limited	Lemtech Energy Solutions Corporation	2	3,943,735	133,944	131,420	50,000	-	4.00%	9,859,338	Yes	No	No
0	Lemtech Holdings Co., Limited	LDC Precision Engineering Co., Ltd.	2	3,943,735	350,000	350,000	-	-	10.65%	9,859,338	Yes	No	No
0	Lemtech Holdings Co., Limited	Lemtech Precision Material	2	3,943,735	186,063	-	-	-	-	9,859,338	Yes	No	Yes
0	Lemtech Holdings Co., Limited	LemTech Global Industries Ltd.	2	3,943,735	600,000	600,000	250,000	-	18.26%	9,859,338	Yes	No	No
1	Lemtech Technology Limited	Lemtech Holdings Co., Limited	3	739,292	159,860	153,550	30,710	-	4.67%	1,848,231	No	Yes	No
2	Lemtech Precision Material	Kunshan Lemtech Slide Technology Co., Ltd. (China)	4	4,358,682	22,215	-	-	-	-	10,896,705	No	No	Yes
2	Lemtech Precision Material	Lemtech Electronics Technology(Changshu)Co., Ltd	4	4,358,682	66,645	-	-	-	-	10,896,705	No	No	Yes
2	Lemtech Precision Material	LemTech Global Industries Ltd.	4	4,358,682	66,645	43,920	-	-	1.34%	10,896,705	No	No	Yes
3	Lemtech Industrial Services Ltd	Kunshan Lemtech Slide Technology Co., Ltd. (China)	2	178,541	44,430	43,920	43,481	-	1.34%	446,352	No	No	Yes

Note 1: Explanations for the numbering column are as follows:

- (1) The issuer is coded 0.
- (2) Investees are numbered consecutively from 1 in the order presented in the attachment above.

Note 2: The relationships between endorsers/guarantors and endorsees/guarantees are categorized into the following 7 types. Please specify the type.

- (1) A company that has business transactions with the Company.
- (2) Companies in which the Company directly and indirectly holds more than 50 percent of the voting shares.
- (3) Companies that directly and indirectly holds more than 50 percent of the voting shares in the Company.
- (4) Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares.
- (5) A company fulfills its contractual obligations by providing mutual endorsement/guarantee for another company in the same industry or for joint builders for purposes of undertaking a construction project.
- (6) All capital contributing shareholders make endorsement/guarantee for their jointly invested company in proportion to their shareholding percentages.
- (7) Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

- Note 3: (1) The endorsement guarantee limit is handled by Lemtech Holdings Co., Limited in accordance with the provisions of Articles 36 and 38 of the Securities Exchange Law and the endorsement guarantee procedures approved by the shareholders' meeting: Lemtech Holdings Co., Limited 's external endorsement guarantee The total amount shall not exceed 300% of the current net value. The endorsement guarantee amount for a single enterprise shall not exceed 120% of the net value of the current period. If the endorsement guarantee is made due to a business relationship, it shall not exceed the total amount of transactions with the company in the most recent year (the purchase or sales amount between the two parties, whichever is higher). The net value is based on the latest financial statement that has been audited and certified by an accountant or reviewed. If the company directly and indirectly holds more than 90% of the voting shares as an endorsement guarantee, the amount shall not exceed 10% of the company's net worth. However, the company directly and indirectly holds 100% of the voting shares as an endorsement guarantee between companies, which is not subject to this limitation.
- (2) According to the above regulations, the maximum limit for guarantee for endorsement by Lemtech Holdings Co., Limited is net value 3,286,446 thousand  $\times 300\% = 9,859,338$  thousand; the limit for endorsement guarantee for a single enterprise is 3,286,446 thousand  $\times 120\% = 3,943,735$  thousand.
- (3) According to the above provisions, the maximum limit for Lemtech Technology Limited's external endorsement guarantee is net value 616,077 thousand  $\times 300\% = 1,848,231$  thousand; the limit for endorsement guarantee for a single enterprise is net value 616,077 thousand  $\times 120\% = 739,292$  thousand.
- (4) According to the above regulations, the maximum limit for guarantee for endorsement by Lemtech Precision Material (China) is net value 3,632,235 thousand  $\times 300\% = 10,896,705$  thousand; the limit for endorsement guarantee for a single enterprise is net value 3,632,235 thousand  $\times 120\% = 4,358,682$  thousand.
- (5) According to the above regulations, the maximum limit for guarantee for endorsement by Lemtech Industrial Services Lt is net value 148,784 thousand  $\times 300\% = 446,352$  thousand; the limit for endorsement guarantee for a single enterprise is net value 148,784 thousand  $\times 120\% = 178,541$  thousand.

Lemtech Holdings Co., Limited and its subsidiaries  
 Securities Held at End of Period  
 December 31, 2022

Attachment 3

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

Securities Holding Company	Type and Name of Securities	Relationship with Issuer of Securities	Ledger Account	Ending Balance				Remarks
				Number of Shares (in Thousands)	Carrying amount	Shareholding percentage	Fair value	
Lemtech Precision Material (China) Corporation	Structured deposits							
	- structured deposits of Kunshan Rural Commercial Bank	-	Financial assets at fair value through profit or loss	-	\$ 88,690	-	\$ 88,690	-
	- structured deposits of CITIC Bank	-	Financial assets at fair value through profit or loss	-	44,408	-	44,408	-
	- structured deposits of Bank of Ningbo	-	Financial assets at fair value through profit or loss	-	44,142	-	44,142	-

Lemtech Holdings Co., Limited and its subsidiaries  
 Acquire of Real Estate Amounting to NT\$300 Million or 20% of the Paid-in Capital or More  
 2022

Attachment 4

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

Company acquiring real estate	Property name	Date of fact	Transaction amount	Price payment situation	Object of transaction	Relations	If the transaction object is a related person, the previous transfer data				Reference basis for price determination	Purpose of acquisition and usag	Other agreed matters
							Owner	Relationship with the issuer	Transfer date	Amount			
Lemtech Holdings Co., Limited	Land registration No. 143 in Zhongli District, Taoyuan City (3 items) Building registration No. 657 in Zhongli District, Taoyuan City (2 items)	2021/12/29	\$ 1,055,000	\$ 1,055,000	Primasia Asset Management Corporation	—	—	—	—	\$ -	Refer to the nearby real estate market and professional appraisal report	To set up the headquarters in Taiwan and integrate the subsidiaries in Taiwan to operate in the same factory area to save rental expenses.	—

Note : The date of occurrence of the fact refers to the date of resolution of the board of directors.

Lemtech Holdings Co., Limited and its subsidiaries  
Amount of purchases from and sales to related parties reaching NT\$100 million or 20% of its paid-in capital  
2022

Attachment 5

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

Name of company selling or purchasing	Counterparty	RELATIONS	Transaction details				Situation and reason of why trading conditions are different from general trading		Accounts and notes receivable (payable)		Remarks
			Purchase/sale	Sum	Ratio to Total Purchase (sell)	Loan period	Unit price	Loan period	Balance	Ratio to total note or account receivables (payables)	
Lemtech Precision Material (China) Co., Ltd	Lemtech Technology Limited	Parent company	Sales	\$ 135,430	2.26%	90 days	According to the company's transfer pricing policy system	-	Accounts receivable \$ 43,848	2.35%	
LDC Precision Engineering Co., Ltd.	LemTech Global Industries Ltd.	Affiliates	Sales	170,591	2.85%	60 days	According to the company's transfer pricing policy system	-	Accounts receivable 21	-	
LDC Precision Engineering Co., Ltd.	Lemtech Technology Limited	Affiliates	Sales	103,345	1.73%	60 days	According to the company's transfer pricing policy system	-	Accounts receivable 39,046	2.09%	
Kunshan Lemtech Slide Technology Co., Ltd. (China)	LemTech Global Industries Ltd.	Affiliates	Sales	105,697	1.77%	90 days	According to the company's transfer pricing policy system	-	Accounts receivable 11,084	0.59%	
Kunshan Lemtech Slide Technology Co., Ltd. (China)	Lemtech Technology Limited	Affiliates	Sales	342,903	5.73%	120 days	According to the company's transfer pricing policy system	-	Accounts receivable 150,247	8.04%	
Lemtech-Eahwa Precision Technology Co.,Ltd	LDC Precision Engineering Co., Ltd.	Affiliates	Sales	117,885	1.97%	60 days	According to the company's transfer pricing policy system	-	Accounts receivable 31,042	1.66%	
Lemtech Energy Solutions Corporation (Taiwan)	Lemtech Technology Limited	Affiliates	Sales	119,450	2.00%	120 days	According to the company's transfer pricing policy system	-	Accounts receivable 28,727	1.54%	

Lemtech Holdings Co., Limited and its subsidiaries  
Account receivables from related parties reaching NT\$100 million or 20% of its paid-in capital  
December 31, 2022

Attachment 6

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

Name of company with accounts receivable on account	Name of the counterparty	RELATIONS	Balance of receivables from related parties	Turnover rate	Overdue receivables from related parties		Amounts received from related parties in subsequent period	Allowance for loss amount
					Sum	Action taken		
Lemtech Precision Material	Zhenjiang Emtron Surface Treatment Limited	Affiliates	Other receivables \$ 170,178	Notes:	\$ -	-	\$ -	\$ -
Kunshan Lemtech Electronics Technology Co., Ltd	Lemtech Electronics Technology (Changshu) Co., Ltd.	Affiliates	Other receivables \$ 115,706	Notes:	\$ -	-	-	\$ -
Kunshan Lemtech Slide Technology Co., Ltd. (China)	Lemtech Technology Limited	Affiliates	Other receivables \$ 150,247	3.70	\$ -	-	91,638	\$ -

Notes: Categorized as other receivables, thus turnover rate is not calculated.

Lemtech Holdings Co., Limited and its subsidiaries  
Intercompany Relationships and Significant Intercompany Transactions  
2022

Attachment 7

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

No. (Note 1)	Name of the trader	Name of the transaction counterparty	Relationship (Note 2)	Conditions of transactions			
				Account	Sum	Terms of transaction	Percentage of Consolidated Total Revenue or Total Assets (%) (Note 3)
1	Lemtech Precision Material	Lemtech Technology Limited	1	Account receivables (payment)	\$ 43,848	General Terms of Transaction	0.56%
1	Lemtech Precision Material	Lemtech Technology Limited	1	Sales revenue (purchase)	135,430	General Terms of Transaction	2.26%
1	Lemtech Precision Material	Zhenjiang Emtron Surface Treatment Limited	3	Other receivables (payables)	170,178	General Terms of Transaction	2.17%
2	LDC Precision Engineering Co., Ltd.	Lemtech Technology Limited	3	Account receivables (payment)	39,046	General Terms of Transaction	0.50%
2	LDC Precision Engineering Co., Ltd.	Lemtech Technology Limited	3	Sales revenue (purchase)	103,345	General Terms of Transaction	1.73%
2	LDC Precision Engineering Co., Ltd.	LemTech Global Industries Ltd.	3	Sales revenue (purchase)	170,591	General Terms of Transaction	2.85%
3	LemTech Global Industries Ltd.	LDC Precision Engineering Co., Ltd.	3	Sales revenue (purchase)	45,076	General Terms of Transaction	0.75%
4	Kunshan Lemtech Slide Technology Co., Ltd.	LemTech Global Industries Ltd.	3	Sales revenue (purchase)	105,697	General Terms of Transaction	1.77%
4	Kunshan Lemtech Slide Technology Co., Ltd.	Lemtech Technology Limited	3	Account receivables (payment)	150,247	General Terms of Transaction	1.92%
4	Kunshan Lemtech Slide Technology Co., Ltd.	Lemtech Technology Limited	3	Sales revenue (purchase)	342,903	General Terms of Transaction	5.73%
5	Lemtech Energy Solutions Corporation (Taiwan)	Lemtech Technology Limited	3	Sales revenue (purchase)	119,450	General Terms of Transaction	2.00%
6	Lemtech Technology Limited	Lemtech International Limited	3	Other receivables (payables)	61,517	General Terms of Transaction	0.79%
7	Kunshan Lemtech Electronics Technology Co., Ltd.	Lemtech Electronics Technology (Changshu) Co., Ltd.	3	Other receivables (payables)	115,706	General Terms of Transaction	1.48%
8	Lemtech-Eahwa Precision Technonlogy Co.,Ltd	LDC Precision Engineering Co., Ltd.	3	Sales revenue (purchase)	117,885	General Terms of Transaction	1.97%

Note 1: The information on business dealings between the parent company and subsidiaries should be numbered in the "Code" column with the following coding method:

1. Parent company will be coded "0".
2. The subsidiaries are coded from "1" in the order presented in the table above.

Note 2: The transaction relationships with the counterparties are as follows. Please specify the type (the same transaction shall not be disclosed repetitively for transaction between the parent company and the subsidiaries or between the subsidiaries. For example, if the parent company has already disclosed its transaction with a subsidiary, the subsidiary does not need to disclose the information again; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, the other one does not need to disclose it again.)

1. Parent company to subsidiary.
2. Subsidiary to parent company.
3. Between subsidiaries.

Note 3: For calculations of ratio of the transaction amount accounts to consolidated total revenue or total assets, where the item is either an asset or a liability, the ratio of the ending balance to the consolidated total assets shall be calculated; where the item is either a gain or a loss, the ratio of the aggregated amount at the end of the period to the consolidated total revenue shall be calculated.

Note 4: The above transactions have been offset in the consolidated statements.

Note 5: The significant transactions of this form may be determined by the company according to the principle of materiality.

Lemtech Holdings Co., Limited and its subsidiaries  
Name of investee, location, etc.  
2022

Attachment 8

Units: NT\$1,000

Investor company	Name of investees	Location	Principal business activities	Original investment amount		Balance at the end of the period			Net gain or loss of the investee	Recognized investment gain/loss of the current period	Remarks
				End of the period	End of last year	Shares	Ratio %	Carrying amount			
The Company	<u>Controllable</u> Lemtech Global Solution Co. Ltd.	Republic of Mauritius	Investment holding companies	\$ 112,397	\$ 112,397	2,500,000	100	\$ 3,501,610	\$ 338,151	\$ 338,151	Subsidiaries
The Company	Lemtech International Limited	Hong Kong	Investment holding companies	214,320	214,320	7,000,000	100	316,982	( 28,179 )	( 28,179 )	Subsidiaries
The Company	Lemtech Industrial Services Ltd.	Samoa	Sales of electronics and computer peripheral component	6,583	6,583	1,425,000	57	84,807	74,055	42,211	Subsidiaries
The Company	LemTech Global Industries Ltd.	Taiwan	Manufacturing and wholesale of electrical appliances, audio-visual products, other motors and electronic mechanical equipment, automobiles and their parts, and other optical and precision machinery	30,000	30,000	3,000,000	100	156,390	114,020	12,369	Subsidiaries
The Company	Lemtech-Eahwa Precision Technonlogy Co.,Ltd.(	Taiwan	Manufacturing and wholesale of electrical appliances, audio-visual electronic products, other electrical and electronic mechanical equipment, automobiles and their parts, and other optical and precision machinery	10,000	-	1,000,000	40	19,048	22,619	9,048	Subsidiaries
Lemtech International Limited	Lemtech Energy Solutions Corporation	Taiwan	Manufacturing and wholesale of mechanical equipment, dies, electrical appliances and audio-visual products, other motors and electronic mechanical equipment, automobiles and their parts, and other optical and precision equipment	30,000	30,000	3,000,000	100	52,729	28,382	11,535	Subsidiaries
Lemtech Precision Material	Lemtech Technology Limited	Hong Kong	Sales of automotive, electronics and computer peripheral parts	597	597	20,000	100	616,077	35,624	35,624	Third-tier subsidiary
Lemtech Precision Material	LDC Precision Engineering Co., Ltd.	Taiwan	Manufacturing and wholesale of electrical appliances, audio-visual products, other motors and electronic mechanical equipment, automobiles and their parts, and other optical and precision machinery	9,524	9,524	-	100	469,653	72,436	116,895	Third-tier subsidiary
Lemtech Precision Material	Lemtech Precision Material (Czech) s.r.o.	Czechia	Manufacture of automotive parts (sunroof, brakes, seat belts, airbags, etc.) and assemblies (drive shafts for steering wheel, etc.), supply of consumer electronics parts and server product	195,984	195,984	-	100	137,761	26,797	26,797	Third-tier subsidiary
Lemtech Technology Limited	Lemtech USA Inc.	USA	U.S. business development, business information collection, provision of market intelligence and industry information	1,502	1,502	50,000	100	607	( 223 )	( 223 )	Third-tier subsidiary
Lemtech Technology Limited	<u>With significant influence</u> Aapico Lemtech Co.,Ltd.	Thailand	R&D, production, manufacturing and assembly of automotive, electronics and computer peripheral parts	16,452	16,452	160,000	40	32,056	( 1,888 )	( 744 )	Investees recognized under the equity method
Lemtech Global Solution Co. Ltd.	Keycore technology corp.	Taiwan	Electronic component manufacturing, general instrument manufacturing, energy technology services, biotechnology services and research and development services, etc.	20,085	20,085	2,900,000	28.42	19,294	( 7,291 )	( 2,072 )	Investees recognized under the equity method

Note 1: Please refer to Attachment 9 for information on investee in China.



Lemtech Holdings Co., Limited and its subsidiaries  
Information on investments in China  
2022

Attachment 9

Unit: Thousand of NTD; foreign currency (thousand)

1. For investments in China, disclose the name of the investee, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, gain or loss for the period, carrying amount of the investment, repatriated investment gains:

Investee Company	Principal business activities	Actual paid-in capital	Method of investment	Beginning balance of accumulated outflow of investment from Taiwan	Remittance or recovery of investment amount in the current period		Ending balance of accumulated outflow of investment from Taiwan	Net gain or loss of the investee	The Company's percentage of ownership directly or indirectly %	Investment gains (losses) recognized in the current period	Carrying amount of investment	Investment revenue transferred back to Taiwan as of the end of the period
					Remit	Regain						
Zhenjiang Emtron Surface Treatment Limited	Surface treatment of mechanical, electronic and automotive components	\$ 65,043 (RMB 2,160)	83.33% equity held by Lemtech Holdings Co., Limited	\$ -	\$ -	\$ -	\$ -	(\$ 17,458)	100	(\$ 16,434)	(\$ 38,602)	\$ -
Lemtech Precision Material	Production and design of various types of fine blanking die, non-metal die-casting toolings, computer connectors, computer cooling modules and other new electronic plug-ins, sales of self-produced products, etc.	286,242 (RMB 66,000)	99.81% equity held by Lemtech Global Solution Co. Ltd.	-	-	-	-	308,311	99.81	307,725	3,625,334	52,287 (USD 1,780)
Lemtech Precision Material	Production and design of various types of fine blanking die, non-metal die-casting toolings, computer connectors, computer cooling modules and other new electronic plug-ins, sales of self-produced products, etc.	286,242 (RMB 66,000)	0.19% equity held by Lemtech Holdings Co., Limited	-	-	-	-	308,311	0.19	586	6,901	-
Kunshan Lemtech Slide Technology Co., Ltd.	Design and production of slide rails, shafts and related accessories, and sales of self-produced products, etc.	69,758 (RMB 15,000)	100% invested by Lemtech Industrial Services Ltd.	-	-	-	-	81,990	100	81,990	157,267	-
Kunshan Lemtech Electronics Technology Co.,Ltd	R&D, manufacturing of electronic components, special electronic materials, and thermal modules, sales of self-produced products, and wholesale, import and export of products similar to those produced by the company and their raw materials and mechanical equipment	60,990 (USD 2,000)	100% owned by Lemtech Cooling System Limited	-	-	-	-	10,002	100	10,002	252,479	-
Lemtech Electronic Technology (Changshu) Co., Ltd.	Electronic component manufacturing, electronic component wholesale, electronic special material manufacturing, electronic special material sales, electronic special material research and development, lighting equipment manufacturing, lighting equipment sales, manufacturing of auto parts and accessories, manufacturing of solar equipment and components, sales of solar equipment and components, manufacturing of computer software and hardware equipment, sales of communication equipment	\$ 155,265 (USD 5,500)	100% owned by Lemtech Cooling System Limited	-	-	-	-	( 87,532)	100	( 87,532)	51,960	\$ -

(Continued)

(Continued from previous page)

Investee Company	Principal business activities	Actual paid-in capital	Method of investment	Beginning balance of accumulated outflow of investment from Taiwan	Remittance or recovery of investment amount in the current period		Ending balance of accumulated outflow of investment from Taiwan	Net gain or loss of the investee	The Company's percentage of ownership directly or indirectly %	Investment gains (losses) recognized in the current period	Carrying amount of investment	Investment revenue transferred back to Taiwan as of the end of the period
					Remit	Regain						
Lemtech Precision Engineering (Tianjin) Co., Ltd	Manufacturing of auto parts and accessories; mold manufacturing; manufacturing of metal parts for construction; manufacturing of mobile terminal equipment; manufacturing of communication equipment; manufacturing of computer hardware and software and peripheral equipment; manufacturing of electronic components; sales of mechanical parts and parts; sales of molds; Retailing of components; sales of metal fittings for construction	\$ 88,868 (USD 3,000)	51% equity held by Lemtech Global Solution Co. Ltd.	\$ -	\$ -	\$ -	\$ -	(\$ 13,173)	51	(\$ 6,718)	\$ 38,867	\$ -
Lemtech Precision Engineering (Tianjin) Co., Ltd	Manufacturing of auto parts and accessories; mold manufacturing; manufacturing of metal parts for construction; manufacturing of mobile terminal equipment; manufacturing of communication equipment; manufacturing of computer hardware and software and peripheral equipment; manufacturing of electronic components; sales of mechanical parts and parts; sales of molds; Retailing of components; sales of metal fittings for construction	\$ 88,868 (USD 3,000)	49% equity held by Lemtech Precision Material	\$ -	\$ -	\$ -	\$ -	(\$ 13,173)	49	(\$ 6,455)	\$ 37,343	\$ -

Notes: The investment gain (loss) is recognized in accordance with the parent company's financial statements for the same period audited by a certified public accountant.

2. Limit on the amount of investment in China

Accumulated investment remitted from Taiwan to China at the end of the period	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Upper limit on the amount of investment in China authorized by MOEAIC
\$ -	Not applicable	Not applicable

3. Major transactions with any investee company in mainland China directly or indirectly through a third region: Attachment 7.
4. Endorsements, guarantees or provision of collateral directly or indirectly between the company and the investees in China through business in a third region: Attachment 2.
5. Financing extended directly or indirectly between the company and the investees in China through business in a third region: Attachment 1.
6. Other transactions that have significant influence on the profits and losses or financial status of the current period: none.

Lemtech Holdings Co., Limited and its subsidiaries  
Information on Major Shareholders  
December 31, 2022

Attachment 10

Shareholder's name	Shareholding	
	Shareholding (shares)	Shareholding percentage
Hsu, Chi-Feng	8,293,981	13.33%
Chan Kim Seng Maurice	5,774,618	9.28%
CTBC BANK CO., LTD IN CUSTODY FOR Yehang Investment Account	5,647,238	9.08%

Notes: The major shareholder information in this table is based on Taiwan Depository & Clearing Corporation's data of shareholders who hold more than 5% of the Company's ordinary shares and preferred stock (including treasury shares), for which electronic registration and delivery were completed, on the last business day of the quarter. Share capital indicated in the Company's consolidated financial statements may differ from the actual number of shares that have been issued and delivered without physical registration as a result of the different basis of preparation.

**Lemtech Holdings Co., Limited**



**Chairman : Hsu, Chi-Feng**

