



## **Vision**

To be the best company with commitment to business excellence and sustainability.

## **Mission**

The world's most trusted provider of electronic components.

## **Core Value**

In line with the founding spirit of "Integrity, Practicality, Innovation, Service", and the organization and management culture of "Harmony, Unity, and High Efficiency", the two are compatible to form the core value of Taiwan Crystal Technology.

Whether it is internally or externally, to people or to things.

Honesty is always our most fundamental and important requirement, mutual trust fulfills every prudent promise; establish comprehensive quality and risk awareness, seek truth from facts, look into the bottom line, and look to the future for healthy development; continuous improvement and excellence, and continuous pursuit of operation, management, technology, and marketing Innovate in all aspects; adhere to high-quality growth, provide services attentively, and achieve every task entrusted to obtain the full trust of employees, customers, shareholders, business partners and the market.

Whether it is employees, customers, shareholders, business partners, or even society or the region.

People and the environment are always the important lifeline supporting the survival and development of an enterprise, and we attach great importance to the development and maintenance of sustainable and harmonious relations of interest. We use a kind heart, people-oriented, treat employees kindly, and create a happy corporate culture. We use a responsible heart to implement company management and governance, create value for shareholders and customers, and fulfill our corporate social responsibilities and obligations as a global citizen.

We pay attention to discipline, but not red tape. We are open to communication, but not in a bureaucratic manner.

We respect the individual, but don't follow suit. We value efficiency, but don't compromise quality.

We are convinced that only teamwork can be united, go all out to implement effectively, and be unafraid of challenges. Maintaining common values can achieve our mission and move towards our vision.

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# Chapter 1 Letter to Shareholders

Dear Shareholders,

2022 is a year full of turmoil and challenges, and the market momentum in the first half and second half of the year is polarized. The post-COVID-19 effect, rapid changes in the overall economy, rising international political conflicts, continued deterioration in global inflation, and weak demand in the terminal market. These factors that plague business operations are still fermenting, and have brought significant and long-term changes to society, businesses, and individuals. Influence. The first half of 2022 is the deferred market demand of the previous year, and it is also one of the causes of the economic reversal in the second half of the year. Even though the overall market environment is severe, the company's management team upholds the solid fighting spirit for many years, demonstrates strong corporate resilience, and makes unremitting efforts of all members to create good results throughout the year.

The impact of the development of the global situation in 2023 on the business environment is not optimistic. Many factors such as uncertain customer orders, slow inventory depletion, rising supply chain risks, weak terminal demand, rising global inflation, and shifts in the labor market have all brought Long-term and huge changes and challenges for enterprises. No matter how the environment changes, the company must focus more on insight into market opportunities, provide customers with certain products and services, maintain the ability to execute quickly and adapt quickly, and constantly innovate and evolve and change thinking in order to continue to create the value that the market needs.

## I. 2022 Operation Results

### (I) Consolidated revenue and net profit

Unit: NT\$1,000

Items \ Year	2022	2021	Increase (Decrease) Amount	Change Rate (%)
Net Revenue	13,169,688	15,244,851	(2,075,163)	(13.61)
Gross Profit	5,030,838	5,627,229	(596,391)	(10.60)
Net Profit	2,805,504	3,116,984	(311,480)	(9.99)

### Consolidated statement of income and profitability

Item	Year	2022	2021
Financial Structure (%)	Debt/Assets Ratio	37.17	38.66
	Long-term Capital/ Fixed Assets Ratio	245.51	272.23
Debt-Paying Ability (%)	Current Ratio	263.22	232.29
	Quick Ratio	198.69	175.70
Profitability (%)	Return on Assets	13.99	16.84
	Return on Equity	22.24	27.81
	Earnings Per Share (NT\$)	9.06	10.06

### (II) Budget Execution

The internal budget target set by the company every year does not disclose the financial forecast. The overall revenue and profit will be affected by market demand, industry changes and product structure, and the consolidated sales revenues and net profits in 2022 will reach the budget target of 89.69% and 106.83% respectively.

### **(III) Research and development**

In recent years, the competition among the global frequency component industry has become increasingly tense. In addition to competing for mature market share, various companies have launched investment plans for new technologies and new applications in order to seize opportunities in new markets. In order to maintain the company's leading position in the frequency component industry, the company promoted the wafer-level advanced process technology development plan as early as 2020, and the board of directors approved a substantial increase in R&D-related capital expenditures in 2021. The company concentrated its resources on the development of new technologies for wafer manufacturing frequency components. Due to technical problems, the new process equipment was not delivered and installed on time, which resulted in the inability to fully mass-produce the new process. At the same time, in order to achieve the strategic goals of wafer manufacturing process and smart manufacturing, the automated smart manufacturing digital system has been successfully put into operation at the end of 2022. When the new process equipment is fully installed and mass production begins, the direct production cost will be greatly reduced, and the stable quality will be improved to meet customer and market requirements. By continuously improving the operational efficiency of the supply chain, reducing the manufacturing cost of mature products, and investing in new process technologies for mass production, the company will consolidate and maintain its leading position in the industry.

### **(IV) Results from execution of other projects**

#### **1、Green enterprise**

In order to cooperate with the government's energy-saving and carbon-reduction policies and energy regulations, the company continues to implement energy-saving and carbon-reduction plans every year. The company has completed the replacement of high-efficiency lamps in the entire factory. After completing the construction of the roof-type solar power generation system, it can be officially commercialized and obtained a green electricity certificate in the first quarter of 2023. Continue to promote process improvement, and energy-saving measures such as air compressors and air-conditioning cooling fans, and continue to promote certification and activities related to green enterprises. In addition to the entire group's Pingzhen factory, Ningbo factory, Jingchuang factory and Chongqing factory to disclose and organize greenhouse gas inventory (ISO14064-1), the Pingzhen factory will also gradually plan product carbon footprint inventory from 2023.

#### **2、Occupational safety and health**

In 2022, the company established an epidemic prevention command center to coordinate and command epidemic prevention measures and dispatch epidemic prevention resources, and coordinate the MIS, welfare committee, human resource department, and occupational safety office to actively grasp the new crown epidemic, combined with effective isolation and remote diversion operations, and tracked colleagues every day and the health status of their families, take the initiative to care for the health of all colleagues, maintain the safety of the factory area and employees, and ensure uninterrupted production and operation. Under the leadership of the "Occupational Safety and Health Committee" and the "Labor-Management Conference", regularly discuss and deal with issues related to occupational safety and health and continue to promote the verification of occupational safety and health management systems, improve safety and health technology, reduce overall operational risks and reduce operating losses. As for the health management of employees, in addition to regularly arranging health checks, multiple health promotion activities are held, such as: various health lectures, workplace voluntary smoking cessation activities, cancer screening activities, physical fitness activities, body fat rate monitoring activities, Emotional stress relief and mental health activities, blood pressure monitoring activities, intraocular pressure measurement activities, bone density measurement activities, flu vaccination activities, occasional promotion of epidemic prevention precautions in response to the new crown pneumonia epidemic, daily body



temperature monitoring, etc. Help colleagues strengthen their own health conditions. In addition, we will provide immediate assistance and care for occupational accidents and traffic accidents in the factory, and will continue to build a safe working environment to provide employees with the greatest security.

### 3、System certification

For the maintenance of various operating systems, continuous certification includes quality management system (ISO9001), automotive industry quality system certification (IATF 16949), environmental management system (ISO14001), Taiwan occupational safety and health management system (CNS15506), information security Management System (ISO/IEC27001), Hazardous Substance Process Management System (IECQ QC 080000:2017), Occupational Safety and Health Management System (ISO45001), Taiwan Intellectual Property Management Standards (TIPS) Certification Level A Certificate Renewal Passed, Health and Welfare Issued Health Workplace Certification - Health Promotion Mark, etc. Continue to submit the relevant materials of the safety certification quality enterprise (AEO) certification management system every year to maintain the validity of the AEO certificate. In addition, ISO 14064-1:2018 organization greenhouse gas verification is carried out every year, and the company will continue to meet and exceed customer requirements.

### 4、Corporate governance and responsibility

Following the establishment of the Sustainability Committee in 2021, the company will fully implement ESG-related measures in 2022. Already completed the adaptation of the corporate social responsibility report into a corporate sustainability report earlier than the time required by the government, and compiled the TCFD and SASB climate change international norms into the sustainability report. The 2021 sustainability report will be completed in August 2022 and approved British Standards Institution (BSI) certified. The company attaches great importance to the balance between business performance and social responsibility for a long time. In 2022, it won the Taoyuan City Happy Enterprise and Sexy Enterprise Double Gold Medal Award, as well as the internationally renowned ESG sustainability evaluation agency Sustainalytics low-risk evaluation. The company's responsible attitude over the years and the contribution has been highly affirmed and recognized by the public sector and the investment market. The company adheres to the concept of honest management and actively strengthens corporate governance to protect the rights and interests of stakeholders. The company has set up investment review, audit, and remuneration committees to assist the board of directors in improving corporate governance performance, improving its supervisory functions and strengthening management functions. It is selected every year The Corporate Governance Evaluation of the Financial Supervisory Commission is the first stage of all listed companies.

## II. 2023 Business Plan Summary

- 1、Sizing up the situation, maintaining profit and maintaining prosperity, sustainable development
  - (1) Comprehensively and strictly control operating costs and expenses, and promote the leanness of organizational personnel.
  - (2) Utilize the Group's global resources and regional geographical advantages to strengthen supply chain resilience and improve product gross profit.
  - (3) Effectively improve inventory turnover, capacity utilization, product gross profit mix, and balance revenue and profit.
  - (4) Continue to implement the ESG plan, establish an energy management digital system, and obtain ISO50001 energy management certification.
  - (5) Expand the disclosure scope of the Group's sustainability report to include TXC (NINGBO) CORPORATION, TETC CORP. NINGBO, and TXC (CHONGQING) CORPORATION.
- 2、Grasp market opportunities and accelerate mass production of advanced manufacturing processes
  - (1) Expand the successful coverage rate of upstream customers, optimize the service quality and sales mix of mid- and downstream customers, fully grasp the market pulse, disperse the risk of excessive market concentration, and effectively promote new product sales and new customer development.
  - (2) Focus on customer needs and product applications, stabilize the existing market position, accelerate penetration and expand business opportunities in new markets.
  - (3) Focus on the 5G+ and vehicle market with the framework of the ecological chain, actively adjust and build a global layout with more competitive advantages, and simultaneously improve the three aspects of production cost, product technology and operational risk.
  - (4) Accelerate the implementation of mass production of advanced processes in smart wafer factories, establish technical depth and technical barriers, and improve competitive advantages
- 3、Comprehensive digital automation to build differentiated competitiveness.

Combining the direction of technological transformation with the core of the wafer factory, implement the goal of integration of production, sales and research, adopt semiconductor equipment system standards, and establish the entire structure of the wafer factory from BLK, Die to Assembly. Continuously improve existing and new information application systems, comprehensively operate in marketing, quality assurance, R&D, manufacturing, supply chain and administrative management, use digital tools and process improvement, improve operation and communication efficiency, and accelerate problem solving. Especially focusing on the wafer factory based on the wafer process, equipment automation, big data analysis platform, product development and digital application in quality management, in order to achieve the goal of improving the competitiveness of production costs, production costs and quality costs.
- 4、Lean and high-quality manpower, sound organizational development

Inventory the performance of managers at all levels, strengthen the leadership of managers at all levels, identify and cultivate the right talents, and introduce individual performance indicators, combined with intelligent transformation, to make the contribution and value of each employee transparent and instant. Through disciplined leadership and planned talent development, an upward spiral kinetic energy is formed interactively, which promotes an innovative and high-performance organizational culture, and establishes the kinetic energy of the company's sustainable growth. In line with the company's overall smart transformation strategy, it began to adjust the human resources structure in 2023 and planned to improve the quality of personnel and increase the per capita contribution value year by year, in response to the future changes and challenges of the company's comprehensive digitalization and declining birthrate employment labor market. Comprehensively and systematically implement

talent development in the five aspects of recruiting talents, utilizing talents, cultivating talents, retaining talents, and eliminating or replacing, to promote a high-performance organizational culture and establish a talent echelon for the company's sustainable growth.

Looking to the future, various challenges, risks and rapid changes have become the norm around the world. The company's management team will continue to uphold the pragmatic attitude of excellence and the spirit of entrepreneurship and hard work, and continue to create value for shareholders and happiness for colleagues responsibly. 2023 is the 40th year since the establishment of TXC. We expect and require ourselves to assess the situation, work hard to be resilient, break through adversity, and achieve greater success.

Chairman and CEO : **Lin, Wan-Shing**

President : **Kuo, Ya-Ping**

## Chapter 2 Company Profile

### I. Date of Incorporation

TXC Corporation is a professional supplier of frequency control components. Since its establishment in 1983, it has been committed to the research and development, design, production and sales of quartz component series products, specializing in the production of high-precision, high-quality quartz crystal resonators (Crystals ), crystal oscillators (Crystal Oscillators) and other frequency component products, related products can be widely used in mobile communication, telecommunications, information communication and storage computing equipment, Internet of Things (IoT), smart home, artificial intelligence, high-performance computing Cards, medical care, various types of connection technologies, automotive electronics, electric vehicles and other application markets; over the years, we have always aimed to enhance customer value, and strive to surpass customers in terms of price, quality, delivery time, and service. Expect and urge yourself to be the best strategic partner for customers.

### II. Company History

- 1983 Founded in Taiwan with US\$95,000 capital.
- 1984 Began production on DIP type crystals and oscillators in Peitou factory.
- 1993 ISO9002 certified.
- 1995 Winner of the 4<sup>th</sup> National Award of Small and Medium Enterprises.
- 1997 Began production of SMD type crystals and oscillators in Taoyuan factory.
- 1998 Began production os SAW devices. Implemented Oracle ERP system.
- 1999 Established US sales office.
- 2000 Increased capital to US\$25.3 million.
- 2001 IPO'ed with capital increased to US\$37 million.
- 2002 Listed in the Taiwan Stock Exchange(Code-3042), ISO14001 certified.  
Ranked among the top 10 worldwide frequency control product manufacturers.
- 2003 Began to offer value-added products(HF CXO/VCXO,OCXO,FX,etc.) for the telecom market.  
Began production in new factory in Ningbo, China.
- 2004 Implemented QoS and 6-Sigma management systems. QS9000 certified.  
Established US Technology Center.
- 2005 ISO/TS16949 certified.  
Ranked number 6 among the worldwide frequency control product manufacturers.
- 2006 Expanding Tauouan factory. Adding production lines in Taiwan and China. The capacity reached to 70 million units per month. Authorized Capital: US\$57.9 million.
- 2007 New factory in Pingzhen inaugurated, factory expansion project in Ningbo factory launched, Intel presented the Preferred Quality Supplier, promotion of the Six Sigma project to Ningbo plant green belt training, procurement of the Shenzhen office, implementation of employee stock option, CB conversion, and recapitalization of surplus to NT\$2,415,530,000.
- 2008 Simultaneously expanded factories in Pingzhen, Taiwan and Ningbo, China; won Intel's Supplier Continuous Quality Improvement (SCQI) Award; won A+ evaluation for information disclosure and top 10 potential golden torch award; continued to promote the 6-Sigma black belt training program at Ningbo and Pingzhen plants. Set up sales operations in Osaka, Japan and Singapore to promote sales. Issued employee options and implement the treasury stock system. Set up subsidiary TXC Hongkong; execute employee option, CB conversion, surplus conversion to increase capitalization to NT\$2,716,980,000.
- 2009 Second phase of Taiwan Pingchen and China Ningbo plant expansion initiated, received A+ ranking and top 10 award at sixth annual Information Disclosure and Transparency Ranking, on-the-job training plan launched for personnel at Ningbo and Pingchen plants, received Preferred Quality Supplier Award

recognition again from Intel, strengthen company internal controls to ensure corporate governance effectiveness, promoted transparency of corporate governance information, exercised employee stock warrants, convertible bonds, capital increase by retained earnings to NT\$2,887.27 million.

- 2010 Issued third convertible bond, received corporate governance system evaluation certification from the Taiwan Corporate Governance Associations, received industry model award for the Technology Industry B group from Commonwealth Magazine, awarded National Quality Award from Executive Yuan, continued to implement 6-Sigma black belt training plan for Ningpo and Pingchen plants, set up sales office in Europe to expand business, purchased offices in Shanghai and Suzhou, started third phase of plant expansion for Taiwan PCF, purchased 5,733 level ground of land, built the factories for new energy business unit, execute employee stock option and increase capital out of earning to 2.971 billion NT dollars.
- 2011 Completion and launch of Taiwan Pingzhen Third-Stage plant expansion and New Energy Division plant, establishment if TXC (Chongqing) Electronics Co., Ltd. production site, established Chongqing All Suns Company Limited and Ningbo Jingyu Company Limited, expansion of European subsidiary, receives A+ grade and top 10 award at Eighth Annual Information Disclosure and Evaluation, passed CGR report review, received Energy Conservation Elite, Outstanding Innovation Award and Commonwealth Corporate Citizen Award, received Taoyuan County Corporate Innovation Award, received ISO50001 Energy Management System, ISO28000 Supplier Chain Management System, ISO27001 Information Security Management System certification, Oracle ERP system upgraded to R12 version, valid assessment of remuneration fairness combined with performance evaluation, establishment of remuneration committee, exercise of employee stock warrants, NT\$3,022,420,000 capital increase by capital surplus.
- 2012 TXC (Chongqing) Corporation plant construction, awarded Authorized Economic Operator (AEO) by the MOF Customs Administration, passed BSI greenhouse gas (ISO 14064-1), product carbon footprint (PAS 2050) inventory, product carbon neutralization (PAS 2060) inventory, given Corporate Citizenship Award by Commonwealth Magazine, received green sustainable enterprise award from BSI, external certification of CSR Report conformed to GRI G3.1 A+ and AA 1000 standards, passed CNS 15506 TOSHMS, awarded ninth annual Information Disclosure and Transparency A++ and top ten ranking, exercised employee stock options, convertible bond and NT\$3,097,579,000 capital increase.
- 2013 Issued fourth convertible bond, TXC (Chongqing) Corporation begin formal mass production, received Taiwan Middlestadt Award from the Ministry of Economic Affairs, passed review for R&D subsidy for a leading new product development project from the Industrial Development Bureau, was awarded CG6008 Advanced Corporate Governance certification, 10<sup>th</sup> annual A++ information disclosure assessment rating, passed greenhouse gas inventory (ISO14064-1), product carbon footprint inventory (PAS2050) and product carbon neutrality (PAS2060) verification, named as one of the top 50 Excellence in CSR Award winners by Commonwealth Magazine and a three star 3<sup>rd</sup> annual Happiest Company Award from the Taipei City Government Department of Labor
- 2014 TXC's Pingzhen Plant, Ningbo Plant and Chongqing Plant expanded in 2014, new offices in Shenzhen and Beijing were bought, won the A++ award for the Eleventh Information Disclosure Assessment, the Fourth Place in the 8th Global Corporate Citizens Award for Pillar Enterprises of Commonwealth Magazine, the 2nd Excellent Enterprise in Hiring Foreign Workers of Taoyuan County Government, the silver award of Taiwan Top50 Enterprises Sustainability Report Award for large high-tech electronics manufacturing industry of Taiwan's Sustainable Energy Research Foundation, and passed certification of Greenhouse Gas Inspection (ISO14064-1), Corporation Sustainability Report, Product Carbon Footprint (PAS2050), Product Carbon Neutralization (PAS 2060), Information Security Management System (ISO 27001), Supply Chain Security Management System (ISO 28000) and Water Footprint for Information Security Launching Award and the GRC Management Paradigm Award by the British Standards Institute.
- 2015 Taiwan Pingzhen factory and TXC (Chongqing) continued production line expansion; successfully renewed "Authorized Economic Operator (AEO)" certification; received 12th "Information Disclosure Evaluation" A++ award; ranked within the top 20% of well-administered companies for the first time; passed "Greenhouse Gas Inspection (ISO14064-1); recognized by Huawei as "2015 Core Supplier";

praised by the British Standards Institution with an “Outstanding Management Model Award”; recognized by Commonwealth Magazine as a “Commonwealth CSR Corporation”; promoted Industry 4.0 intelligent factory transformations; the company’s LED department officially established itself as a separate entity under the name TXC OPTECH Corporation.; the joint venture, Guangdong Failong Crystal Technology Co. Ltd., was officially listed on the Shenzhen Stock Exchange.

- 2016 Taiwan Pingzhen factory, Ningbo factory, and Chongqing factories continue expanding production lines; receives subsidies through the Department of Commerce Department of Industry Manufacturing Upgrade and Innovation Optimization Plan (particulate matter sensor development); ranked within the top 5% of well-administered companies; Awarded Authorized Economic Operator (AEO) certification by the Ministry of Finance, received EPA’s Product Carbon Footprint Emission Factor Database Establishment Award, received BSI’s Environment Governance Practice Award, BSI occupational safety and health certifications and BSI CSR report verification.
- 2017 Continued expansion of the production lines at Taiwan’s Pingzhen Plant, Ningbo Plant and Chongqing plant. The 3<sup>rd</sup> corporate governance rating ranked within the top 5% of rated companies, received IDB “Corporate Volunteer Award”, passed Material Flow Cost Accounting (ISO 14051 MFCA), passed “IATF 16949” verification, awarded “BSI Sustainability Awards”, “BSI Occupational safety and health” verification, “BSI CSR AA1000/GRI G4” verification, passed Information Security Management System (ISO 27001) verification, established TXC Foundation.
- 2018 Awarded Authorized Economic Operator (AEO) certification by the Ministry of Finance, established TXC Europe GmbH, Chongqing All Suns Company Limited Real Estate Development Project launched, The 4<sup>th</sup> corporate governance rating ranked within the top 5% of rated companies, Won the international trade bureau's import certificate of excellence, the approval of the Ministry of Economic Affairs, the research and development project of the Ministry of Economics, Received the "Perpetual Pilot Award" from the British Standards Association
- 2019 Taiwan Pingzhen Plant, Ningbo Plant and Chongqing Plant Continue to Plan Production Line Expansion, The fifth corporate governance evaluation is the top 6% ~ 20% of listed companies, Won the 2019 Huawei Gold Supplier Award, 2019 Xiaomi Core Supplier Award, RBA Sustainable Development Award, Industry Contribution Award from the Ministry of Economic Affairs, INVENTEC Excellent Manufacturer Award, Passed the certification of "ISO 45001 Occupational Safety and Health System", Passed the 108-year industrial upgrading and innovation platform counseling plan of the Ministry of Economics' Science and Technology Research and Development Project, Obtained Taiwan Intellectual Property Management Specification (TIPS) verification level A
- 2020 Taiwan's Pingzhen Plant, Ningbo Plant and Chongqing Plant continue to plan for the expansion of production lines. 90% of the Chongqing All Suns Company Limited Real Estate Development Project was completed and Chongqing Dingsen Commercial Management Co., Ltd. was established, GROWING PROFITS TRADING LTD was completed and the liquidation was completed. The 6<sup>th</sup> corporate governance evaluation is among the top 6%-20% of listed companies. It has passed the "BSI Corporate Social Responsibility Report AA1000/GRI" verification and passed the BSI "ISO 9001 Quality Management System", "IATF 16949 Automotive Quality Management System", "ISO 27001 Information Security Management System" and other three-year recertification audits, and passed the second year of the "Taiwan Intellectual Property Management Standard Verification Level A" by the Industrial Bureau of the Ministry of Economic Affairs (2016 (Annual Edition)) verified A-level, continuously passed Sony GP certification to obtain GP certificate, passed the 109-year Ministry of Economic Affairs Science and Technology Research and Development Project Industrial Upgrade Innovation Platform Guidance Program, won the British Standards Institute’s "Sustainable Resilience Outstanding Award", won the economic Ministry of Industry Bureau Pingzhen Industrial Zone Service Center awarded the "Park Green and Beautification Adoption Performance Outstanding Award"
- 2021 TXC issued the 5<sup>th</sup> convertible corporate bond, was awarded the top 6%~20% of listed companies in the 7th Taiwan Corporate Governance Evaluation, passed the verification of "BSI Corporate Social Responsibility Report AA1000/GRI", passed BSI "IATF 16949 Automotive "Quality Management System", "ISO14001 Environmental Management System", "ISO 45001 Occupational Safety and Health System", "ISO 27001 Information Security Management System" and other certification transitions, won the "Sustainable Resilience Pilot Award" from the British Standards Institute, researched and developed Ultra-small thermostatically controlled quartz crystal oscillator (OCXO) and ultra-low phase noise

temperature compensated quartz oscillator (TCXO) and other products; TXC (NINGBO) CORPORATION invested in the establishment of TETC CORP. NINGBO and TXC (NINGBO) CORPORATION continued to pass China's national high-tech Enterprise certification; TXC (CHONGQING) CORPORATION continues to pass China's national high-tech enterprise certification, and has won the Chongqing High-tech Zone Enterprise Innovation R&D Center and the Chongqing Small and Medium-Sized Enterprise Hidden Champion

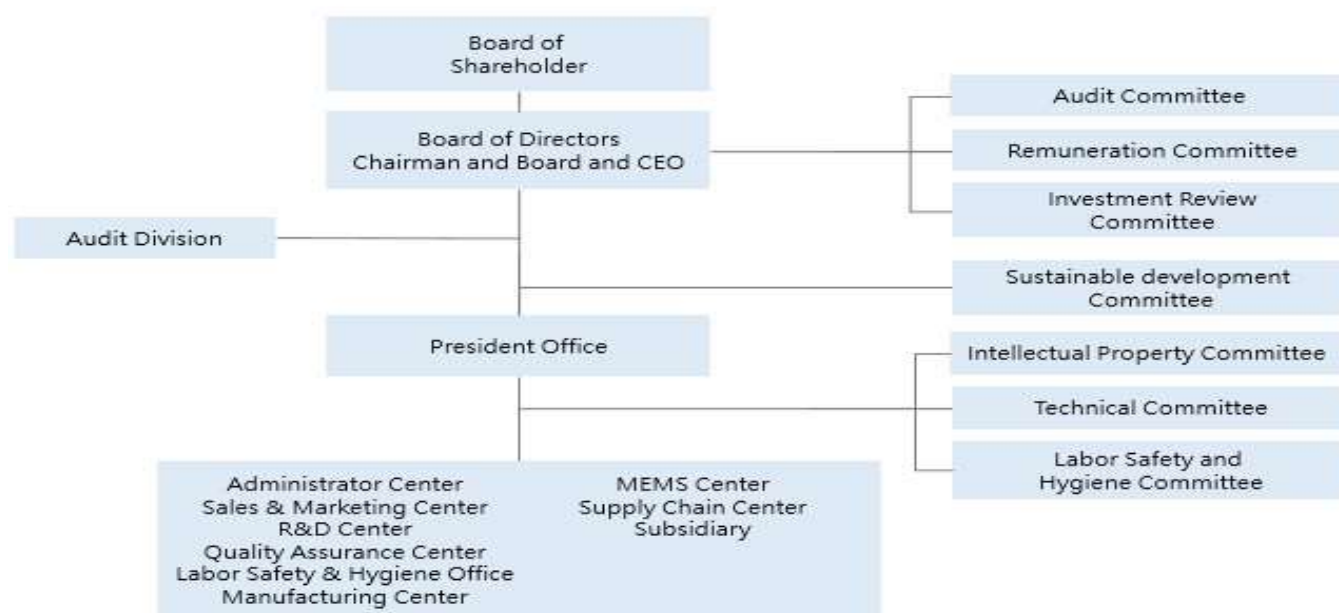
2022 Ranked among the top 6%~20% of listed companies in the 8th Taiwan Corporate Governance Evaluation, low-risk evaluation by Sustainalytics, an ESG sustainability evaluation agency, won the Best Quality Award and the Best Supplier Award from major customers, and won the BSI Sustainable Resilience Pilot Award, Taoyuan City Happy Enterprise and Xingping Enterprise Double Gold Medal Award; passed the Taiwan Intellectual Property Management Standard (TIPS) verification of Class A renewal certificate; developed and launched the industry's smallest size 5032 package and published ppt Level temperature and frequency stability constant temperature control quartz crystal oscillator device (OCXO) products. Taijing Ningbo Factory passed the "Intellectual Property Management System" and "Enterprise Safety Production Standardization (Light Industry) Level 3" certification renewal review, and won the honorary title of national intellectual property advantage enterprise. Taijing's Chongqing factory has continuously passed the certification of China's national high-tech enterprise, and has been awarded the title of Specialized Special New National Little Giant and National Key Little Giant Enterprise. Ningbo Jingchuang has obtained "ISO14001 Environmental Management", "ISO9001 Quality Management", "IATF16949 Automobile Management", "QC080000 Hazardous Substance Process Management" and other system certifications, and has obtained high-tech certification and Zhejiang Science and Technology SME Certificate.

## Chapter 3 Company Governance

### I. Organization

#### (I) Organizational Structure

December 31, 2022



#### (II) Responsibilities and functions of major departments

Department	Responsibilities and Functions
Chairman office	<ul style="list-style-type: none"> <li>• The formulation of the company's long-term business development strategy</li> <li>• New technology and investment feasibility risk and business opportunity assessment</li> <li>• Overall financial planning and investment management development</li> <li>• Set the company's new product research and development strategy orientation</li> <li>• Supervision over the operations of overseas subsidiary</li> </ul>
Audit Committee	<ul style="list-style-type: none"> <li>• Establishment or modification of the internal control system and the assessment on the effectiveness of internal control system</li> <li>• Establishment or modification of the procedures for material financial business behaviors such as acquisition or disposal of assets, engaging in derivative commodity transactions, capital lending to others, endorsing or providing guarantees for others</li> <li>• Procedures for conduct major financial business activities</li> <li>• Assessment on matters concerning interests of the directors themselves</li> <li>• Assessment on major asset investments, major derivative commodity transactions, capital lending, endorsement or provision of guarantees</li> <li>• Assessment on the offering, issuing or private placement of equity securities</li> <li>• Evaluating the appointment, dismissal or remuneration of a Certified Public Accountant and the appointment or dismissal of a Chief Financial Officer, Chief Accounting Officer or chief audit executive</li> <li>• Review financial reports</li> </ul>



Department	Responsibilities and Functions
Remuneration Committee	<ul style="list-style-type: none"> <li>• Formulate and review the remuneration policies, systems, standards and structures</li> <li>• Regularly evaluate the reasonable basis for the remuneration and performance appraisal of the Company's directors and managers</li> <li>• Regularly supervise the implementation of the remuneration system</li> </ul>
Investment Review Committee	<ul style="list-style-type: none"> <li>• Review the company and its subsidiaries' external strategic investments, mergers and acquisitions (including mergers, acquisitions and divisions, etc.), and joint venture investment projects with others, and submit recommendations to the board of directors for discussion</li> <li>• Review the company's and its subsidiaries' investment in new businesses, mergers and acquisitions (including mergers, acquisitions and divisions, etc.), and joint venture investment projects with others, and submit recommendations to the board of directors for discussion</li> <li>• Review the implementation status of existing investment projects every year</li> <li>• Execute related affairs according to the resolutions of the board of directors, and report the results of execution and other related matters to the board of directors</li> </ul>
Internal Audit Dept.	<ul style="list-style-type: none"> <li>• Plan the annual audit plan, implement the audit work according to the annual audit plan, and submit the audit report to the management level in charge of the board of directors and the competent authority to regularly report</li> <li>• Subsidiary internal control and audit business supervision</li> <li>• Management execution effectiveness evaluation and guidance improvement of each unit, KPI management of each unit</li> </ul>
ESG committee	<ul style="list-style-type: none"> <li>• Implement corporate governance</li> <li>• Develop a sustainable environment</li> <li>• Maintain social welfare</li> <li>• Strengthen corporate sustainability information disclosure</li> </ul>
President office	<ul style="list-style-type: none"> <li>• The Company's overall operating policies and objectives management, budget planning and setting</li> <li>• All kinds of business supervision and coordination, and management</li> <li>• The advises, modifications and implementation on major business decisions</li> </ul>
Intellectual Property Committee	<ul style="list-style-type: none"> <li>• Regularly update the company's "Intellectual Property Rights List"</li> <li>• Responsible for the company's trademark application review and leading the company's trademark-related matters</li> <li>• Leading the provision and integration of the promotion and release of internal related intellectual property activities</li> <li>• Communicate and coordinate related business related to intellectual property</li> <li>• Internal and external intellectual property related communication and consultation window</li> </ul>
Technical committee	<ul style="list-style-type: none"> <li>• Promote the development of competitive core technologies</li> <li>• Promote the operation efficiency of major technology or product development projects</li> <li>• Operation and management of technical intellectual property</li> <li>• Strengthen the integrated operation of internal and external engineering talents and technical experts</li> </ul>
Occupational Safety and Health Committee	<ul style="list-style-type: none"> <li>• Suggestions on occupational safety and health policies formulated by the company</li> <li>• Coordinate and advise on occupational safety and health management plans</li> <li>• Review the implementation plan of safety and hygiene education and training</li> <li>• Review the operating environment monitoring plan, monitoring results and measures to be taken</li> <li>• Review health management, occupational disease prevention and health promotion matters</li> </ul>

Department	Responsibilities and Functions
	<ul style="list-style-type: none"> <li>• Review various safety and health proposals</li> <li>• Review of automatic inspections and safety and health audits</li> <li>• Review precautions against machinery, equipment or raw materials, material hazards</li> <li>• Review the occupational disaster survey report</li> <li>• Assess on-site safety and health management performance</li> <li>• Review the safety and health management matters of the contracted business</li> <li>• Other matters related to occupational safety and health management</li> </ul>
Sales & Marketing Center	<ul style="list-style-type: none"> <li>• Product sales, PO processing and customer development &amp; services</li> <li>• Analysis on the competitors, production and sales, product marketing strategies and, products' marketing strategies and industrial market</li> <li>• Costs, prices and sample development management</li> <li>• New customers, new markets, new products, sales opportunities development and sales services</li> <li>• Services and solution on customer's product application issues</li> <li>• Formulating product marketing strategy</li> </ul>
R & D Center	<ul style="list-style-type: none"> <li>• Formulate short, medium and long-term development directions and plans for product and technology research and development</li> <li>• New product R &amp; D and introduction of mass production</li> <li>• New materials R &amp; D and introduction of mass production</li> <li>• Studying, execution and introduction of the R &amp; D project</li> <li>• New product features assessment and marketing development</li> <li>• Planning, promotion, technology transfer and manufacturing for the development of new miniaturized, high precision and highly reliable products</li> <li>• Developing and improving new product equipment, modules, instruments and jigs</li> <li>• Planning, promotion, technology transfer and manufacturing for the development project of new production processes technology</li> <li>• Assist in the trial production and assessment on new product samples from each product-engineering unit</li> <li>• Establish core R&amp;D capabilities and process improvement</li> <li>• Assist business market research to participate in customer product development at an early stage and closely link internal product and technology development directions</li> <li>• Leading the operation of cross-center technology modules, cultivating technical talents and supporting the completion of product projects as scheduled</li> </ul>
Manufacturing Center	<ul style="list-style-type: none"> <li>• Coordinating the use of overall production center (Ping-Zhen Plant, Ning-Bo Plant &amp; Chong-Qing Plant) resources (manpower, equipment, production capacity, budget investment, etc.)</li> <li>• Managing the KPIs (Key Performance Indicators) of each production plant under the production center</li> <li>• Executing the production capacity expansion plan required to achieve the Company's operating goals</li> <li>• Acknowledge the overall production strategies and trends of the crystal industry</li> <li>• Manufacturing for the products</li> <li>• Planning and improving the production flow</li> <li>• Improving and developing the production process flow</li> <li>• Management and maintenance operations for the production equipment</li> <li>• Supervision and execution on industrial safety and health and environmental management system</li> </ul>

Department	Responsibilities and Functions
MEMS/BLK Development and Manufacturing Center	<ul style="list-style-type: none"> <li>• Coordinating the use of overall wafer production resources (equipment, production capacity, etc.)</li> <li>• Acknowledge the overall wafer production strategies and trends of the quartz crystal industry</li> <li>• Coordinating various management particulars under the MEMS chip center in terms of equipment, manpower and technology</li> <li>• Promotion of various managerial policies</li> <li>• Executing the wafer production capacity expansion plan and the product and technical development of micro-electromechanical system (MEMS) chips required to achieve the Company's operating goals</li> <li>• Wafer production</li> <li>• Development of wafer technology and improvement on oscillator properties</li> <li>• Planning and improving the production flow</li> <li>• Improving and developing the production process flow</li> <li>• Management and maintenance operations for the production equipment</li> <li>• Executing various production and sales coordination, material control and delivery management particulars</li> <li>• Supervision and execution on industrial safety &amp; health and environmental management system</li> </ul>
Quality Assurance Center	<ul style="list-style-type: none"> <li>• According to the company's development strategy, formulate and revise the group's quality promotion strategy</li> <li>• Set annual quality goals, and promote the planning, tracking and review of actions to ensure the achievement of goals</li> <li>• Planning and coordinating the organization and personnel performance of the company's quality and hazardous substance systems to ensure their effective operation</li> <li>• Promote quality improvement operations and various quality-related certification systems</li> <li>• Planning and implementing quality control and inspection of incoming materials, wafers, finished products, and shipments</li> <li>• Quality management/service of products, materials and suppliers</li> <li>• Responding to product feedback cases and promoting the effectiveness of internal improvements</li> <li>• Promote the Group's quality management system and quality improvement activities</li> <li>• Promote the automation and intelligence of quality management</li> </ul>
Administrator Center	<ul style="list-style-type: none"> <li>• Planning and formulating organizational system and departmental responsibilities of the Company</li> <li>• Coordinate the formulation and implementation of the company's business plan</li> <li>• The establishment, implementation and continuous improvement of the company's various management systems and operating procedures</li> <li>• Review on the effectiveness of intended promotion for the Company's annual budget preparation and review</li> <li>• The generation and analysis of the Company's various accounting processes, costs and financial accounting information</li> <li>• Financial management, capital movement and handling of shares of listed companies</li> <li>• Effectively manage human resources, develop and cultivate talent echelon, establish a good organizational culture and labor-management relations</li> </ul>

Department	Responsibilities and Functions
	<ul style="list-style-type: none"> <li>• Implement factory and general administrative tasks to ensure the company's environmental safety and health</li> <li>• Planning, construction and maintenance management of company network communication and information application systems</li> <li>• The company's smart digital development strategy and information security planning and execution management</li> <li>• Implement business integrity, corporate governance and compliance with laws and regulations</li> <li>• Formulate and promote the implementation of sustainable development (ESG) strategic actions to ensure the sustainable operation of the company</li> <li>• Establish and protect related intellectual property and improve the knowledge management system</li> </ul>
Supply Chain Center	<ul style="list-style-type: none"> <li>• Product cost and selling price management, product supply plan formulation and execution</li> <li>• Group capacity allocation planning, production scheduling and management, production and sales balance and inventory management</li> <li>• Order delivery approval and delivery management</li> <li>• Supplier development, supplier development plan promotion, supply (cost, delivery, partnership) management</li> <li>• Purchase operation and process management of equipment, raw materials, wip, finished goods and general supplies</li> <li>• Warehousing, incoming and outgoing packaging and logistics, customs declaration operation management</li> <li>• Supply market data (supply and demand, prices, technology, policies, etc.) aggregation and trend analysis</li> <li>• Management and execution of non-finished products trade and foundry projects</li> </ul>
Labor Safety and Hygiene Office	<ul style="list-style-type: none"> <li>• Leading the safety and health review, safety and health risk assessment and other EHS management, as well as being in charge of the planning for the safety and health management system and the enactment of various related procedures</li> <li>• Supervising the safety and health management particulars</li> <li>• Formulating, planning and promoting safety and health management particulars, as well as guiding related departments in the implementation</li> <li>• Responsible for collecting and identifying safety and health related laws and regulations</li> <li>• Responsible for internal and external communication on issues related to safety and health, and provide related consultations</li> </ul>

## II. Documents of directors, president, vice presidents, associate vice presidents, and managers of each departments and divisions

### (I) Directors

#### 1. Director Information

April 1, 2023

Title Name	Gender Age	Nationality	Date Elected	Date First Elected	Shares Held When Elected		Shares Currently Held		Share Currently Held by Spouse & Minors		Share Held in the name of others		Major Academic (professional) Experience	Current Position in TXC or Other Companies
					Shares	%	Shares	%	Shares	%	Shares	%		
Chairman Lin, Wan-Shing	Male  61~70	R.O.C	2022/05/31	1989/11/05	5,030,722	1.62%	5,030,722	1.62%	75,991	0.02%	0	0%	Master in Management, National Taiwan University of Science and Technology Director and President of TXC Corporation Director and CEO of TXC Corporation Chairman of TAIWAN CRYSTAL TECHNOLOGY INTERNATIONAL LIMITED Chairman of TAIWAN CRYSTAL TECHNOLOGY(HK) LTD Corporation Supervisor of Ningbo Longying Semiconductor Co., Ltd Chairman of Tai-Shing Electronics Components Corporation Chairman of Liang Shing EcLife Corp. Juristic-person director representative of RFIC TECHNOLOGY CORPORATION Juristic-person director representative of DEPO Auto Parts Ind. Co., Ltd. Supervisor of Piezoelectric Crystal Industries Association of Taiwan Juristic-person director representative of TXC JAPAN CORPORATION LTD Juristic-person director representative of TXC (NINGBO) CORPORATION Juristic-person director representative of TXC (CHONGQING) CORPORATION Juristic-person director representative of Chongqing All Suns Company Limited	

Title Name	Gender Age	Nationality	Date Elected	Date First Elected	Shares Held When Elected		Shares Currently Held		Share Currently Held by Spouse & Minors		Share Held in the name of others		Major Academic (professional) Experience	Current Position in TXC or Other Companies
					Shares	%	Shares	%	Shares	%	Shares	%		
Director Lin, Jin-Bao	Male 71~80	R.O.C	2022/05/31	1989/11/05	5,987,263	1.93%	5,987,263	1.93%	163	0%	0%	0%	MBA, West Texas A&M University, USA Chairman and Founder of TXC Corporation	Director of TXC Corporation and member of Investment Review Committee of TXC Corporation Director of Tai-Shing Electronics Components Corporation Director of Liang Shing EcLife Corp Juristic-person director representative of Hantic precision technology , Inc Director of Piezoelectric Crystal Industries Association of Taiwan
Director Kuo, Ya-Ping	Male 51~60	R.O.C	2022/05/31	2019/06/12	430,000	0.14%	308,000	0.10%	0	0%	0	0%	Boston University ,MBA Executive Deputy Vice President and Deputy Vice President of Management Center of TXC Corporation Director and President of TXC Corporation	Director and President of TXC Corporation
Director Chen Chueh, Shang-Hsin	Male 61~70	R.O.C	2022/05/31	2010/06/15	298,212	0.10%	298,212	0.10%	0	0%	0	0%	Master of management, Zhejiang University Director and Vice President of TXC Corporation Director and Deputy CEO of TXC Corporation	Director of TXC Corporation Chairman of TXC (NINGBO) CORPORATION Chairman of TXC (CHONGQING) CORPORATION Chairman of TETC CORP. NINGBO Juristic-person director representative of Chongqing All Suns Company Limited Supervisor of Ningbo Jingyu Company Limited Juristic-person director representative and Vice Chairman of Ningbo Longying Semiconductor Co., Ltd Chairman of Ningbo Xingmao Electronic Technology Co., Ltd Juristic-person director representative of Tai-Shing Electronics Components Corporation

Title Name	Gender Age	Nationality	Date Elected	Date First Elected	Shares Held When Elected		Shares Currently Held		Share Currently Held by Spouse & Minors		Share Held in the name of others		Major Academic (professional) Experience	Current Position in TXC or Other Companies
					Shares	%	Shares	%	Shares	%	Shares	%		
Director Huang, Hsiang-Lin	Male 51~60	R.O.C	2022/05/31	2019/06/12	3,789,399	1.22%	3,309,399	1.07%	0	0%	0	0%	State University of New York at Albany, Master of Business Administration (MBA) Assistant Vice President of Marketing Center of TXC Corporation Juristic-person director representative and President of TETC CORP. NINGBO	Director of TXC Corporation Juristic-person director representative and President of TETC CORP. NINGBO
Director Hsu, Hsing-Hao	Male 41~50	R.O.C	2022/05/31	2019/06/12	3,006,352	0.97%	3,006,352	0.97%	1,085,299	0.35%	308,026	0.10%	M.S. degree - Electrical and Computer Engineering, Colorado State University Chairman of Kang-Shuo Investment Corporation R&D Manager of Chan-Yu Corporation	Director of TXC Corporation and member of Investment Review Committee of TXC Corporation Director of Golden Biotechnology Corporation Chairman of Kang-Shuo Investment Corporation R&D Manager of Chan-Yu Corporation
Director TLC Capital Co.,LTD	-	-	2022/05/31	2010/06/15	1,977,991	0.64%	1,977,991	0.64%	0	0%	0	0%	Director of TXC Corporation	Director of TXC Corporation and member of Investment Review Committee of TXC Corporation
Representative Peng, Chih-Chiang	Male 51~60	R.O.C			0	0%	0	0%	0	0%	0	0%	0	0%

Title Name	Gender Age	Nationality	Date Elected	Date First Elected	Shares Held When Elected		Shares Currently Held		Share Currently Held by Spouse & Minors		Share Held in the name of others		Major Academic (professional) Experience	Current Position in TXC or Other Companies
					Shares	%	Shares	%	Shares	%	Shares	%		
Independent Director Yu, Shang-Wu	Male 61~70	R.O.C	2022/05/31	2007/06/13	0	0%	0	0%	0	0%	0	0%	Ph.D., Birmingham University Dean of School of Business Administration, Jingwen University of Science and Technology Chair Professor and Dean of the School of Management and Chinese, Yuanpei University of Medical Technology Professor, Director, Dean of Information Management Department of National Taiwan University of Science and Technology Vice President and Dean of School of Management, Tunghan University Distinguished Professor and Dean of School of Information, Takming University of Science and Technology Director (public stock representative) of First Financial Holdings (Shares) Co., Ltd. Juristic-person director representative of the First Bank Juristic-person director representative of International Express Securities Co., Ltd. Public welfare director of the Taiwan Stock Exchange (assigned by the Financial Supervisory Commission) Independent Director of Taisun Int'l (Holding) Corp.	Professor, Ming Chi University of Technology College of Management and Design Independent Director of VISGENEER INC. Independent Director of TXC Corporation Convenor of Remuneration Committee and Audit Committee of TXC Corporation Member of Investment Review Committee of TXC Corporation Supervisor of Taiwan Economy Research Institute



Title Name	Gender Age	Nationality	Date Elected	Date First Elected	Shares Held When Elected		Shares Currently Held		Share Currently Held by Spouse & Minors		Share Held in the name of others		Major Academic (professional) Experience	Current Position in TXC or Other Companies
					Shares	%	Shares	%	Shares	%	Shares	%		
Independent Director Tsai, Song-Qi	Male 61~70	R.O.C	2022/05/31	2013/06/19	0	0%	0	0%	0	0%	0	0%	PhD in Accounting, Shanghai University of Finance and Economics Master of Business Administration, National Chengchi University Vice Chairman of KMPG Taiwan Director and CSO of KMPG Taiwan The chief accountant of the Taiwanese Business Group in Mainland China of KMPG Taiwan Director of e-Force Taiwan Co., Ltd.	Adjunct Professor of Accounting, National Dong Hwa University Supervisor of Phalanx Biotech Chairman of EMCC Human Capital Solutions Inc Chairman of Daming Investment Development Co., Ltd. Chairman of Shangai Management Consulting Co., Ltd. Chairman of DISCOVERY FORMOSA INTERNATIONAL INC. Chairman of Zhishimei co., Ltd. Independent Director of TXC Corporation Member Of Remuneration Committee, Audit Committee and Investment Review Committee of TXC Corporation
Independent Director Su, Yan-Syue	Female 51~60	R.O.C	2022/05/31	2016/06/07	0	0%	0	0%	0	0%	0	0%	Master in Industrial Management of Carnegie Mellon University, USA CIO and senior Senior VP of PEGATRON Corporation CIO of ASUSTek Computer Inc. Manager Director of UBS Independent Director of Zhong Yang Technology Co., Ltd Juristic-person director representative of Kinsus Interconnect Technology Corp. Representer of Yongyu Investment Director of eslite Foundation for Culture and the Arts	Juristic-person director representative of SPOTFILMS CO., LTD. Independent Director of AU Optronics Corp. Independent Director of the eslite spectrum Corporation Independent Director of Cowell e Holdings Inc Independent Director of TXC Corporation Convenor of Investment Review Committee of TXC Corporation Member of Remuneration Committee, Audit Committee and Investment Review Committee of TXC Corporation

Title Name	Gender Age	Nationality	Date Elected	Date First Elected	Shares Held When Elected		Shares Currently Held		Share Currently Held by Spouse & Minors		Share Held in the name of others		Major Academic (professional) Experience	Current Position in TXC or Other Companies
					Shares	%	Shares	%	Shares	%	Shares	%		
Independent Director Wang, Chuan-Fen	Female 51~60	R.O.C	2022/05/31	2016/06/07	0	0%	0	0%	0	0%	0	0%	Master in Law of Columbia University, USA Legal Master of National Taiwan University International Associate of Simpson Thacher & Bartlett LLP Associate Attorney of Lin & Liu International Law Office	Partner of Chen & Lin Law Firm Independent Director of TXC Corporation Member of Remuneration Committee, Audit Committee and Investment Review Committee of TXC Corporation

When the chairman of the board of directors and the general manager or equivalent (top manager) are the same person, spouses or relatives of each other, the reasons, rationality, necessity, future improvement measures and other relevant information shall be stated:

The CEO of the company is responsible for the planning and implementation of the company's long-term business development strategy, the overall management of the group's business team and reporting to the board of directors, while the president is responsible for the planning and management of the daily operation of each plant area. The chairman of the board of directors of the company also serves as the CEO. The company is expected to plan and implement the company's long-term business development strategy in the direction of the concept of sustainable operation, and clearly divide the functions and powers of the chairman, the CEO and the president. In addition, the number of independent directors of the company is more than 4, and more than half of the directors are not employees or managers, so as to enhance the independence of the board of directors.

2. Major Shareholders of the Corporate Shareholders

April 1, 2023

Name	Major Shareholder	Share (%)
TLC Capital Co., LTD	United Microelectronics Corporation	100%

3. Major Shareholders are Corporate Shareholders

April 1, 2023

Name	Major Shareholder	Share (%)
United Microelectronics Corporation	JPMorgan Chase Bank, N.A. acting in its capacity as depositary and representative to the holders of ADRs	4.90
	Hsun Chieh Investment Co., Ltd.	3.54
	Fubon Life Insurance Co, Ltd.	2.42
	Silicon Integrated Systems Corp.	2.29
	Taiwan Life Insurance Co, Ltd.	1.76
	CTBC Bank Employee Stock Ownership Trust Account of UNITED MICROELECTRONICS CORP.	1.55
	New Labor Pension Fund	1.50
	Yann Yuan Investment Co., Ltd.	1.28
	China Life Insurance Co, Ltd.	1.17
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1.11

Note1: Names of the major shareholders (who shareholding percentage shall be top 10) of the corporate shareholders and its shareholding percentage.

Note 2: The ex-dividend date of the year is on March 29, 2022.

#### 4. Training of the Directors

Title	Name	On-Board Date	Training Date		Organizer	Course	Hour
			From	To			
Director	Lin, Wan-Shing	2022/05/31	2022/08/08	2022/08/08	Taiwan Corporate Governance Association	Looking at corporate sustainable governance from the perspective of risk - from corporate governance to ESG	3
			2022/08/10	2022/08/10		How the Board of Directors Supervises ESG Risks to Create Sustainable Enterprise Competitiveness	3
Director	Lin, Jin-Bao	2022/05/31	2022/08/08	2022/08/08	Taiwan Corporate Governance Association	Looking at corporate sustainable governance from the perspective of risk - from corporate governance to ESG	3
			2022/08/10	2022/08/10		How the Board of Directors Supervises ESG Risks to Create Sustainable Enterprise Competitiveness	3
Director	Kuo, Ya-Ping	2022/05/31	2022/08/08	2022/08/08	Taiwan Corporate Governance Association	Looking at corporate sustainable governance from the perspective of risk - from corporate governance to ESG	3
			2022/08/10	2022/08/10		How the Board of Directors Supervises ESG Risks to Create Sustainable Enterprise Competitiveness	3
Director	Chen Chueh, Shang-Hsin	2022/05/31	2022/08/08	2022/08/08	Taiwan Corporate Governance Association	Looking at corporate sustainable governance from the perspective of risk - from corporate governance to ESG	3
			2022/08/10	2022/08/10		How the Board of Directors Supervises ESG Risks to Create Sustainable Enterprise Competitiveness	3
Director	Huang, Hsiang-Lin	2022/05/31	2022/08/08	2022/08/08	Taiwan Corporate Governance Association	Looking at corporate sustainable governance from the perspective of risk - from corporate governance to ESG	3
			2022/08/10	2022/08/10		How the Board of Directors Supervises ESG Risks to Create Sustainable Enterprise Competitiveness	3
Director	Hsu, Hsing-Hao	2022/05/31	2022/08/08	2022/08/08	Taiwan Corporate Governance Association	Looking at corporate sustainable governance from the perspective of risk - from corporate governance to ESG	3
			2022/08/10	2022/08/10		How the Board of Directors Supervises ESG Risks to Create Sustainable Enterprise Competitiveness	3
Director	TLC Capital Co.,LTD (Peng, Chih-Chiang)	2022/05/31	2022/04/22	2022/04/22	Taiwan Institute for Sustainable Energy	TSIB 30 Sustainable Net Zero Summit Forum - Earnest Net Zero Achieves Sustainability 2030	3
			2022/06/28	2022/06/28	Taiwan Corporate Governance Association	Quickly interpret and prepare for ESG disclosure requirements of corporate governance 3.0	3
Director	Yu, Shang-Wu	2022/05/31	2022/08/08	2022/08/08	Taiwan Corporate Governance Association	Looking at corporate sustainable governance from the perspective of risk - from corporate governance to ESG	3

Title	Name	On-Board Date	Training Date		Organizer	Course	Hour
			From	To			
			2022/08/10	2022/08/10		How the Board of Directors Supervises ESG Risks to Create Sustainable Enterprise Competitiveness	3
Director	Tsai, Song-Qi	2022/05/31	2022/08/08	2022/08/08	Taiwan Corporate Governance Association	Looking at corporate sustainable governance from the perspective of risk - from corporate governance to ESG	3
			2022/08/10	2022/08/10		How the Board of Directors Supervises ESG Risks to Create Sustainable Enterprise Competitiveness	3
Director	Su, Yan-Syue	2022/05/31	2022/04/12	2022/04/12	Taiwan Corporate Governance Association	The only way to sustainable management of enterprises-external innovation	3
			2022/04/20	2022/04/20		Talking about the Legal Responsibilities of Enterprise Directors from the Perspective of Intellectual Property Rights Management	3
			2022/08/08	2022/08/08		Looking at corporate sustainable governance from the perspective of risk - from corporate governance to ESG	3
Director	Wang, Chuan -Fen	2022/05/31	2022/03/10	2022/03/10	Taiwan Stock Exchange Corporation	Talking about the Independent Directors and the 2022 Shareholders' Meeting from an International Perspective	1
			2022/08/08	2022/08/08	Taiwan Corporate Governance Association	Looking at corporate sustainable governance from the perspective of risk - from corporate governance to ESG	3
			2022/08/10	2022/08/10		How the Board of Directors Supervises ESG Risks to Create Sustainable Enterprise Competitiveness	3

## 5. Disclosure of Professional Qualifications of Directors and Independence of Independent Directors

Qualification Name	Professional qualifications and experience	Independence (two years before election and during term of office)	Number of independent directors serving concurrently as other public companies
Director Lin, Wan-Shing	Graduated from the Institute of Business Administration, National Taiwan University of Science and Technology, served as the company's vice chairman (1989-1992), president (1992-2019) and the 15 <sup>th</sup> chairman of the Republic of China Industrial and Commercial Construction Research Association. He has worked in the field of quartz crystal for more than 30 years, leading the company's industrial upgrading and the goal of becoming a global company, enabling the company's operating scale to continue to grow steadily. He has more than five years of work experience required for company business.	<ol style="list-style-type: none"> <li>1. Currently serve as the CEO of the company and a director with the status of a manager.</li> <li>2. The director of related companies (100% subsidiary) of the company.</li> <li>3. The top ten individual shareholders of the company.</li> <li>4. The relative relationship with Mr. Lin Jin-Bao, a director of the company, is within the second degree of kinship.</li> <li>5. The chairman of the board of directors of associate and other associate.</li> <li>6. There is no one of the circumstances of Article 30 of the Company Act.</li> <li>7. There is no case where the government, legal person or its representative is elected as stipulated in Article 27 of the Company Act.</li> </ol>	None
Director Lin, Jin-Bao	Graduated from West Texas A&M University with a master's degree in business management, he is the founder and first chairman of the company. He has been working in the field of quartz crystal since he started his career, and has a good reputation in the industry. He is the leading pioneer of Taiwan's quartz crystal industry. In 2001, he took over as the chairman of the company again. During his tenure, in addition to assisting the company to promote internationalization, he also integrated quartz crystal related technologies and markets with international manufacturers, and was committed to the integration of Taiwan's quartz crystal industry. He has more than five years of work experience required for company business.	<ol style="list-style-type: none"> <li>1. A director with employee status (consultant).</li> <li>2. The top ten individual shareholders of the company.</li> <li>3. The relative relationship with Mr. Lin Wan-Shing, the director of the company, is within the second degree of kinship.</li> <li>4. The director of the board of directors of associate and other associate.</li> <li>5. There is no one of the circumstances of Article 30 of the Company Act.</li> <li>6. There is no case where the government, legal person or its representative is elected as stipulated in Article 27 of the Company Act.</li> </ol>	None
Director Kuo, Ya-Ping	Graduated from Boston University with a master's degree in business management, he is currently the general manager of the company. During his more than 20 years in the company, he served as the executive vice president of the company and the vice president of the management center, the vice president of the quality assurance center, and assistant vice president of the marketing center, the president of TXC Optec Corporation. He has an international outlook, the ability to judge the characteristics of globalized professional market competition and the ability to innovate and lead professional team development. He has rich experience in marketing, operation management and strategic planning, and has more than five years of work experience required for company business.	<ol style="list-style-type: none"> <li>1. Currently serve as the president of the company and a director with managerial status.</li> <li>2. The relative relationship with Ms.Kuo, Ya-Han, the vice president of the company, is within the second degree of kinship.</li> <li>3. There is no one of the circumstances of Article 30 of the Company Act.</li> <li>4. There is no case where the government, legal person or its representative is elected as stipulated in Article 27 of the Company Act.</li> </ol>	None
Director Chen Chueh, Shang-Hsin	Graduated from Zhejiang University with a master's degree in management, he is currently the chairman of several subsidiaries of the company. He has served as deputy CEO and vice president for more than 20 years in the company, and continues to specialize in the marketing and business development of electronic components. He has more than five years of work experience required for company business.	<ol style="list-style-type: none"> <li>1. Served concurrently as the company's deputy CEO in the two years before the election (retired on 2021/12/31).</li> <li>2. The director of related companies (100% subsidiary) of the company.</li> <li>3. The chairman or director of associate, or the supervisor of other associate.</li> <li>4. There is no one of the circumstances of Article 30 of the Company Act.</li> <li>5. There is no case where the government, legal person or its representative is elected as stipulated in Article 27 of the Company Act</li> </ol>	None

<p>Director Huang, Hsiang-Lin</p>	<p>He graduated from the State University of New York with a master's degree in business administration. He is currently the president of TETC CORP. NINGBO, a subsidiary of the company. During his 20 years in the company, he served as the assistant vice president and director of the company's marketing center, mainly responsible for market development and customer management in the Greater China region. He specialized in market strategy, brand marketing and customer service, with extensive experience in cross-industry and product business promotion, corporate competitiveness development and project planning team leadership capabilities. He has more than five years of work experience required for company business.</p>	<ol style="list-style-type: none"> <li>1. Served concurrently as the company's assistant vice president in the two years before the election (retired on 2021/12/31).</li> <li>2. Acting as juristic-person director representative and president of related companies (100% subsidiary) of the company, with the status of a manager.</li> <li>3. There is no one of the circumstances of Article 30 of the Company Act.</li> <li>4. There is no case where the government, legal person or its representative is elected as stipulated in Article 27 of the Company Act.</li> </ol>	<p>None</p>
<p>Director Hsu, Hsing-Hao</p>	<p>Graduated from Colorado State University with a master's degree in Electromechanical Computer Engineering, focusing on the research of high-frequency circuit design. He used to be the marketing director of Chan-Yu Corporation, and is currently the director of Golden Biotechnology Corporation, the R&amp;D manager of Chan-Yu Corporation and the Chairman of Kang-Shuo Investment Corporation, specializing in software and hardware sales and R&amp;D of laboratory teaching equipment and test instruments in different fields, with more than five years of work experience required for company business</p>	<ol style="list-style-type: none"> <li>1. There is no one of the circumstances of Article 30 of the Company Act.</li> <li>2. There is no case where the government, juristic-person director representative is elected as stipulated in Article 27 of the Company Act.</li> </ol>	<p>None</p>
<p>Director TLC Capital Co.,LTD</p>	<p>It is a reinvestment company established by UMC in 2005. It has a strong management team and professionals, and provides high value-added services related to the operation and management of the invested company. It is a professional venture capital company. He is currently the director of Simple Technology Co.,Ltd., whose experience in corporate management can provide important advice on the company's operation and development</p>	<ol style="list-style-type: none"> <li>1. In the case of being elected as a juristic-person director representative as stipulated in Article 27 of the Company Act.</li> </ol>	<p>None</p>
<p>Independent Director Yu, Shang-Wu</p>	<p>Graduated from the University of Birmingham with a Ph.D. in Finance, served as Dean of School of Business Administration, Jingwen University of Science and Technology, Chair Professor and Dean of the School of Management and Chinese, Yuanpei University of Medical Technology Professor, Director, Dean of Information Management Department of National Taiwan University of Science and Technology, Vice President and Dean of School of Management, Tungnan University, Distinguished Professor and Dean of School of Information, Takming University of Science and Technology, Director (public stock representative) of First Financial Holdings (Shares) Co., Ltd., Juristic-person director representative of the First Bank, Juristic-person director representative of International Express Securities Co., Ltd., Public welfare director of the Taiwan Stock Exchange (assigned by the Financial Supervisory Commission), and Independent Director of Taisun Int'l (Holding) Corp.etc.</p> <p>He has been engaged in academic research for many years, specializing in corporate financial management and investment. Management and financing decision-making, etc., with professional qualifications for lecturers in public and private colleges and universities in relevant departments of business, finance and corporate business</p>	<ol style="list-style-type: none"> <li>1. According to the company's articles of association and the "Corporate Governance Code of Practice", directors are selected through a candidate nomination system. When nominating and selecting board members, the company has confirmed that its own, spouse and relatives within the third degree are relative to the company. In addition, it has been verified that the four independent directors have complied with the "Regulations on the Appointment of Independent Directors of Publicly Issued Companies and Matters to be Followed" and Article 14 of the Securities and Exchange Law in the two years before the election and during their tenure. According to the qualification requirements set out in 2, independent directors are empowered to fully participate in decision-making and express opinions in accordance with Article 14-3 of the Securities and Exchange Act, and independently perform relevant functions and powers, which meets the independence requirements.</li> </ol>	<p>1</p>

<p>Independent Director Tsai, Song-Qi</p>	<p>Graduated from Shanghai University of Finance and Economics with PhD in Accounting, with a Master degree of Business Administration, National Chengchi University, and obtained professional qualifications and work experience as an accountant for more than 30 years, served at vice chairman of KMPG Taiwan, Director and CSO of KMPG Taiwan, the chief accountant of the Taiwanese Business Group in Mainland China of KMPG Taiwan;specializing in cross-strait financial and accounting business, and providing professional advice on cross-strait accounting affairs</p>	<p>1. According to the company's articles of association and the "Corporate Governance Code of Practice", directors are selected through a candidate nomination system. When nominating and selecting board members, the company has confirmed that its own, spouse and relatives within the third degree are relative to the company. In addition, it has been verified that the four independent directors have complied with the "Regulations on the Appointment of Independent Directors of Publicly Issued Companies and Matters to be Followed" and Article 14 of the Securities and Exchange Law in the two years before the election and during their tenure. According to the qualification requirements set out in 2, independent directors are empowered to fully participate in decision-making and express opinions in accordance with Article 14-3 of the Securities and Exchange Act, and independently perform relevant functions and powers, which meets the independence requirements.</p>	<p>None</p>
<p>Independent Director Su, Yan-Syue</p>	<p>Graduated from Carnegie Mellon University with a master's degree in industrial management, she was the chief investment officer and senior vice president of PEGATRON Corporation (2004-2013), chief investment officer of ASUSTek Computer Inc., and managing director of UBS. Currently an independent director of AUO, Eslite Life, Cowell Electronics, etc., specializing in corporate finance, financial investment and industry research and analysis, with work experience required for business, finance, investment strategy and other businesses</p>		<p>3</p>
<p>Independent Director Wang, Chuan-Fen</p>	<p>Graduated from Columbia University School of Law with a Master of Law, and obtained professional qualifications and work experience as a lawyer for more than 20 years. She has worked in Simpson Thacher &amp; Bartlett LLP and Lin &amp; Liu International Law Office. She is currently a partner of Chen &amp; Lin Law Firm and is in charge of the firm. Cases related to capital and mergers and acquisitions group, areas of expertise include securities transaction laws, company laws, corporate mergers and acquisitions law, fair trade law, e-commerce and cross-strait investment and technical cooperation and other related laws, for cross-border and local mergers and acquisitions, corporate group restructuring, overseas Domestic and foreign initial public offerings and fundraising, foreigners investing in Taiwan and setting up R&amp;D and training centers, applying for government subsidies, establishing joint ventures, compliance with the Fair Trade Law and related applications, and even assisting clients in various commercial transactions and contract design, drafting and negotiating and general corporate legal consulting, working experience covering domestic and multinational corporate legal professional services in different industries</p>		<p>None</p>



## 6. Board Diversity and Independence

### (1) Board Diversity

The company carefully considers the configuration and diversity standards of the board of directors. The selection process of all directors is fair, open and impartial, in line with regulation of the company's "Articles of Incorporation ", "Director Selection Process" and "Code of Practice for Corporate Governance", and based on industry experience and professional ability, etc., to select those with the knowledge, skills and literacy required to perform their duties to serve as directors.

According to the "Code of Practice on Corporate Governance", the composition of the board of directors should consider diversity, and formulate an appropriate diversity policy based on its own operation, operation type and development needs. It should include but not limited to the following two standards:

1. Basic conditions and values: gender, age, nationality and culture, etc.
2. Professional knowledge and skills: professional background (such as law, accounting, industry, finance, marketing or technology), professional skills and industry experience, etc.

The specific management objectives and achievement of the company's diversity policy are as follows:

Management Goals	Achievement
Directors are younger	Achieved
At least two female directors	Achieved

The members of the board of directors are diversified in industry, law, finance, accounting, investment management and operation management. The relevant professional fields are described in the following table:

The company has 4 directors with employee status, accounting for 36%; independent directors account for 36%; female directors account for 18%; the term of office of the 2 independent directors does not exceed 9 years; There are 1 persons aged 41-50, 5 persons aged 51-60, 4 persons aged 61-70, and 1 person aged 71-75; the directors of the company have different professional backgrounds, one seat each for members with professional backgrounds in law and accounting, and the other members also have financial, business and With rich experience and expertise in management and other fields, he can give professional advice to the company from different perspectives.

April 1, 2023

Diversity items Name of director	Basic Component									Industry experience				Professional competence				
	Nationality	Gender	Work in TXC	Age				Independent directors Tenure of tenure			Electronic Technology Manufacturing	R & D Technology	Business Development	Finance and Investment and M & A	Accounting and Financial Analysis	Legal	Information Technology	Business Management
				41 ~ 50	51 ~ 60	61 ~ 70	71 ~ 75	<3	3~9	>9								
Lin, Wan-Shing	ROC	Male	V			V					V	V	V		V		V	
Lin, Jin-Bao	ROC	Male	V				V				V	V	V		V		V	
Kuo, Ya-Ping	ROC	Male	V		V						V		V		V		V	
Chen Chueh, Shang-Hsin	ROC	Male				V					V	V	V		V	V	V	
Huang, Hsiang-Lin	ROC	Male	V		V						V		V		V		V	
Hsu, Hsing-Hao	ROC	Male		V							V	V				V	V	
TLC Capital Co., TD (Peng, Chih-Chiang)	ROC	Male			V						V		V	V	V		V	
Yu, Shang-Wu	ROC	Male				V							V	V	V		V	
Tsai, Song-Qi	ROC	Male				V							V	V	V		V	
Su, Yan-Syue	ROC	Female			V								V	V	V		V	
Wang, Chuan -Fen	ROC	Female			V								V	V		V	V	

## (2) Board independence

The board of directors of the company supervises the company's development strategy, supervises the management level, and is responsible to the company and shareholders. In all operations and arrangements of the corporate governance system, the board of directors exercises its functions and powers in accordance with laws, the company's articles of association or the resolutions of the shareholders' meeting. The board of directors of the company emphasizes the functions of independent operation and transparency. Directors and independent directors are independent individuals and exercise their powers independently. The company attaches great importance to corporate governance, and has set up 4 independent directors, which exceeds the statutory target, accounting for 36% of all directors. The audit committee is composed of all independent directors. Independence and performance, the effective implementation of internal control, the company's compliance with relevant laws and regulations, and the management and control of the company's existing or potential risks, etc., the company has also established an investment review committee to strengthen the company's investment decision-making quality, implement investment review procedures and performance management, and To conduct research, deliberation and suggestions on the company's long-term investment strategy planning and major investment decisions. The purpose of setting up functional committees is to assist the board of directors to supervise the company's implementation of accounting, auditing, financial reporting processes and financial control, and the quality and integrity of investment decision to improve corporate governance performance.

After confirming the family relationship information sheet and independent director declaration provided by the director candidates, the directors of the company, Mr. Lin, Wan-Shing and Mr. Lin, Jin-Bao are relatives within the second degree of kinship, and none of the remaining directors are subject to Article 26-3 of the Securities and Exchange Act item 3 and item 4.

**(II) Documents of president, vice president, assistant vice president, and chief of divisions**

April 1, 2023

Title / Name	Gender	Nationality	On-board Date	Shares Held		Shares Held by Spouse & Minors		Shares Held in the name of others		Major Academic (professional)	Other Part Time Position with Other Companies	With Spouse or Second-class Relative Relationship Manager		
				Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman and CEO Lin, Wan-Hsing	Male	R.O.C	1989/11/11	5,030,722	1.62%	75,991	0.02%	0	0%	Master in Management, National Taiwan University of Science and Technology Director and President of TXC Corporation Director and CEO of TXC Corporation	Director and CEO of TXC Corporation Chairman of TAIWAN CRYSTAL TECHNOLOGY INTERNATIONAL LIMITED Juristic-person director representative of TXC JAPAN CORPORATION LTD Chairman of TAIWAN CRYSTAL TECHNOLOGY(HK) LTD Corporation Juristic-person director representative of TXC (NINGBO) CORPORATION Juristic-person director representative of TXC (CHONGQING) CORPORATION Juristic-person director representative of Chongqing All Suns Company Limited Supervisor of Ningbo Longying Semiconductor Co., Ltd Chairman of Tai-Shing Electronics Components Corporation Chairman of Liang Shing EcLife Corp. Juristic-person director representative of RFIC TECHNOLOGY CORPORATION Juristic-person director representative of DEPO Auto Parts Ind. Co., Ltd. Supervisor of Piezoelectric Crystal Industries Association of Taiwan	None	None	None
President Kuo, Ya-Ping	Male	R.O.C	2009/08/01	308,000	0.10%	0	0%	0	0%	Boston University ,MBA Executive Deputy Vice President and Deputy Vice President of Management Center of TXC Corporation Director and President of TXC Corporation	-	VP of Marketing	Kuo, Ya-Han	sister and brother

Title / Name	Gender	Nationality	On-board Date	Shares Held		Shares Held by Spouse & Minors		Shares Held in the name of others		Major Academic (professional)	Other Part Time Position with Other Companies	With Spouse or Second-class Relative Relationship Manager		
				Shares	%	Shares	%	Shares	%			Title	Name	Relation
TXC (NGB) President Chao, Min-Chiang	Male	R.O.C	2012/01/01	16,437	0.01%	126	0%	0	0%	Ph.D., Naval Architecture & Ocean Engineering, National Taiwan University Engineer, Biomedical Engineering Center, ITRI Vice president of TXC Corporation President of TXC (NINGBO) CORPORATION	Juristic-person director representative and President of TXC (NINGBO) CORPORATION Juristic-person director representative and President of Ningbo Free Trade Zon Ding Kai Investment Management Company	None	None	None
TXC (CKG) President Chou, Chien-Fu	Male	R.O.C	2017/04/01	0	0%	0	0%	0	0%	Master of National Taiwan of Science and Technology Vice President of TXC Corporation President of TXC (CHONGQING) CORPORATION	President of TXC (CHONGQING) CORPORATION Chairman of Chongqing All Suns Company Limited Chairman of ChongQing Dingsen Commercial Management Co.,Ltd	None	None	None
TETC CORP. (TETC) Presiden Huang, Hsiang-Lin	Male	R.O.C	2019/09/01	3,309,399	1.07%	0	0%	0	0%	State University of New York at Albany, Master of Business Administration (MBA) Assistant Vice President of Marketing Center of TXC Corporation Juristic-person director representative and President of TETC CORP. NINGBO	Director of TXC Corporation Juristic-person director representative and President of TETC CORP. NINGBO	None	None	None
TXC (CKG) Executive Vice President Yu, Fang-Ming	Male	R.O.C	2012/01/01	53,952	0.02%	0	0%	0	0%	Department of Electronic Engineering, Oriental Insitute of Technology Vice President of TXC Corporation Executive Vice President of TXC (CHONGQING) CORPORATION	Executive Vice President of TXC (CHONGQING) CORPORATION	None	None	None
Vice President Lin, Shi-Bo	Male	R.O.C	2011/01/31	6,932	0%	0	0%	0	0%	Master of Physics, UC, Riverside, USA Vice President of TXC Corporation	-	None	None	None

Title / Name	Gender	Nationality	On-board Date	Shares Held		Shares Held by Spouse & Minors		Shares Held in the name of others		Major Academic (professional)	Other Part Time Position with Other Companies	With Spouse or Second-class Relative Relationship Manager		
				Shares	%	Shares	%	Shares	%			Title	Name	Relation
TXC (NGB) Vice President Chang, Chien-Tsung	Male	R.O.C	2012/01/01	0	0%	0	0%	0	0%	City University of Macau, MBA Plant Manager, Taitien Electronics Co., Ltd. Vice President of TXC Corporation	Supervisor and Vice President of TXC (NINGBO) CORPORATION Juristic-person director representative of TXC (CHONGQING) CORPORATION	None	None	None
Vice President Cheng, Li-Wei	Male	R.O.C	2018/01/01	0	0%	0	0%	0	0%	Ph D., Materials Science and Engineering of National Tsing Hua University Vice President of TXC Corporation	-	None	None	None
Chief Technology Officer (CTO) / Vice President Chu, Chih-Hsun	Male	R.O.C	2017/12/18	0	0%	0	0%	0	0%	Ph D., Materials Science and Engineering of National Tsing Hua University CTO of TXC Corporation	-	None	None	None
Vice President Kuo, Ya-Han	Female	R.O.C	2009/08/01	22,537	0.01%	0	0%	0	0%	West Coast University, MBA Assistant Vice President of TXC Corporation Vice President of TXC Corporation	-	President	Kuo, Ya-Ping	sister and brother
Vice President Su, Jing-Sheng	Male	R.O.C	2015/12/05	0	0%	0	0%	0	0%	Master of Department of Electrical Engineering, National Tsing Hua University Assistant Vice President of TXC Corporation Vice President of TXC Corporation	-	None	None	None
Assistant Vice President Lin, Su-fen	Female	R.O.C	2010/07/01	29,891	0.01%	0	0%	0	0%	Electrical Department of Kaohsiung Institute Assistant Vice President of TXC Corporation Vice President of TXC Corporation	-	None	None	None
Assistant Vice President Chen,Chiu-Lin	Male	R.O.C	2020/09/14	0	0%	0	0%	0	0%	Master of Department of Industrial Engineering of National Tsing Hua University Assistant Vice President of TXC Corporation Vice President of TXC Corporation	-	None	None	None

Title / Name	Gender	Nationality	On-board Date	Shares Held		Shares Held by Spouse & Minors		Shares Held in the name of others		Major Academic (professional)	Other Part Time Position with Other Companies	With Spouse or Second-class Relative Relationship Manager		
				Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chief Engineer (Assistant Vice President) Chang, Qi-Zhong	Male	R.O.C	2006/04/01	18,929	0.01%	0	0%	0	0%	Executive Master of Business Administration, EMBA National Chiao Tung University College of Management Chief Engineer of TXC Corporation	-	None	None	None
Assistant Vice President Su, Zhe-Ming	Male	R.O.C	2011/01/31	13,054	0.00%	0	0%	0	0%	Department of Electrical Engineering, National Taiwan Ocean University Assistant Vice President of TXC Corporation	-	None	None	None
TXC (NGB) Assistant Vice President Liu, Hsu-Er	Male	R.O.C	2015/06/01	0	0%	0	0%	0	0%	Master of Department of Materials Science and Engineering, National Taiwan University Assistant Vice President of TXC Corporation	Assistant Vice President of TXC (NINGBO) CORPORATION	None	None	None
Deputy CTO Chiu, Chih-Hung	Male	R.O.C	2019/06/01	9,000	0.00%	0	0%	0	0%	Master of Executive Master of Business Administration Deputy CTO of TXC Corporation	-	None	None	None
Deputy CTO Pao, Shih-Yung	Male	R.O.C	2019/06/01	0	0%	0	0%	0	0%	Ph.D of National Taiwan University Institute of Applied Mechanics Deputy CTO of TXC Corporation	-	None	None	None
Chief Financial Officer (CFO) / Vice President Hong, Guan-Wen	Female	R.O.C	2003/03/11	118,805	0.04%	0	0%	0	0%	MBA, National Taipei University CFO of TXC Corporation	Supervisor of Win win precision technology	None	None	None

When the chairman of the board of directors and the general manager or equivalent (top manager) are the same person, spouses or relatives of each other, the reasons, rationality, necessity, future improvement measures and other relevant information shall be stated:

The CEO of the company is responsible for the planning and implementation of the company's long-term business development strategy, the overall management of the group's business team and reporting to the board of directors, while the president is responsible for the planning and management of the daily operation of each plant area. The chairman of the board of directors of the company also serves as the CEO. The company is expected to plan and implement the company's long-term business development strategy in the direction of the concept of sustainable operation, and clearly divide the functions and powers of the chairman, the CEO and the president. In addition, the number of independent directors of the company is more than 4, and more than half of the directors are not employees or managers, so as to enhance the independence of the board of directors.

### III. Remuneration and Compensation Paid to Directors, and President and Vice President

#### (I) Remuneration Paid to Directors

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

Title Name	Director's Remuneration								Total Remuneration (A+B+C+D) and as a % of Net Income (Note 10)		Compensation Earned by a Director Who is an Employee						Total Compensation A+B+C+D+E+F+G) and as a % of Net Income (Note 10)		Compensation Paid to Directors from Non-Consolidated Entities (Note 11)		
	Base Compensation(A) (Note 2)		Severance Pay and Pensions (B)		Compensation to Directors (C) (Note 3)		Allowances (D) (Note 4)				Base Compensation, Bonuses and Allowances (E) (Note 5)		Severance Pay and Pensions (F)		Compensation to Employees (G) (Note 6)						
	From TXC	From All Consolidated Entities (Note 7)	From TXC	From All Consolidated Entities (Note 7)	From TXC	From All Consolidated Entities (Note 7)	From TXC	From All Consolidated Entities (Note 7)	From TXC	From All Consolidated Entities (Note 7)	From TXC	From All Consolidated Entities (Note 7)	From TXC	From All Consolidated Entities (Note 7)	From TXC		From All Consolidated Entities (Note 7)			From TXC	From All Consolidated Entities (Note 7)
															Cash	Stock	Cash	Stock			
Chairman and CEO Lin, Wan-Shing																					
Director Lin, Jin-Bao																					
Director and President Kuo, Ya-Ping																					
Director Chen Chueh, Shang-Hsin																					
Director and TETC President Huang, Hsiang-Lin	0	0	0	0	34,057	34,057	870	870	34,927 1.2450%	34,927 1.2450%	8,896	28,960	892	892	7,571	0	7,571	0	52,286 1.8637%	72,350 2.5789%	2,616
Director Hsu, Hsing-Hao																					
Director TLC Capital Co.,LTD																					
Representative: Peng, Chih-Chiang																					



Title Name	Director's Remuneration								Total Remuneration (A+B+C+D) and as a % of Net Income (Note 10)		Compensation Earned by a Director Who is an Employee								Total Compensation A+B+C+D+E+F+G and as a % of Net Income (Note 10)		Compensation Paid to Directors from Non-Consolidated Entities (Note 11)
	Base Compensation(A) (Note 2)		Severance Pay and Pensions (B)		Compensation to Directors (C) (Note 3)		Allowances (D) (Note 4)				Base Compensation, Bonuses and Allowances (E) (Note 5)		Severance Pay and Pensions (F)		Compensation to Employees (G) (Note 6)						
	From TXC	From All Consolidated Entities (Note 7)	From TXC	From All Consolidated Entities (Note 7)	From TXC	From All Consolidated Entities (Note 7)	From TXC	From All Consolidated Entities (Note 7)	From TXC	From All Consolidated Entities (Note 7)	From TXC	From All Consolidated Entities (Note 7)	From TXC	From All Consolidated Entities (Note 7)	From TXC		From All Consolidated Entities (Note 7)		From TXC	From All Consolidated Entities (Note 7)	
															Cash	Stock	Cash	Stock			
Independent Director Yu, Shang-Wu	0	0	0	0	21,000	21,000	1,000	1,000	22,000 0.7842%	22,000 0.7842%	0	0	0	0	0	0	0	0	22,000 0.7842%	22,000 0.7842%	0
Independent Director Tsai, Song-Qi																					
Independent Director Su, Yan-Syue																					
Independent Director Wang, Chuan-Fen																					

- Please describe the independent director's remuneration payment policy, system, standards and structure, and describe the relationship with the amount of remuneration according to the responsibilities, risks, investment time and other factors:

The company's directors' remuneration is handled in accordance with the company's articles of association, and reasonable remuneration is given in consideration of the company's operating results and its contribution to the company's performance; the procedure for setting remuneration is based on the company's "Directors and Managers Performance Evaluation Method" as the basis of evaluation. Follow, in addition to referring to the company's overall operating performance, future business risks and development trends of the industry, it also refers to the individual's performance achievement rate and contribution to the company's performance. The relevant performance appraisal and salary rationality are reviewed by the salary compensation committee and the board of directors. Review the remuneration system at any time depending on the actual operating conditions and relevant laws and regulations, in order to achieve a balance between the company's sustainable operation and risk control.

The independent directors of the company are ex officio members of the remuneration, audit committee, and investment review committee. In addition to the remuneration paid to general directors, considering their responsibilities, risks, and investment time, etc., different reasonable remunerations are determined at their own discretion.
- In addition to the information disclosed in the table above, has any Director provided services to TXC Corporation and its subsidiaries and received compensation for such services (e.g. serving as a consultant that is not an employee): None.

Table of Remuneration Scale

Remuneration Paid to Directors	Director Names			
	Total Remuneration (A+B+C+D)		Total Compensation (A+B+C+D+E+F+G)	
	From TXC (Note 8)	From All Consolidated Entities (Note 9) H	From TXC (Note 8)	From All Consolidated Entities (Note 9) I
Less than NT\$1,000,000	Peng, Chih-Chiang	Peng, Chih-Chiang	Peng, Chih-Chiang	Peng, Chih-Chiang
NT\$1,000,000 –NT\$1,999,999				
NT\$2,000,000 –NT\$3,499,999				
NT\$3,500,000 –NT\$4,999,999	Lin, Jin-Bao, Kuo, Ya-Ping, Chen Chueh, Shang-Hsin, Huang, Hsiang-Lin, Hsu, Hsing-Hao, TLC Capital Co., LTD	Lin, Jin-Bao, Kuo, Ya-Ping, Chen Chueh, Shang-Hsin, Huang, Hsiang-Lin, Hsu, Hsing-Hao, TLC Capital Co., LTD	Chen Chueh, Shang-Hsin, Huang, Hsiang-Lin, Hsu, Hsing-Hao, TLC Capital Co., LTD	Hsu, Hsing-Hao, TLC Capital Co., LTD
NT\$5,000,000 - NT\$9,999,999	Lin, Wan-Shing, Yu, Shang-Wu, Tsai, Song-Qi, Su, Yan-Syue, Wang ,Chuan-Fen	Lin, Wan-Shing, Yu, Shang-Wu, Tsai, Song-Qi, Su, Yan-Syue, Wang ,Chuan-Fen	Lin, Jin-Bao, Yu, Shang-Wu, Tsai, Song-Qi, Su, Yan-Syue, Wang ,Chuan-Fen	Lin, Jin-Bao, Huang, Hsiang-Lin, Yu, Shang-Wu, Tsai, Song-Qi, Su, Yan-Syue, Wang ,Chuan-Fen
NT\$10,000,000 - NT\$14,999,999			Lin, Wan-Shing, Kuo, Ya-Ping	Kuo, Ya-Ping, Chen Chueh, Shang-Hsin,
NT\$15,000,000 - NT\$29,999,999				Lin, Wan-Shing,
NT\$30,000,000 - NT\$49,999,999				
NT\$50,000,000 - NT\$99,999,999				
NT\$100,000,000 and above				
Total	12 persons (included 1 corporate director representative)	12 persons (included 1 corporate director representative)	12 persons (included 1 corporate director representative)	12 persons (included 1 corporate director representative)

- Note 1: Director names shall be listed separately (the shareholder name and representative shall be listed separately for corporate directors) and each payment amount shall be disclosed as a summary. If directors concurrently serve as president and vice presidents, list in this Table and Tables (3-1) or (3-2) below.
- Note 2: 2022 director remuneration (includes director salary, allowances, severance pay, various bonuses and incentives).
- Note 3: 2023 compensation to directors passed by the Board of Directors in 2022.
- Note 4: Related 2022 director allowances (including travel expenses, special expenses, all kinds of allowances, accommodations, substantive objects offered in the form of vehicles and etc.). If real estate, cars and other transportation or exclusive personal expenses are offered, the asset category and cost, actual rent or rent calculated at fair market value, fuel expenses and other payments shall be disclosed. If a driver is assigned, attach an explanation of the driver's related compensation but do not include the compensation into the remuneration.
- Note 5: 2022 directors who concurrently hold positions in the company (including the president and vice presidents, other managers and employees) receive remunerations including salary, duty differential pay, severance pay, all kinds of bonuses, incentive pays, accommodations, and substantive objects offered in the form of vehicles. If real estate, cars and other transportation or exclusive personal expenses are offered, the asset category and cost, actual rent or rent calculated at fair market value, fuel expenses and other payments shall be disclosed. If a driver is assigned, attach an explanation of the driver's related compensation but do not include the compensation into the remuneration.
- Note 6: 2022 directors concurrently hold positions in the Company (including the president and vice presidents, other managers and employees) who receive employee bonuses (including stock and cash) shall disclose the 2022 employee compensation amounts passed and distributed by the 2023 Board of Directors meeting. If estimation is not possible, calculate this year's proposed distribution amounts based on the actual percentages distributed for the previous year and list in Table 1-3.
- Note 7: The total of all compensation items from all consolidated entities (including the Company) paid to Company directors shall be disclosed.
- Note 8: The total of each of the remuneration items paid by the Company to each director are disclosed under the corresponding director name in the scale.
- Note 9: The total of each of the remuneration items paid by all consolidated entities to Company directors shall be disclosed under the corresponding director name in the scale.
- Note 10: Net Income refers to 2022 net income: Those who have adopted IFRS, net income refers to the net income in individual or separate financial reports for the most recent year.
- Note 11: a. This column shall clearly list the related remuneration amounts from reinvested companies other than subsidiaries.  
b. If Company directors receive remuneration from reinvested companies other than subsidiaries, the remuneration received by Company directors from reinvested companies other than subsidiaries is included in the Remuneration Scale column and the column is renamed All Reinvested Entities.  
c. Compensation and remuneration refers to the compensation and remuneration (employee, director and supervisor remuneration), business execution expenses and other related remuneration received by Company directors as directors, supervisors and managers of reinvested entities other than subsidiaries.

## (II) Compensation Paid to President and Vice Presidents

December 31, 2022 Unit: Thousand Shares, NT\$ 1,000

Title	Name	Base Compensation (A) (Note 2)		Severance Pay and Pensions (B)		Bonuses and Allowances (C) (Note 3)		Employee Compensation (D) (Note 4)				Total Compensation (A+B+C+D) and as a % of Net Income (Note 8)		Compensation Paid to Directors from Non-Consolidated Entities (Note 9)
		From TXC	From All Consolidated Entities (Note 5)	From TXC	From All Consolidated Entities (Note 5)	From TXC	From All Consolidated Entities (Note 5)	From TXC		From All Consolidated Entities (Note 5)		From TXC	From All Consolidated Entities (Note 5)	
								Cash	Stock	Cash	Stock			
Chairman &CEO	Lin, Wan-Shing													
President	Kuo, Ya-Ping													
TXC(NGB) President	Chao, Min-Chiang													
TXC(CKG) President	Chou, Chien-Fu													
TETC President	Huang, Hsiang-Lin													
TXC(CKG) Executive Vice President	Yu, Fang-Ming													
Vice President	Lin, Shi-Bo													
TXC(NGB) Vice President	Chang, chien-Tsung	24,223	32,204	2,717	2,717	14,848	39,036	35,374	0	35,374	0	77,162 2.7504%	109,331 3.8970%	973
Vice President	Cheng, Li-Wei													
Chief Technology Officer (CTO) / Vice President	Chu,Chih-Hsun													
Vice President	Kuo, Ya Han													
Vice President	Su, Jing-Sheng													
Vice President	Lin, Su-fen													
Vice President	Chen,Chiu-Lin													
Chief Financial Officer (CFO) / Vice President	Hong, Guan-Wen													

Note: This is to fill in the remuneration information of managers above the deputy general manager at the end of 2022. For personnel changes, please refer to the general manager, deputy general manager, assistant manager, and supervisors of various departments and branches.

## Compensation Scale

Compensation Paid to Senior Executives	Names of Senior Executives	
	The Company (Note 6)	The Company in the financial report (Note 7) (E)
Less than NT\$1,000,000	Huang, Hsiang-Lin	
NT\$1,000,000 –NT\$1,999,999		
NT\$2,000,000 –NT\$3,499,999	Chang,Chien-Tsung	
NT\$3,500,000 –NT\$4,999,999	Chao,Min-Chiang, Chou, Chien-Fu, Yu,Fang-Ming, , Chen,Chiu-Lin	Huang, Hsiang-Lin
NT\$5,000,000 - NT\$9,999,999	Lin, Wan-Shing, Kuo, Ya-Ping, Lin, Shi-Bo, Cheng, Li-Wei, Chu,Chih-Hsun, Kuo,Ya Han, Su, Jing-Sheng, Lin, Su-fen, Hong, Guan-Wen	Kuo, Ya-Ping, Chao,Min-Chiang, Chou, Chien-Fu,, Yu,Fang-Ming, Lin, Shi-Bo, Chang,Chien-Tsung, Cheng, Li-Wei, Chu,Chih-Hsun, Kuo,Ya Han, Su, Jing-Sheng, Lin, Su-fen, Chen,Chiu-Lin , Hong, Guan-Wen
NT\$10,000,000 - NT\$14,999,999		Lin, Wan-Shing
NT\$15,000,000 - NT\$29,999,999		
NT\$30,000,000 - NT\$49,999,999		
NT\$50,000,000 - NT\$99,999,999		
NT\$100,000,000 and above		
Total	15 persons	15 persons

- Note 1: The names of president and vice general presidents shall be listed separately (the shareholder name and representative shall be listed separately for corporate directors) and each payment amount shall be disclosed as a summary. If there are directors that concurrently serve as a president and vice general presidents, list in this Table and Tables (1-1) or (1-2) below.
- Note 2: Lists 2022 salary, allowances and severance pay for the general and vice general managers.
- Note 3: Lists 2022 president and vice general presidents bonuses, incentives, travel expenses, special expenses, all kinds of allowances, accommodations, substantive objects offered in the form of vehicles and other remuneration). If real estate, cars and other transportation or exclusive personal expenses are offered, the asset category and cost, actual rent or rent calculated at fair market value, fuel expenses and other payments shall be disclosed. If a driver is assigned, attach an explanation of the driver's related compensation but do not include the compensation into the remuneration
- Note 4: Fill in the amount of employee remuneration (including stock dividends and cash) distributed by the board of directors in 2022. If it is impossible to estimate, calculate the proposed distribution amount for this year based on the actual distribution amount last year, and separately Fill out the attached form 1-3.
- Note 5: The total of all compensation items from all consolidated entities (including the Company) paid to Company president and vice general presidents shall be disclosed.
- Note 6: The total of each of the remuneration items paid by the Company to each general and vice general manager shall be disclosed under the corresponding general manager and vice general manager names in the scale.
- Note 7: The total of each of the remuneration items paid by all consolidated entities (including the Company) to each general and vice general manager shall be disclosed under the corresponding president and vice general presidents' name in the scale.
- Note 8: Net Income refers to 2022 net income: Those who have adopted IFRS, net income refer to the net income in individual or separate financial reports for the most recent year.
- Note 9: a. This column shall clearly list the related remuneration amounts from reinvested companies other than subsidiaries.  
b. If Company general and vice general managers receive remuneration from reinvested companies other than subsidiaries, the remuneration received by Company directors from reinvested companies other than subsidiaries is included in Remuneration Scale Column E and the column is renamed All Reinvested Entities.  
c. Remuneration refers to the compensation and remuneration (employee, director and supervisor remuneration), business execution expenses and other related remuneration received by Company general and vice general managers serving as directors, supervisors and managers of reinvested entities other than subsidiaries.
- \* There are differences in the income concept in the remuneration information disclosed in this Table and income tax laws so this Table is used for information disclosure and not taxation purposes.
- \* Regardless of the position, those positions equivalent to President and Vice President (i.e.: President, CEO and Director) have all been disclosed.

**(III) Profit Sharing Distributed to Managers (Proposed 2020 Employee Profit Sharing Amounts)**

December 31, 2022 Unit: Thousand Shares, NT\$ 1,000

	Title	Name	Stock	Cash	Total	% of Net Income
Managers	Chairman and CEO	Lin, Wan-Shing	0	43,500	43,500	1.5505
	President	Kuo, Ya-Ping				
	TXC (NGB) President	Chao, Min-Chiang				
	TXC (CKG) President	Chou, Chien-Fu				
	TETC President	Huang, Hsiang-Lin				
	TXC (CKG) Executive Vice President	Yu, Fang-Ming				
	Vice President	Lin, Shi-Bo				
	TXC (NGB) Vice President	Chang, Chien-Tsung				
	Vice President	Cheng, Li-Wei				
	Chief Technology Officer (CTO) / Vice President	Chu, Chih-Hsun				
	Vice President	Kuo, Ya-Han				
	Vice President	Su, Jing-Sheng				
	Vice President	Lin, Su-Fen				
	Vice President	Chen, Chiu-Lin				
	Chief Engineer	Chang, Qi-Zhong				
	Assistant Vice President	Su, Zhe-Ming				
	TXC (NGB) Assistant Vice President	Liu, Hsu-Er				
	Deputy CTO	Chiu, Chih-Hung				
	Deputy CTO	Pao, Shih-Yung				
	Chief Financial Officer (CFO) / Vice President	Hong, Guan -Wen				

Note 1: Name and title of individuals shall be disclosed but earning distribution shall be disclosed in summarized form.

Note 2: Employee remuneration amounts (including stocks and cash) for managers passed by the 2023 Board of Directors meeting. If estimation is not possible, calculate this year's proposed distribution amounts based on the actual percentages distributed for the previous year. Net Income refers to 2022 net income: Those who have adopted IFRS, net income refers to the net income in individual or separate financial reports for the most recent year.

Note 3: The scope of application for managers is determined according to the rules set down in the March 27, 2003 Tai-tsai-cheng-san no. 0920001301 letters. The scope is as follows:

(1) President and equivalent level personnel

- (2) Vice president and equivalent level personnel
- (3) Assistant vice president and equivalent level personnel
- (4) Financial department supervisor
- (5) Accounting department supervisor
- (6) Other persons handling company management affairs and with signature authority.

Note 4: If directors, presidents and vice presidents receive employee compensation (including stocks and cash), the compensation shall be listed in Table 1-2 and additionally in this Table.

Note 5: Fill in the information of the employee's remuneration received by the incumbent manager at the end of 2022. For personnel changes, please refer to the general manager, deputy general manager, assistant vice president, supervisor of each department and branch.

**(IV) Remuneration by the Company to individual directors shall be disclosed under the following circumstances:**

1. Remuneration to individual directors shall be disclosed if there have been consecutive after-tax losses for the previous three year: None.
2. Remuneration to individual directors shall be disclosed in the event of insufficient director shareholdings for three consecutive months in the most recent year: None.
3. If there are directors with an average pledged share ratio of over 50% for any three months in the most recent years, the individual director(s) with the average pledged share ratio exceeding 50% for each of these months shall be disclosed: None.
4. If all Directors receive the directors' remuneration of all companies in the financial report accounting for more than 2% of the after tax net profit, and individual directors receive the remuneration of more than NT\$15 million: None.
5. Where the results of the corporate governance evaluation of a listed or OTC company in the most recent year are at the last level, or where the trading method has been changed, the trading has been stopped, or the listed and OTC company has been terminated in the most recent year and up to the date of printing the annual report, or where the approval of the corporate governance evaluation committee indicates that the company should not be evaluated: None.
6. This restriction shall not apply to full-time employees of a listed or OTC company whose average annual salary for the most recent year is less than NT\$500,000: None.

**(V) Individually compare and explain the analysis of the remuneration paid to Company directors, president and vice presidents as a percentage of net income by the Company and all consolidated entities over the past two years and explain the remuneration payment policy, standard and mix, procedure for setting remuneration and operation performance and future risk correlation.**

1. Remuneration Paid to Company Directors, President and Vice Presidents as a Percentage of Net Income by the Company over the Past Two Years

Unit: %

Title	Remuneration as Percentage of Net Income			
	2022 (Note 1)		2021(Note 2)	
	From TXC	From All Consolidated Entities	From TXC	From All Consolidated Entities
Director	2.65	3.36	2.85	3.50
President and Vice President	2.75	3.90	2.49	3.67

Note 1 2022 director and president and vice president remuneration amounts are passed and distributed by the 2023 Board of Directors meeting so the remuneration at percentage of net income calculations in this column are estimates.

Note 2 2021 director and president and vice president remuneration amounts are passed and distributed by the 2022 Board of Directors meeting so the remuneration at percentage of net income calculations in this column are temporary estimates.



2. The remuneration of the directors of the company is handled by the board of directors in accordance with the provisions of Article 19 of the company's Articles of Incorporation, and the company's "director and manager performance evaluation method" is used to evaluate the degree of directors' participation in operations and contribution value every year. Give reasonable remuneration, and the evaluation content includes: financial indicators such as revenue, after-tax net profit achievement rate, return on shareholders' equity, market share, and non-financial indicators such as meeting participation, speech situation, internal control, and related performance evaluation. The reasonableness of remuneration and remuneration are reviewed by the remuneration committee and the board of directors. When the company is profitable, the board of directors shall decide the amount of remuneration for directors in accordance with the provisions of the company's articles of association; the remuneration (including bonuses) of the general manager, deputy general manager and related managers, The system refers to peer standards, professional titles, ranks, academic (experience), professional ability, positions, and responsibilities to determine salaries, and evaluates the performance of managers. The evaluation content includes: revenue, after-tax net profit achievement rate, shareholder equity compensation, financial indicators such as market share rate, market share, and risk indicators, as well as non-financial indicators such as corporate governance, KPI, meeting participation rate, and turnover rate. Relevant laws and regulations review the manager's remuneration system in a timely manner; if the company makes a profit in the current year, 9% will be allocated as employee remuneration in accordance with Article 19 of the company's articles of association.

The procedures for determining remuneration are based on the company's "Directors and Managers Performance Evaluation Method" as the basis for evaluation. In addition to referring to the company's overall operating performance, future business risks and development trends of the industry, it also refers to individual performance achievement rates and the contribution of the company's performance, and give reasonable remuneration. The relevant performance appraisal and remuneration rationality are reviewed by the remuneration committee and the board of directors, and the remuneration system is reviewed at any time depending on the actual operating conditions and relevant laws and regulations, so as to achieve the company's sustainable operation and risk control. Control the balance.

## IV. Implementation of Corporate Governance

### (I) Operation of the Board of Directors

In 2022, the Board of Directors had held 6 meetings (A), the attendance of which as follows:

December 31, 2022

Title	Name	Actual number of attendees (B)	Number of proxy attendees	Actual rate of attendance (%) [B/A]	Remarks
Chairman	Lin, Wan-Shing	6	0	100	
Director	Lin, Jin-Bao	6	0	100	
Director	Kuo, Ya-Ping	6	0	100	
Director	Chen Chueh, Shang-Hsin	5	1	83	
Director	Huang, Hsiang-Lin	6	0	100	
Director	Hsu, Hsing-Hao	6	0	100	
Director	TLC Capital Co., LTD (Peng,Chih-Chiang)	6	0	100	
Independent Director	Yu, Shang-Wu	5	1	83	
Independent Director	Tsai, Song-Qi	6	0	100	
Independent Director	Su, Yan-Syue	6	0	100	
Independent Director	Wang, Chuan -Fen	6	0	100	

Other items to be recorded:

1. The date, session, agenda, opinions of all independent directors and the Company's means of processing the opinions of independent directors shall be specified if one of the following circumstances occurred in the operation of the board of directors:
  - (1) Matters listed under Article 14-3 of the Securities and Exchange Act: Not applicable, since the Company has established an audit committee; matters listed under Article 14-5 of the Securities and Exchange Act shall be applicable instead.
  - (2) Other board resolutions recorded and stated in writing with opposing or reserved opinions from independent directors other than those mentioned above: None; there was no opposing or reserved opinions of the period from the independent directors.

2. Directors' implementation on the avoidance of interest-related motions:

(1) Date: 2022/05/09

Agenda: Review the 2021 annual payment of employee compensation and directors' remuneration.  
Directors avoiding conflicts of interest: Chairman Lin, Wan-Shing, Director Kuo, Ya-Ping, Director Huang, Hsiang-Lin

Reasons for the avoidance of conflict of interests and participation in voting: Whereas Directors avoiding conflicts of interest: Chairman Lin, Wan-Shing, Director Kuo, Ya-Ping, Director Huang, Hsiang-Lin are the Company's managers, the parties in question shall avoid conflict of interests by not participating in the discussion and voting pursuant to Item 2, Article 206 of the Company Act. Chairman LIN had appointed Independent Director Yu, Shang-Wu to preside in the discussion and voting on behalf of the Chairman.

Resolutions of the Board of Directors: Except for the above-mentioned directors who avoided conflict of interests, the remaining directors have passed the motions without objection.

(2) Date: 2022/12/19

Agenda: To approve the donation to TXC\_FOUNDATION

Directors avoiding conflicts of interest: Chairman Lin, Wan-Shing, Director Lin, Jin-Bao

Reasons for the avoidance of conflict of interests and participation in voting: Whereas Directors avoiding conflicts of interest: Chairman Lin, Wan-Shing, Director Lin, Jin-Bao are the TXC\_FOUNDATION's directors, the parties in question shall avoid conflict of interests by not participating in the discussion and voting pursuant to Item 2, Article 206 of the Company Act. Chairman LIN had appointed Independent Director Yu, Shang-Wu to preside in the discussion and voting on behalf of the Chairman.

Resolutions of the Board of Directors: Except for the above-mentioned directors who avoided conflict of interests, the remaining directors have passed the motions without objection

(3) Date: 2022/12/19

Agenda: 2022 performance bonus amount

Directors avoiding conflicts of interest: Chairman Lin, Wan-Shing, Director Kuo, Ya-Ping, Director Huang, Hsiang-Lin

Reasons for the avoidance of conflict of interests and participation in voting: Whereas Directors avoiding conflicts of interest: Chairman Lin, Wan-Shing, Director Kuo, Ya-Ping, Director Huang, Hsiang-Lin are the Company's managers, the parties in question shall avoid conflict of interests by not participating in the discussion and voting pursuant to Item 2, Article 206 of the Company Act. Chairman LIN had appointed Independent Director Yu, Shang-Wu to preside in the discussion and voting on behalf of the Chairman.

Resolutions of the Board of Directors: Except for the above-mentioned directors who avoided

conflict of interests, the remaining directors have passed the motions without objection.

3. The interval and period of self-assessment (or peer assessment) made by the Board of Directors of the Company, the assessment scope, method, and content, and the implementation:

Interval	Period	Scope	Method	Content
Annually	January 2022 to December 2022 (The results of the assessment were presented to the Board of Directors on 2023/03/06)	Board of Directors, individual members, and functional Committees (inclu. Remuneration Committee, Audit Committee, Investment Review Committee)	Board, functional committee assessment and board member self-assessment	The performance of the Board of Directors and its individual members includes five major aspects: the degree of participation in the Company's operations, the decision-making quality of the Board of Directors, the composition and structure of the Board of Directors, selection and appointment of directors and continuous education and internal control. The performance assessment of the Functional Committees and its individual members includes five major aspects: the degree of participation in the Company's operations, the awareness of duties of the Functional Committees, the decision-making quality of the Functional Committees, the composition and election of the Functional Committees, and internal control.
Every three years	January 2022 to December 2022 (The results of the assessment were presented to the Board of Directors on 2023/03/06)	Board of Directors	External professional institution	Taiwan Institute of Ethical Business, a corporate legal person, evaluates the effectiveness of the board of directors by means of questionnaires and on-site investigations on the 4 aspects of the board of directors' professional functions, decision-making effectiveness, internal control, and sustainable management in 2022, as well as 24 items of indicators.

4. The goals of the year and the most recent year on the strengthening of the board of directors' functions (such as establishing an audit committee, improving information transparency, etc.) and performance evaluation:

- (1) The Company's first Audit Committee was duly established on June 19, 2013 consisted by 3 independent directors and convenes meeting at least once every quarter. It is responsible for reviewing the proper presentation of the Company's financial statements, the selection (dismissal), independence and performance of the Certified Public Accountant, and the effective implementation of the Company's internal control, the Company's compliance with relevant laws and regulations and the Company's control over existing or potential risks. The shareholders' meeting re-elected in 2016 to increase 1 independent director for the purpose of strengthening corporate governance; there are currently 4 independent directors in the Audit Committee. Since the date the Audit Committee was established, the Audit Committee has invited Certified Public Accountant and related personnel to attend each meeting and participate in the discussion. The communication meetings were convened as-needed. Please see the Company's website for the communication records: investor relations / corporate governance / the Board of Directors / independent directors' information. The second the Audit Committee has convened 5 meetings in 2022 and all carried out successfully.
- (2) The Company's first Remuneration Committee was duly established on December 28, 2011 along with its charter. The second Remuneration Committee was appointed upon the resolution

of the Board of Directors on July 10, 2013 to be responsible for formulating and periodically reviewing the performance assessment and remuneration policies, system, standards and structure for the directors and managers, regularly evaluating and setting the remuneration of the directors and managers, as well as completing annual assessment before the first quarter of the following year pursuant to the Company's "Performance Assessment Method for the Directors and Managers". The third and the fourth Remuneration Committee were appointed upon the resolution of the Board of Directors which consisted by 4 independent directors. The 2022 annual assessment was completed on March 6, 2023 and reported to the Remuneration Committee and the Board of Directors. All related personnel have attended and participated in the discussion during the Remuneration Committee's meetings. There were 3 meetings in 2022 and all carried out successfully.

- (3) In order to strengthen the company's investment decision-making quality, implement investment review procedures and performance management, and conduct research, deliberation and suggestions on the company's long-term investment strategy planning and major investment decisions, since May 7, 2020, an investment review committee was established through the resolution of the board of directors. The first investment review committee was nominated by the chairman of four independent directors, Yu, Shang-Wu, Tsai, Song-Qi, Su, Yan-Syue and Wang, Chuan-Fen, and three directors, Lin, Jin-Bao, Hsu, Hsing-Hao and Peng, Chih-Chiang of TLC Capital Co., LTD, as members of the committee. The directors who attended the meeting passed the proposal without objection, and the members elected independent director Su, Yan-Syue as the convener. In 2022, 2 meetings were held to review the operation status of the company's reinvestment business and financial investment planning, and the operation was smooth.
- (4) The Company continued to strengthen its corporate governance. where the "CG6005 general version of corporate governance assessment and authentication" and the "CG6008 advanced corporate governance assessment and authentication" were certified by the Corporate Governance Association in in March 2012 and May 2013, respectively, and the minutes of the Board of Directors, the Audit Committee and the Remuneration Committee and the rules and regulations of the Company are all posted on the Company's website. The Company has always adhered to the principle of information transparency, actively safeguards interests of the shareholders, and discloses important resolutions on Market Observation Post System and the Company's website upon resolutions of the Board of Directors, which had earned it four consecutive years of A++ in Information Disclosure and Transparency Ranking and has awarded the top 6% ~ 20% of the listed companies since the first session. From the 2<sup>nd</sup> to the 4<sup>th</sup> session, it has been won the top 5% of the listed companies for three consecutive years. The 5-9<sup>th</sup> session were awarded the top 6% ~ 20% of listed companies.

## (II) Operation of the Audit Committee

### 1. Operations of the Audit Committee

The Company's first Audit Committee was duly established on June 19, 2013 consisted by 3 independent directors and elected the independent director, YU, SHANG-WU, to serve as the convener. The shareholders' meeting re-elected in 2016 and in 2019 to increase 1 independent director for the purpose of strengthening corporate governance; therefore, there are currently 4 independent directors in the Audit Committee convening meeting at least once every quarter. It is responsible for reviewing the proper presentation of the Company's financial statements, the selection (dismissal), independence and performance of the Certified Public Accountant, the effective implementation of the Company's internal control, the Company's compliance with relevant laws and regulations and the Company's control over existing or potential risks. Its primary authorities are as follows:

- (1) To establish or modify the internal control system as prescribed in Article 14 of the Securities and Exchange Act;
- (2) To evaluate the effectiveness of the internal control system;
- (3) To establish or modify the procedures for material financial business behaviors such as acquiring or disposing assets, engaging in derivative commodity transactions, lending capital to others, endorsing or providing guarantees for others as prescribed in Article 36-1 of the Securities and Exchange Act;
- (4) Matters concerning the directors' personal interests;
- (5) Material assets or derivative commodities transactions;
- (6) Material capital lending, endorsement or provision of guarantees;
- (7) Offering, issuance or private placement of equity securities;
- (8) Appointment, dismissal or remuneration of Certified Public Accountant;
- (9) Appointment or dismissal of chief financial officer, chief accounting officer or chief audit executive;
- (10) Annual financial statements and semi-annual financial statements; and
- (11) Other matters required by the Company or the competent authority.

In 2022, the Audit Committee had held 5 meetings (A), the attendance of which as as follows:

Job title	Name	Actual number of attendees (B)	Number of proxy attendees	Actual rate of attendance (%) [B/A]	Remark
Independent Director	Yu, Shang-Wu	4	1	80	
Independent Director	Tsai, Song-Qi	5	0	100	
Independent Director	Su, Yan-Syue	5	0	100	
Independent Director	Wang, Chuan -Fen	5	0	100	

Other items to be recorded:

1. The date, session, agenda, resolution of the Audit Committee and the Company's means of processing the opinions of the Audit Committee shall be specified if one of the following circumstances occurred in the operation of the Audit Committee:

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

Meeting date (session)	Agenda	Resolutions and opinion of all
2022/03/07 (15 <sup>th</sup> meeting of the third session)	<ol style="list-style-type: none"> <li>1. Undertaking of Derivative Financial Commodities</li> <li>2. 2021 Business Report and Financial Statements</li> <li>3. 2021 Earnings Distribution</li> <li>4. Self-compiled improvement plan report for financial report</li> <li>5. 2021 Annual Accountant Independence and Performance Evaluation Review Case</li> <li>6. To Revise the "Procedures for Acquisition or Disposal of Assets"</li> <li>7. TXCs subsidiary TETC CORP. NINGBO to establish a 100% subsidiary</li> <li>8. Internal Audit Report</li> <li>9. Accountants' internal control assessment opinions, the company's annual self-assessment report on the effectiveness of the internal control system and the statement of the internal control system</li> <li>10. Amendments to the "Internal Control System and Internal Audit Implementation Rules"</li> </ol>	Approved by all independent director; it was sent to the board of directors for resolution without any approval by the audit committee and more than two-thirds of all director
2022/05/09 (16 <sup>th</sup> meeting of the third session)	<ol style="list-style-type: none"> <li>1. Undertaking of bank credit extensions and derivative financial commodities</li> <li>2. Q1 / 2022 financial statements</li> <li>3. Self-compiled improvement plan report for financial report</li> <li>4. TXC Capacity Expansion</li> <li>5. Internal Audit Report</li> </ol>	
2022/08/08 (1 <sup>st</sup> meeting of the fourth session)	<ol style="list-style-type: none"> <li>1. Undertaking of bank credit extensions and derivative financial commodities</li> <li>2. Q2/ 2022 financial statements</li> <li>3. Self-compiled improvement plan report for financial report</li> <li>4. The 5th Domestic Unsecured Convertible Corporate Bond Fund Utilization Situation and Adjustment Fund Utilization Plan</li> <li>5. Internal audit Report</li> </ol>	
2022/11/07 (2 <sup>nd</sup> meeting of the fourth session)	<ol style="list-style-type: none"> <li>1. Derivative financial commodities</li> <li>2. Q3 / 2022 financial statements</li> <li>3. Self-compiled improvement plan report for financial report</li> <li>4. TXC's subsidiary TETC CORP. NINGBO established a 100% subsidiary</li> <li>5. TETC CORP. NINGBO factory construction progress and budget</li> <li>6. Internal audit report</li> </ol>	
2022/12/19 (3 <sup>rd</sup> meeting of the fourth session)	<ol style="list-style-type: none"> <li>1. Undertaking of bank credit extensions</li> <li>2. To approve the donation to TXC_FOUNDATION</li> <li>3. 2023 annual review on the accountant fees</li> <li>4. 2023 annual business plan and annual budget</li> <li>5. Internal audit report</li> <li>6. 2023 annual audit plan</li> <li>7. Re-enacted the "Internal Control and Audit System Implementation Manual" and abolished the original "Internal Control" and "Internal Audit Implementation Rules"</li> </ol>	

(2) Except for the foregoing, other matters that were not approved by the Audit Committee

but were approved by more than two-thirds of all directors: None.

2. Implementation of the independent directors' avoidance of motion with conflict of interests (please specify the independent director's name, content of the motion, reasons for the avoidance of conflict of interests, and participation in voting): None.
3. Communication between the independent directors and chief audit executive and accountant (include major topics, methods and results relating to the Company's financial and business status that shall be communicated) :
  - (1) There are channels of direct contact between the independent directors and chief audit executive and the Certified Public Accountant and the communication condition is good;
  - (2) The Company convenes the Audit Committee meeting on regular basis, which will invite accountant, chief auditing executive to attend and invite related supervisors to attend if necessary.
  - (3) The chief audit executive submits aggregated auditing report to the Audit Committee on monthly basis according to the annual audit plan.
  - (4) Evaluate the performance and independence of the accountant annually and submit to the Audit Committee for review. The 2022 annual evaluation on the accountant's performance and independence was approved by the Audit Committee on March 6, 2023 and submitted to the Board of Directors. Please visit the Company's website for the assessment results.
  - (5) The company's independent directors, internal audits and accountants have communication meetings at least twice a year. If there is a major abnormality, they may hold meetings at any time. For the record of their communication, please refer to the company's website\investor relations\corporate governance\board of directors\independent directors' information.
4. Annual key functions and operations:
  - (1) Annual Key functions
    - a. Communicate results of audit report with the head of internal audit regularly according to the annual audit plan.
    - b. Communicate with CPA regularly over financial statement review or audit results in each quarter.
    - c. Review financial reports.
    - d. Assessment of the effectiveness of internal control system.
    - e. Review the hiring, dismissal, compensation and service matters concerning CPAs in advance.
    - f. Evaluate the independence of the CPA who provide audit and non-audit services.
    - g. Review the Company's operational procedures and material transactions of assets, derivatives, capital lending and endorsement/guarantees.
    - h. Legal compliance.
    - i. Handle any grievances/reporting incidents submitted to the Audit Committee Mailbox
  - (2) 2022 operations: Proposals of the Audit Committee meetings have all been reviewed or approved by members of the Audit Committee with no dissent from any of the Independent Directors.



**(III) Corporate governance and variations with management principles of publicly-listed companies and reasons**

Assessment Items	Operation Status (Note 1)			Discrepancy with best-practice principles of TWSE/GTSM listed companies
	Yes	No	Summary	
1. Comply with General Guideline of public-listed companies and disclose company's practical guideline in corporate governance?	Yes		TXC has formulated the Practical Guideline for Corporate Governance, and set up effective regulations governing corporate governance framework, protection of the rights and benefits of shareholders, strengthening the function of the board of directors, bringing up the function of the Auditing Committee, showing respect for the rights and benefits of the stakeholder, and enhancing the transparency of information. For details refer to the company website	Comply with best-practice principles, no discrepancy
2. Company shareholding Structure and shareholders' rights				
(1) Has the Company formulated internal operating procedures for handling proposals, doubts, disputes and litigation of shareholders and follow procedures for implementation.	Yes		TXC has formulated procedures for handling proposals, doubts, disputes and litigation for protection of communication between the stakeholders and the company management, and timely find out and handle the various problems, as well as having dedicated persons for handling relevant matters. TXC also handles proposals and rights and benefits of relevant shareholders for subsidiaries. For details refer to the company website	Comply with best-practice principles, no discrepancy
(2) Has the Company the list of the major shareholders with de fact control of the Company and the final controllers of the major shareholders?	Yes		In accordance with Article 25 of the Securities Trading Act, requires monthly posting of changes in shareholding of the internal staff including directors, managers and shareholders with over 10% equities, on the open information observation website specified by the Securities and Futures Bureau.	Comply with best-practice principles, no discrepancy
(3) Has the Company set up a firewall mechanism for executing risk control of affiliated enterprises?	Yes		Aside from formulation of various risk control mechanisms, the Company also has formulated relevant operation methods for the operation, business and finance with the affiliated enterprises. For instance, in the subsidiary operation method TXC has formulated decision making and approval for the subsidiaries, the management of trading by the associates, specific companies, associates and group trading operation procedures, aside from counseling internal control for the subsidiaries in writing. Moreover, similar to that of the parent company, the acquisition or disposal of assets handling procedures, endorsement method, operation method for loaning to other persons, handling procedures for trading of derivative financial commodities so as to implement the risk control mechanism for subsidiaries. Subsidiaries have already formulated respective risk control mechanisms, and set up risk control mechanisms and firewalls with the affiliated enterprises according to the relevant operating methods of the Company.	Comply with best-practice principles, no discrepancy

Assessment items	Operation status (Note1)			Discrepancy with best-practice principles of TWSE/GTSM listed companies
	Yes	No	Summary	
(4) Has the Company formulated internal regulations prohibiting internal staff utilizing information not yet open to the market for trading of securities?	Yes		<p>The Company formulated the Operating Procedure for Prevention of Insider Trading and 「 Regulations on whistle-blowing of illegal and unethical or dishonest conduct 」 to prohibit the internal staff utilizing information not yet open to the market for trading securities.</p> <p>The company conducts educational advocacy on the prevention of insider transaction management operation procedures and related laws and regulations for current directors, managers and employees at least once a year. The human resources unit will give education and announcement during pre-employment training.</p> <p>The relevant directors, managers and employees have been educated on August 8, August 10, and October 19, 2022. The content of the course includes laws related to the prevention of insider trading, maintenance of business secrets, etc., and the briefing of the course is placed on internal staff The education and training system provides reference for those who are not present on the day.</p> <p>In addition, on August 8, 2022, the board of directors approved the revision of the "Corporate Governance Practice Code", requiring the company's Directors and Managers to prohibit from trading stocks before the release of relevant financial results, and publicized and reminded directors and managers October 19, 2022 at the executive meeting by email on October 20, 2022. Directors and Managers are not allowed to trade their stocks during the closed period 15 days before the announcement of the third quarter financial report; on January 6 2023, The company calculate the closed period based on the date of the board of directors scheduled in 2023, publicize it to directors and managers in advance by e-mail, and notify reminders before each closed period.</p>	Comply with best-practice principles, no discrepancy
3. Members and duties of board of directors				
(1) Has the Board of Directors drafted policies for a diversified board framework?	Yes		<p>The composition of the Board of Directors shall be determined by taking diversity into consideration. It is advisable that directors concurrently serving as the Company's managers not exceed one-third of the total number of the Board members, and that an appropriate policy on diversity based on the Company's business operations, operating dynamics, and development needs be formulated and include, without being limited to, the following two general standards:</p> <ol style="list-style-type: none"> <li>1. General conditions and values: Gender and age.</li> <li>2. Professional knowledge and skills: Professional background, professional skills and industrial experience.</li> </ol> <p>The specific management objectives and achievement of the Company's diversity policy are as follows:</p>	Comply with best-practice principles, no discrepancy

Assessment items	Operation status (Note1)			Discrepancy with best-practice principles of TWSE/GTSM listed companies						
	Yes	No	Summary							
			<table border="1"> <tr> <td>Management objectives</td> <td>Progress</td> </tr> <tr> <td>Become younger in Directors' age</td> <td>Achieved</td> </tr> <tr> <td>At least two seats of Directors are females</td> <td>Achieved</td> </tr> </table> <p>The members of the board of directors are diversified in industry, law, finance, accounting, investment management and operation management. Please refer to the annual report "Diversity and Independence of the Board of Directors" for the description of relevant professional fields.</p>	Management objectives	Progress	Become younger in Directors' age	Achieved	At least two seats of Directors are females	Achieved	
Management objectives	Progress									
Become younger in Directors' age	Achieved									
At least two seats of Directors are females	Achieved									
( 2 ) Aside from setting up the Remuneration Committee and the Auding Committee according to the law, is it willing to set up other function committees?	Yes		<p>In addition to establishing a salary and compensation committee and an audit committee in accordance with the law, the company established an investment review committee through a resolution of the board of directors in May 2020 to strengthen the company's investment decision-making quality, implement investment review procedures and performance management, and provide long-term investment strategic planning and Research, review and suggest major investment decisions.</p> <p>The Investment Review Committee had 2 meetings in 2022 to review the operation status of the Company's reinvestment business and financial investment plans.</p>	Comply with best-practice principles, no discrepancy						
(3) Has the company formulate the performance evaluation methods for the Board of Directors, conduct performance evaluations annually and regularly, and report the results of the performance evaluations to the Board of Directors, and use them as a reference for individual directors' remuneration and nomination and renewal?	Yes		<p>The Company has formulated the Directors and General Manager Performance Assessment Method. The performance of the board of directors is regularly evaluated (at least once per year), and regularly carry out performance assessment of the board every year and forward to the Remuneration Committee and the Board of Directors for discussion. Director performance evaluations are performed externally at least once every three years. The evaluation procedure divides the assessment into three sections:</p> <p>1. Self assessment :</p> <p>The Company conducts internal performance evaluations on the "Board of Directors" and "Functional Committee" every year, which are executed by the members of the Board of Directors, members of the functional committee and the deliberative unit.</p> <p>The contents of the board performance evaluation include: the degree of participation in the company's operations, the quality of the board's decisions, the composition and structure of the board, the selection and continuous training of directors, and internal control.</p> <p>The contents of individual directors' performance evaluation include: grasp of company goals and tasks, recognition of directors' responsibilities, participation in company operations, internal relationship management and communication, professional and continuous education of directors, internal control, etc. The content of the performance evaluation of the functional committee includes: the degree of participation in the company's operations, the recognition of the functional committee's responsibilities, the quality of the</p>	Comply with best-practice principles, no discrepancy						

Assessment items	Operation status (Note1)			Discrepancy with best-practice principles of TWSE/GTSM listed companies
	Yes	No	Summary	
			<p>functional committee's decision-making, the composition of the functional committee and the selection of members, and internal control. The total score of the evaluation result must be at least 80 points.</p> <p>In 2022 the company's "Board" and "Functional Committee" self-assessment results were 95 and 94 points, and there were no major improvement projects. The results have been reported to the directors on the board at March 6, 2023 and as a member of the board and the functional committee References to performance, remuneration and nominated performance.</p> <p>2 External assessment :</p> <p>In October 2022, the company commissioned an external organization, Taiwan Institute of Ethical Business, to conduct a board effectiveness evaluation for the period from January 2022 to December 2022.</p> <p>The agency appointed three experts to evaluate the board's effectiveness through questionnaires and field visits on the four major aspects of the board's professional functions, decision-making effectiveness, internal control, and corporate social responsibility.</p> <p>The overall rating is: (1) The professional functions and decision-making effectiveness of the board of directors: most of the board members are selected as natural persons, and there are four independent directors, accounting for more than one-third of the board members. The relevant backgrounds include management, accounting, investment, Professionals in different fields such as law can provide diversified opinions from different perspectives. All members of the board of directors indicated that there were sufficient opportunities for discussion in the meeting. (2) The board of directors' supervision of the internal control of the enterprise: the evaluated enterprise has introduced a business continuity management (BCM) mechanism to ensure the individual operation of each plant area and reduce operational risks. Therefore, board members can grasp the risks and opportunities of the evaluated enterprise, And urge the management team to establish relevant risk response measures to strengthen the management and supervision of corporate risks by the board of directors. (3) Attitude towards sustainable management: The rated enterprises have set up a sustainable committee and set specific strategic goals for sustainable development. The rated corporate sustainability committees regularly report the implementation of the sustainability strategy to the board of directors, so that the board of directors can understand the development of the sustainability strategy, and continue to promote and supervise its implementation. The company has reported the evaluation results to the board of directors on March 6, 2023, and the board of directors will follow the recommendations of the society as</p>	

Assessment items	Operation status (Note1)			Discrepancy with best-practice principles of TWSE/GTSM listed companies
	Yes	No	Summary	
			<p>a reference for continuous improvement of the functions of the board of directors.</p> <p>3. Article 19 of the Articles of Association of the Company stipulates that the remuneration of directors of the company shall not be higher than 2% of the profit for the year, and the directors' remuneration will be determined according to the results of the board's performance evaluation. For details, refer to the company website.</p>	
(4) Has the Company regularly assessed the independence of the certified accountant?	Yes		<p>In order to strengthen the independence of the CPA and his /her familiarity with company business, an evaluation of CPA independence, competency and performance is performed by the company each year and an assessment is done based on the CPA Evaluation and Performance Assessment Procedure. The results are submitted to the Audit Committee and board of directors for discussion.</p> <p>Its evaluation items (1) refer to the audit quality index (AQI) information and independence statement provided by the accountants, and evaluate the five major dimensions of professionalism, independence, quality control, supervision, and innovation capabilities; among them, the specific indicators of independence are: accountants have no direct or significant indirect financial interest relationship with the company, accountants and all members of the audit service team are not allowed to hold shares in the company, accountants are not allowed to have money loans with the company and have no improper interest relationship After evaluation, the relevant indicators all meet the company's independence evaluation standards. (2) performance Indicator items: financial report completion date, interaction between accountants and the company, whether accountants have made positive suggestions on company systems and internal control inspections, etc.</p> <p>The company's 2022 CPA performance evaluation has been completed and it passed review by the audit committee on March 6, 2023 and board of directors on March 6, 2023. The results will be used to implement corporate governance and improve the function of the board of directors. The CPA performance evaluation results have been posted on the company website. Refer to the company website.</p> <p>If a situation occurs in which the CPA needs to be replaced, the chairman and general manager shall understand the reason for replacement and hold an interview for the replacement CPA. A profile of the CPA and other related information is submitted to the Review Committee for review and then it is passed to the Board of Directors for discussion. Afterward, the CPA may be invited to board of director meetings if necessary.</p>	Comply with best-practice principles, no discrepancy

Assessment items	Operation status (Note1)			Discrepancy with best-practice principles of TWSE/GTSM listed companies
	Yes	No	Summary	
4. Have public listed companies established dedicated (ad-hoc) corporate governance units or personnel responsible for corporate governance matters (including but not limited to providing information needed by directors and supervisors to perform their duties, handle matters related to the board of directors meeting and shareholders' meeting, handle company registration and registration of related changes, preparation of the board of directors and shareholders meeting minutes)?	Yes		<p>The company has set up a corporate governance work team. The General Manager was appointed to serve as convenor, on the board of March 22, 2019, the new company secretary was appointed at the Chief Financial Officer Ms. Hong, Guan -Wen (extension: 3230) as the head of corporate governance, who is responsible for the supervision and planning of corporate governance. Her qualifications meet the requirements of more than three years of experience in the management of the company's finance, stock affairs or deliberations according to the Taipei Exchange Directions for Compliance Requirements for the Appointment and Exercise of Powers of the Boards of Directors of TWSE/TPEX Listed Companies. The head of corporate governance's duties include: provide directors and Audit Committee with the information required for the implementation and the latest regulations pertaining to the Company's operations, assist directors and Audit Committee in complying with laws and regulations, report regularly to the Corporate Governance Committee and the Board of Directors on corporate governance operations, handle affairs relating to the board and shareholder meetings in accordance with the law, produce the minutes of the Board of Directors and shareholders' meetings, assist directors and members of Audit Committee in their appointments and continuing education, etc., all are performed by the Board's secretary unit.</p> <p>The implementation of the corporate governance in the year of 2022 are as follows:</p> <ol style="list-style-type: none"> <li>1. 6 board meetings, 5 audit committees, 3 Remuneration Committees, and 2 Investment Review Committee were held.</li> <li>2. Hold annual shareholders' meeting</li> <li>3. Board members complete at least 6 credits of refresher courses</li> <li>4. Insured liability insurance for directors and key staff and reported to the board of directors</li> <li>5. Conduct performance evaluation of the board of directors and functional committees, the evaluation results reached 95 and 94 points; completed the external performance evaluation of the board of directors in 2022, and the results were reported to the directors on March 6, 2023.</li> <li>6. The results of the 9<sup>th</sup> corporate governance evaluation are the top 6 ~ 20% of listed companies</li> <li>7. 3 meetings of independent directors and accountants, internal audits, etc.</li> </ol> <p>In 2022, the training hours for the head of corporate governance totaled 20 hours :</p>	Comply with best-practice principles, no discrepancy

Assessment items	Operation status (Note1)				Discrepancy with best-practice principles of TWSE/GTSM listed companies																												
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			<table border="1"> <thead> <tr> <th>Date</th> <th>Organizer</th> <th>Course</th> <th>Hours</th> </tr> </thead> <tbody> <tr> <td>2022/07/27</td> <td>Taiwan Stock Exchange Corporation</td> <td>Sustainable Development Roadmap Industry Theme Publicity Conference</td> <td>2</td> </tr> <tr> <td>2022/08/08</td> <td rowspan="2">Taiwan Corporate Governance Association</td> <td>Looking at corporate sustainable governance from the perspective of risk - from corporate governance to ESG</td> <td>3</td> </tr> <tr> <td>2022/08/10</td> <td>How the Board of Directors Supervises ESG Risks to Create Sustainable Enterprise Competitiveness</td> <td>3</td> </tr> <tr> <td>2022/09/29</td> <td>Taiwan Stock Exchange Corporation</td> <td>2022 Listed Companies - Release of Reference Guidelines for Independent Directors and Audit Committees to Exercising Powers and Directors and Supervisors Publicity Meeting</td> <td>3</td> </tr> <tr> <td>2022/10/21</td> <td rowspan="3">SECURITIES &amp; FUTURES INSTITUTE</td> <td>111 Annual Insider Trading Prevention Promotion Conference</td> <td>3</td> </tr> <tr> <td>2022/11/17</td> <td>Analysis and decision-making application of corporate financial information</td> <td>3</td> </tr> <tr> <td>2022/11/18</td> <td>Corporate Governance and Securities Regulation</td> <td>3</td> </tr> </tbody> </table>	Date	Organizer	Course	Hours	2022/07/27	Taiwan Stock Exchange Corporation	Sustainable Development Roadmap Industry Theme Publicity Conference	2	2022/08/08	Taiwan Corporate Governance Association	Looking at corporate sustainable governance from the perspective of risk - from corporate governance to ESG	3	2022/08/10	How the Board of Directors Supervises ESG Risks to Create Sustainable Enterprise Competitiveness	3	2022/09/29	Taiwan Stock Exchange Corporation	2022 Listed Companies - Release of Reference Guidelines for Independent Directors and Audit Committees to Exercising Powers and Directors and Supervisors Publicity Meeting	3	2022/10/21	SECURITIES & FUTURES INSTITUTE	111 Annual Insider Trading Prevention Promotion Conference	3	2022/11/17	Analysis and decision-making application of corporate financial information	3	2022/11/18	Corporate Governance and Securities Regulation	3	
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5. Any communication channel between the Company and the stakeholders? Any special zone on the website for the stakeholders for properly responding to the topic of corporate social responsibility where the stakeholders are concerned?	Yes		A dedicated CSR area, a dedicated stakeholder area, spokesman system and website has been established to provide communication channels and provide the latest news of the company and its subsidiaries. A dedicated shareholder mailbox and investor relations mailbox have also been established. Corresponding windows have been set up for business management and operation items. If company stakeholders have any relevant recommendations, questions or complaints, the mailbox in the dedicated stakeholder area or the dedicated stakeholder contact window may be used to contact the chairman, general manager, independent director or audit office of the company forming an effective and free-flowing communication channel.	Comply with best-practice principles, no discrepancy																													
6. Any assigned professional stock affairs handling agency for shareholders' affairs?	Yes		The company has appointed Yuanta Securities to serve as the company's stock affairs agent and assist the company in handling matters related to the shareholders' meeting.	Comply with best-practice principles, no																													

Assessment items	Operation status (Note1)			Discrepancy with best-practice principles of TWSE/GTSM listed companies
	Yes	No	Summary	
				discrepancy
<b>7. Information Disclosure</b>				
(1) Has the company set up website for disclosing finance, business and corporate governance?	Yes		The company and its subsidiaries have set up a website to provide financial and business information. A dedicated person has been assigned to be responsible for the updating of this information. For details refer to the company website	Comply with best-practice principles, no discrepancy
(2) Are there other ways of information disclosure (such as English website, assign dedicated person for collection and disclosure of company information? Any spokesman system for implementation? Full process of briefing by the legal person posted on the company website)?	Yes		In addition to its Chinese language website, the company also provides English and Japanese languages websites. A dedicated person is responsible for collecting information and disclosure of major company information. External communication is handled by a spokesperson. Audio and video files of the company's institutional investor conferences are posted on the company's information disclosure website for general reference. Relevant information is posted on the Market Observation Post System designated by the competent authorities.	Comply with best-practice principles, no discrepancy
(3) Has the company announce and report the annual financial report within two months after the end of the fiscal year, and announce and file the first, second and third quarter financial reports and operating conditions of each month as early as possible before the prescribed deadline?	Yes		Although the company's 2021 annual consolidated and individual financial reports were not announced and reported within two months after the end of the fiscal year, they were all completed in accordance with the regulations before the deadline. The financial reports for the first to third quarters of 2022 and the monthly revenue situation are also announced and declared at the MOPS before the stipulated deadline, and the company voluntarily announces and declares the monthly self-financing profit and loss status, and simultaneously uploads relevant information to the company website.	Comply with best-practice principles, no discrepancy
8. Are there other important information for helping understand the operation of corporate governance (including but not limited to employee rights and benefits, employee care, investor relations, supplier relations, the rights and benefits of the stakeholders, further studies for directors and supervisors, risk control policy, and execution of risk assessment standard, client policy implementation, purchase of liability risk for directors and supervisors, others)?	Yes		1. Employee rights: Employee rights are handled by the company in accordance with the Labor Standards Act in the company's annual report for information regarding other employee welfare measures, the pension system, continuing education and other related employee rights. The employee rights at our subsidiaries are handled in accordance with their respective national laws and regulations 2. Employee concern: In addition to setting up medical offices at the company and its subsidiaries that are staffed with professional medical care providers, a labor safety & health committee has been established for safety and health procedures for specialist personnel and personnel assistance projects including psychology, medical and health. A wide range of channels have been provided for personnel to express their opinions to create excellent two-way communication channels 3. Supplier relations and stakeholder rights are handled in accordance with the company and subsidiary work procedures and the contracts with cooperating companies to maintain the legal rights of both parties. No related lawsuits have been brought as of today. 4. Investor relations: The company and its subsidiaries are very concerned about investor	Comply with best-practice principles, no discrepancy



Assessment items	Operation status (Note1)			Discrepancy with best-practice principles of TWSE/GTSM listed companies
	Yes	No	Summary	
			<p>rights. In addition to posting related information in a timely fashion on the Market Observation Post System and the company website, the company has been awarded an A+ information disclosure assessment rating for the fourth straight year, named a transparent voluntary information disclosure company for eight straight years and received an A++ rating for four straight years, ranked within the top 20% of public listed companies in the 1st corporate governance assessment and within the top 5% of listed companies in the 2nd ~4th assessments. The 5-9<sup>th</sup> was ranked the top 6-20% of the listed company.</p> <p>5. Stakeholder rights: In holding the beliefs of integrity and honesty, the company is committed to building long-term relationships with stakeholders based on transparency and sincerity. Related information please refer to the company's annual report and website for information regarding stakeholder communication.</p> <p>6. The company's directors attend financial, business and professional knowledge continuing education courses on an irregular basis. Refer to the director and supervisor education and training table in the company's annual report.</p> <p>7. Implementation of the company's risk management policy and risk measurement standard: In the company's annual report for information regarding the risk management policy, organization structure and related risk control work of the company and its subsidiaries. In addition, the company and its subsidiaries analyze, track and respond to possible high risk events caused by operation targets to establish a sound risk management system.</p> <p>8. Protecting consumers or customer policy implementation: Our 'customer first, mission focused' philosophy demonstrates our determination and commitment to our customers, our dedication to quality and hard work to earn customer approval over the years. The company has been given best supplier awards from a number of companies as a form of encouragement.</p> <p>9. The company purchases liability insurance for directors and managers every year. Since August 2021, the insurance amount has been increased from US\$5 million to US\$10 million. When the contract expires, the renewal period, insurance amount, coverage and premium rate of director and supervisor liability insurance will be reported to the board of directors, and the minutes of the board meeting will be submitted to the board of directors. See the company website for details. The board of directors and board meeting minutes are detailed on the company website.</p>	
9. Succession Plan and Operations of Members of the Board of Directors and Key Managerial Officers	Yes		The composition of the board of directors of the company considers its own operation, business model and development needs to formulate an appropriate diversification policy. In response to future strategic development and transformation planning, the professional knowledge, technology and experience required by the company's directors are considered, and the directors are regularly reviewed. The number of people and the conditions that	Comply with best-practice principles, no discrepancy

Assessment items	Operation status (Note1)			Discrepancy with best-practice principles of TWSE/GTSM listed companies
	Yes	No	Summary	
			<p>should be met are used to plan the succession plan and candidates of directors. New management team members will be added during the re-election of the last two shareholders' meetings to make directors younger and familiarize themselves with the operation of the board of directors in advance to assist in the company's strategic planning.</p> <p>The company's succession planning is based on the premise of constructing an evaluation system, mainly based on personality traits, performance and future potential. In addition to having excellent work performance, the enthusiasm and philosophy of the company must be consistent, and the personality traits must include integrity, commitment, breakthrough thinking, and a keen insight.</p> <p>In order to meet the needs of the management and inheritance of the future management, planning the cultivation mechanism of potential talents and leaders, which mainly includes four major training modules: management ability, professional ability, Individual Development Program (IDP) and job rotation. Encourage potential talents to participate in the master's degree in business management to improve business management capabilities; implement job rotation, task assignment and other work experience to cultivate decision-making judgment, and then achieve the inheritance effect, to ensure the company's sustainable management.</p> <p>In terms of talent cultivation and development, arrange 2 senior executives to participate in EMBA courses, and 1 key talent to participate in business economics classes. At the same time, open management courses such as critical thinking, problem analysis and decision-making, and partnership establishment to cultivate 15 key talents. , to cultivate leadership and management talents with innovative spirit, forward thinking and sustainable management</p> <p>The Company will also arrange important management to serve as members of the Board of Directors of the Company or investment enterprise, familiarize them with the operation of the Board of Directors, and have them participated in the planning of the Company's or investment enterprise's long-term strategic direction and vision.</p>	

10. 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 not yet implemented, state the areas and policies the Company has set as priority for improvement:

The company has obtained the top 20% of the companies in first corporate governance evaluation, the top 5% of the listed companies from 2<sup>nd</sup> to 4<sup>th</sup> evaluations, and the top 6 to 20% of the listed companies from the 5<sup>th</sup> to 9<sup>th</sup> evaluation. The efforts to implement corporate governance have been affirmed. The relevant matters are

Assessment items	Operation status (Note1)			Discrepancy with best-practice principles of TWSE/GTSM listed companies
	Yes	No	Summary	
described as follows:				
<p>Improvements :</p> <ol style="list-style-type: none"> <li>To hold an ordinary general meeting of shareholders before the end of May: In 2022, the general meeting of shareholders was registered on May 31, 2022.</li> <li>Set up functional committees other than statutory: TXC passed the resolution of the board of directors to establish an investment review committee to strengthen the company's investment decision-making quality, implement investment review procedures and performance management, and conduct research, review and recommendations on the company's long-term investment strategic planning and major investment decisions.</li> </ol>				
<p>Areas to be improved :</p> <ol style="list-style-type: none"> <li>Among the current 11 directors of the board of directors of the company, there are two female independent directors (one of them is currently a lawyer), in implementation of the gender equality policy and conformance to multiple backgrounds and competency. However, if any gender does not reach more than one third of the number of directors, the plan is to be evaluated continuously.</li> <li>To publish the annual financial report within two months after the end of the fiscal year: to discuss with the accountant as it is the goal of the company.</li> <li>Voluntary disclosure of remuneration of individual directors and supervisors in the annual report: due to the protection of personal data, it is not disclosed temporarily, and it is planned to be evaluated and disclosed in the future.</li> <li>Signing of group agreements between the company and its employees: the company has not established a professional association, and it is not necessary to sign a group agreement in accordance with the group agreement law. If the association is established, it will be implemented in accordance with the laws and regulations.</li> </ol>				

Note 1: Explanations should be provided in the summary column regardless of whether 'yes' or 'no' is checked under operating conditions.

#### (IV) Composition, duties, and operations of the Remuneration committee

1. The company established the remuneration committee on December 28, 2011. The third and fourth term of the remuneration committee was composed of four independent directors by board resolution. Independent director Yu Shang-Wu was reelected as convenor. The qualification review of this term's members includes member academic background, member qualification review sheet, statement and related confidentiality agreements. Refer to the company website for more detailed information.

#### 2. Information on the members of the Remuneration Committee

Position (Note 1)	Name\ Criteria	Professional qualifications and experience	Independence situation	Number of Other Public Companies Concurrently Serving as Member of Compensation Committee
Independent director	Yu, Shang-Wu	Please refer to the "Directors' Professional Qualifications and Information Disclosure of Independent Directors' Independence" table		1
Independent director	Tsai, Song-Qi			0
Independent director	Su, Yan-Syue			3
Independent director	Wang, Chuan -Fen			0

#### 3. Remuneration Committee Operation Status

(1) The company's remuneration committee has 4 members.

(2) The current term of remuneration committee members is: May 31, 2022 to May 30, 2025.

The Committee had held 3 meetings (A) in 2021. The member qualifications and attendance status is as follows:

Position	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person (%) (B/A) (Note)	Note
Independent director (Convenor)	Yu, Shang-Wu	2	1	67%	
Independent director	Tsai, Song-Qi	3	0	100%	
Independent director	Su, Yan-Syue	3	0	100%	
Independent director	Wang, Chuan-Fen	3	0	100%	

Other mentionable items:

(1) If the Board of Directors declines to adopt or modifies a recommendation of the remuneration committee, the date of the board of directors meeting, term, content of motions, board resolution results and company handling of remuneration committee opinions (if the resolution passed by the board of directors exceeds the recommendations of the remuneration committee, the circumstances and cause of the difference shall be specifically stated): No such circumstances.

(2) If any committee member has an objection or qualified opinion together with a record or written statement regarding a remuneration committee resolution, the remuneration committee date, term, content of motions, all member opinions and how member opinions were handled: No such circumstances.

(3) Refer to the company website for more detailed information regarding the company's remuneration committee operation conditions and meeting minutes.

(4) The discussion of the remuneration committee and the handling of the company's

opinions:

Meeting date (session)	Agenda	Resolutions and opinion of all members
2022/03/07 (12 <sup>th</sup> meeting of the fourth session)	1. Performance appraisal of board of directors (including functional committees) and managers in 2021 2. 2021 annual employee compensation and report on the distribution of directors' compensation	Approved as proposed and reported to the Board of Directors for resolution
2022/05/09 (13 <sup>th</sup> meeting of the fourth session)	1. Review on the manager's salary adjustment proposal 2. Review of 2021 employee compensation and directors' compensation	
2022/12/19 (1 <sup>st</sup> meeting of the fifth session)	1. 2022 performance bonus payment amount 2. 2023 annual employee compensation and directors' compensation ratio	

#### 4. Remuneration committee duties

In accordance with the charter of the company's remuneration committee, the remuneration committee has the following duties and its recommendations are submitted to the board of directors for discussion:

- (1) Regular review on the charter and submission of amendment recommendations.
- (2) Determine and regular review the policies, system, standards and structure for company director and officer performance evaluations and remuneration.
- (3) Regularly evaluate the remuneration of company directors and officers.

The following principles must be followed before performance of the above remuneration committee duties:

- (1) Ensure the company's remuneration arrangements conform to related laws and are sufficient to attract talent.
- (2) Performance assessments and compensation levels of directors, supervisors and executive officers shall take into account the general pay levels in the industry, the time spent by the individual and their responsibilities, the extent of goal achievement, their performance in other positions and the compensation paid to employees holding equivalent positions in recent years. The evaluation should also cover the reasonableness of the correlation between the individual's performance and the company's operational performance and future risk exposure, with respect to the achievement of short and long-term business goals and the financial position of the company.
- (3) There shall be no incentive for directors or executive officers to pursue compensation by engaging in activities that exceed the tolerable risk level of the company.
- (4) The percentage of the bonus to be distributed based on short-term performance and the time for payment of any variable compensation for directors and executive officers shall be determined based on industry characteristics and company business attributes.
- (5) A committee member may not enter into discussions or voting when the committee is deciding on that member's individual remuneration.
- (6) The decision making and handling of director and officer remuneration matters for subsidiaries is delegated to the subsidiary but requires the ratification of the company's board of directors. The company's remuneration committee is asked to submit

recommendation before the matter is submitted to the board of directors for discussion.

Refer to the company website for more detailed information on the company's remuneration committee charter. For details refer to the website: <http://www.txccorp.com/>

**(VI) Fulfillment of Corporate Social Responsibility and variations with management principles of publicly-listed companies and reasons**

1. Discrepancy with best-practice principles of TWSE/GTSM listed companies

Assessment items	Operation Status (Note 1)			Discrepancy with best-practice principles of TWSE/GTSM list companies
	Yes	No	Summary (Note 2)	
1. Has the Company established exclusively (or concurrently) dedicated units to implement CSR, and has the board of directors appointed executive-level positions with responsibility for CSR, and to report the status of the handling to the board of directors?	Yes		<p>When the company is committed to the pursuit of corporate growth and sustainable operation, it always promises to be a good corporate citizen. In 2009, the "Corporate Social Responsibility Management Committee" was established. On December 23, 2021, the "Sustainable Development Committee" was reorganized and established by the founder. (Honorary Chairman), Chairman (Chairman), General Manager (Vice Chairman), Chief Financial Officer, Chief Technology Officer, Heads of Centers and Top Supervisors of Subsidiaries, and the Chairman appoints the top supervisor of the management center as the executive secretary. Together with the professions of various departments, formulate medium and long-term sustainable development plans to jointly promote various sustainable development affairs. Please refer to the company website for its organizational structure.</p> <p>The "Sustainable Development Committee" is divided into three groups: corporate governance, employee relations and social participation, environmental protection and energy conservation and carbon reduction. Based on the plan and budget, it analyzes the level of concerns of stakeholders and evaluates the company's various aspects. Impact level, identify major themes, incorporate them into routine work and annual plans, promote and track the work of their respective professions, and integrate important work content and resources to achieve synergy; overseas subsidiaries due to different local laws and regulations, Set up "Social Responsibility Management System" to carry out the activities and verification of sustainable development.</p> <p>The "Sustainable Development Committee" reports the system operation results and future work plans to the board of directors at least twice a year, and reported the implementation status and resource requirements to the chairman and general manager on May 9 2022, August 8 2022, November 7 2022, to adjust execution strategy and direction.</p> <p>The content of the report includes: (1) Communication status of stakeholders and issues of concern; (2) Identification of sustainable issues that need attention, definition of major themes and proposal of corresponding action plans; (3) Goals and operational cycle review and policy revision of sustainability-related issues; (4) Supervise the implementation of sustainable management matters and evaluate the implementation status; (5) Greenhouse gas inventory, carbon reduction plan and progress review; (6) Sustainable development performance results, based on which the Sustainable Development Committee proposes corporate strategies. Through regular report interaction, the board of directors supervises and gives guidance and suggestions to the sustainable development committee, implements PDCA.</p> <p>The operation and implementation of 2022 has been reported to the board of directors on November 7, 2022; please refer to the board meeting minutes on the company's website.</p>	Comply with the best-practice principles, no discrepancy

Assessment items	Operation Status (Note 1)			Discrepancy with best-practice principles of TWSE/GTSM list companies
	Yes	No	Summary (Note 2)	
2. Does the company conduct risk assessment on environmental, social and corporate governance issues related to the company's operation in accordance with the principle of materiality, and formulate relevant risk management policies or strategies? (Note 2)	Yes		<p>In response to major global economic, social and environmental risks, establish systematic risk response policies and procedures in accordance with the principle of materiality and in accordance with ISO 31000 risk management principles and guidelines. The company has set up a risk response organization, with the general manager of the company as the convener, coordinating and directing the promotion and operation of the risk management plan, and responsible for reviewing the company's risk identification operations. Review the situation from an angle, including financial and non-financial risks, and seek opportunities for risk response in addition to mitigation responses. In 2019, the risk identification matrix, the operational risk checklist, and the assessment of intellectual property risks were added. The risk identification process takes into account the frequency of occurrence, the degree of impact and the degree of control for quantitative assessment, covering 1. Business/laws/regulations/standards 2. Political environment changes 3. Economic/financial environment changes 4. Natural disasters (climate change) 5. Technology and information 6. Competitive environment 7. Facilities/equipment 8. Business/market operation 9. Supply chain related 10. Financial operations 11. Community/environmental security 12. Personnel, etc., a total of 88 types of risks are identified and prioritized using matrix analysis.</p> <p>The "Sustainable Development Committee" analyzes the materiality principle of the Sustainability Report, collects issues of concern to various stakeholders, identifies the three major aspects of environment, society and corporate governance, and holds an internal senior executive meeting to discuss and evaluate The extent to which the company's operations have a positive or negative impact on various sustainable management issues, in order to evaluate the material ESG issues, and continue to develop action countermeasures to reduce the impact of related risks.</p> <p>In terms of environment, in terms of the possible risks and impacts of climate change on operations, formulate plans for carbon reduction, energy and water conservation, and solar renewable energy creation; in terms of society, treat employees well with people-oriented, strive to build a friendly workplace, and continuously strengthen quality improvement, education and training, etc. The preventive mechanism enhances the company's value and exceeds customer expectations; in terms of corporate governance, formulates "key operational risk management measures" for risk management and implementation</p> <p>Relevant major issues and risk assessment items are publicly disclosed in the permanent Continued report, the disclosure period is from January 1, 2022 to December 31, 2022, the performance of sustainable development, and the risk assessment boundary is mainly based on the company's Taiwan Pingzhen factory.</p>	Comply with the best-practice principles, no discrepancy



Assessment items	Operation Status (Note 1)			Discrepancy with best-practice principles of TWSE/GTSM list companies
	Yes	No	Summary (Note 2)	
3. Environmental issues				
( 1 ) Does the company establish appropriate environmental management system according to its industrial characteristics?	Yes		The company establishes an environmental management system in accordance with ISO 14001 and has passed third-party verification. In addition, it conducts annual greenhouse gas inventory in accordance with ISO14064-1 specifications, and tracks emission reduction results and discloses it in the sustainability report and the company's website.	Comply with the best-practice principles, no discrepancy
( 2 ) Is the company committed to improving the utilization efficiency of energy and using recycled materials with low impact on environmental load?	Yes		<p>The company and its subsidiaries continue to promote energy-saving and carbon reduction programs, the goal is to achieve an energy-saving rate of more than 1% compared with the previous year, and the energy-saving rate in 2022 will reach about 1.5%, continue to promote self-built solar power generation systems, use energy-saving lighting fixtures throughout the factory, and adjust public lighting in the factory area in accordance with sunrise/sunset times Time, adjust the start/stop time of air-conditioning and hot water supply time in the living area according to the weather and temperature, recover the concentrated water from the process and flush the toilet for reuse, recycle scrap products and leftovers to qualified scrap metal resource recycling manufacturers, and refine gold, silver, etc. Residual value utilization of precious metals; and promotion of process waste heat recovery and reuse, new heat pump system energy saving, plant equipment energy efficiency improvement project and ISO50001 energy management system verification. The company continues to establish and publicize employees' relevant environmental protection knowledge and concepts, so as to fully protect the earth's responsibility and effort, please refer to the company website for details; for energy use, please refer to the sustainability report</p> <p>According to the relevant international laws and regulations and the green product requirements of key customers, the company formulates the most stringent requirements into the [Environmental Management Substance Management Standards] to follow, and simultaneously requires suppliers based on this, and regularly collects information on hazardous substances from suppliers to Confirm that it meets the requirements, except that it has obtained the certification of IECQ QC 080000 Hazardous Substance Process Management System, and regards green procurement activities as the basis for continuously providing green products to users, so as to meet the requirements of non-use and non-contamination from product design to manufacturing and shipment. , free from pollution, thereby reducing the impact of products and services on the environment; in order to strengthen the management of green products in the supply chain, suppliers are encouraged to introduce the IECQ QC 080000 hazardous substance process management system in addition to the basic ISO 9001 quality system , to implement the implementation of environmental management activities.</p>	Comply with the best-practice principles, no discrepancy

Assessment items	Operation Status (Note 1)			Discrepancy with best-practice principles of TWSE/GTSM list companies
	Yes	No	Summary (Note 2)	
(3) Does the company assess the potential risks and opportunities of climate change for the enterprise now and in the future, and take measures to deal with climate related issues?	Yes		<p>Under the important issue of climate change, the company continues to actively promote relevant activities. In addition to grasping the company's carbon emissions through "Greenhouse Gas Verification" (ISO 14064-1), it also discloses carbon, water, and forests through CDP questionnaires, and other relevant data related to natural capital management, and understand the relevant risks and opportunities according to the scoring results, which will be used as measurement factors for subsequent decision-making on related activities and investment choices. In addition, through the ISO14001 management review meeting, the company reviews the actual carbon reduction implementation measures of the previous year and examines the implementation results, actively facing various carbon reduction measures. Inventory the risks and opportunities derived from climate change, including direct or indirect physical impacts, the impact of transformation due to regulations, technology or market demand... and other risks and opportunities on the company's operating activities, and strengthen the company's corporate identity through the identification of relevant units Climate change governance to reduce risks and seize business opportunities.</p> <p>The Sustainable Development Committee and the functional group, according to the TCFD disclosure framework, incorporate climate-related risks and opportunities into assessment and identification, and propose response measures, plans and goals through the four aspects of governance, strategy, risk management, indicators and goals, focus on (1) increasing concern and negative feedback from stakeholders; (2) two major risks of sustained high temperature, and disclose information related to climate governance, improve information transparency, promote sustainable operations, and regularly report to the board of directors to review progress and make rolling adjustments. Details are publicly disclosed in the sustainability report.</p>	Comply with the best-practice principles, no discrepancy

Assessment items	Operation Status (Note 1)			Discrepancy with best-practice principles of TWSE/GTSM list companies
	Yes	No	Summary (Note 2)	
(4) Does the company make statistics of greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulate policies for energy conservation and carbon reduction, greenhouse gas reduction, water consumption reduction or other waste management?	Yes		<p>The company through the ISO 14001 system, strengthens self-management, continuously improves environmental performance, and maintains the overall operation effectively and properly. The company complies with the relevant requirements of government laws and regulations and other applicable international regulations. For the control of pollution prevention and control, we have obtained the "fixed pollution source operation permit", "water pollution prevention and control permit", and "business waste disposal plan" according to law. " and "Toxic Chemical Substances Operation Permit Document", etc., and regularly carry out inspections, maintenance, reporting and testing in accordance with its regulations. See the company's website for details on greenhouse gas emissions, water consumption and total waste weight.</p> <p>The company and its subsidiaries have been promoting carbon management related operations for some time, and regularly conduct "greenhouse gas verification" (ISO 14064-1). To determine improvement measures in order to achieve the goal of reducing carbon dioxide emissions (at least 1% per year), to demonstrate the company's determination to protect the environment.</p> <p>The company has been concerned about water resources energy conservation and environmental protection issues for many years. In terms of water conservation plans, it starts with the full implementation of the daily water consumption, and maximizes the benefits of the available resources. Over the years, it has been committed to the recycling of water resources, and collects the RO concentrated water generated in the process of manufacturing pure water and it is expected that the water intensity of tap water in the plant area will be reduced by 20% in 2025 (based on 2020).</p> <p>The company is committed to environmental protection and formulates various reduction plans, and takes "zero waste in the process" as the ultimate goal of waste management. In recent years, we have continued to reduce the use of raw materials and the generation of waste through process improvement, recycling of waste solvents and measures to reduce people's livelihood to reduce the use of disposable tableware, reduce the amount of kitchen waste, and improve the resource recovery rate. We hope that the factory will be abandoned in 2025 and the production rate can be reduced by 20% (based on 2020)</p>	Comply with the best-practice principles, no discrepancy

Assessment items	Operation Status (Note 1)			Discrepancy with best-practice principles of TWSE/GTSM list companies
	Yes	No	Summary (Note 2)	
4 Social issues				
(1) Does the company formulate relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?	Yes		<p>In order to protect the rights and interests of workers, the company and its subsidiaries have formulated "Labor Rights and Ethics Policies", each following the recognized human rights principles such as local labor laws and the Code of Conduct of the Responsible Business Alliance, and formulating "Labor Rights and Ethics and Ethics" to protect the legitimate rights and interests of employees. Policy", and check whether the proposed policy needs to be revised and adjusted in the quarterly labor-management meeting, in order to comply with corporate ethics and fulfill corporate social responsibility, and announce it to the public. Please refer to the company website for details.</p> <p>Every year, through independent attention to major social issues, employee opinion surveys, and two-way communication forums at all levels, we review and understand the content of relevant issues, so as to prevent potential human rights risks and propose improvement plans.</p> <p>TXC also through the annual training of corporate social responsibility courses and human rights policy promotion, so that colleagues understand their own rights and corporate social responsibility policies and practices. A total of 1,284 employees completed the training in 2022.</p>	Comply with the best-practice principles, no discrepancy
(2) Does the company establish and implement reasonable employee welfare measures (including compensation, vacation and other benefits), and properly reflect the operating performance or results in employee compensation?			<p>The company and its subsidiaries set a salary scale according to the relative contribution of their positions, in line with the company's operation and development strategy, and based on the employee's personal performance, future development potential and the company's operating conditions as the basis for salary adjustment and bonus distribution, in order to motivate colleagues Positive efforts are made to motivate excellent performance and achieve the "internal fairness" and "individual fairness" of remuneration; in addition, in order to encourage employees to work hard to create business results, a certain percentage of profit and surplus is allocated as the basis for employee dividends, to share business results with colleagues, and to consider benchmarking companies in the industry. Reasonable, maintain the company's high level of employee benefits, attract outstanding talents to join and stay for a long time; also set up employee stock ownership trusts and various bonus systems to reward employees, adjust the salary system flexibly, and share profit and surplus with employees to gather internal centripetal force to attract retention. In order to improve the salary level of employees, a comprehensive salary adjustment is adopted. The average salary adjustment in 2022 is 5%. In the future, it will be adjusted appropriately depending on the company's operating conditions.</p>	Comply with the best-practice principles, no discrepancy

Assessment items	Operation Status (Note 1)			Discrepancy with best-practice principles of TWSE/GTSM list companies
	Yes	No	Summary (Note 2)	
	Yes		<p>According to the Labor Standards Law, the Labor Retirement Measures (Old System), the labor retirement reserve fund of 9% of the monthly wages is allocated to the special account of the Bank of Taiwan on a monthly basis, and the Labor Retirement Reserve Fund Supervisory Committee is responsible for the management and use of matters. From July 1, 2005, in accordance with the "Labor Pension Regulations", a labor pension (new system) of 6% of the monthly salary is paid on a monthly basis, and stored in the labor pension individual account established by the Labor Insurance Bureau. In January 2007, the Employees' Pension Fund Management Committee was established to allocate 8% of the monthly wages to employees' pensions on a monthly basis to protect the retirement planning of the appointed managers.</p> <p>Starting from 2021, in order to assist employees in family care and reduce the burden of childcare, in response to the government's countermeasures against childbirth, implement childcare allowances for employees (0-5 years old), provide a safe and friendly workplace, and enable employees to take care of families and work development. Flexible working hours, guaranteed return to work upon expiry of the childcare stay period, setting up exclusive parking spaces for pregnant women and breastfeeding rooms.</p> <p>The company attaches great importance to and is committed to implementing a friendly workplace with equal rights to work and diversity and tolerance. In 2022, the average proportion of female employees was 60.5%, and the average proportion of female supervisors was 16.3%. With 100% goal; in the same way as the customs and culture of foreign employees, provide project activities in festivals, catering and accommodation.</p> <p>The company plan and provide high-quality benefits for employees: wedding/birth gifts, birthday gifts, three-section gifts, employee travel subsidies, and comprehensive care for employees to provide regular free health checks, group insurance and condolences. In addition, the company also has an Employee Welfare Committee, which plans and promotes diversified employee benefits and activities based on the concept of "work/life balance". Regularly organize physical and mental health activities. In addition, it is clearly stipulated in the "Management Measures for Performance Evaluation" that supervisors may give appropriate rewards in performance evaluations based on employees' input and cooperation in CSR-related activities.</p>	Comply with the best-practice principles, no discrepancy

Assessment items	Operation Status (Note 1)			Discrepancy with best-practice principles of TWSE/GTSM list companies
	Yes	No	Summary (Note 2)	
(3) Does the company provide a safe and healthy working environment for its employees and conduct regular safety and health education for them?	Yes		<p>The company follows the occupational safety and health law and formulates policies based on the expectations of stakeholders, and takes zero disasters as the goal of occupational safety and health management.</p> <p>The company has set up an occupational safety and health committee to regularly discuss and deal with issues related to occupational safety and health on a quarterly basis to ensure the safety and hygiene of the working environment. And completed the ISO 45001 occupational safety and health management system verification, through the establishment of new standards to continuously improve the safety and health technology of the plant, reduce the overall operational risk and reduce operating losses. For occupational safety and health related training, the company also conducts education and training for new recruits, on-the-job training, etc. in accordance with relevant laws and regulations, and obtains relevant licenses in accordance with the law. In addition to regular inspections in accordance with the law, the operating environment of the factory area is also subject to various inspections and inspections to maintain the safety of the factory area, facilities and equipment; for accidents that occur in the factory area, the investigation, improvement and reporting to the competent authority are also completed in accordance with relevant regulations. In addition, a medical office is also set up, where on-site physicians and health care staff provide interview guidance and health management measures, and hold health information (including disease prevention)/lectures from time to time. Please refer to the company's website for relevant health management activities.</p> <p>The company's Ningbo plant and Chongqing plant have respectively set up an environmental health and safety committee and a safety production management committee, which hold a monthly review of the work progress and discuss environmental safety and hygiene issues. A number of new human health education and publicity courses are held regularly every year, and healthy life is promoted to all colleagues by email every month. The company also provides health information from time to time on the company's internal website and e-mail to strengthen the health knowledge of employees and their families.</p>	Comply with the best-practice principles, no discrepancy

Assessment items	Operation Status (Note 1)			Discrepancy with best-practice principles of TWSE/GTSM list companies
	Yes	No	Summary (Note 2)	
(4) Does the company establish an effective career development training program for its employees?	Yes		<p>The company and its subsidiaries plan employee training courses according to the grade/grade system and actual needs to strengthen employees' professional knowledge, skills and expertise, thereby improving their work performance. Training courses include new personnel training, professional training, management training, general training, self-inspiration and growth and online learning platform courses. A total of 8,238 people/time completed training in 2022, with a total training hours of 19,455 hours.</p> <p>Every year, supervisors and subordinates communicate and discuss together, formulate a personal development plan with clear and specific practices, and continue to track and evaluate</p>	Comply with the best-practice principles, no discrepancy
(5) Does the company comply with relevant laws and regulations and international standards for customer health and safety, customer privacy, marketing and labeling of products and services, and formulate relevant policies and complaint procedures to protect the rights and interests of consumers or customers?	Yes		<p>To ensure that the products manufactured by the company can meet international standards, and simultaneously protect the use rights and interests of consumers. Since 2005, we have insured all our products against full product liability insurance from a reputed international insurance company. Since the company's products are mainly active and passive components that generate frequency, even if the product loses function (poor frequency or unable to vibrate), it will not cause physical injury to the agents of the sales channel or the users of the product. Therefore, the company's long-term goal of insuring product liability insurance is to meet its own requirements with the highest ethical standards, to share the risks and responsibilities of sales channel partners and improve after-sales service and guarantee.</p> <p>The company will regularly arrange meetings to communicate with customers, and carry out customer satisfaction surveys every year to identify five aspects of contact with customers. Each aspect has its own unit responsible for the establishment of satisfaction indicators and objectives, and for the implementation of satisfaction monitoring. If the analysis of satisfaction data fails to meet the requirements, the responsible unit shall implement the improvement strategy and conduct an audit at the senior management review meeting.</p> <p>In case of product application and quality related problems, corresponding business representatives are responsible for handling related issues and launching internal response, improvement and tracking platform.</p>	Comply with the best-practice principles, no discrepancy

Assessment items	Operation Status (Note 1)			Discrepancy with best-practice principles of TWSE/GTSM list companies																																													
	Yes	No	Summary (Note 2)																																														
(6) Does the company have a supplier management policy that requires suppliers to follow relevant specifications and their implementation in environmental protection, occupational safety and health, labor rights and other issues?	Yes		<p>In order to ensure that the requirements and spirit of CSR are implemented to our supplier partners, our suppliers need to regularly sign the "integrity commitment letter", "environment, occupation, safety, health status questionnaire", "industry code commitment letter", "green products and environmental protection statement" and "non conflict financial statement" to enable suppliers to follow the CSR scope. In addition, relevant organizations and units of the company regularly evaluate suppliers to ensure that suppliers can meet the medium and long-term development plan of the company, comply with relevant international standards, and maintain long-term high-quality partnership.</p> <p>In view of the increasing importance of various issues related to corporate governance, such as the care of employees' rights and interests related to human rights, environmental safety and hygiene, the company will give priority to suppliers with the following systems. The following table shows the company's important suppliers Percentage of each certification system:</p> <table border="1"> <thead> <tr> <th colspan="2">Visit verification</th> <th>Number of investigators</th> <th>Number of match</th> <th>%</th> </tr> </thead> <tbody> <tr> <td colspan="2">Responsible Business Alliance Guidelines</td> <td>52</td> <td>52</td> <td>100%</td> </tr> <tr> <th colspan="2">System verification</th> <th>Number of investigators</th> <th>Number of match</th> <th>%</th> </tr> <tr> <td colspan="2">ISO 9001 Quality management system</td> <td>52</td> <td>51</td> <td>98%</td> </tr> <tr> <td colspan="2">ISO 14001 Environmental Management System</td> <td>52</td> <td>44</td> <td>85%</td> </tr> <tr> <td colspan="2">ISO 28000 Secure Supply Chain Management System</td> <td>52</td> <td>25</td> <td>48%</td> </tr> <tr> <td colspan="2">ISO 45001 Occupational Safety and Health Management System</td> <td>52</td> <td>16</td> <td>23%</td> </tr> <tr> <td colspan="2">IECQ/QC080000 Hazardous Substance Process Management System</td> <td>52</td> <td>6</td> <td>12%</td> </tr> <tr> <td colspan="2">ISO 14064 Greenhouse Gas Inventory</td> <td>52</td> <td>6</td> <td>12%</td> </tr> </tbody> </table>	Visit verification		Number of investigators	Number of match	%	Responsible Business Alliance Guidelines		52	52	100%	System verification		Number of investigators	Number of match	%	ISO 9001 Quality management system		52	51	98%	ISO 14001 Environmental Management System		52	44	85%	ISO 28000 Secure Supply Chain Management System		52	25	48%	ISO 45001 Occupational Safety and Health Management System		52	16	23%	IECQ/QC080000 Hazardous Substance Process Management System		52	6	12%	ISO 14064 Greenhouse Gas Inventory		52	6	12%	Comply with the best-practice principles, no discrepancy
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Assessment items	Operation Status (Note 1)			Discrepancy with best-practice principles of TWSE/GTSM list companies
	Yes	No	Summary (Note 2)	
5. Does the company prepare corporate social responsibility reports and other reports that disclose the company's non-financial information in accordance with the international reporting standards or guidelines? Is the disclosure report confirmed or guaranteed by a third party certification unit?	Yes		<p>The company has issued the corporate social responsibility report since 2009, and changed its name to the sustainability report in 2021. In order to fully disclose the practices and achievements in the three aspects of corporate social welfare, corporate operation governance, and environmental safety and health, we have based on the global sustainability report over the years. Development Report Guidance (GRI) and AA1000 Standard Compilation Report, written in accordance with the new version of GRI Standards (GRI Standards) since 2017, using the latest published standards as the basis for continuous improvement of the three aspects of social responsibility, 2021 Annual Sustainability Report In addition to the above-mentioned standard framework, the book also incorporates the content of the TCFD and SASB frameworks to strengthen corporate governance of climate-related risks and opportunities. And entrusted the third-party verification unit "British Standards Institution" (BSI), according to the AA1000 assurance standard and "The Core option" (The Core option) of the GRI standard, after the inspection, it complies with the inclusiveness, materiality and responsiveness of the information disclosure, and issued The independent guarantee statement is an appendix to the 2021 Annual Sustainability Report. The 2022 sustainability report is expected to be submitted and published on the company website before June 30, 2023.</p> <p>All the data disclosed in the report conform to the corresponding management system specifications, and the financial related results are calculated in NT dollars and have been verified by accountants from Qinye Zhongxin United Accounting Firm; the management system of the environment, safety and sanitation is not completed regularly In addition to internal audits, it also accepts external audits of ISO 14001 and ISO 45001 every year. Greenhouse gas emission data is calculated using the coefficient used in the "Greenhouse Gas Emission Coefficient Management Table (Version 6.0.4)" provided by the Environmental Protection Agency, and the carbon dioxide emission data of the product carbon footprint is based on the DoITPro: 2013 database of the Industrial Technology Research Institute It is derived from the coefficients and calculation rules provided.</p>	Comply with the best-practice principles, no discrepancy
5. If a company has its own corporate social responsibility code in accordance with the code of practice for corporate social responsibility of listed and OTC companies, please state the difference between its operation and the code :	The company prepares a corporate social responsibility report every year. The report content and related operations are consistent with the corporate social responsibility code of practice for listed and OTC companies, and there is no significant difference. It is disclosed at the public information observatory and the company website. Please refer to the company website.			
6. Other important information to understand the operation of CSR :	For information about corporate social responsibility of the company and its subsidiaries, such as corporate governance, environmental safety and health, and social welfare, please refer to the company website.			

Note 1: If "yes" is checked in the operation, please indicate the important policies, strategies, measures and implementation; if "no" is checked in the operation, please explain the reasons and explain the plans for adopting relevant policies, strategies and measures in the future. However, regarding promotion projects 1 and 2, listed OTC companies should describe the governance and

supervision structure of sustainable development, including but not limited to management guidelines, strategy and goal formulation, review measures, etc. It also describes the company's risk management policies or strategies for environmental, social and corporate governance issues related to operations, and its assessment status.

Note 2: Materiality principle refers to those issues related to environment, society and corporate governance that have a significant impact on the company's investors and other stakeholders.

2. Systems and practices adopted for social responsibility  
 The CSR policies launched by the company are as follows:
  - (1) Combine internal and external resources to launch various corporate social philanthropy activities.
  - (2) Uphold shareholder rights, implement each corporate governance requirement.
  - (3) Maintain the Earth's sustainability; implement environment safety & health procedures.
  - (4) Form promotional organizations and give them the respective resources to reach CSR goals.
  - (5) Continue to strengthen promotional functions in accordance with domestic and international CSR-related laws and regulations.

Besides investment of company resources, the implementation of the above policies also depends on the care and effort invested by all employees to ensure the effective promotion of the above policies. A Corporate Social Responsibility Management Committee has been established internally by the company to promote various CSR matters, adhere to laws and regulations, uphold shareholder rights and organize upstream and downstream companies to jointly provide resources to create a harmonious and content society.

The company's volunteer club has been established for three years now. Adopting the motto of 'everyone join in for charity and philanthropy, do your part to show that you care', the club is involved in community concern and year-end loving care donation activities such as nursing home pit barbecue family recreation activities and the Taoyuan spring beach cleaning activity, Refer to company website for more information about these activities.  
[Http://www.txccorp.com/](http://www.txccorp.com/)

### 3. Organizational Structure of the Sustainability Committee



#### 4. Fulfillment of social responsibility

##### Major activities sponsored by the company

(included TXC\_Foundation)

December 31, 2022

Item	Activity theme	Year/Month	Donee / Cooperating organization
A	Community participation, social contribution, service and charity		
1	"Fun Festival, Enjoy the Food, Help Children Be Happier" Fundraising Activities	2022/5	Andrew Charity Association
2	Visited and cared for condolences and presented Dragon Boat Festival gift boxes	2022/5	Social Welfare Organization and Neighborhood Families
3	Bee trap equipment donation	2022/6	Taoyuan City Bureau of Agriculture, Pingzhen Industrial Zone Industry Development Association
4	Zhongyuan Purdue Material Donation	2022/8	Social Welfare Organization and Neighborhood Families
5	Donate together, protect together	2022/12	Social Welfare Organizations and Poor Neighborhood Families, Pingzhen Industrial Zone Industrial Development Association, Pingzhen Industrial Zone Service Center
B	Consumer Rights		
	<p>TXC 's business model is B2B-oriented. In order to protect the rights and interests of corporate customers, TXC holds a "Customer Satisfaction Survey" every year, reviews customers feedback and responds to their opinions appropriately and effectively. The information obtained from the satisfaction survey has also become one of the references for the company's business performance in the coming year. Our company's products are electronic components, and even if they fail, they will not cause personal injury to the users. However, in order to make the consumers confident of our products, the company still purchases full "product liability insurance" to show that we take the full responsibility of our products. When our product fails for some reason, we conduct failure analysis and root cause judgment, the company will also resolve the failure problem in accordance with the principle of good faith and the requirements of the contract signed with the customer. We honestly and responsibly perform the warranty or offer compensation when necessary.</p>		
C	Safeguard employees' rights and implement safety and health measures: refer to the annual report.		

##### Major sponsorships and activities of subsidiaries (Ningbo and Chongqing plants)

December 31, 2022

Item	Activity theme	Year/Month	Donee / Cooperating organization
A	Environmental protection		
1	Non-organized Exhaust Gas Detection at Factory Boundary (NGB)	2022/3	Ningbo Proce Detection Technology Co., Ltd.
2	Annual Exhaust Gas Emission Source Inspection (NGB)	2022/3、10	Ningbo Proce Detection Technology Co., Ltd.
3	Environmental protection facility safety risk assessment (NGB)	2022/4	Ningbo Hanpurui Environmental Protection Technology Co., Ltd.
4	Soil and Groundwater Testing (NGB)	2022/8	Ningbo Haoke Ecological Environment Technology Co., Ltd.
5	Pollution Control Equipment Power Supervision (NGB)	2022/9	Zhedian (Ningbo Beilun) Smart Energy Co., Ltd.
6	Signed Ecological and Environmental Green Insurance (NGB)	2022/12	China Ping An Property Insurance Co., Ltd.
7	Monthly wastewater quality testing (NGB)	2022/1~12	Ningbo Proce Detection Technology Co., Ltd.
8	Quarterly grinding tank sedimentation tank sludge removal (NGB)	2022/1~12	Xinqi Xinnuo Cleaning Service Department, Beilun District, Ningbo City
9	Exhaust gas washing tower and Raschig ring cleaning (CKG)	2022/6	Chongqing Junquan Water Treatment Equipment Co., Ltd.

10	Grinding Oil Cutting Wastewater Tank Sedimentation Tank Sludge Cleaning (CKG)	2022/10	Chongqing Pingge Electromechanical Installation Engineering Co., Ltd.
11	Annual environmental inspection of pollution discharge permit (CKG)	2022/10	Chongqing Hongying Technology Co., Ltd.
12	Wastewater Treatment Station Pipeline Reconstruction Project (CKG)	2022/10	Chongqing Junquan Water Treatment Equipment Co., Ltd.
13	Annual Boiler and Generator Exhaust Gas Source Inspection (CKG)	2022/11	Chongqing Hongying Technology Co., Ltd.
14	Pollutant Discharge Permit (CKG)	2022/11	National Bureau of Ecological and Environmental Protection
15	Boiler boiler and furnace cleaning (CKG) in the production area	2022/12	Zhide Boiler Installation and Maintenance Co., Ltd.
16	Cleaner Production Audit Technical Guidance Service (CKG)	2022/12	Chongqing Ningling Environmental Protection Technology Development Co., Ltd.
17	Green factory declaration technical guidance service (CKG)	2022/12	Chongqing Energy Utilization Monitoring Center
18	General exhaust and waste exhaust rust removal and painting works (CKG)	2022/12	Chongqing Pingge Electromechanical Installation Engineering Co., Ltd.
19	Quarterly and annual wastewater testing (CKG)	2022/1~12	Chongqing Hongying Technology Co., Ltd.
B	Community participation, social contribution, service, public welfare		
1	"Fish pass the ruler, paper warms the child's heart" Children's Day care activity (NGB)	2022/5	Dagang Community
C	Consumer rights: None		
D	Implement safety and health measures		
1	Canteen oil fume pipe cleaning (twice a year) (NGB)	2022/5、11	Xiaogang Hengyi Kitchenware Accessories Store, Beilun District, Ningbo City
2	Production and business unit emergency plan filing (NGB)	2022/8	Ningbo Emergency Management Bureau
3	Evaluation of the status quo of occupational hazards in the workplace (including environmental testing of harmful factors in the workplace in the factory area completed simultaneously) (NGB)	2022/9	Zhejiang Multispectral Detection Technology Co., Ltd.
4	Drinking water quality testing in the factory area (testing once every 2 months, all drinking water points in the factory area covered once a year, testing once) (NGB)	2022/10	Pony Testing Group Shanghai Co., Ltd.
5	Safety production standardization (light industry level 3) certificate renewal (NGB)	2022/12	Ningbo Emergency Management Bureau
6	Canteen lampblack duct cleaning (twice a year) (CKG)	2022/4、10	Chongqing Benniu Environmental Service Co., Ltd.
7	Factory septic tank cleaning (CKG)	2022/4、10	Chongqing Benniu Environmental Service Co., Ltd.
8	Annual canteen tableware hygiene test (CKG)	2022/6	Pony Testing Group Shanghai Co., Ltd.
9	Drinking water quality inspection in the factory area (annual inspection of drinking water points in the factory area, water dispenser filter elements/filters are replaced quarterly) (CKG)	2022/7	Zhongke Testing Technology Service (Chongqing) Co., Ltd.
10	Workplace Occupational Hazard Detection and Reporting (CKG)	2022/9	Chongqing Institute of Chemical Technology Safety Technology Service Co., Ltd.
11	Prevention and control of pests in the whole plant (seasonal pests will be carried out in April, routinely twice a month) (CKG)	2022/1~12	Chongqing Xinbaishun Pest Control Co., Ltd.
E	Safeguard the rights and interests of employees		
1	"Women Blooming Youth" March 8th Festival condolences activity (NGB)	2022/3	TXC (Ningbo) Union

2	New Kaji Craftsman" selection activity (NGB)	2022/4	TXC (Ningbo) Union
3	Renovation of staff canteen (NGB)	2022/4~12	TXC (Ningbo) Management Office General Affairs Department
4	"Smart crystal technology, innovation and sustainability" staff travel activities (NGB)	2022/5~9	TXC (Ningbo) Union
5	"One Day Charity Donation" Campaign (NGB)	2022/5	TXC (Ningbo) Union
6	Dragon Boat Festival Zongzi Making Activity (NGB)	2022/5	TXC (Ningbo) Union
7	Employee Supplementary Medical Insurance "Gong Hui Bao" (NGB)	2022/6	TXC (Ningbo) Union
8	The 1st Top Ten Singer Contest (NGB)	2022/7	TXC (Ningbo) Union
9	Blood Donation (NGB)	2022/7	TXC (Ningbo) Union
10	Mid-Autumn Garden Party (NGB)	2022/8	TXC (Ningbo) Union
11	Autumn Outing for Direct Employees (NGB)	2022/9	TXC (Ningbo) Union
12	Employee Children's Scholarship (NGB)	2022/9~11	TXC (Ningbo) Union
13	Twelfth Taijing Tug of War (NGB)	2022/11	TXC (Ningbo) Union
14	"Hairdressing Experience" Event (CKG)	2022/1	TXC (Chongqing) Union
15	"Happy New Year with Fortune and Tigers" Spring Festival Online Theme Event (CKG)	2022/1	TXC (Chongqing) Union
16	"March 8th Women's Day" gift money & small gift distribution (CKG)	2022/3	TXC (Chongqing) Union
17	Taijing's first "March 8th Red Banner Bearer" selection & commendation (CKG)	2022/3	TXC (Chongqing) Union
18	Supplementary epidemic prevention kit distribution (CKG)	2022/3	TXC (Chongqing) Union
19	Spring Wine Sweepstakes (CKG)	2022/3	TXC (Chongqing) Union
20	Trekking (CKG)	2022/5	TXC (Chongqing) Union
21	Outdoor Fishing (CKG)	2022/5	TXC (Chongqing) Union- Fishing Club
22	The 4th Happy Family Day - Game Butterfly (CKG)	2022/5	TXC (Chongqing) Union
23	The 5th Ball Game League (CKG)	2022/6	TXC (Chongqing) Union
24	Staff Travel (CKG)	2022/7	TXC (Chongqing) Union
25	TXC (Chongqing) Jingcai 6th Sparrow God Competition (CKG)	2022/8	TXC (Chongqing) Union
26	Summer cool down activity (CKG)	2022/8	TXC (Chongqing) Union
27	Mid-autumn festival gift package distribution (CKG)	2022/9	TXC (Chongqing) Union
28	The Third Workers' Congress (CKG)	2022/9	TXC (Chongqing) Union
29	High-tech Zone Federation of Trade Unions expresses condolences to CKG for resumption of work and production line (CKG)	2022/9	TXC (Chongqing) Union
30	Employee Children Scholarship (CKG)	2022/9	TXC (Chongqing) Union
31	Digging Sweet Potato Sharing Activity (CKG)	2022/10	TXC (Chongqing) Union
32	Haircut Event (CKG)	2022/11	TXC (Chongqing) Union
33	Thanksgiving corporate culture activities (CKG)	2022/11	TXC (Chongqing) Union

34	The 2nd Glory of Kings Mobile Game Competition (CKG)	2022/12	TXC (Chongqing) Union- Esports Club
35	Closed production employee condolence activities (CKG)	2022/12	TXC (Chongqing) Union

**(VI) Implementation of Ethical Corporate Management and variations with management principles of publicly-listed companies and reasons**

The company's "integrity operation code" has been adopted by the board of directors and submitted to the general meeting of shareholders on June 19, 2013 and the "integrity operation procedure and code of conduct" adopted by the board of directors on April 24, 2017. Meanwhile, the "internal control system and internal audit implementation rules for integrity" have been formulated, which will be included in the actual audit project. The company will follow this "code of conduct for integrity" in the future. In order to improve the effect of the company's integrity operation, and to implement the integrity operation principle more effectively, the company shall establish an integrity operation corporate culture and sound development, pay attention to the development of relevant domestic and foreign integrity operation norms at any time, and encourage directors, independent directors, managers and employees to put forward suggestions, so as to review and improve the integrity operation rules formulated by the company, and at the end of each year the company's performance of corporate social responsibility shall be reported to the board of directors.

1. Performance of integrity operation and the difference between integrity operation rules of listed and OTC companies and the reasons

Assessment items	Operation Status (Note 1)			Discrepancy with best-practice principles of TWSE/GTSM listed companies
	Yes	No	Summary	
1. Establish integrity business policies and plans				
(1) Does the company have an integrity operation policy approved by the board of directors, and clearly state the integrity operation policy and practice in the regulations and external documents, as well as the commitment of the board of directors and senior management to actively implement the operation policy?	Yes		The "code of integrity" adopted by the board of directors and the "code of conduct" handbook in both Chinese and English are adopted by the company. Therefore, all colleagues and board members of the company and its subsidiaries have understood the relevant codes and need to sign the "Declaration of responsibility" attached to the handbook to ensure that all colleagues have "received", "read" and "understood" "Accept" and agree to "maintain" all contents of this handbook as the principle for all colleagues to carry out business, and report the operation and implementation of integrity to the board of directors at least once a year and publish it on the company's website	Comply with the best-practice principles, no discrepancy
(2) Does the company establish an evaluation mechanism for the risk of dishonest behavior, regularly analyze and evaluate the business activities with high dishonest behavior risk within the business scope, and formulate a plan for preventing dishonest behavior based on it, and at least cover the preventive measures for the behaviors in Article 7, paragraph 2, of the code of honest operation for listed and OTC companies?	Yes		The company has formulated a risk assessment mechanism for dishonest behavior, and set out in the business code of corporate integrity the preventive measures for dishonest behavior: 1. Offering and receiving bribes; 2. Providing illegal political contributions; 3. Improper charitable donation or sponsorship; 4. Providing or receiving unreasonable gifts, hospitality or other improper benefits 5. Infringement of business secrets, trademark rights, and patent rights, copyright and other intellectual property rights 6. Engaging in unfair competitive behavior 7. Directly or indirectly damaging the rights and interests, health and safety of consumers or other interested parties when products and services are used in R & D, procurement, manufacturing, supply or sale. In the "information security management measures", "confidential document management measures" and "employment contract", preventive measures are formulated to protect business secrets.	Comply with the best-practice principles, no discrepancy



Assessment items	Operation Status (Note 1)			Discrepancy with best-practice principles of TWSE/GTSM listed companies
	Yes	No	Summary	
			The company regularly analyzes and evaluates the business activities with high risk of dishonest conduct within the business scope; In 2022, 25 publicity courses were held and 20 related information were pushed in-group messages. The contents of the courses include laws and regulations on prevention of insider trading, maintenance of business secrets, intellectual property rights and other legal knowledge. The course briefs were placed in the internal staff education and training system to provide references for those who did not attend on that day and abide by the work related business when necessary.	
(3) Does the company specify operating procedures, conduct guidelines, disciplinary and grievance systems for violations in the prevention of dishonest conduct plan, implement them, and regularly review and amend the aforementioned scheme?	Yes		The company and its subsidiaries have "guidelines for integrity operation procedures and conduct" and "code of ethical conduct", which encourage employees to report to the board of directors, managers, internal audit directors or other appropriate personnel when they suspect or find any violation of laws, regulations or code of ethical conduct. In order to encourage employees to report violations, the company has established relevant procedures or mechanisms, and let employees know that the company will do its best to protect the safety of the informant from being revenged. In addition, when a director or manager violates the code of ethical conduct, the company shall deal with it in accordance with the disciplinary measures set by the director or manager in the code of ethical conduct, and immediately disclose the information such as the title, name, date of violation, cause of violation, violation and treatment of the person who violates the code of ethical conduct at the public information observatory. The company submits the implementation of honest operation to the board of directors every year, and regularly reviews and revises the previous disclosure scheme to meet the needs of the times. Please refer to the company website.	Comply with the best-practice principles, no discrepancy
2. Implement integrity operation				
(1) Does the company assess the integrity records of its counterparties and specify the integrity terms in the contracts it enters into with them?	Yes		The company and its subsidiaries will conduct credit rating on the suppliers and customers of the cooperation, and require the suppliers to sign a letter of commitment of integrity to fulfill the contract of business activities in a fair and ethical manner and in strict accordance with relevant laws, regulations and contract terms. In case of dishonesty, the contract may be terminated or terminated provisions of the contract at any time.	Comply with the best-practice principles, no discrepancy
(2) Does the company set up a dedicated unit under the board of directors to promote the integrity operation of the enterprise, and regularly (at least once a year) report to the board of directors its integrity operation policies, plans to prevent dishonest behavior and supervision of implementation?	Yes		In order to implement and improve the management of the company and its subsidiaries, the management center is the special unit responsible for the integrity management. The top director of the center is responsible for the formulation and implementation of the integrity management policy and prevention plan, and the audit unit is responsible for the supervision. At the end of each year, the company shall regularly report to the board of directors on the implementation of the above-mentioned integrity operation, and report to the board of directors on November 7 2022. Please refer to the website of the company. In order to practice the integrity management policy, the new employees shall specify the company's relevant specifications and honest moral requirements when they report to the company,	Comply with the best-practice principles, no discrepancy

Assessment items	Operation Status (Note 1)			Discrepancy with best-practice principles of TWSE/GTSM listed companies
	Yes	No	Summary	
			and the moral requirements shall be stated in the employment contract. At the same time, in the regular department meetings, economic management meetings and lectures, the company continued to publicize the corporate integrity policy and elaborated the importance of integrity management. In 2022, 63 publicity and training sessions were held, for a total of 8,987 person/times. Directors and senior management have signed the "statement of compliance with integrity management policy". Please refer to the company website for the implementation of the integrity operation.	
(3) Does the company have a conflict of interest prevention policy, provide appropriate presentation channels and implement them?	Yes		The company and its subsidiaries have established "code of practice for corporate governance", "code of integrity operation", "code of conduct", "Article 15 of the code of procedure of the board of directors", "code of conduct" and "code of integrity operation procedure and code of conduct". In case of any conflict of interest, the company and its subsidiaries shall also avoid the matters that need to be avoided. If a director, supervisor or manager violates the code of ethical conduct, the company shall deal with it in accordance with the disciplinary measures set out in the employee reward and punishment management measures, and disclose the date, cause, code and handling situation of the violation of the code of ethical conduct at the public information observatory in a timely manner. The company has established a special area for stakeholders, and has established "procedures for handling suggestions, doubts, disputes and litigation of stakeholders". See the company website. If any of our colleagues is involved in any illegal circumstances in the trading process, they can be informed by the honest and fair trading mailbox. We shall be fully responsible for confidentiality and investigate and deal with according to law.	Comply with the best-practice principles, no discrepancy
(4) Has the company established an effective accounting system and internal control system for the implementation of integrity operation, and the internal audit unit shall, according to the assessment results of the risk of dishonest behavior, draw up relevant audit plans, and according to the compliance of the plan for preventing dishonest behavior, or entrust an accountant to carry out the audit?	Yes		The company and its subsidiaries shall establish an "internal control system" and an audit office and an external accountant audit mechanism. The audit office shall regularly assess risks and draw up an audit plan, and carry out relevant audits in accordance with the plan to ensure the continuous and effective implementation of the internal control system. Report the audit results to the audit committee and the board of directors on a regular basis. There has been no corruption in the company over the years.	Comply with the best-practice principles, no discrepancy
(5) Does the company regularly conduct internal and external education and training for integrity operation?	Yes		The company and its subsidiaries, when each new comer joined the company, provided education and training to remind the colleague of the need to implement the code of conduct, and held education and training of the code of ethics from time to time for the colleague of the company. There were 63 publicity and training sessions in 2022, for a total of 8,987 person/times, to ensure that the colleague did implement and would not be unfamiliar with the relevant content due to time elapsing.	Comply with the best-practice principles, no discrepancy

Assessment items	Operation Status (Note 1)			Discrepancy with best-practice principles of TWSE/GTSM listed companies
	Yes	No	Summary	
3. Operation of the company's whistleblowing system				
(1) Does the company have a specific reporting and reward system, establish a convenient reporting channel, and assign appropriate personnel to the reported object?	Yes		Integrity is one of the core corporate cultures of the company. It is based on the belief of integrity and honesty when the company and its subsidiary's related enterprises conduct transactions with their partners, and on the basis of transparency and fairness, in order to establish a long-term partnership. For this purpose, the company has set up a special interest area, and has formulated measures for handling cases of illegal, unethical or dishonest conduct. Please refer to the company website. If any of our colleagues is involved in any illegal circumstances in the course of trading, they may be informed by the mailbox of the stakeholding area. We shall be fully responsible for confidentiality and investigate and deal with according to law. In addition, a barrier free e-mail communication channel is set up on the company's website. All interested parties can communicate and appeal to the independent director, chairman and general manager of the company by e-mail at any time, so as to keep the communication and appeal channels with all interested parties unblocked.	Comply with the best-practice principles, no discrepancy
(2) Does the company establish the standard operating procedures for investigation of reported matters, follow-up measures to be taken after investigation and relevant confidentiality mechanisms?	Yes		The company and its subsidiaries have formulated the "social responsibility handbook", "employee handbook", "employee complaint (complaint/report) control procedure", "measures for handling reporting of illegal and unethical or dishonest cases" and "Regulations for employees to participate in industrial safety and health consultation, communication operation specifications" and other reporting, investigation, confidentiality mechanisms and follow-up related measures.	Comply with the best-practice principles, no discrepancy
(3) Does the company take measures to protect whistleblowers from improper handling due to whistleblowing?	Yes		The company and its subsidiaries have clearly defined "employee code of conduct" and "employee complaint (complaint/report) control procedure" documents: during the whole process of complaint/report handling, relevant personnel shall keep secrets, and those who divulge secrets will be punished in accordance with relevant regulations; those who retaliate against the Complainant/whistleblower will be punished in accordance with relevant regulations.	Comply with the best-practice principles, no discrepancy
4. Enhance information disclosure Does the company disclose the content and promotion effect of its code of conduct for integrity operation on its website and public information observatory?	Yes		The websites of the company and its subsidiaries provide explanations in Chinese, English and Japanese simultaneously. For financial information, stock price and dividend information, organizational structure and business results related to corporate governance, they are fully disclosed in the quarterly report, annual report and the company webpage, so as to quickly and truly reflect all kinds of business information, so as to enable stakeholders to grasp the company's business dynamics in a timely manner. For details of corporate governance, please refer to the company website.	Comply with the best-practice principles, no discrepancy
5. If a company has its own code of conduct for integrity in accordance with the code of conduct for listed and OTC companies, please state the difference between its operation and the code: The company and its subsidiaries have formulated the "code of integrity operation" to continue to promote and cooperate with various publicity and guidance in accordance with the code, and to strengthen the awareness of business level colleagues. Its content and related operations are not significantly different from the "code of integrity operation on the listed and OTC market".				

Assessment items	Operation Status (Note 1)		Discrepancy with best-practice principles of TWSE/GTSM listed companies
	Yes	No	
6. Other important information helpful to understand the company's operation integrity: (such as the company's review and amendment of the integrity operation rules, etc.) The company and its subsidiaries negotiate and perform the contract with customers in good faith and integrity, and strive for, negotiate and perform all contracts in a fair and moral way.			

(7) Disclose the inquiry methods if the company has established a Corporate Governance Code of Conduct and other relevant regulations

1. In order to establish sound corporate governance, the company's board of directors have approved the drafting of the Code of Ethical Conduct and Corporate Governance Best Practice Principles and continue to draft more concrete and detailed regulations and procedures such as Related Party Transaction Management, Specific Company, Related Party and Group Company Transaction Procedure, Scope of Independent Director Duties and Responsibilities, Subsidiary Supervision Procedure, Procedure Governing Financial and Business Matters with Affiliated Enterprises, Risk Control Procedure, Important Internal Information Handling Procedure, Procedure for Handling Stakeholder Recommendations, Questions, Disputes and Litigation Matters, Procedure for Handling the Reporting Cases of Illegal, Unethical or Dishonest Conduct as well as the TXC Code of Conduct, Ethical Corporate Governance Best Practice Principles and Ethical Corporate Management Procedures and Guide of Good Conduct. In addition to their regular announcement, the company also posts this information for public access on the company website to regulate the conduct and ethics of company directors and all subordinate personnel. An ethical management section has been set up on the company website to provide full disclosure and complete explanations of ethical management policy implementation and the drafting and promotion of subsequent preventative programs. The company website also has a dedication section on social responsibility. Refer to the information provided on the company website.

The company's Ningbo and Chongqing plants have established ethical corporate management code best practice principles and continue to draft more concrete and detailed regulations and procedures such as Related Party, Specific Company and Group Company Transaction Procedure, Board of Directors Agenda Procedure, Business Ethics Control Procedure, Subsidiary Operation Management Procedure, Debt Commitment and Contingency Management Procedure, Financial and Non-Financial Information Management Procedure, Derivative Financial Product Transaction Handling Procedure and regular announce this information to regulate the conduct and ethics of company directors and all subordinate personnel.

2. With regard to the announcement of related insider stock transactions, regular education courses are organized for directors and the announcements of competent authorities are posted on the company website for reference by insiders. Refer to the information on the company website.
3. The Corporate Social Responsibility Best Practice Principles drafted by the company has been approved by the board of directors. The principles are directed at the overall operation activities of the company and group companies including the active fulfillment of corporate social responsibility while performing company operations to conform to the international trends of balancing environmental, social and corporate governance developments and use corporate civic commitment to raise national economic contribution, improve the living quality of employees, communities and society to create competitive advantage based on corporate responsibility. Refer to the company website for information on CSR policy, organization, promotion and results.

The subsidiary Ningbo and Chongqing plants have drafted Social Responsibility Manuals. The manual is directed at the overall operation activities of the company including the active fulfillment of corporate social responsibility while performing company operations to conform to the international trends of balancing environmental, social and corporate governance developments and use corporate civic commitment to raise national economic contribution, and improve the living

quality of employees, communities and society to create competitive advantage based on corporate responsibility.

- (8) Other important information which is sufficient to understand corporate governance operation status must also be disclosed
1. Refer to the information in the company website for company director candidate nomination system, director and independent director nomination and selection method, nomination process, candidate information (conformance with qualification criteria), election process and election results.
  2. In order to improve corporate governance, the company communicates with its CPA, independent directors, audit supervisor and accounting supervisors on an ad hoc basis. Refer to the information in the company website for status of communication.
  3. In order to strengthen corporate governance, the company pays special attention to open disclosure of information and posts related financial information on the company website. Important information is concurrently disclosed on the company website and to company directors so related persons can clearly understand the operation status of the company and investors and stakeholders promptly receive important information from the company. Refer to the relevant information on the company website.
  4. The effort invested and results obtained by the company in corporate governance and information disclosure has been widely recognized. The company has been awarded an A++ information disclosure assessment rating for four straight years, named a transparent voluntary information disclosure company for eight straight years, and has awarded the top 6% ~ 20% of the listed companies since the first session. From the 2<sup>nd</sup> to the 4<sup>th</sup> session, it has been won the top 5% of the listed companies for three consecutive years. The 5~9<sup>th</sup> sessions were awarded the top 6% ~ 20% of listed companies.

**(IX) Statement on Internal Control**

Public Company's Statement on Internal Control

Represents the effectiveness of both the design and execution

(This statement is applicable when all laws and ordinances are complied herewith)

Where accountant was commissioned to perform ad hoc review on the internal control system, the accountant review report required to be disclosed: None.

- (X) In the most recent years and as of the date of publication of the annual report, in case its employees were punished by law or punishments were imposed by the company due to employee's violation of the company's internal control rules, and in case such punishments may have great impacts on the owners' equity or the company's stock prices, the company should disclose the content of such punishments, the major misconduct, and improvements: None.**

- (XI) Important resolutions of the shareholders' meeting and the Board of Directors during the most recent year and until the publication date of the annual report**

### Important resolutions of the board of directors

Date	Board meeting	Important resolution	Resolution result
2022/03/07	Board meeting	<ol style="list-style-type: none"> <li>1. Accountants' internal control evaluation opinions, the company's annual internal control effectiveness self-assessment report and internal control statement</li> <li>2. Amendments to the "Internal Control System and Internal Audit Implementation Rules"</li> <li>3. 2021 on the distribution of employees' compensation and directors' compensation</li> <li>4. Undertaking of derivative financial product</li> <li>5. 2021 annual business report and financial statements</li> <li>6. 2021 annual earnings distribution</li> <li>7. Self-compiled improvement plan report for financial report</li> <li>8. 2021 Annual Accountant Independence and Performance Evaluation Review Cas</li> <li>9. To host 2022 Annual General Shareholders Meeting</li> <li>10. Shareholders' right to propose proposals accepted by shareholders' regular meeting</li> <li>11. Shareholders' nominations and whether they are included in the list of candidates</li> <li>12. To elect eleven Directors (including four independent directors)</li> <li>13. Proposed nomination of candidates for the fourteenth session of directors (including independent directors) by the board of directors of the company</li> <li>14. To remove the restriction of non-compete agreement of directors</li> <li>15. To Revise the "Articles of Incorporation"</li> <li>16. To Revise the "Rules and Procedures of Shareholders Meeting"</li> <li>17. To Revise the "Procedures for Election of Directors"</li> <li>18. To Revise the "Procedures for Acquisition or Disposal of Assets"</li> <li>19. TXC's subsidiary TETC CORP. NINGBO to establish a 100% subsidiary</li> </ol>	<ol style="list-style-type: none"> <li>1. Passed by all attending directors without objection</li> <li>2. Passed by all attending directors without objection</li> <li>3. Passed by all attending directors without objection</li> <li>4. Passed by all attending directors without objection</li> <li>5. Passed by all attending directors without objection</li> <li>6. Passed by all attending directors without objection (NT\$7.5 cash dividends per share)</li> <li>7. Passed by all attending directors without objection</li> <li>8. Passed by all attending directors without objection</li> <li>9. Passed by all attending directors without objection and proposed to hold the annual shareholders meeting on May 31, 2022</li> <li>10. Passed by all attending directors without objection.</li> <li>11. Passed by all attending directors without objection</li> <li>12. Passed by all attending directors without objection elect eleven Directors (including four independent directors)</li> <li>13. Passed by all attending directors without objection</li> <li>14. Passed by all attending directors without objection</li> <li>15. Passed by all attending directors without objection</li> <li>16. Passed by all attending directors without objection</li> <li>17. Passed by all attending directors without objection</li> <li>18. Passed by all attending directors without objection</li> <li>19. Passed by all attending directors without objection</li> </ol>
2022/05/09	Board meeting	<ol style="list-style-type: none"> <li>1. Undertaking of bank credit extensions and derivative financial commodities</li> <li>2. The implementation of the transfer of investment by the company and its subsidiaries</li> <li>3. Q1 / 2022 financial statements</li> <li>4. Remittance of earnings of subsidiaries TXC(CKG) and TXC (NGB)</li> <li>5. Self-compiled improvement plan report for financial report</li> <li>6. TXC Capacity Expansion</li> <li>7. Review the manager's salary adjustment proposal</li> <li>8. Reviewed the 2021 employee remuneration and director remuneration payment case</li> </ol>	<ol style="list-style-type: none"> <li>1 Passed by all attending directors without objection</li> <li>2 Passed by all attending directors without objection</li> <li>3 Passed by all attending directors without objection</li> <li>4 Passed by all attending directors without objection</li> <li>5 Passed by all attending directors without objection</li> <li>6 Passed by all attending directors without objection</li> <li>7 Passed by all attending directors without objection</li> <li>8 Passed by all attending directors without objection</li> </ol>

Date	Board meeting	Important resolution	Resolution result
2022/05/31	Board meeting	<ol style="list-style-type: none"> <li>1. Proposal for the election of a new chairman</li> <li>2. Proposed re-appointment of the CEO and general manager of the company</li> <li>3. Appointment of remuneration committee, audit committee members and selection of convener</li> <li>4. Proposal on the appointment of members of the second session of the Investment Review Committee</li> </ol>	<ol style="list-style-type: none"> <li>1 Passed by all attending directors without objection, and Mr. Lin, Wan-Shing was elected as the chairman of the board.</li> <li>2 All the directors present passed without objection, continuing to appoint Mr. Lin, Wan-Shing as the CEO and Kuo, Ya-Ping as the President.</li> <li>3 Passed by all attending directors without objection, appointing all independent members as members of the remuneration and audit committee, and the independent director Mr. Yu, Shang-Wu was elected as the convener of the remuneration and audit committee by all committee members.</li> <li>4 Continue to appoint four independent directors Mr. Yu, Shang-Wu, Mr. Tsai, Song-Qi, Ms. Su, Yan-Syue and Ms. Wang, Chuan -Fen, and three directors Mr. Lin, Jin-Bao, Mr. Hsu, Hsing-Hao, and Mr. Peng, Chih-Chiang from TLC Capital Co., Ltd. as members of the investment review committee. The proposal was passed by all attending directors without objection and independent director Ms. Su, Yan-Syue was elected by the committee members as the convener</li> </ol>
2022/08/08	Board meeting	<ol style="list-style-type: none"> <li>1. Extension of bank credit period and undertaking of derivative financial products</li> <li>2. Q2 / 2022 financial statements</li> <li>3. Self-compiled improvement plan report for financial report</li> <li>4. The Fifth Domestic Unsecured Convertible Corporate Bond Fund Utilization Situation and adjustment fund utilization plan</li> <li>5. Amendments to the "Code of Practice on Corporate Governance"</li> </ol>	<ol style="list-style-type: none"> <li>1. Passed by all attending directors without objection</li> <li>2. Passed by all attending directors without objection</li> <li>3. Passed by all attending directors without objection</li> <li>4. Passed by all attending directors without objection</li> <li>5. Passed by all attending directors without objection</li> </ol>
2022/11/07	Board meeting	<ol style="list-style-type: none"> <li>1. Undertaking of derivative financial products</li> <li>2. Q3 / 2022 financial statements</li> <li>3. Self-compiled improvement plan report for financial report</li> <li>4. Amendments to the "Organizational Regulations of the Investment Review Committee"</li> <li>5. The case of establishing a 100% subsidiary of TXC's subsidiary TETC CORP. NINGBO</li> <li>6. TXC's subsidiary TETC CORP. NINGBO construction progress and budget</li> </ol>	<ol style="list-style-type: none"> <li>1 Passed by all attending directors without objection</li> <li>2 Passed by all attending directors without objection</li> <li>3 Passed by all attending directors without objection</li> <li>4 Passed by all attending directors without objection</li> <li>5 Passed by all attending directors without objection</li> <li>6 Passed by all attending directors without objection</li> </ol>
2022/12/19	Board meeting	<ol style="list-style-type: none"> <li>1. 2023 annual audit plan</li> <li>2. Undertaking of bank credit extensions</li> <li>3. To approve the donation to TXC_FOUNDATION</li> <li>4. 2022 Annual Performance Bonus Amount Proposal</li> <li>5. 2023 annual employee compensation and directors' compensation ratio</li> <li>6. 2023 annual review on the accountant fees</li> <li>7. Proposal on Adjustment of Surplus Repatriation Ratio of Continental Reinvestment Companies</li> <li>8. 2023 annual business plan and annual budget</li> <li>9. Amendments to the "Internal Material Information Handling Procedures" proposal</li> <li>10. Re-enacted the "Internal Control and Audit System Implementation Manual" and abolished the original "Internal Control" and "Internal Audit Implementation Rules".</li> </ol>	<ol style="list-style-type: none"> <li>1 Passed by all attending directors without objection</li> <li>2 Passed by all attending directors without objection</li> <li>3 Passed by all attending directors without objection</li> <li>4 Passed by all attending directors without objection</li> <li>5 Passed by all attending directors without objection</li> <li>6 Passed by all attending directors without objection</li> <li>7 Passed by all attending directors without objection</li> <li>8 Passed by all attending directors without objection</li> <li>9 Passed by all attending directors without objection</li> <li>10 Passed by all attending directors without objection</li> </ol>



Date	Board meeting	Important resolution	Resolution result
2023/03/06	Board meeting	1. The accountant's internal control assessment opinion, the company's annual self-assessment report on the effectiveness of the internal control system, and the internal control system statement.	1 Passed by all attending directors without objection
		2. Undertaking of derivative financial products	2 Passed by all attending directors without objection
		3. The distribution of 2022 employees' compensation and directors' compensation	3 Passed by all attending directors without objection
		4. 2022 Business Report and Financial Statements	4 Passed by all attending directors without objection
		5. 2022 Earnings Distribution	5 Passed by all attending directors without objection (NT\$7.0 cash dividends per share)
		6. 2022 Annual Accountant Independence and Performance Evaluation Review Cas	6 Passed by all attending directors without objection
		7. To host 2023 Annual General Shareholders Meeting	7 Passed by all attending directors without objection (to be held on May 30, 2023)
		8. Shareholders' right to propose proposals accepted by shareholders' regular meeting	8 Passed by all attending directors without objection
		9. To remove the restriction of non-compete agreement of directors	9 Passed by all attending directors without objection

## 2. Important Resolutions of the 2022 annual shareholders' meeting

Time: 9:30 am, May 31, 2022 (Tuesday)

Place: No. 4 Pingzhen Industrial Park 6<sup>th</sup> Rd., Pingzhen City, Taoyuan County

Implementation of major resolutions:

- (1) Recognize 2021 business report and financial statement; resolution approved by the 2022 shareholders' meeting.
- (2) Recognize distribution of 2021 profits; 2022 shareholders' general meeting, cash dividend of NT\$7.5 per share, full amount issued on August 10, 2022 in accordance with the shareholders' meeting resolution.
- (3) To revise the "Articles of Incorporation": The resolution of the 2022 shareholders' meeting was passed and the change registration was completed on June 24 2022 (No. 11101104230) and announced on the company's website.
- (4) To revise the "Rules and Procedures of Shareholders Meeting": The resolution of the 2022 shareholders' meeting was passed and announced on the company's website.
- (5) To revise the "Procedures for Election of Directors": The resolution of the 2022 shareholders' meeting was passed and announced on the company's website.
- (6) To revise the "Procedures for Acquisition or Disposal of Assets": The resolution of the 2022 shareholders' meeting was passed and announced on the company's website and TWSE MOPS.
- (7) To elect eleven directors (including four independent directors) : According to the "Articles of Incorporation", the candidate nomination system was adopted, and 11 directors were elected (including 4 independent directors)

Selected Directors: Mr. Lin, Wan-Shing, Mr. Lin, Jin-Bao, Mr. Kuo, Ya-Ping, Mr. Chen Chueh, Shang-Hsin, Mr. Huang, Hsiang-Lin, Mr. Hsu, Hsing-Hao, and TLC Capital Co.,LTD

Selected Independent Directors: Mr. Yu, Shang-Wu, Mr. Tsai, Song-Qi, Ms. Su Yan-Syue, and Ms. Wang Chuan-Fen.

On May 31 2022, the board of directors decided to elect Mr. Lin, Wan-Shing as the chairman, and continued to appoint Mr. Lin, Wan-Shing as the CEO, and Mr. Kuo, Ya-Ping as the president. The application for change registration was completed on June 24 2022 (No. 11101104230) and the announcement was made on Company website and TWSE MOPS

- (8) To remove the restriction of non-compete agreement of newly elected directors: Approved the removal of non-compete restrictions for directors Mr. Lin, Wan-Shing, Mr. Lin, Jin-Bao, Mr. Chen Chueh, Shang-Hsin, TLC Capital Co.,LTD , Mr. Yu, Shang-Wu, Mr. Tsai, Song-Qi, and Ms. Su Yan-Syue.

**(XII) Main content of recorded or written statements of dissenting opinions filed by directors or supervisors in connection with important resolutions passed by the board of directors in recent years up to the publication date of the annual reports: None.**

**(XIII) Summary of company chairman, general manager, accounting supervisor, finance supervisor, internal audit supervisor and R&D supervisor resignations and dismissals in recent years up to the publication date of the annual report: None.**

## V. Information on CPA fees

**Change of Certified Public Accountant in 2022: None**

Unit : NT\$1,000

Name of the Accounting Firm	Accountant name	Accountant's audit period	Auditing fees	Non-auditing Fees	Total	Remark
Deloitte & Touche	Hsieh, Ming-Chung	From Jan. 1, 2022 to December 31, 2022	4,100	60	4,160	
	Su, Yu-Hsiu					

Note 1: If the company changes its accountant or accounting firm in the current year, please list their audit periods separately and explain the reasons for replacement in the "remark" field. Please disclose the auditing and non-auditing fees in sequence. Non-auditing fees should be annotated to explain its service content.

Note 2: The non-auditing fees are NT\$30,000 for industrial and commercial registration, NT\$30,000 for project review.

- (I) **The amount, ratio and reasons for the decrease in auditing fees shall be disclosed if there is a change in accounting firm and the auditing fees in the year of such change is less than the auditing fees in the previous year: None.**
- (II) **The amount, ratio and reasons for the decrease in auditing fees shall be disclosed if the auditing fees was decrease by more than 15% comparing to that of in the previous year: None.**

**VI. Information on change of accountant's information : None.**

**VII. Where the company's chairman, general manager or any officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of is CPA or at an affiliated enterprise of the accounting, the name and position of the person and the period during which the position was held, shall be disclosed: None.**

**VIII. Any transfer of shareholdings and changed equity pledge from the directors, managers and shareholder(s) holding more than 10% of the shares during the most recent year and as of the publication date of the annual report:**

**(I) Changes in equity among the directors, manager and large shareholder(s)**

Title (Note1)	Name	2022		As of April 1, 2023	
		Increase (decrease) in number of shareholding	Increase (decrease) in number of pledged shares	Increase (decrease) in number of shareholding	Increase (decrease) in number of pledged shares
Chairman / CEO	Lin, Wan-Shing	0	0	0	0
Director	Lin, Jin-Bao	0	0	0	0
Director / President	Kuo, Ya-Ping	(122,000)	0	0	0
Director	Chen Chueh, Shang-Hsin	0	0	-	-
Director / TETC President	Huang, Hsiang-Lin	(480,000)	(270,000)	0	0
Director	Hsu, Hsing-Hao	0	0	0	0
Director	TLC Capital Co., LTD	0	0	0	0
	Peng, Chih-Chiang	0	0	0	0
Independent Director	Yu, Shang-Wu	0	0	0	0
Independent Director	Tsai, Song-Qi	0	0	0	0
Independent Director	Su , Yan-Syue	0	0	0	0
Independent Director	Wang, Chuan -Fen	0	0	0	0
TXC (NGB) President	Chao, Min-Chiang	0	0	0	0
TXC (CKG) President	Chou, Chien-Fu	0	0	0	0
TXC (CKG) Executive Vice President	Yu, Fang-Ming	0	0	0	0
Vice President	Lin, Shi-Bo	0	0	0	0
TXC (NGB) Vice President	Chang, Chien-Tsung	0	0	0	0
Vice President	Cheng, Li-Wei	0	0	0	0
Chief Technology Officer (CTO) / Vice President	Chu,Chih-Hsun	0	0	0	0
Vice President	Kuo, Ya-Han	0	0	0	0
Vice President	Su, Jing-Sheng	0	0	0	0
Vice President	Lin, Su-Fen	0	0	0	0
Vice President	Chen,Chiu-Lin	0	0	0	0
Chief Engineer	Chang, Qi-Zhon	0	0	0	0
Assistant Vice President	Su, Che-Ming	0	0	0	0
TXC (NGB) Assistant Vice President	Liu, Hsu-Er	0	0	0	0
Deputy CTO	Chiu,Chih-Hung	0	0	0	0
Deputy CTO	Pao,Shih-Yung	0	0	0	0
Chief Financial Officer (CFO) / Vice President	Hong, Guan -Wen	0	0	0	0

Note 1: The Company has no major shareholders holding more than 10% of the shares.

**(II) Equity transfer information: None.**

**(III) Information of the counterparty of an equity pledge who is also a related party: None.**

#### IV. Information of relationships between TOP 10 shareholders are related parties:

April 1, 2023 Unit: shares

Name	Own held shares		Shares held by spouse, children under twenty (20) years of age		Shareholding in the name of others		Where the relationship among the top 10 shareholders is a related party, spouse, and/or a relative by blood or marriage within second degree of kinship or relationship, please specify the name and relationship		Remark
	Shares	Shares (%)	Shares	Shares (%)	Shares	Shares (%)	Name	Relationship	
Fubon Life Insurance Company, Ltd. proxy: Tsai, Ming-Hsing	10,000,000	3.23%	0	0%	0	0%	None	None	
Chunghwa Post Co., Ltd. proxy: Wu, Hung-Mou	6,575,000	2.12%	0	0%	0	0%	None	None	
Lin, Jin-Bao	5,987,263	1.93%	163	0%	0	0%	Lin, Wan-Shing	Brother	
China Life Insurance Co., Ltd. proxy: Tan, Shuo-Lun	5,608,000	1.81%	0	0%	0	0%	None	None	
Lin, Wan-Shing	5,030,722	1.62%	75,991	0.02%	0	0%	Lin, Jin-Bao	Brother	
Taipei Fubon Commercial Bank Trust Property Account	4,485,050	1.45%	0	0%	0	0%	None	None	
Citigroup (Taiwan) Commercial Bank is entrusted with the custody of the investment account of the Norwegian Central Bank	4,089,032	1.32%	0	0%	0	0%	None	None	
JPMorgan Chase Bank Taipei Branch is entrusted with the safekeeping of Van Gard Emerging Market Stock Index Fund investment account of the manager of Van Gard Group	4,023,630	1.30%	0	0%	0	0%	None	None	
Cathay Life Insurance discretionary investment account of Cathay Investment Trust (Taiwan Stock 8)	3,950,000	1.28%	0	0%	0	0%	None	None	
JPMorgan Chase Bank Taipei Branch is entrusted with the custody of the series funds of Advanced Star Fund Company Advanced Aggregate International Stock Index Fund Investment Account Stock Index Fund Investment Account	3,682,090	1.19%	0	0%	0	0%	None	None	

Note 1: The top ten shareholders shall be listed in full; corporate shareholder shall list its name and the names of its proxy separately.

Note 2: The calculation of the shareholding percentage refers to the percentage of shares held in his/her/its own name, or under the name of his/her/its spouse, children under twenty years of age, or others.

Note 3: The relationship between above-listed juristic person shareholders and natural person shareholders shall be disclosed pursuant to the regulations governing the preparation of financial reports of the issuer.

Top 10 Shareholder	Major Shareholders of the Juristic Person
Fubon Life Insurance Company, Ltd. proxy: Tsai, Ming-Hsing	Fubon Financial Holding Co. Ltd. (100%)
Chunghwa Post Co., Ltd. proxy: Wu, Hung-Mou	Ministry of Transportation and Communications (100%)
China Life Insurance Co., Ltd. proxy: Tan, Shuo-Lun	China Development Finance Holdings Co., Ltd. (100%)

10. The number of shares held by the company, the company's directors, supervisors, managers, and businesses directly or indirectly controlled by the Company in the same joint venture, and the combined shareholding percentage.

December 31, 2022 Unit: shares, %

Investees	Investments of the Company		Investments of the directors, supervisors, managers and their investment in business which they have direct or indirect control of.		Comprehensive investements	
	Shares	Share (%)	Shares	Share (%)	Shares	Share (%)
TAIWAN CRYSTAL TECHNOLOGY INTERNATIONAL LIMITED	42,835,294	100	0	0	42,835,294	100
TXC Technology Inc.	300,000	100	0	0	300,000	100
TXC Japan Corporation	2,100	100	0	0	2,100	100
Taiwan Crystal Technology International (HK) Limited	80,000	100	0	0	80,000	100
TXC Europe GmbH	50,000	100	0	0	50,000	100
TAI SHING ELECTRONICS COMPONENTS CORP.	8,802,000	33.34	3,203,500	12.14	12,005,500	45.48
TXC (NINGBO) CORPORATION	0	0	77,241,343	100	77,241,343	100
TXC (CHONGQING) CORPORATION	0	0	247,876,609	100	247,876,609	100
Chongqing All Suns Company Limited	0	0	150,000,000	100	150,000,000	100
Ningbo Jingyu Company Limited	0	0	2,500,000	100	2,500,000	100
NINGBO FREE TRADE ZONE DING KAI INVESTMENT MANAGEMENT COMPANY	0	0	35,050,000	100	35,050,000	100
ChongQing Dingsen Commercial Management Co.,Ltd	0	0	1,000,000	100	1,000,000	100
TETC CORP. NINGBO	0	0	100,000,000	100	100,000,000	100
Shanghai JCH Co., Ltd	0	0	500,000	100	500,000	100
Ningbo Longying Semiconductor Co., Ltd	0	0	2,000,000	32.91	2,000,000	32.91

Note: Equity investments of the Company.



## Chapter 4 Capital Overview

### I. Capital and Shares

#### (I) Source of Capital

##### 1. Capitalization

April 1, 2023 Unit: Shares, NT\$

Year/ Month	Issue Price	Authorized Share Capital		Paid-In Capital		Remark		
		Shares	Amount	Shares	Amount	Source of Capital	Capital Increase by Assets Other Than Cash	Other (Approval document no.)
1983.12	10	310,000	3,100,000	310,000	3,100,000	Registered capital	Nil	-
1984.03	10	3,315,200	33,152,000	3,315,200	33,152,000	Capital increase by cash	Nil	-
1989.03	10	8,500,000	85,000,000	8,500,000	85,000,000	Capital increase by cash	Nil	-
1989.10	10	18,000,000	180,000,000	18,000,000	180,000,000	Capital increase by cash	Nil	-
1990.07	10	21,060,000	210,600,000	21,060,000	210,600,000	Capital increase by cash, by capital surplus	Nil	07/10/1990 (79) Tai-Tsai-Cheng(1) no. 01530
1991.08	10	60,000,000	600,000,000	31,590,000	315,900,000	Capital increase by cash, by earnings, by capital surplus	Nil	08/01/1991 (80) Tai-Tsai-Cheng(1) no. 02111
1992.07	10	60,000,000	600,000,000	41,067,000	410,670,000	Capital increase by earnings, by capital surplus	Nil	07/07/1992 (81) Tai-Tsai-Cheng(1) no. 01518
1993.07	10	60,000,000	600,000,000	47,300,000	473,000,000	Capital increase by earnings	Nil	07/14/1993 (82) Tai-Tsai-Cheng(1) no. 30047
1994.07	10	60,000,000	600,000,000	51,557,000	515,570,000	Capital increase by earnings, by capital surplus	Nil	07/07/1994 (83) Tai-Tsai-Cheng(1) no. 31774
1995.06	10	60,000,000	600,000,000	55,681,560	556,815,600	Capital increase by earnings	Nil	06/22/1995 (84) Tai-Tsai-Cheng(1) no. 36958
1996.09	10	100,000,000	1,000,000,000	75,681,560	756,815,600	Capital increase by cash	Nil	09/05/1996 (85) Tai-Tsai-Cheng(1) no. 53631
2000.09	10	100,000,000	1,000,000,000	82,201,820	822,018,200	Capital increase by earnings	Nil	09/06/2000 (89) Tai-Tsai-Cheng(1) no.5237
2001.07	10	260,000,000	2,600,000,000	110,348,515	1,103,485,150	Capital increase by earnings	Nil	05/14/2001 (90) Tai-Tsai-Cheng(1) no. 129296
2001.08	10	260,000,000	2,600,000,000	120,348,515	1,203,485,150	Capital increase by cash	Nil	06/12/2001 (90) Tai-Tsai-Cheng(1) no.135132
2002.09	10	260,000,000	2,600,000,000	137,673,100	1,376,731,000	Capital increase by earnings, by capital increase	Nil	08/21/2002 (91) Tai-Tsai-Cheng(1) no. 0910146351
2003.08	10	260,000,000	2,600,000,000	144,140,534	1,441,405,340	Capital increase by earnings	Nil	08/12/2003 Tai-Tsai-Cheng(1) no. 0920136359
2004.08	10	260,000,000	2,600,000,000	151,810,534	1,518,105,340	Convertible bonds, exercise of employee stock options	Nil	08/18/2004 Ching-Shou-Shang-Zi no. 09301157450
2004.10	10	260,000,000	2,600,000,000	160,779,678	1,607,796,780	Capital increase by earnings	Nil	10/13/2004 Ching-Shou-Shang-Zi no.09301188710
2004.10	10	260,000,000	2,600,000,000	160,784,678	1,607,846,780	Convertible bonds	Nil	10/19/2004 Ching-Shou-Shang-Zi no. 09301199790

Year/ Month	Issue Price	Authorized Share Capital		Paid-In Capital		Remark		
		Shares	Amount	Shares	Amount	Source of Capital	Capital Increase by Assets Other Than Cash	Other (Approval document no.)
2005.05	10	260,000,000	2,600,000,000	163,133,882	1,631,338,820	Convertible bonds	Nil	05/03/2005 Ching-Shou-Shang-Zi no. 09401077580
2005.07	10	260,000,000	2,600,000,000	168,068,138	1,680,681,380	Convertible bonds, exercise of employee stock options	Nil	07/25/2005 Ching-Shou-Shang-Zi no. 09401135020
2005.09	10	260,000,000	2,600,000,000	178,181,410	1,781,814,100	Capital increase by earnings	Nil	09/23/2005 Ching-Shou-Shang-Zi no. 09401185020
2005.10	10	260,000,000	2,600,000,000	181,557,883	1,815,578,830	Convertible bonds, exercise of employee stock options	Nil	10/20/2005 Ching-Shou-Shang-Zi no. 09401207340
2006.01	10	260,000,000	2,600,000,000	186,198,661	1,861,986,610	Convertible bonds, exercise of employee stock options	Nil	01/23/2006 Ching-Shou-Shang-Zi no. 09501010180
2006.03	10	260,000,000	2,600,000,000	188,908,827	1,889,088,270	Convertible bonds, exercise of employee stock options	Nil	04/17/2006 Ching-Shou-Shang-Zi no. 09501068450
2006.07	10	260,000,000	2,600,000,000	188,942,532	1,889,425,320	Convertible bonds	Nil	07/20/2006 Ching-Shou-Shang-Zi no. 09501152420
2006.09	10	300,000,000	3,000,000,000	203,711,768	2,037,117,680	Capital increase by earnings	Nil	09/04/2006 Ching-Shou-Shang-Zi no. 09501198120
2006.10	10	300,000,000	3,000,000,000	204,815,282	2,048,152,820	Convertible bonds, exercise of employee stock options	Nil	10/16/2006 Ching-Shou-Shang-Zi no.09501232600
2007.01	10	300,000,000	3,000,000,000	205,698,282	2,056,982,820	Exercise of employee stock options	Nil	01/16/2007 Ching-Shou-Shang-Zi no. 09601010470
2007.04	10	300,000,000	3,000,000,000	206,032,282	2,060,322,280	Exercise of employee stock options	Nil	04/14/2007 Ching-Shou-Shang-Zi no. 09601078450
2007.07	10	300,000,000	3,000,000,000	206,624,577	2,066,245,770	Convertible bonds	Nil	07/27/2007 Ching-Shou-Shang-Zi no. 09601180970
2007.08	10	300,000,000	3,000,000,000	230,739,719	2,307,397,190	Capital increase by earnings	Nil	08/28/2007 Ching-Shou-Shang-Zi no.09601210120
2007.10	10	300,000,000	3,000,000,000	240,243,456	2,402,434,560	Convertible bonds	Nil	10/22/2007 Ching-Shou-Shang-Zi no. 09601258520
2008.01	10	300,000,000	3,000,000,000	241,552,590	2,415,525,900	Convertible bonds	Nil	01/29/2008 Ching-Shou-Shang-Zi no. 09701022010
2008.01	10	300,000,000	3,000,000,000	241,552,590	2,415,525,900	Convertible bonds	Nil	01/29/2008 Ching-Shou-Shang-Zi no. 09701022010
2008.04	10	300,000,000	3,000,000,000	241,627,148	2,416,271,480	Convertible bonds	Nil	04/11/2008 Ching-Shou-Shang-Zi no. 09701087040
2008.08	10	300,000,000	3,000,000,000	242,464,833	2,424,648,330	Convertible bonds	Nil	08/05/2008 Ching-Shou-Shang-Zi no.09701191720
2008.08	10	350,000,000	3,500,000,000	270,395,056	2,703,950,560	Capital increase by earnings	Nil	08/28/2008 Ching-Shou-Shang-Zi no. 09701819210
2008.11	10	350,000,000	3,500,000,000	271,698,090	2,716,980,900	convertible bonds	Nil	11/17/2008 Ching-Shou-Shang-Zi no. 09701293960
2009.09	10	400,000,000	4,000,000,000	287,312,523	2,873,125,230	Capital increase by earnings	Nil	09/11/2009 Ching-Shou-Shang-Zi

Year/ Month	Issue Price	Authorized Share Capital		Paid-In Capital		Remark		
		Shares	Amount	Shares	Amount	Source of Capital	Capital Increase by Assets Other Than Cash	Other (Approval document no.)
								no. 0980120690
2009.11	10	400,000,000	4,000,000,000	287,340,930	2,873,409,300	Convertible bonds	Nil	11/11/2009 Ching-Shou-Shang-Zi no. 09801260380
2010.01	10	400,000,000	4,000,000,000	288,727,249	2,887,272,490	Convertible bonds	Nil	01/26/2010 Ching-Shou-Shang-Zi no. 09901016750
2010.04	10	400,000,000	4,000,000,000	290,907,037	2,909,070,370	Employee stock options and convertible bonds	Nil	04/21/2010 Ching-Shou-Shang-Zi no. 09901078530
2010.09	10	400,000,000	4,000,000,000	296,665,178	2,966,651,780	Capital increase by earnings	Nil	09/02/2010 Ching-Shou-Shang-Zi no.09901199850
2010.11	10	400,000,000	4,000,000,000	297,183,178	2,971,831,780	Employee stock options	Nil	11/18/2010 Ching-Shou-Shang-Zi no. 099001257750
2011.04	10	400,000,000	4,000,000,000	296,305,178	2,963,051,780	Employee stock options treasury stock retired	Nil	4/15/2011 Ching-Shou-Shang-Zi no. 100001075170
2011.07	10	400,000,000	4,000,000,000	296,316,207	2,963,162,070	Convertible bonds	Nil	7/26/2011 Ching-Shou-Shang-Zi no. 100001171400
2011.08	10	400,000,000	4,000,000,000	302,242,310	3,022,423,100	Capital increase by earnings	Nil	8/25/2011 Ching-Shou-Shang-Zi no.100001197910
2013.01	10	400,000,000	4,000,000,000	309,757,040	3,097,570,400	Employee stock options and convertible bonds	Nil	1/17/2013 Ching-Shou-Shang-Zi no.10201011600

## 2. Types of Stock

April 1, 2023 Unit: Share

Type of Stock	Authorized Share Capital			Remarks
	Listed (Note)	Unlisted	Total	
Common Stock	309,757,040	190,242,960	500,000,000	

Note : The above stocks are listed company stocks. Statistics from the April 1, 2023 book closure date.

## 3. Shelf Registration Related Information: N/A.

### (II) Composition of Shareholders

April 1, 2023 Unit: Person/Share/%

No.\ Composition	Government Agencise	Financial Institutions	Other Judicial Persons	Individuals	Foreign Institutions and Individuals	Total (Note)
No. of Shareholders	6	23	322	61,023	198	61,572
Shareholding	2,081,990	48,350,834	25,322,605	186,009,400	47,992,211	309,757,040
Shareholding Percentage	0.67	15.61	8.17	60.06	15.49	100.00

Note 1: The above share amount statistics are from the April 1, 2023 book closure date.

Note 2: TSWE primary listed, GTSM primary listed and emerging stock companies shall disclose Chinese capital shareholding percentages: N/A.

**(III) Equity Dispersion**

April 1, 2023 Unit: Share

Share types	Number of Shareholders	Shares	Shares %
1~999	21,591	1,809,835	0.58
1,000~5,000	33,865	64,046,744	20.68
5,001~10,000	3,465	27,046,138	8.73
10,001~15,000	958	12,303,286	3.97
15,001~20,000	524	9,707,568	3.13
20,001~30,000	443	11,493,804	3.71
30,001~40,000	196	7,046,605	2.27
40,001~50,000	125	5,834,858	1.88
50,001~100,000	192	13,672,823	4.41
100,001~200,000	87	12,418,731	4.01
200,001~400,000	52	15,122,258	4.88
400,001~600,000	21	10,161,063	3.28
600,001~800,000	12	8,121,842	2.62
800,001~1,000,000	5	4,439,838	1.43
1,000,001 above	36	106,531,647	34.42
Total	61,572	309,757,040	100.00

**(IV) List of Major Shareholders**

Name(s), amount and proportion of shares held by shareholder(s) with shareholding ratios that accounted for more than 5% of the equity ratio or accounted for the top ten shareholders:

April 1, 2023 Unit: Person/Share/%

Major Shareholders	Shares	Shares (%)
1、Fubon Life Insurance Company, Ltd.	10,000,000	3.23
2、Chunghwa Post Co., Ltd.	6,575,000	2.12
3、Lin, Jin-Bao	5,987,263	1.93
4、China Life Insurance Co., Ltd.	5,608,000	1.81
5、Lin, Wan-Shing	5,030,722	1.62
6、Taipei Fubon Commercial Bank Trust Property Account	4,485,050	1.45
7、Citigroup (Taiwan) Commercial Bank is entrusted with the custody of the investment account of the Norwegian Central Bank	4,089,032	1.32
8、JPMorgan Chase Bank Taipei Branch is entrusted with the custody of Van Gard Emerging Market Stock Index Fund investment account	4,023,630	1.30
9、Cathay Life Insurance discretionary investment account of Cathay Investment Trust (Taiwan Stock 8)	3,950,000	1.28
10、JPMorgan Chase Bank Taipei Branch is entrusted with the custody of the series funds of Advanced Star Fund Company Advanced Aggregate International Stock Index Fund Investment Account	3,682,090	1.19

**(V) Data on share price, net value, profit, and dividend of the past two years**

Item	Year		2021	2022
Marketprice / share (Note 1)	Highest		144.50	108.50
	Lowest		74.40	69.90
	Average		105.94	89.60
Net value per share (Note 2)	Before distribution		41.19	40.27
	After distribution		33.69	33.27 (Note 9)
Earnings Per Share	Weight average number of shares (1000's share)		309,757	309,757
	Earnings Per Share (Note 3)	Before adjustment	10.06	9.06
		After adjustment	10.06	9.06 (Note 9)
Dividend Per share	Cash dividend		7.50	7.0 (Note 9)
	Stock dividend without compensation	Earnings per share	-	-
		Stock dividend	-	-
	Accrued undistributed dividend (Note 4)		-	-
Analysis of rate of return	P/E (Note 5)		10.53	9.89
	P/C (Note 6)		14.13	12.80 (Note 9)
	C/P (Note 7)		7.08%	7.81% (Note 9)

\* If use profits or capital reserve for raising capital shares appropriate, then it should announce the information of the number of appropriate shares and retroactively adjust market price and cash dividend.

Note 1 : List the highest and lowest price of the common stocks in that year, and the average market price for that year is calculated based on the transaction values and transaction amounts.

Note 2 : Use the number of circulated shares at the end of the year as the base, then the dividend distributed determined in the coming year's stockholders' meeting.

Note 3 : If there is any retroactive adjustment from the stock dividend without compensation, then it should list earning per share on before and after adjustment.

Note 4 : If the equity investment has constraint that limits the undistributed dividend for that year and it is cumulated until to later profitable year. Then it should disclose the cumulative undistributed dividend up to that year.

Note 5 :  $P/E = \text{current year average share price at closing} / \text{earning per share}$ .

Note 6 :  $P/C = \text{current year average share price at closing} / \text{cash dividend per share}$ .

Note 7 :  $C/P = \text{cash dividend per share} / \text{current year average share price}$ .

Note 8 : The financial statements of TXC Corporation were audited or view or certified by CPA.

Note 9 : It is the amount resolved by the board of directors on March 6, 2023.

## **(VI) Company's dividend policy and its current implementation status**

### **1. Dividend policy as defined in the articles of incorporation :**

If the company generates annual profit, no less than 3% of that profit will be provided to employees as a bonus in the form of cash or company shares, as determined by the board of directors. Recipients of this bonus will include company employees who fulfill certain conditions. The company must apportion a directors' bonus of no greater than 2% of posted profit figures, following the board of directors' decision. Employee and director bonuses are announced at the general meeting of shareholders. However, the company shall retain a portion of funds prior to incurring losses, the amount beyond which will be distributed as bonuses according to the aforementioned proportion.

If there is a surplus in the company's annual final accounts, in addition to paying taxes in accordance with the law, the loss should be made up first, and 10% should be withdrawn as the statutory surplus reserve. According to the provisions of laws and regulations or according to business needs, the special surplus reserve shall be set aside or reversed. If there is still a balance, it shall be combined with the accumulated undistributed surplus. The board of directors shall prepare a surplus distribution plan. Submit to the shareholders' meeting for a resolution on distribution.

In accordance with Article 240, Paragraph 5 of the Company Law, the Company authorizes the board of directors to distribute dividends and bonuses when two-thirds or more of the directors are present and a resolution is passed by more than half of the directors present or in accordance with Article 240 of the Company Law. As stipulated in Paragraph 1 of Article 1, all or part of the statutory surplus reserve and capital reserve shall be reported to the shareholders' meeting in the form of cash distribution.

The Company's dividend distribution policy is made in consideration of factors such as industry development being in a growth phase, long-term financial planning and shareholder cashflow requirements. Therefore, the earnings available for distribution for that year, after allocation of the legal reserve and special reserve in accordance with the law, shall be distributed as provided in the previous paragraph. Of this, the cash dividend portion of shareholder dividends shall not be lower than 50% of total dividends.

Specific dividend policy: Dividend payment over the years

Year	Cash Dividend	Stock dividend		X/R transactions date	Shareholders' meeting date	Cash dividend	Stock dividend
		Retained earnings transferred to common stock	Capital surplus transferred to common stock			payment date	payment date
1999	0	0.8	0	2000/09/14	2000/05/13	N/A	2000/11/16
2000	0	2.9	0	2001/06/05	2001/04/26	N/A	2001/07/31
2001	0.2	0.8	0.5	2002/09/12	2002/05/30	2002/10/17	2002/11/27
2002	0.10222	0.4089	0	2003/09/09	2003/06/16	2003/10/16	2003/11/11
2003	0.2999	0.499901	0	2004/09/13	2004/06/24	2004/10/15	2004/11/12
2004	0.480681	0.480681	0	2005/08/31	2005/06/13	2005/10/21	2005/10/21
2005	0.99982162	0.59989298	0	2006/08/09	2006/06/15	2006/09/20	2006/09/20
2006	1.94210210	0.97105104	0	2007/08/09	2007/06/13	2007/09/20	2007/09/20
2007	1.98486059	0.9924303	0	2008/08/12	2008/06/13	2008/09/18	2008/09/18
2008	2	0.5	0	2009/08/24	2009/06/16	2009/09/30	2009/09/30
2009	1.99640807	0.1996408	0	2010/08/12	2010/06/15	2010/09/21	2010/09/21
2010	2.49990694	0.19999253	0	2011/08/03	2011/06/10	2011/09/09	2011/09/09
2011	2.2	0	0	2012/08/20	2012/06/13	2012/09/13	N/A
2012	2.2	0	0	2013/08/19	2013/06/19	2013/09/17	N/A
2013	2.2	0	0	2014/08/17	2014/06/18	2014/09/05	N/A
2014	2.5	0	0	2015/08/20	2015/06/16	2015/09/18	N/A
2015	2.5	0	0	2016/08/11	2016/06/07	2016/09/13	N/A
2016	2.8	0	0	2017/08/15	2017/06/08	2017/09/15	N/A
2017	2.5	0	0	2018/08/15	2018/06/05	2018/09/18	N/A
2018	2.0	0	0	2019/08/15	2019/06/12	2019/09/11	N/A
2019	2.5	0	0	2020/07/30	2020/06/09	2020/08/27	N/A
2020	3.8	0	0	2021/08/20	2021/07/20	2021/09/10	N/A
2021	7.5	0	0	2022/07/15	2022/05/31	2022/08/10	N/A
2022	7.0	0	0	Undetermined	2023/05/30	Undetermined	N/A

Although the company's articles of association do not specify the distribution ratio of the dividends of the shareholders, the ratio of the distribution of the surplus of the preceding paragraph may be adjusted according to the relevant factors such as the actual pre-tax profit, capital budget and capital status of the year, and shall be handled after the resolution of the shareholders' meeting.

Estimated dividend distribution policy for the next three years

1. Employee bonus is 9%~12%
2. Directors' compensation is 1%~2%

The total dividend is based on more than 60% of the current year's profit (net of statutory surplus reserve) or not less than 30% of the total distributable surplus, and the cash dividend shall not be less than 50% of the total cash dividend and stock dividend.



2. Suggested dividend appropriate in this shareholders' meeting :

Profit distribution for 2022

Unit : NT\$

Item	Amount	
	Sub-total	Sum
<b>Beginning period undistributed profits</b>		<b>2,897,566,515</b>
Net profit after tax for this year	2,805,504,225	
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	146,974,094	
Adjusted retained earnings from investments accounted for using equity method	262,552	
Remeasurement of defined employee benefit plans to retained earnings	11,609,797	
The amount of undistributed profits		2,964,350,668
Setting aside 10% legal reserve		(296,435,067)
The setting aside special reserve		(143,070,971)
<b>Profits available for distribution</b>		<b>5,422,411,145</b>
Distribution Item:		
Cash Dividends (NT\$7.0 per share)		(2,168,299,280)
<b>End period of undistributed profits</b>		<b>3,254,111,865</b>

Note: Allocation of 2022 undistributed profit shall be given priority for the above profit distribution.

Chairman: **Lin, Wan-Shing**      Manager: **Kuo, Ya-Ping**      Accounting Supervisor: **Hong Guan-wen**

**(VII) The effect of the shareholder's proposed stock grants on the Company's business performance and earnings per share: N/A (The Company did not offer stock grants this time).**

## **(VIII) Employee bonus and rewards for directors and auditors**

1. The principle of surplus distribution in accordance with company regulations:

If the company generates annual profit, no less than 3% of that profit will be provided to employees as a bonus in the form of cash or company shares, as determined by the board of directors. Recipients of this bonus will include company employees who fulfill certain conditions. The company must apportion a directors' bonus of no greater than 2% of posted profit figures, following the board of directors' decision. Employee and director bonuses are announced at the general meeting of shareholders. However, the company shall retain a portion of funds prior to incurring losses, the amount beyond which will be distributed as bonuses according to the aforementioned proportion.

If there is a surplus in the company's annual final accounts, in addition to paying taxes in accordance with the law, the loss should be made up first, and 10% should be withdrawn as the statutory surplus reserve. According to the provisions of laws and regulations or according to business needs, the special surplus reserve shall be set aside or reversed. If there is still a balance, it shall be combined with the accumulated undistributed surplus. The board of directors shall prepare a surplus distribution plan. Submit to the shareholders' meeting for a resolution on distribution.

In accordance with Article 240, Paragraph 5 of the Company Law, the Company authorizes the board of directors to distribute dividends and bonuses when two-thirds or more of the directors are present and a resolution is passed by more than half of the directors present or in accordance with Article 240 of the Company Law. As stipulated in Paragraph 1 of Article 1, all or part of the statutory surplus reserve and capital reserve shall be reported to the shareholders' meeting in the form of cash distribution.

The Company's dividend distribution policy is made in consideration of factors such as industry development being in a growth phase, long-term financial planning and shareholder cashflow requirements. Therefore, the earnings available for distribution for that year, after allocation of the legal reserve and special reserve in accordance with the law, shall be distributed as provided in the previous paragraph. Of this, the cash dividend portion of shareholder dividends shall not be lower than 50% of total dividends.

2. Accountant procedures if a current period's estimated employee dividend, the basis of director/supervisor bonus amounts and calculations for stock dividend figures differ from the amounts that are actually apportioned:

- (1) The basis of estimating the current period's estimated employee bonus and director/supervisor bonus figures: please see the aforementioned (VI).1. Stock dividend policy.
- (2) The basis for calculating stock dividends apportioned: if the company has not apportioned stock dividends during this period, please disregard.
- (3) Accounting procedures if the current period's actual apportioned value differs from the estimated figures: when a significant change occurs to the dividend value approved by the board of directors, which adjustment is due to annual expenses. If the figure remains changed by the day of the general meeting of shareholders, the matter will be processed according to the updated accounting estimate, and amounts transferred onto accounts according to general meeting of shareholder decision.

3. Proposal by the Board of Directors for surplus distribution in 2022:

As proposed by the Board of Directors on March 6, 2023 surplus distribution for employee bonus and directors' compensation are as follows:

- (1) Propose to allocate employee bonus in cash amounting to NT\$ 330,343,808 and directors' compensation to NT\$55,057,301. There is no difference between the planned allocation amount from expense for employee bonus and surplus in the 2022 financial statement. So, no adjustment for income and loss is required.
- (2) The proposed distribution of employee compensation (stocks) and its share of the net profit after tax and total employee compensation for the current period: N/A.
- (3) Propose to allocate employee bonus and directors' compensation in accordance with par value setting earnings per share at: NT\$9.06.

4. The Company Board of Directors on surplus allocation in 2021:

The actual surplus allocation of employee bonus and directors' compensation is according to resolution adopted by the shareholders meeting on May 31, 2022.

- (1) Actual employee bonus and directors' compensation in cash are respectively: NT\$354,226,497 and NT\$59,037,750.
- (2) No difference between the proposed allocation adopted by the Board of Directors and the resolution by shareholders meeting.

**(IX) Buyback of Common Stock: None**

## II. Convertible Corporate Bond

### (I) Handling of corporate bonds

March 6, 2023

Types of Corporate Bonds (Note2)	The 5 <sup>th</sup> domestic unsecured conversion of corporate bonds (Note5)
Issue Date	July 26, 2021
Fair Value	NT\$100,000 per bond
Issuance and Trading Location (Note3)	N/A
Issue price	Issued at full face value
Total Value	NT\$1,200,000,000
Rate	The coupon rate is 0%
Tenor	3 years (expiration date July 26, 2024)
Guarantee Agency	N/A
Consignee	Yuanta Bank
Underwriting Agency	Yuanta Securities
Certified Lawyer	Chiu, Ya-Wen
CPA	Deloitte & Touche Hsieh, Ming-Chung, Su, Yu-Hsiu
Repayment Method	The bondholders shall be converted into ordinary shares of the Company in accordance with Article 10 of the Company's Fifth Domestic Unsecured Convertible Corporate Bond Issuance and Conversion Measures, or the Company shall redeem in advance in accordance with Article 17 of these Measures, or the Company shall be operated by a securities firm. Except for the cancellation of premises repurchase, the company will repay the bonds held by the bondholders in cash within seven business days from the day following the maturity of the convertible corporate bonds.
Outstanding Principal	NT\$1,200,000,000
Redemption or Early Settlement Terms	(1) This bond will start from the next day (October 27, 2021) after the expiration of three months after the issuance and end forty days (June 17, 2024) before the expiration of the issuance period (maturity date), if the company's ordinary shares If the closing price of the stock on the Taiwan Stock Exchange has exceeded the current conversion price of the bond by more than 30% (inclusive) for 30 consecutive business days, the company may send the bond by registered mail within the following 30 business days. Holder (subject to the register of bondholders on the fifth business day prior to the date of dispatch, and for bondholders who acquire the bond due to trading or other reasons thereafter, it shall be announced by way of announcement) 1. A "Bond Callback Notice" that expires within 30 days (the aforesaid period starts from the date of dispatch by the company, and the expiry date of

Types of Corporate Bonds (Note2)	<p>The 5<sup>th</sup> domestic unsecured conversion of corporate bonds (Note5) the period is the base date for bond callback, and the aforesaid period shall not be the period of suspension of conversion as specified in Article 9), and Please write to the OTC Buying Center for an announcement, and within five business days after the base date of the bond call, the bond holder's bond will be collected in cash at the bond face value.</p> <p>(2) From the next day (October 27, 2021) three months after the issuance of the bonds to the forty days before the expiration of the issuance period (maturity date) (June 17, 2024), if the convertible corporate bonds are in circulation When the outstanding balance is less than 10% of the original total issued amount, the Company may, at any time thereafter, send the bondholders by registered mail (the ones on the register of bondholders on the fifth business day prior to the date of dispatch shall be the For the bondholders who acquire the bonds due to trading or other reasons, the bondholders will be notified by way of announcement) a "Bond Callback Notice" with a 30-day expiration date (the aforementioned period starts from the date of dispatch by the company) and the expiry date of the period shall be the base date for bond recovery, and the aforesaid period shall not be the period of suspension of conversion in Article 9), and the OTC Buying Center shall make an announcement in writing, and within five business days after the base date of bond recovery, the bond denomination shall be paid in Cash back the bond from the bondholder.</p> <p>(3) If the bondholder does not reply in writing to the company's stock agency before the date of the bond call-back as stated in the "Bond Callback Notice" (it will take effect when it is served, and the postmark date will be used as proof), The company will redeem the bond in cash at the bond face value within five business days after the bond call-back base date.</p> <p>(4) If the company executes the withdrawal request, the deadline for bondholders to request for conversion is the second business day after the day when the over-the-counter trading of the converted corporate bonds is terminated.</p>
Restrictive clause (Note4)	None
Name of credit rating agency, rating date, corporate bond rating results	N/A

Types of Corporate Bonds (Note2)		The 5 <sup>th</sup> domestic unsecured conversion of corporate bonds (Note5)
Additional rights	Amount of ordinary shares, overseas depositary receipts or other marketable securities converted (exchanged or subscribed) up to the date of publication of the annual report	As of the date of publication of the annual report, there has been no request for conversion of ordinary shares by bondholders, and the amount of unexecuted conversion is NT\$1,200,000,000.
	Issuance and conversion (exchange or subscription) approach	Please refer to the company's 5 <sup>th</sup> domestic unsecured convertible corporate bond issuance and conversion measures
Issuance and conversion, exchange or share subscription method, issuance conditions may dilute the equity and the impact on existing shareholders' rights and interests	The conversion price of the domestic unsecured convertible corporate bonds issued this time is currently NT\$122.9 per share. It is assumed that when the corporate bonds are fully converted into ordinary shares, the equity dilution ratio to the existing shareholders is 3.06%, so the existing shareholders' equity should not be greatly affected	
The name of the custodian institution for the subject of the exchange	N/A	

Note 1: The handling of corporate bonds includes public offering and private placement of corporate bonds being handled. Publicly offered corporate bonds in process refer to those that have been valid (approved) by the Association; privately offered corporate bonds in process refer to those that have been approved by the board of directors.

Note 2: The number of fields is adjusted according to the actual number of transactions.

Note 3: Fill in for overseas corporate bonds.

Note 4: Such as restrictions on the distribution of cash dividends, foreign investment or the requirement to maintain a certain proportion of assets, etc.

Note 5: For private placements, it should be marked in a prominent way.

Note 6: For conversion of corporate bonds, exchange of corporate bonds, general declaration of issuance of corporate bonds or corporate bonds with stock options, the information on conversion of corporate bonds, exchange of corporate bond information, general declaration of issuance of corporate bonds and Attached is the stock option corporate bond information.

**(II) Convert corporate bond data**

Types of corporate bonds (Note 1)		The 5 <sup>th</sup> domestic unsecured conversion of corporate bonds		
Year		2021	2022	As of March 6,2023
Item				
Convert corporate bond market price (Note2)	High	121.20	116.00	104.50
	Low	109.40	100.00	100.00
	Average	116.92	106.76	102.64
Convert price		NT\$ 133.7	NT\$122.9	NT\$122.9
Issuance (transaction) date and conversion price at the time of issuance		July 26, 2021 NT\$ 138	July 26, 2021 NT\$ 138	July 26, 2021 NT\$ 138
Ways of fulfilling conversion obligations (Note 3)		issue new shares	issue new shares	issue new shares

Note 1: The number of fields is adjusted according to the actual number of transactions.

Note 2: If overseas corporate bonds have multiple transaction locations, they are listed separately by transaction location.

Note 3: Delivery of issued shares or issuance of new shares.

Note 4: Information for the year ending on the date of printing the annual report should be filled in.

**III. Preferred Shares : None**

**IV. Issuance of Oversea Depositary Shares : None**

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

**VI. Status of Employee Restricted Stock : None**

**VII. Status of New Share Issuance in Connection with Mergers and Acquisitions:  
None**



## VIII. Financing Plans and Implementation

### (I) The plan and implementation of the funds from the issuance of corporate bonds

#### 1. The content of the plan for the issuance and conversion of corporate bonds

- (1) Approval date and document number of the Financial Supervision and Administration Commission of the Executive Yuan: July 1, 2021 【No. 1100347527】
- (2) The approval date and document number of the Republic of China Securities OTC Trading Center as a consortium legal person: July 20, 2021 【No. 11000074062】
- (3) Total funds required for the project: NT\$1,200,000,000.
- (4) Source of funds: Issuance of the fifth domestic unsecured convertible corporate bonds in 2021  
Denomination: NT\$100,000  
Period: Three years / Coupon rate: 0 %  
Total Amount: NT\$1,200,000,000
- (5) Fund application plan, estimated progress and possible benefits:
  - i. Fund utilization plan projects, estimated progress

Unit : NT thousand

Project	Estimated Completion Date	Total funds required	Estimated progress of fund utilization			
			2021		2022	
			Q3	Q4	Q1	Q2
Repay bank loan	Q3'2021	600,000	600,000	—	—	—
Purchase machinery and equipment	Q2'2022	679,399	50,000	200,000	200,000	229,399
Total		1,279,399	650,000	200,000	200,000	229,399

The company declared and issued the fifth domestic unsecured convertible corporate bonds with a total amount of NT\$1,200,000,000. In June 2021, it submitted an application to the Financial Supervisory Commission. It plans to conduct public underwriting in the form of enquiry and purchase, according to the predetermined plan. After the completion of fund raising in the third quarter of 2021, it will be used to pay for the purchase of machinery and equipment and the repayment of bank loans. The repayment of bank loans has been completed according to the plan, and the purchase of machinery and equipment is more advanced than expected the backwardness is mainly due to the long acceptance period of the relevant purchased equipment and the unpaid follow-up payment. The equipment will continue to be purchased according to the plan. The use of funds and the estimated progress should be reasonable.

#### ii. Anticipated possible benefits

The company's total capital utilization in this plan is NT\$1,279,399,000, which is mainly used to purchase machinery and equipment and repay bank loans. The expected benefits are as follows:

##### a. Purchase machinery and equipment

In order to meet the market demand and expand the scale of operation, the NT\$679,399 thousand in this project is used to purchase machinery and equipment to develop the wafer-level packaging process. It is estimated that the production volume, sales volume, operating income, operating profit and operating profit of quartz products can be increased as follows:

Unit: 1000 PCS/NT\$1000

Year	Item	Production	Sales Volume	Sales Amount	Gross Profits	Operating Profits
2021	Crystal Product	6,000	6,000	70,560	23,849	18,204
2022		99,000	99,000	1,108,800	358,142	269,438
2023		108,000	108,000	1,149,120	344,276	252,347
2024		108,000	108,000	1,058,400	286,191	201,519
Total		321,000	321,000	3,386,880	1,012,458	741,508

b. Repay bank loan

The company is expected to repay the bank loan of NT\$ 600,000,000 in the project of this financing plan. The 5<sup>th</sup> domestic unsecured convertible corporate bond declared and issued this time is expected to be repaid in accordance with the bank loan contract immediately after the completion of the fundraising. It can save NT\$1,300,000 in interest expenses, and save about NT\$3,900,000 in interest expenses every year since 2021, and can improve the financial structure

2. Execution situation

Unit : NT thousand

Project	Implementation status		Q2'2022	As of Q2' 2022	Reasons for being ahead or behind and improvement plan
Repay bank loan	Amount	Plan	—	600,000	Completed as planned
		Actual	—	600,000	
	Status	Plan	—	100%	
		Actual	—	100%	
Purchase machinery and equipment	Amount	Plan	229,399	679,399	Procurement of relevant equipment has been carried out according to the plan, and the amount is lower than the original estimated amount
		Actual	293,361	602,162	
	Status	Plan	33.76%	100%	
		Actual	43.18%	88.63%	
Total	Amount	Plan	200,000	1,279,399	Procurement of relevant equipment has been carried out according to the plan, and the amount is lower than the original estimated amount
		Actual	293,361	1,202,162	
	Status	Plan	17.93%	100%	
		Actual	22.93%	93.96%	

The plan originally planned to invest NT\$600,000,000 to repay bank loans, NT\$679,399,000 to purchase machinery and equipment to develop the wafer-level packaging process. , of which NT\$600,000,000 is used to repay bank loans, and NT\$600,000,000 is used to purchase machinery and equipment. As of the second quarter of 2021, the repayment of bank loans has been completed according to the plan, and the implementation progress has reached 100%. Another amount for the purchase of machinery and equipment NT\$602,162,000 (NT\$600,000,000 has exceeded the amount of raised funds), and the implementation progress has reached 88.63%. Because the amount of related equipment purchased is lower than the original estimated amount and the payment exchange rate is different, the board of directors resolved to adjust the domestic The amount used for the fifth unsecured conversion corporate bond plan to purchase machinery and equipment was adjusted from NT\$679,399,000 to NT\$602,162,000, and the total amount of the overall plan was adjusted to NT\$1,202,162,000,

so the fifth domestic unsecured conversion corporate bond funds The operation plan has been completed in the second quarter of 2022.

**(II) The previous cash capital increase plan and its implementation: None**

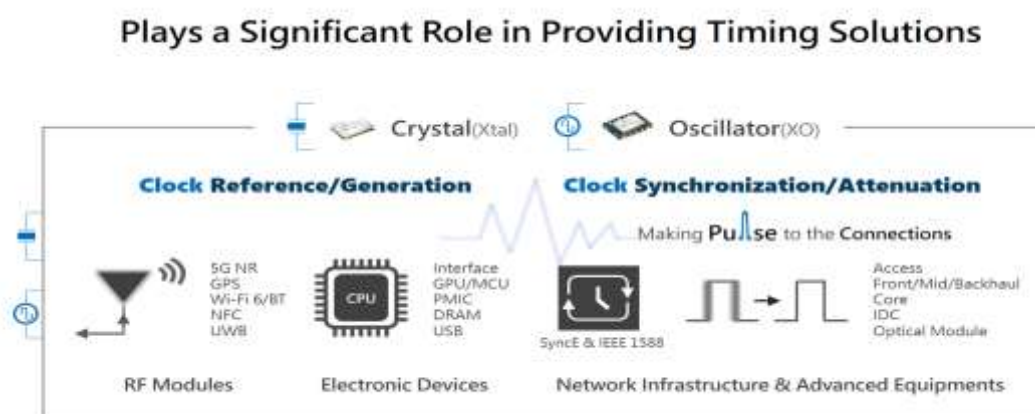
# Chapter 5 Business Information

## I. Business Contents

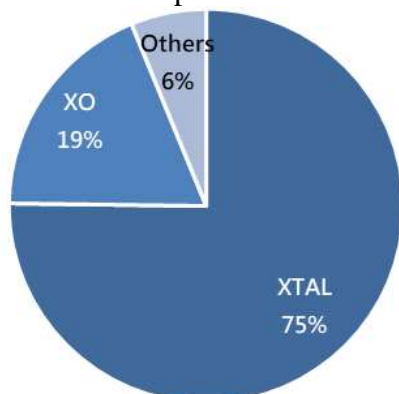
### (I) Business Scope

#### (1). Major Business Contents

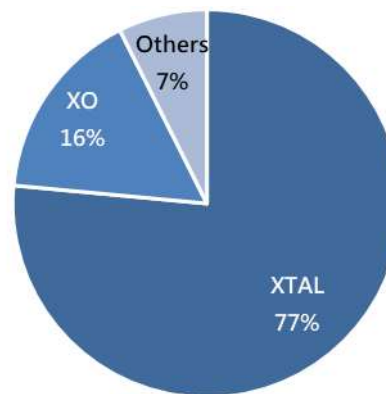
TXC Corporation is a professional supplier of frequency control components. Since its establishment in 1983, it has been committed to the research and development, design, production and sales of quartz component series products, specializing in the production of high-precision, high-quality quartz crystal resonators (Crystals), crystal oscillators (Crystal Oscillators) and other frequency component products, related products can be widely used in mobile communication, telecommunications, information communication and storage computing equipment, Internet of Things (IoT), smart home, artificial intelligence, high-performance computing Cards, medical care, various types of connection technologies, automotive electronics, electric vehicles and other application markets; over the years, we have always aimed to enhance customer value, and strive to surpass customers in terms of price, quality, delivery time, and service. Expect and urge yourself to be the best strategic partner for customers.



#### (2). Business Proportions




2022 Consolidated Revenue  
 NT\$ 13,104,001 thousands  
 (inclu. property sales was NT\$ 13,169,688 thousands)



2021 Consolidated Revenue  
 NT\$ 14,261,153 thousands  
 (inclu. property sales was NT\$ 15,244,851 thousands)

(3). Company's current products

Product Type	Type	Product Size	Product Picture
Crystals	SMD Glass Sealing Crystals	3.2 x 2.5mm 2.5 x 2.0mm , 2.0 x 1.6mm	
	SMD Seam Sealing Crystals	3.2 x 2.5mm 2.5 x 2.0mm , 2.0 x 1.6mm 1.6 x 1.2mm , 1.0 x 0.8mm	
	SMD AuSn Sealing Crystals	1.6 x 1.2mm , 1.2 x 1.0mm	
	SMD Seam Temperature Sensing Crystals (TSX)	2.5 x 2.0mm , 2.0 x 1.6mm 1.6 x 1.2mm , 1.2 x 1.0mm	
	SMD kHz Crystals (Tuning Fork)	3.2 x 1.5mm , 2.0 x 1.2mm 1.6 x 1.0mm , 1.2 x 1.0mm	
Oscillators	SMD Crystal Oscillators (CMOS)	5.0 x 3.2mm 3.2 x 2.5mm , 2.5 x 2.0mm 2.0 x 1.6mm , 1.6 x 1.2mm	
	SMD Crystal Oscillators (Differential)	7.0 x 5.0mm , 5.0 x 3.2mm 3.2 x 2.5mm , 2.5x 2.0mm	
	SMD kHz Crystal Oscillators	7.0 x 5.0mm , 5.0 x 3.2mm 3.2 x 2.5mm	
	SMD Voltage Controlled Crystal Oscillators (VCXO)	7.0 x 5.0mm , 5.0 x 3.2mm 3.2 x 2.5mm	
	Oven Controlled Crystal Oscillators (OCXO)	14 x 9 mm(SMD type) 1.7 x 7.5mm (SMD type) 7.0 x 5.0 mm(SMD type)	
	SMD Temperature Compensated Crystal Oscillators (TCXO)	3.2 x 2.5mm , 2.5 x 2.0mm 2.0 x 1.6mm , 1.6 x 1.2mm	
	Precise SMD Temperature Compensated Crystal Oscillators (TCXO Stratum-3)	7.0 x 5.0mm (4 Pad) 7.0 x 5.0mm (10Pad) 5.0 x 3.2mm	
Automotive	Glass Sealed Crystal / Seam Sealed Crystal /XO/TCXO /TSX/kHz Crystal Oscillators/ kHz Crystals (Tuning Fork)	8.0 x 4.5mm , 5.0 x 3.2mm 3.2 x 2.5mm , 3.2 x 1.5mm 2.5 x 2.0 mm , 2.0 x 1.6 mm 1.6 x 1.2 mm	

(4). Scheduled new products development

According to the development strategy and market demand, the company will continue to invest in research and development resources, actively develop new technologies, and take "miniaturization, high stability, and modularization" as the product development policy to expand market share in high-end applications and high value-added products Rate. And based on the company's core technology, develop horizontally and actively enter the fields of optics,

micro-electromechanical, medical electronics and automotive electronics. Facing the rapid changes and fierce competition in the domestic and foreign markets, the company has formulated the following new product development priorities:

i. Development of miniaturized products

Rooted in quartz component technology for many years, the company has synchronized with the world's leading manufacturers, successfully mass-produced the smallest 1.0x0.8x0.30mm quartz crystal component on the market, and started the research and development plan of 320 MHz ultra-high frequency quartz crystal components. To meet future product miniaturization and 5G-related needs, the company will continue to develop higher-precision process technology, and achieve a pre-layout of its own engineering technology to achieve cost-effective, low energy consumption, high earthquake resistance, and large bandwidth steps product development

ii. Development of automotive electronics products

The company has obtained the IATF-16949 quality operation system certification and completed the ISO 9001/IATF 16949-2016 version conversion. The products continue to move towards the highest quality reliability of Grade 0 in terms of technology, safety, and quality. Currently, the products developed are miniaturized wide temperature range temperature-compensated quartz oscillator (TCXO), suitable for Grade 0 quartz crystal components, etc., we are ready for the growth momentum of the upcoming automotive electronic products

iii. Development of advanced crystal vibrator and oscillator and module products

Continue to invest in the development of high-order oscillators to meet the requirements of 5G/B5G applications. In terms of mobile phone applications, we focus on the development of temperature-compensated crystal oscillators (TCXO) products with miniaturization, high stability, low phase noise and low power consumption to meet the technical requirements of the new generation of millimeter waves. In terms of network equipment applications, related equipment needs to be equipped with optical fiber communication modules/NICs to complete high-speed data transmission. The miniaturized and high-stability oscillator (XO) required for this application is the focus of our company's development investment. In terms of automotive applications, ultra-high-temperature temperature-compensated quartz oscillators and high-frequency differential oscillators (Differential XO) will be invested to meet the needs of automotive communications. In terms of 5G/B5G base stations, various new application specifications such as low noise, high stability, high temperature resistance, vibration resistance, air tightness and miniaturization need to be met. The company will continue to invest in the development of corresponding products such as miniaturized temperature Controlled Oscillator Module (OCXO), High Stability Temperature Compensated Quartz Oscillator (S3-TCXO) and High Frequency Oscillator (HF XO)/Voltage Controlled Oscillator (VCXO), etc...to comply with 5G/B5G communication technology application development

iv. Development trend of future terminal application products

Seam=Seam seal Glass=Glass seal		2023	2024	2025
Product	MHz Crystal	● 1008 Xtal (79.9MHz) ● 1210 Xtal (Low profile)	● 1008 Xtal (76.8MHz) ● 3225 Xtal HF (156.25MHz High Drive power)	● 0806 Xtal HFF
	MHz Crystal Thermistor	● 1210 TSX (153.6MHz)	● 1008 TSX (153.6MHz)	
		● 1612 TSX HFF (76.8MHz) (Automotive)	● 1612 TSX HFF 153.6MHz (Automotive)	
	XO	● 3225 XO (100,156MHz) ● 2016 XO (Miniature)	● 1210 XO (125°C)(Miniature) ● 3225 XO (Low Phase Noise) ● 2520 XO (Low Phase Noise)	● 1008 XO (Ultra-Miniature) ● 2520 XO (Auto, Safety)
	VCXO	● 1409 122.88MHz VCXO (Low Phase Noise)	● 3225 LVPECL (High Freq.)	● 7050~3225 PLL (Low Phase Noise) ● 2520 CMOS (Miniature)
	TCXO	● 7050 TCXO (High Stability) ● 1612 TCXO (High Freq. & Low Noise) ● 1612 TCXO (105°C)(Low Power)	● 7050 TCXO (Ultra-High Stability) ● 3225 TCXO (Miniature) ● 5032 TCXO (Low Noise)	● 1210 TCXO (85~105°C) ● 2016 TCXO (125°C)
	OCXO	● 7050 OCXO(105°C) ● 9775 OCXO	● 1409 OCXO (Ultra-High Stability)	● 3225 OCXO (Miniature) ● 7050 OCXO(105°C)
3Q	● 0806 76.8MHz ● 1008 Ultra thin 307MHz	● 1008 Ultra thin 153.6MHz	● 0604 76.8MHz	

Note : ⊙表示車載用產品

(II) Industry Overview

(1). Current industry status and development

In response to the rapid development of the industry in the new era of 5G communication, in order to meet the design trend of mobile terminals and intelligent electronic products, the design trend is toward integration, high-function computing, and multi-processing. Short, small, precise and thin have become the development trend of the integration level of quartz crystal components. Due to the development and progress of production technology, microelectronics technology has laid a good technical foundation for the miniaturization of intelligent electronic products, mobile terminals and other products. In addition, the design and application of the micro-electromechanical system also provides technical reference and technical inspiration for the processing of quartz crystal raw materials, and accelerates the development of quartz crystal components to miniaturization and high precision.

In the past, the production of high-end quartz crystal components and their raw materials was mainly concentrated in Japan, Europe, America and other places. However, the production enterprises of quartz crystal components in Taiwan and mainland China have developed rapidly in recent years. Through technological transformation, various enterprises have improved their technical level and production scale. Process technology and product quality have kept pace with Japanese, European and American companies or even advanced. The comparison of the regional competitive advantages of major quartz component suppliers is as follows:

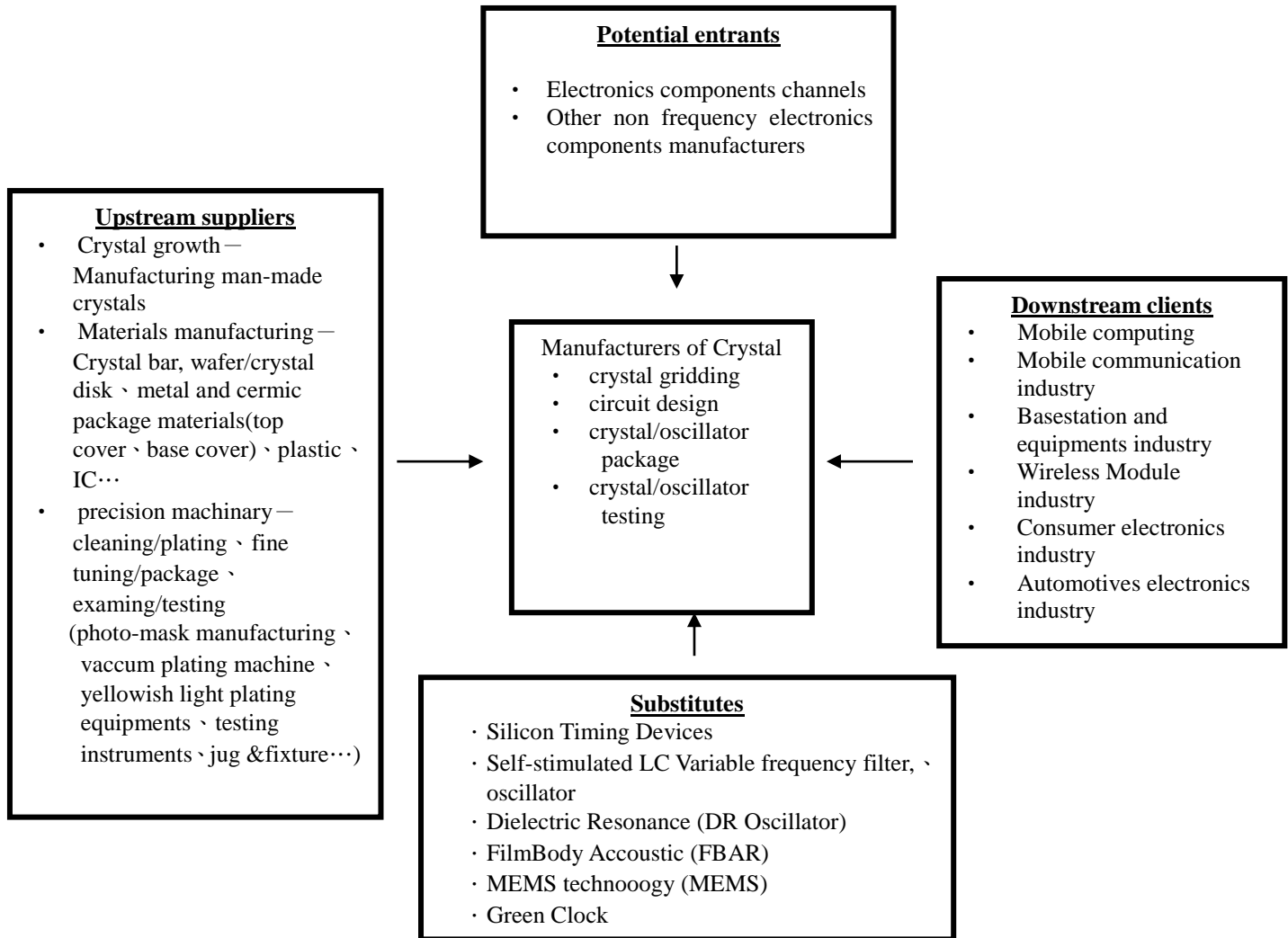
Key element	European, USA manufactures	Japanese manufactures	Taiwanese manufactures	China manufactures
Frequency	Very high	Very high	Very high -Middle	Middle-Low
Precision	Very high	Very high	Very high -Middle	Middle-Low
Size	Middle-Low	Very high	Very high -Middle	Middle-Low
Capacity	Low	Very high-Middle	Very high -Middle	Middle-Low

For Taiwanese manufacturers, in the early days, they followed market development and directly purchased raw materials, equipment, and manufacturing processes to produce products in large quantities, and emphasized rapid listing. Recently, they have gradually internalized technology into their own capabilities and improved them through the improvement of equipment and manufacturing capabilities. At present, manufacturers with relatively large scale of production of quartz components in China are TXC Corporation, HARMONY ELECTRONICS CORP, SIWARD CRYSTAL TECHNOLOGY CO., LTD, TAI TIEN ELECTRONICS CO., LTD., TAI-SAW TECHNOLOGY CO.,LTD., HOSONIC ELECTRONIC CO., LTD., AKER TECHNOLOGY CO ., LTD Each manufacturer focuses on different products and The market is differentiated, and the company's products have the widest application layout, the largest business scale, and the highest market share, and it occupies a leading position in the quartz crystal industry.



(2). Market relationship of up, middle, and down stream companies

Crystal components are our major product and it is also the basic electronics parts. Our upstream industries include crystal growth, material manufacturing, and precision machinery. The downstream applications include information technology, wire and wireless communications, consumer electronics, and network products etc. The relationship between the up, middle, and downstream manufacturers is given in the below diagram:



(3). Development Trend of Crystal Industry

i. Quartz components industry development trend

Quartz component products are important components of electronic products. In order to match the vigorous development and trend of future terminal applications, its future product type, product precision and size will develop towards the following trends:

(a). Miniaturization, SMD trend

The goal of miniaturization will focus on the development of technologies such as single chip IC, chip design and manufacturing, packaging and testing; taking SMD type frequency components as an example, the current length and width dimensions have been developed from  $3.2 \times 2.5\text{mm}$ ,  $2.5 \times 2.0\text{mm}$ ,  $2.0 \times 1.6\text{mm}$ , and then to  $1.6 \times 1.2\text{mm}$ ,  $1.2 \times 1.0\text{mm}$ ,  $1.0 \times 0.8\text{mm}$ , or even smaller  $0.8 \times 0.6\text{mm}$ ; the height of the components has also been from 1.2mm, 0.9mm, 0.8mm, 0.7mm, 0.5mm to 0.35mm, 0.30mm, 0.25mm improvement. In addition to the size reduction achieved by SMD packaging, it can also be connected with the industrial chain of downstream customers; including the technology development trend of front-end chipset, product design trend of brand customers and SMT production of related customers, etc., and all can achieve adaptation.

(b). High frequency low noise, high precision and high stability oscillator module

5G wireless communication system is mainly composed of RRU or AAU, front-haul network, BBU or CU/DU, back-haul network, core network and access network.

High frequency and low noise: through the high frequency basic wave crystal matching etching technology autonomously developed by our company, we have completed the development of high frequency ( $> 200\text{MHz}$ ) and low noise crystal oscillator (XO) and voltage controlled crystal oscillator (VCXO) to meet the requirements of 5G communication optical module and RF system.

High precision: the TCXO with high precision ( $+ / - 100\text{ppb}$ ) and high temperature ( $- 40 \sim 105^\circ \text{C}$ ) is developed to meet the needs of 5G AAU requirements through the customized dual circuit temperature compensation circuit and low disturbance quartz crystal matching customized temperature compensation algorithm.

High stability: the first constant temperature crystal oscillator (OCXO) in the industry is completed through the innovative patented embedded ceramic heater packaging technology, surface mounted SC-cut crystal and customized temperature control circuit. This product has the advantages of miniaturization ( $9.7 \times 7.5\text{mm}$ ), and is especially suitable for providing the synchronous system of the basic frequency unit.

Based on the evolution of various high-speed transmission systems, the corresponding frequency components move towards the direction of high frequency, modularization, high precision and high stability. We have developed all kinds of oscillator modules through our own packaging, resonators and customized IC technologies, which is conducive to the simplification of customer circuit design to meet the performance requirements of 5G applications.

(4). Competition Situation

Due to the unreasonable price cutting competition in the frequency component industry for a long time, the Japanese industry has been unable to get rid of the financial deficit for years. With the application trend of 5G, AIoT high stability, high temperature and ultra miniaturization products, the manufacturers are limited by their technical ability, have the capacity and ability to provide the frequency component manufacturers that meet 5G and AIoT products, and have been focused on the top 5 in the market. Therefore, frequency components with the continuous development of 5G and AIoT industries, it is expected that 5G will accelerate the situation favoring big players and promote the transformation of industrial ecology.

However, products with high stability, high temperature and ultra miniaturization are in

urgent need of rigorous product design and stringent production conditions, including investment and preparation of special production equipment are a test of the R & D and manufacturing capabilities of manufacturers, especially the ability to optimize cost structure. The marketing team of the company has linkws to reference designs of various front-end IDH manufacturers and grasped the trend of production materials, market supply and demand, long-term operation and cultivation of clients, which has made the prices return to a reasonable level, to promote the company to build a reasonable profit, and improve the health of the industrial chain.

### 3. Technology and Recent Research and Development

#### (1) Ratio of R&D expense of total revenue during recent years up to December 31, 2022

Units : NT\$ 1,000 , %

Year	2021	2022
Net Revenue (Note)	14,261,153	13,104,001
R&D expense	945,213	1,039,164
R&D Expense/Net Revenue (%)	6.63	7.93

Note : exclude property sales

#### (2) Research and Development Results

Products development - Crystal	<ul style="list-style-type: none"> <li>1、SMD 3.2 x 2.5 mm Crystal for Networking, Infra, Automotive</li> <li>2、SMD 2.5 x 2.0 mm Crystal for Networking, Infra, Automotive</li> <li>3、SMD 2.0 x 1.6 mm Crystal for Mobile, Wearable, IOT, Networking, Infra, Automotive</li> <li>4、SMD 1.6 x 1.2 mm Crystal for Mobile, Wearable, IOT, Networking, Infra, Automotive</li> <li>5、SMD 1.2 x 1.0 mm Crystal for Mobile, Wearable, IOT, Networking</li> <li>6、SMD 1.0 x 0.8 mm Crystal for Mobile, Wearable</li> <li>7、SMD 2.5 x 2.0 mm TSX for Mobile, Automotive</li> <li>8、SMD 2.0 x 1.6 mm TSX for Mobile, Wearable, Automotive</li> <li>9、SMD 1.6 x 1.2 mm TSX for Mobile, Wearable, Automotive</li> <li>10、SMD 1.2 x 1.0 mm TSX for Mobile, Wearable</li> </ul>
Products development - Oscillator	<ul style="list-style-type: none"> <li>1、SMD Seam XO 2.0 x 1.6 mm 2~54 MHz</li> <li>2、SMD Seam XO 1.6 x 1.2 mm 2~54 MHz</li> <li>3、SMD 1.6 x 1.2 mm Oscillator for Automotive</li> <li>4、SMD 7.0 x 5.0 mm Oscillator for Differential Output Oscillator for Telecom</li> <li>5、SMD 5.0 x 3.2 mm Oscillator for Differential Output Oscillator for Telecom</li> <li>6、SMD 2.5 x 2.0 mm Oscillator for Differential Output Oscillator for Telecom</li> <li>7、SMD 2.5 x 2.0 mm Oscillator for Automotive</li> <li>8、SMD 2.0 x 1.6 mm Oscillator for Automotive</li> <li>9、SMD 7.0mm x 5.0mm High Frequency XO/VCXO (2.1GHz) for Base SMD 3.2 x 2.5 mm Crystal for Mobile, Station, Networking, Infrastructure</li> <li>10、SMD 5.0mm x 3.2mm High Frequency XO/VCXO (2.1GHz) for Base Station, Networking, Infrastructure</li> <li>11、SMD 3.2mm x 2.5mm High Frequency XO/VCXO (2.1GHz) for Base Station, Networking, Infrastructure</li> <li>12、SMD 5.0 x 3.2 mm Stratum-3 VC-TCXO for 5G AAU, Small-cell, Networking Infrastructure</li> <li>13、SMD 5.0 x 3.2 mm Stratum-3 VC-TCXO with high temperature and low phase noise for Base Station</li> <li>14、SMD 3.2 x 2.5 mm HFF VCXO for Base Station, Networking, Infrastructure</li> <li>15、SMD 3.2 x 2.5 mm TCXO for GPS and Mobile</li> <li>16、SMD 2.5 x 2.0 mm TCXO for GPS and Mobile</li> <li>17、SMD 2.0 x 1.6 mm TCXO for GPS and Mobile</li> </ul>

	<ul style="list-style-type: none"> <li>18 · SMD 1.6 x 1.2 mm TCXO for GPS and Mobile</li> <li>19 · SMD 1.6 x 1.2 mm Low Profile TCXO for GPS and Mobile SIP Module</li> <li>20 · SMD 3.2 x 2.5 mm TCXO for Automotive</li> <li>21 · SMD 2.5 x 2.0 mm TCXO for Automotive</li> <li>22 · SMD 2.0 x 1.6 mm TCXO for Automotive</li> <li>23 · SMD 7.0 x 5.0 mm Stratum-3 TCXO with high temperature and low phase noise for 5G AAU, Small-cell, Networking Infrastructure</li> <li>24 · SMD 7.0 x 5.0 mm Stratum-3 TCXO for Base Station, Small-cell, Networking Infrastructure</li> <li>25 · RTC 10.1 x 7.4 mm for smart utilities devices, electric meters, gas meters</li> <li>26 · SMD 1.6 x 1.2 mm 32k TCXO for wearable device</li> <li>27 · SMD7.0 x5.0mm Miniaturized Oven-Controlled Crystal Oscillator for 5G RRHs, Small Cells</li> <li>28 · SMD 9.7 x 7.5mm Miniaturized Oven-Controlled Crystal Oscillator for telecommunication, stratum-level and base-station</li> <li>29 · DIP 25 x 25 mm OCXO for stratum-level and base-station</li> <li>30 · SMD 5 x 3.2 mm Miniaturized Oven-Controlled Crystal Oscillator for 5G RRU, Small Cells, and TSN</li> <li>31 · SMD 14 x 9 mm Miniaturized Oven-Controlled Crystal Oscillator for 5G BBU, DU, and CU</li> </ul>
Products development - Sensor	<ul style="list-style-type: none"> <li>1 · SMD 4.0 x 2.4mm Ambient Light Sensor and Proximity Sensor with Integrated IR LED for Mobile Phone</li> <li>2 · SMD 2.5 x 2.0mm Ambient Light Sensor and Proximity Sensor with Integrated IR LED for Mobile Phone</li> <li>3 · SMD 3 in 1 Light Sensor 2.5 x 2.0 mm for Smartphone, Tablet, DSLR, Smart wearable , Fitness devices</li> <li>4 · SMD 3 in 1 Light Sensor 4.5 x 0.9 mm for Smartphone, Tablet, Smart wearable , Fitness devices</li> <li>5 · 1.6 x 1.6 mm 3-axis electronic compass for Sensor application</li> </ul>
Products development - Blank	<ul style="list-style-type: none"> <li>1 · Inverted MESA BLK 1.3 x 1.03mm</li> <li>2 · Inverted MESA BLK 1.6 x 1.14mm</li> <li>3 · Inverted MESA BLK 2.49 x 1.83mm</li> <li>4 · Inverted MESA BLK 0.763 x 0.670mm</li> </ul>
Patents and Academic Publications	<p><b>【Patents】</b></p> <ul style="list-style-type: none"> <li>1 · Method for making piezoelectric quartz oscillator chip</li> <li>2 · Quartz crystal oscillator</li> <li>3 · Crystal oscillator with layout structure for miniaturized size</li> <li>4 · Light-sensing chip packaging structure</li> <li>5 · Wafer-level packaging structure of through-hole vibrator device</li> <li>6 · Manufacturing method of wafer-level packaging structure of through-hole vibrator device</li> <li>7 · Wafer-level packaging structure and manufacturing method of through-hole vibrator device</li> <li>8 · Improved oscillator wafer-level packaging structure</li> <li>9 · Wafer-level packaging structure of vibrator device with enhanced airtightness</li> <li>10 · Partition parallel light sensing chip packaging structure</li> <li>11 · Miniature aerosol sensing device with self-cleaning function</li> <li>12 · Quartz oscillator board</li> <li>13 · OVEN CONTROLLED CRYSTAL OSCILLATOR CONSISTING OF HEATER-EMBEDDED CERAMIC PACKAGE</li> <li>14 · TEMPERATURE-CONTROLLED AND TEMPERATURE-COMPENSATED OSCILLATING DEVICE AND METHOD THEREOF</li> <li>15 · Miniature aerosol sensing element (thermophoresis type)</li> <li>16 · Infrared sensor</li> <li>17 · Wafer-level packaging structure of oscillator crystal</li> <li>18 · Shock-absorbing crystal oscillator packaging structure</li> <li>19 · Crystal oscillator package structure</li> <li>20 · Oscillating device and method for temperature control and temperature compensation</li> <li>21 · OSCILLATING DEVICE</li> <li>22 · Oven-controlled crystal oscillator (OCXO) composed of built-in heating ceramic package</li> <li>23 · Resonator package structure</li> <li>24 · TEMPERATURE-CONTROLLED OSCILLATING DEVICE</li> </ul>

	<p>25 · CRYSTAL OSCILLATOR AND METHOD FOR FABRICATING THE SAME</p> <p>26 · Infrared heat sensor structure</p> <p>27 · Array type infrared heat sensor structure</p> <p>28 · WLP&amp;FCB structure package For the patents or possible patents of TXC, please refer to relative patent database</p> <p>29 · <a href="http://www.tipo.gov.tw/ch/">http://www.tipo.gov.tw/ch/</a></p> <p><b>【Papers】</b></p> <p>1 · The World's Smallest Quartz-Based OCXO for 5G Synchronization Applications (English), 2021</p> <p>2 · A Novel Miniature OCXO Using Hermetically Sealed Ceramic Package (English), 2020</p> <p>3 · Highly Stable Miniaturized OCXO with Heater Embedded Ceramic Package (English), 2018</p> <p>4 · Development of High-Stability Miniaturized Oven Controlled Crystal Oscillator (English), 2016</p> <p>5 · Anchor loss reduction of quartz resonators utilizing phononic crystals. (English), 2015</p> <p>6 · A Perspective for the Quartz Crystal Devices Industry and Technologies in Taiwan and China. (English), 2014</p> <p>7 · A Study for the Relationship between Drive Level and the Activity Energy in Arrhenius Accelerated Aging Model for the Small Quartz Resonators. (English), 2014</p> <p>8 · A Study on Raising the Fundamental TS-mode Resistance by Energy Trapping for 3rd Overtone. (English), 2014</p> <p>9 · Laser Measurement and Identification of Vibration Modes of AT-cut Quartz Crystal Resonators. (English), 2013</p> <p>10 · The Study of Aging Frequency Drift Mechanism for Quartz Crystal Resonators. (English), 2013</p> <p>11 · Advanced TSV-Based Crystal Resonator Devices Using 3-D Integration Scheme With Hermetic Sealing. (English), 2013</p> <p>12 · TSV-based quartz crystal resonator using 3D integration and Si Packaging technologies. (English), 2013</p> <p>13 · A Brief View of the Current State of the Development and Aging Performance of Fixed Frequency Surface Acoustic Wave (SAW) Oscillator (English), 2012</p> <p>14 · Properties of Miniature X- and Z'-Elongated Rectangular AT-CUT Quartz Resonators of Different Sizes (English), 2012</p> <p>15 · Vibration Mode Identification and Coupling Assessment with the Mindlin Plate Equations and Measurements is a Quartz Crystal Plate (English), 2012</p> <p>16 · Aging Performance of Small Size MHz Quartz Crystal Under High Drive (English), 2011</p> <p>17 · Inharmonic Overtones in Partially Plated AT-cut Quartz Crystal Plates (English), 2011</p> <p>18 · The Study of Activation Energy (<math>E_a</math>) by Aging and High Temperature Storage for Quartz Resonators' Life Evaluation (English), 2011</p> <p>19 · An Efficient AT-cut quartz Crystal Resonator Design Tool for Activity Dip in Working Temperature Range (English), 2011</p> <p>20 · Quartz Crystal Industry of China at Crossroads (English), 2011</p> <p>For relative paper, please refer to the website of TXC: <a href="http://txccorp.com/">http://txccorp.com/</a></p>
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#### 4. Long and short term sales and marketing plan

##### (1). Short-term Development Plan

###### i. Marketing Strategy

- A. In response to the application of products in the 5G + Infrastructure market, increase the customer promotion of AOM/XO full-size product layout, and combine the supply and demand of the semiconductor market to adjust and meet customer needs in real time
- B. Focus on and accelerate the promotion and penetration of 5G Infrastructure/Automotive target customers
- C. Strengthen the 1st Design win of 5G+ and Automotive Tier 1 IC Design House
- D. Improve the customer structure of small-sized products and the sales structure of special

customer specifications to diversify customer groups and reduce the risk of customer concentration

- E. On the premise of optimizing the profit structure, consolidate the market share of the existing customer groups including mobile computing, mobile communication, Netcom and consumer electronics, grasp the market supply and demand situation, formulate a reasonable price strategy, and actively guide the development of customer material structure.
- F. Strengthen Tier 1 and brand customer management in the European, American, Japanese, and Korean markets, and increase TXC brand visibility and target market share

ii. SMD Manufacturing Strategy

- A. Strengthen core capabilities and accelerate the improvement of new product mass production efficiency: In response to the miniaturization of 5G high-frequency products and the small and diverse demand characteristics, implement the New Product Introduction (New Product Introduction) process tolerance evaluation and production efficiency while taking into account the use of the EDA platform and collocation. Achieved Process Knowhow combined with Photo AT wafer Wafer In incoming material information to ensure that the mass production quality and yield rate of new products can be met (Time to Volume & Time to Market) to meet the rapidly changing needs of customers and the market, effectively Support the company's revenue and gross profit growth goals.
- B. Build a healthy physique, focus on improving and reducing manufacturing costs: strengthen the manufacturing system and cross-departmental collaboration contracts, effectively and balance the centralized use of team resources, remove or reduce sluggish, wasteful, and ineffective costs, and strengthen labor-saving, time-saving, and reduction Cost, cost reduction and actively improve the cost of poor quality (COPQ), continue to improve production efficiency, maintain high gross profit and high-quality competitive advantages.
- C. Construction of wafer assembly factory reform: build wafer Photo AT Wafer assembly capacity through independent equipment development capabilities, break away from the current assembly framework and continue to strengthen the evaluation and operation mechanism to promote single-point optimization of equipment to comprehensive thinking, reducing constraints on overseas supply The dependence on suppliers, and the introduction of SECS/GEM communication standards, enable the machines in the factory to be connected in series with intelligent manufacturing, and establish the company's long-term competitive advantage.
- D. Improve digital system platform tools: Accelerate the upgrade of modularized intelligent production information system and integrate relevant data analysis platform (Engineer Data Analysis System), reduce abnormal operations and detect variations in advance while improving operational efficiency, and strengthen the accuracy of field-related data collection , completeness and immediacy, in order to improve the speed of problem solving and the quality of operational decision-making analysis, and construct a systematic operation thinking to move towards the direction of sustainable management.

iii. MEMS Strategy

- A. Development of advanced wafer and intelligent manufacturing process technologies: accelerate the development of wafer process related technologies such as quartz etching

and yellow light development, and devote ourselves to the development of 4-inch wafers, focusing on wafer TTV and surface cleanliness, for the future Product specifications meet the needs of a large number of products such as 5G, Internet of Things, and automotive electronics towards miniaturization, high frequency, high stability, and harsh application environment conditions.

- B. Improve chip design and development capabilities: Cooperate with the development of advanced wafer process technology to upgrade chip design and development capabilities to a higher technical level, such as SC-cut, Inverted-MESA, and Photo-AT. At the same time, combining the two core advanced technologies of wafer manufacturing process and chip design, the existing manufacturing process and stable mass production capacity will be innovated to meet the special needs of the market, and the expansion of 5G and IoT product application layout will be accelerated.
- C. Cooperate with crystal design and advanced packaging and testing technology capabilities to meet the product market demand for miniaturization, high drive, high frequency, high stability, and harsh application environment conditions.
- D. Combine internal and external resources, adjust the proportion of high and low value operations, and concentrate resources to develop core technologies and products.
- E. Improve digital system platform tools: accelerate the upgrading of intelligent production information systems and integrate relevant data platforms, reduce abnormal operations, improve operational efficiency, and strengthen the correctness, completeness and immediacy of on-site relevant data collection to improve the speed and speed of problem solving Quality of Operational Decision Analysis

#### iv. Quality Assurance Strategy

- A. Oriented to meet customer expectations and long-term trust, reduce operational risk as the main axis of thinking, promote risk management (Risk Management) and product quality zero failure (Zero Defect) as the goal, and continue to promote the quality awareness of all employees in the group to optimize various operations.
- B. Continuously optimize the quality, delivery and cost management of the New Product Introduction (NPI, New Product Introduction) process, reduce the risk of design changes and accelerate product introduction into market niches.
- C. Expansion of analytical laboratory energy, acceleration of product testing, automation of verification equipment, and gradual establishment of intelligent data analysis capabilities.
- D. Promote the digitalization of quality management and data docking of material suppliers to reduce product quality risks and failure costs.
- E. Promote the quality activities involving the participation of all staff in the policy of "three presents and four nos" (on-site, present, real/non-acceptance of defective products, no manufacturing of defective products, no outflow of defective products, and non-recurrence of defective situations), instilling Do the things right at first time concept, implement continuous improvement of production site management, and reduce internal and external quality failure costs.

#### v. Product R&D Strategy

- A. R&D of crystal oscillators: According to the market layout, the research and development of next-generation XO, VCXO, TCXO and OCXO products will be carried out. The development will focus on miniaturization, thinning, shock resistance, low phase noise, high precision, high frequency and wide temperature, etc. Specification requirements to

correspond to next-generation communication applications. In terms of technology, customized integrated circuits, packaging technology, temperature compensation algorithm capabilities, and photolithographic quartz wafer applications will be strengthened to support new product development needs.

- B. Forward-looking product research and development: use advanced semiconductor packaging technology and automated manufacturing execution system to develop the next generation of miniaturized all-quartz frequency control component manufacturing platform, this platform has the advantages of low cost and high production capacity, with the company's customized research and development management System, quickly and accurately meet the needs of customers for next-generation products.

vi. Supply chain strategy

- A. The group's production capacity construction and operation planning: continue to pay attention to the market demand situation, and start the construction of the mass production capacity of each plant area, that is, the plan that the same product can be produced in multiple plant areas. It can have the greatest flexibility in the production scheduling of the production line, and flexibly schedule the group's production capacity to maximize the supply. In response to the high-speed transmission needs of the network, product applications are moving towards high-frequency and rigorous specifications. New technologies are also continuously developing. For new product applications, the mass production preparations are also in progress, and can meet the market demand as scheduled and with high quality.

- B. Production, sales and inventory management: In 2023, the market demand will continue to focus on the terminal product application of 5G infrastructure and related connection devices. At the same time, another growth driver is related applications in the automotive market, especially the continuous increase in functional applications and demand in the electric vehicle market. The supply and production capacity of the relevant demand has been properly prepared, and the client's inventory is expected to be significantly reduced in H1 in 2023, and orders will be injected to meet the recovery of client demand starting from H2.

In addition, the 5G communication market, network server, WiFi, NB, AR/VR... and other related product application requirements. In the first half of the year, the client inventory is still at a high level, and it is estimated that the time to destock the client inventory will be extended to Q2 of 2023. Although the demand in the second half of the year is expected to rise, there is still room for production capacity preparations. , Production and inventory preparations will tend to be conservative to avoid inventory price losses.

- C. Material supply guarantee plan: In 2021, the supply chain will be affected by the Russia-Ukraine war, the Sino-US trade war, China's new crown epidemic policy and global inflation, resulting in rising raw materials, IC shortages, client-side long-short material problems, Delays in the production plan of customers, etc. Complicated factors have made the operation of the overall supply chain more severe. In the past two years, the management of material supply security has focused on the issue of "avoiding supply chain interruption", and moderately increased the preparation of key materials. Inventory levels, advance material preparation, and increasing supply sources, etc., the issue that should be paid more attention to in 2023 is whether the supply chain has an early warning mechanism once demand recovers, and countermeasures are taken in advance to ensure



that demand is met as soon as possible. Therefore, in combination with the management mechanism of digital transformation, and the end-to-end information connection with suppliers, the transparency of the supply chain can be improved to cope with the trend of "short chain" after the supply chain is restored, that is, to create a safe and resilient supply chain. in pursuit of goals.

- D. Supply chain smart transformation promotion plan: In 2022, we will start to promote the operation of the automated system platform for delivery verification and review, and carry out the pre-evaluation work for the introduction of the APS system. The purpose of the introduction is:
- a. Strengthen demand management and improve production and sales coordination efficiency.
  - b. Integrate manufacturing resources and information management with MES system to improve production and management efficiency.
  - c. Accelerate the feedback and processing efficiency of production abnormalities through on-site kanban management.
  - d. Establish a complete material planning and management mechanism to shorten the delivery time and improve the order delivery rate

In 2023, the APS system supplier selection and implementation plan will continue, and it is expected that the overall operation efficiency will be improved by 15% through the introduction of the system

- E. Risks and challenges in the supply chain: Due to the increasing threat of geopolitical and military conflicts, the supply and demand environment in 2023 is still expected to be extremely unstable, and the operation of the supply chain still faces huge challenges. High, in response to this situation, it is very important to improve the resilience of the supply chain as a whole. The following key implementation points are summarized:
- a. The end-to-end system connection of suppliers improves the transparency of the supply chain and moves towards short-chain operation
  - b. Simultaneous construction planning of production capacity in each production area, layout of production in two or more places to reduce risks
  - c. In response to geopolitical risks, the evaluation and construction of third-place production and logistics distribution centers
  - d. In the oversupply market, continue to introduce the management of secondary supply, cost reduction and fee reduction to obtain the best cost and improve product competitiveness
  - e. Pay attention to the forward-looking signals of market demand recovery and give early warning and response
  - f. The ESG policy is promoted simultaneously with the management unit and suppliers.

## (2). Long-term Development Plan

- i. We are committed to developing high-precision frequency control components for high-level products applied to infrastructure including: fiber channel, Gigabit Ethernet, SDH-SONET (synchronous optical fiber transmission), small cell (small base station), and office communication.
- ii. Continue to develop miniaturized products to meet the trend of IoT modular applications, mobile communications, and consumer electronics.

- iii. Actively expand the automotive electronics customer base and deepen customer relationship, and continue to develop frequency control components used in automotive electronics, with the primary goal of meeting stringent quality and stability requirements.
- iv. The marketing bases continue to cultivate deeply and extensively, and strengthen the channel layout of sales markets in Southeast Asia, India, Vietnam, Israel, etc., so as to provide localized customer services that meet the customer groups in various regional markets; based on the Greater China market At the same time, continue to explore the needs of emerging markets in order to expand market share
- v. Continue to introduce process automation and customer order requirements B2B (system docking) according to the goals of each stage, streamline processes and manpower, and ultimately improve the response speed of demand scheduling.
- vi. The two-pronged approach of the project-based leadership organization and the lean team will comprehensively improve operational efficiency and combat capabilities, and assist business personnel in formulating and judging sales strategies through the practice of intelligence, mobility, and big data analysis in the information system (BI)

## II. Marketing & Sales Situation

### (I) Market Analysis

#### (1) Market for our major products

The product trend is toward to small and light. The products that use the SMD crystal will have a higher percentage than others. In the future, Asia still is the major OEM center, and the products from Asia are still very high. TXC would still need to work hard on the market expansion in America, Europe and Japan.

Regional sales distribution of our major products in the past two years :

Unit: NTS 1,000

Rigion \Year	2021		2022	
	Amount	%	Amount	%
America	321,142	2.11	462,159	3.51
Europe	215,536	1.41	249,953	1.90
Asia	13,941,998	91.45	11,802,007	89.61
Taiwan	743,598	4.88	632,320	4.80
Others	22,577	0.15	23,249	0.18
Total	15,244,851	100.00	13,169,688	100.00

#### (2) Market growth momentum

The general economic situation in 2023 is unpredictable, and the overall market situation is conservatively viewed. After the epidemic continues, various regions around the world will resume daily life after the unblocking. It was originally expected to continue to drive the overall economic recovery and high demand growth in 2022. Due to geopolitical wrestling and trade frictions, they have not decreased but increased and The outbreak of the Russia-Uzbekistan war conflicts has affected inflation and intensified the energy crisis. Under the multiple pressures of these complex situations, it has also caused hidden economic worries, a rapid rise in interest rate policies, and a decline in consumer disposable income. Factors such as market consumer demand tend to be conservative. In addition, due to strong demand and short supply of production capacity in the first half of 2020~2022, various manufacturers are actively expanding production. Under the current market demand slowdown, they are also facing production capacity construction and inventory reduction adjustments. Therefore, according to the 2022 opinion of market research agency QY Research, Looking at the economy and the assessment of the demand situation of various industries, we will take a conservative look at the overall market sales of frequency components in the world in 2023.

## Global Timing Market



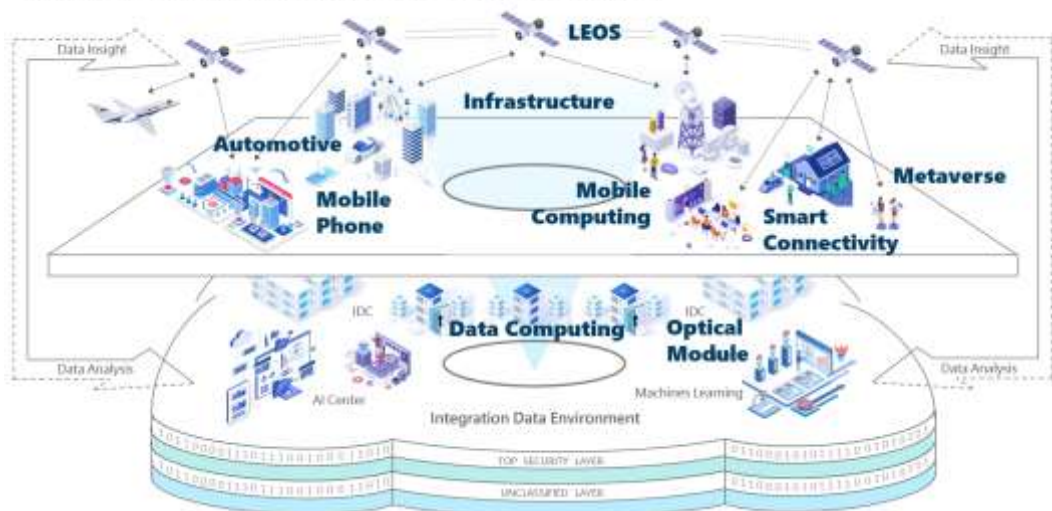
Source : QY Research and TXC Estimation, Aug., 2022

### (3) Key application deployment

Special attention should be paid to the key application opportunities, which are the ever-advancing communication technology and the data processing development deeply embedded in AI. This is all for people to thoroughly use external people, things, things communication, various platforms and innovative applications. , and then play a more comprehensive and infinitely possible industrial application development.

From the perspective of the technology field, any communication depends on information transmission and data processing. Therefore, with the definition of the 5G full architecture and automotive electronics, we can more comprehensively present the overall electronic technology and communication ecosystem to expand business opportunities for these key industries. Development and layout.

## Data Communication and Visualization



Simultaneously look forward to the development of the semiconductor industry in the next few years, and classify it according to the output value and compound annual growth rate of different semiconductor categories, whether it is Mobile Phone, AI, HPC, Infrastructure and other related fields that require advanced manufacturing processes, or automotive

electronics with mature manufacturing processes MCU and ubiquitous Connectivity devices, these key application development trends that are closely related to Timing Products have resulted in the continuous expansion and increase of the ecosystem and the demand for demand, so we can continue to have capital and be more optimistic about the growth of the overall industry in the next few years.



(4) Product development

In response to market growth and the technical development and specification requirements of key applications in various fields, the company has comprehensively strategically planned the development of applicable and matching products according to the requirements of key technologies and parameters, so as to grasp the expected growth momentum of the target in the future.



Corresponding to the development of the 5G terminal network ecosystem in recent years, it will comprehensively drive a new wave of growth momentum for various application terminal devices. Simultaneously with the semiconductor packaging SIP technology to achieve the evolution of small modularization, it will more vigorously promote the device demand for enterprise and terminal consumer behavior network planning. The related applications required for the above-mentioned device interconnection will continue to have strong demand for timing products and various sensing components, and the trend of specification requirements is expected to continue to move towards high frequency, miniaturization, ultra-low jitter and ultra-low phase noise, etc. direction development

## Intelligence of Things Ecosystem Solutions



Based on 3GPP's goal setting for 5G external transmission rate and human needs combined with the development of science and technology, the transmission rate of 5G infrastructure equipment, computers and terminal devices has been continuously improved. The rate of several years has doubled directly, coupled with the integrated design, the trend of ultra-high frequency, ultra-high stability, ultra-low jitter, ultra-low phase noise, and miniaturization of Timing's high-end products continues to move forward.

## Network Infrastructure Solutions



According to estimates, the output value of automobiles will reach 6 trillion US dollars in 2035, of which the output value of automotive electronics will be 4 trillion US dollars. This strong value-added development means that traditional car manufacturers have increased the proportion of digital electronics for each major application design year by year (CAGR 19% During 2021~2035) and emerging electric vehicle manufacturers in line with the policies of various governments are also in full swing to accelerate their development (CAGR 30% during 2021~2030). At the same time, complying with the 5G low-latency requirements will also promote the demand for in-vehicle communication devices, including in-vehicle 5G NR and V2X. It is estimated that by 2030, 50% of new cars will be equipped with functions such as in-vehicle communication. In addition, for the development towards fully automatic driving Level 4/5, it is also necessary to plan to carry more than 40 Sensors to improve the overall ADAS system to assist driving safety.



## The Comprehensive Automotive Ecosystem



Whether traditional automotive electronics or the field of electric vehicles that boldly use innovative technology is developing towards full digital electronics and then fully evolving into smart cockpits and fully autonomous vehicles. Planning and development, this will increase the level of Crystal, TSX, and CMOS that must comply with vehicle regulations. XO and TCXO have strict specifications and reliability requirements and continue to vigorously promote more opportunities in the automotive field.

## Automotive Main Applications Deployment



5. Niches competition, the advantages/disadvantages of the future development, and the response strategies.

<b>Strengths</b>	<b>Weaknesses</b>
<ol style="list-style-type: none"> <li>1. We will further develop the market and provide local services for the design and manufacturing of customers.</li> <li>2. Professional manufacturing team, stable quality and mass production cost advantage.</li> <li>3. High precision and miniaturized products continue to be developed and introduced into mass production, constantly narrowing the technical distance with Japanese manufacturers.</li> <li>4. Professional marketing and application engineering team to meet the needs of customers, and provide technical support for the design and mass production process of various products.</li> </ol>	<ol style="list-style-type: none"> <li>1. 5G+ ultra-small, ultra-high frequency product application requirements double test product design and process stability</li> <li>2. We need to continue to strengthen the capacity of mass production of ultra miniaturized products.</li> <li>3. The equipment and key raw materials have a long lead time in delivery, so it is difficult to meet the sudden demand of the market.</li> <li>4. Mid- and low-end Oscillators still need to optimize their price competitiveness, and high-end Oscillators need to speed up their visibility on target clients</li> </ol>
<b>Opportunities</b>	<b>Threatness</b>
<ol style="list-style-type: none"> <li>1. Deeply cultivate technology leaders in various industries in China, and the brand customer management strategy drives TXC's stable production capacity. TXC increases opportunities for importing materials based on the advantages of deeply cultivating China.</li> <li>2. The application of 5G+ drives the application of miniaturization, high frequency, and wide temperature range, coupled with the increase in the use of Oscillator, both of which increase the average price of products and profits.</li> <li>3. High-end, high-precision, high-stability products and market deployment have become more complete, and seeking niche markets and products continues to become a stable source of profit for the company.</li> </ol>	<ol style="list-style-type: none"> <li>1. J Japanese manufacturers have a relative brand advantage, and they control raw material production and technical capabilities, and have a comparative advantage in cost structure.</li> <li>2. Alternative competitive products threaten some low-level applications and put pressure on the quotation of current products.</li> <li>3. Sino-US trade, geopolitics and China's epidemic prevention and control measures will affect the production layout of customers, increase logistics costs and test logistics logistics capabilities.</li> <li>4. The demand for ultra-miniature products is excessively concentrated on a single customer, and there is a risk of demand fluctuation</li> </ol>



<b>Respond Strategies</b>	
1. Focus on 5G+ and Automotive, and actively develop Tier 1 and IDH (IC Design House) customers in Europe, the United States, Japan, and Korea.	
2. Strengthen the development of new products, new markets, and new customers, and adjust strategies and resources in real time.	
3. Introduce semiconductor manufacturing process to build precise and precise production and technical capabilities.	
4. Supplemented by the intelligent system to accelerate the introduction, the energy of TXC transformation is deeply planted, the process is streamlined, and the production efficiency and employment benefits are improved.	
5. Deepen the mass production technology of each factory, build each factory to fully have 5G+ and Automotive production capabilities, and give full play to the flexibility of real-time scheduling.	
6. Continue to introduce relevant domestic and foreign professional communication and automotive industry components R&D talents, strengthen product R&D capabilities, and focus on Time to Market strategic planning.	

## II Major products' important applications and their manufacturing process

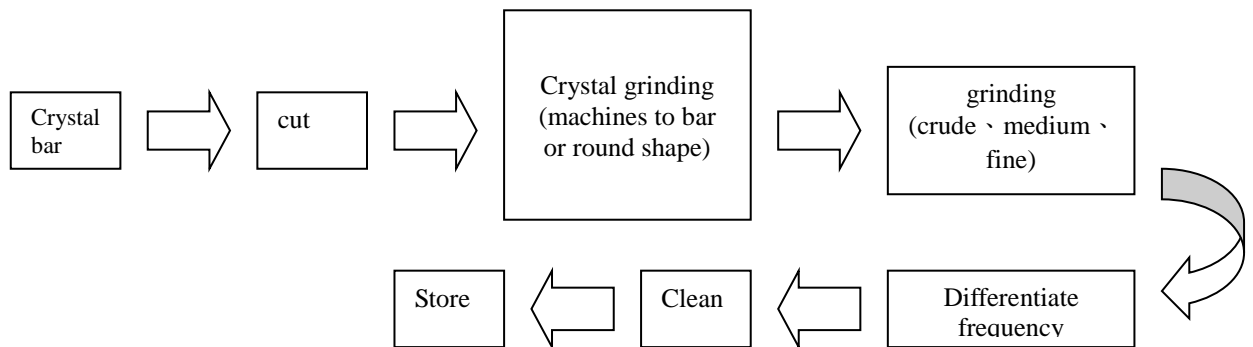
### (1) Major products' important applications

Product		Major Application
Crystals		Wired/Wireless, Module, Smart phone/Future phone, Bluetooth, Telephone terminal, Automotive, STB, NB/DT, Wearable, AR/VR, Game Console, Storage, Medical equipment
Crystal Oscillators	CXO、SO	Base station, Wired/Wireless, Fiber optics communication, Mining machine, Telphony terminal equipments, NB/DT, Server, storage device, Game Console, Automotive
	VC-TCXO、TCXO	Smart phone/Future phone, Base Station, Satellite Communication, Wired/Wireless, Bluetooth, GPS/GNSS, Fiber optics communication, Automotive
	VCXO、VCSO	Base Station, Satellite Communication, Wired/Wireless, Fiber Optics Communication, Phony terminal equipment、Counter/Synthesizer
	OCXO	Base Station, Satellite Communication, GPS/GNSS, Wired/Wireless, Fiber Optics Communication
Tuning Fork		Smart phone/Future phone, Smart Home, Wireless Networking, NB/DT, Automotive, Wearable

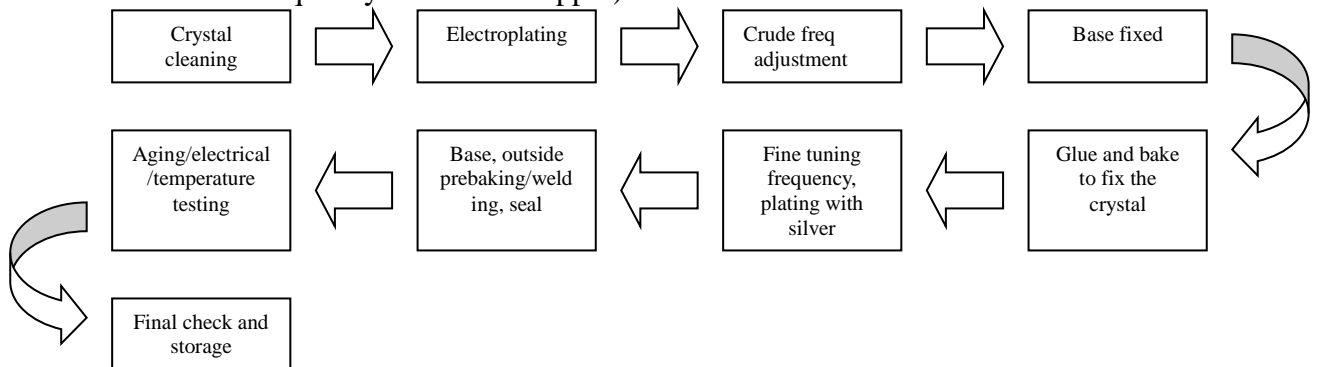
(2) Manufacturing Process

Steps for crystal components manufacturing are: first we need to manufacture the quartz crystal needed for the electrical material. It involves the cutting, polish, cleaning of the wafer form. Then with the mechanical arms to place the wafer on the base and fixed with the silver based glue. Then package it under vacuum. For oscillators it is necessary to add one more unit of oscillating circuit IC with golden line conduction via amplified output of crystal chip oscillation. It requires more IC placement and wire bonding process compared to the quartz crystal.

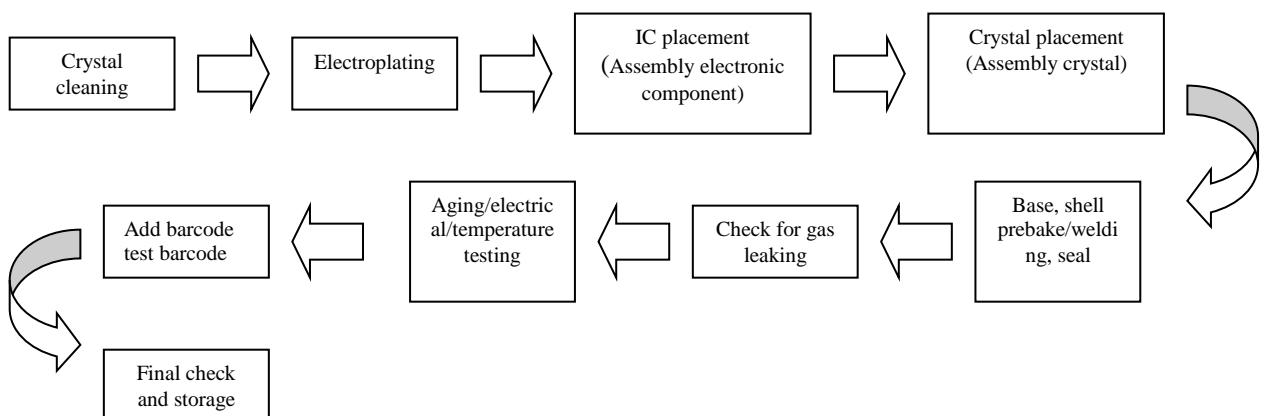
i. Pre-manufacturing process – quartz crystal.



ii. Post-manufacturing process – quartz crystal (use silver, gold, nickel for electroplating, and the process would reduce crystal frequency. Fine tuning the electroplating that would reduce frequency error to 3~10ppm)



iii. Post manufacturing process – crystal oscillator (use silver, gold, nickel for electroplating, and the process would reduce crystal frequency.)



### **III. State of the major materials suppliers**

The major materials for crystal and crystal oscillators include the base, wire bond, IC package, crystal slice and crystal bars. Major materials in light sensors are ceramic substrate, IC, VCSEL and packaging tape.

- (1) All the materials come from the at least two suppliers, and this would minimize the risk of all materials coming from a single supplier. Our company's procurement depends on the buying terms, state of supply, and specifications; before the materials to be ordered. And, it also depends on some special conditions that we would adjust the ratio of buying materials and this approach would help us not too concentrated the ordering from a single supplier, or running the risks of the orders being interrupted.
- (2) All the suppliers have long term relationship with us. And, our friendship is good. With our company is growing strongly, these suppliers would also take highest priority to satisfy our company needs. Annually, we also meet with our suppliers on regular or irregular base to review our purchasing terms and any room for the improvement. This also helps a stable and continuous relationship in the materials supply.
- (3) In considering the steady material supply, our company will provide the Rolling Forecast to the suppliers and the production preparations. This can shorten the delivery time and an assurance of on time delivery. If there is any unusual situation, these suppliers will accommodate our needs to assure a stable supply.

#### IV. The suppliers and customers over than 10% of the past two years

##### (I) Main Suppliers

Unit : NT\$1,000

2021				2022			
Company	Amount	Percentage of annual procurement (%)	Relationship with TXC	Company	Amount	Percentage of annual procurement (%)	Relationship with TXC
K Company	905,369	13.82%	None	K Company	897,194	16.60%	None
Others	5,645,649	86.18%	None	Others	4,507,571	83.40%	None
Total	6,551,018	100.00%		Total	5,404,765	100.00%	

##### (II) Main Clients

Unit : NT\$1,000

2021				2022			
Company	Amount	Percentage of annual sales (%)	Relationship with TXC	Company	Amount	Percentage of annual sales (%)	Relationship with TXC
F Group	2,325,125	15.26%	None	F Group	2,502,897	19.00%	None
Others	12,919,726	84.74%	None	Others	10,666,791	81.00%	None
Total	15,244,851	100.00%		Total	13,169,688	100.00%	

##### (III) Reasons for the increase or decrease

###### A. Purchase

The company's main products are quartz series products (quartz crystals, quartz crystal oscillators). Its main procurement items in the last two years include IC, bases, wafers, covers, precious metals and other raw materials. Imported from abroad, due to the improvement of self-manufacturing ability and manufacturing process, in recent years, the chips have been gradually transferred to self-manufactured or supplied by mainland factories; in addition, due to the continuous growth of market demand, most of the products sold are self-made from various production bases, and the insufficient quantity is supplied to foreign products. The company has been in contact with various suppliers for many years, and the relationship is good. The relevant guarantee clauses have been specified in the purchase contract for important raw materials, and the materials should be supplied by more than two suppliers as far as possible. There should be no supply interruption or excessive supply. Concentration risk, there is no significant change in substance.

###### B. Sales

The company's main products are quartz series products (quartz crystals, quartz crystal oscillators) and sensors, and its sales targets are mainly downstream application manufacturers such as information, communications, Netcom, and consumer products. Due to changes in the industrial environment, 5G drives the increase in demand for terminal application products. With the addition of new products and capacity expansion, sales and revenue increase. The company's main customers are all major

international manufacturers. In the future, it looks forward to automotive, Internet of Things, and communications. And 5G related application products continue to grow, so there is no excessive concentration of sales and risks.

#### V. Production and monetary values for the past two years

Unit: 1000 PCS/NT\$1000

Year Major products\	2021			2022		
	Capacity	Production	Value	Capacity	Production	Value
Crystal Product	4,860,000	6,692,344	12,634,346	3,940,000	4,783,831	11,329,839
Others	-	-	-	-	-	-
Total	4,860,000	6,692,344	12,634,346	3,940,000	4,783,831	11,329,839

#### VI. Volumes of sales and monetary values of the past two years

Unit: 1000 PCS/NT\$1000

Year Major products\	2021				2022			
	Domestic sales		Export		Domestic sales		Export	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Crystal Product	245,590	708,530	6,830,529	13,552,623	182,227	674,517	4,950,253	12,429,484
Others (Property sales)	-	-	-	983,698	-	-	-	65,687
Total	245,590	708,530	6,830,529	14,536,321	182,227	674,517	4,950,253	12,495,171

### III Employees' average years in service, age, and educational background distribution

Year		2021	2022
Total Number Employees	Engineer	651	801
	Administrative	655	640
	Sale	131	127
	Technicians/Operators	2,137	1,780
	Total	3,574	3,348
Average Age		33.79	34.96
Average Years in Service		6.21	7.28
Distribution of Educational Background	Ph.D.	0.44%	0.54%
	M.S.	5.91%	6.06%
	B.S.	43.60%	45.91%
	High School	29.25%	27.84%
	Below High School	20.80%	19.65%

## **IV Data on our environmental protection expense**

### **(I) Description of environmental punishment**

Pingzhen plant, Ningbo plant and Chongqing plant of the company have no relevant environmental penalty issues.

### **(II) Description of the application, payment or establishment of a pollution facility establishment permit or pollution discharge permit or a pollution prevention and control fee or a person of a special unit for environmental protection that is required by law**

- (1) Pingzhen factory is responsible for the production of chips and quartz components. According to the regulations, it has applied to the local competent authority for relevant license documents for waste, waste water and fixed pollution sources generated in the production process, and set up relevant environmental protection personnel to operate and maintain according to the requirements of the license documents, so as to maintain the effective operation of relevant treatment facilities. We continue to active follow-up Promote energy-saving work, conduct investigations and identification of energy use efficiency of large energy consumers such as lighting, ice water mainframes, motors, air compressors, and water pumps, so as to implement energy-saving improvement measures, and hope that we can continue to do another distraction to reduce environmental impact. The total amount of expenditure in 2022 was about NT\$ 17 million. The main purpose was the improvement of energy-saving measures, air pollution fees, environmental clean-up, work environment testing, operation and maintenance of pollution prevention equipment, and protective gear.
- (2) Ningbo plant continues to maintain the largest production capacity of quartz components in the world. In the process of production and operation, it pays special attention to environmental governance and social contribution, so as to actively respond to the requirements of the newly implemented "environmental protection law", strictly abide by the bottom line and meet and exceed the requirements of local environmental protection law enforcement. In 2022, a total of about RMB 872,600 was invested in environmental protection treatment, which was mainly used for the maintenance of pollution prevention and control equipment. The daily awareness of environmental protection of the enterprise has been greatly improved. In order to implement the corporate responsibility for the prevention and control of solid waste pollution, the soil and groundwater sampling points around the area where pollutants in the plant are at high risk are sampled. Soil Pollution Risk Management and Control Standards (GB36600-2018) and 5 items of groundwater tested meet the Class IV standard in Groundwater Quality Standards (GB/T14848), confirming that the company's environmental protection measures are effective and that the soil and groundwater have not been polluted. At the 4 sampling points of exhaust gas around the factory area, 100% of the 4 key pollutant indicators tested meet the national air quality standards, and the excellent rate reaches 80%, showing that the air pollution control measures are effective.

- (3) Chongqing plant has smooth operation of environmental protection facilities, stable product quality, and good operation status of all equipment. In order to meet the "environmental protection law" and local environmental protection requirements, and ensure the hardware requirements of operation, maintenance and management of environmental protection facilities, a total of RMB 622,000 was spent on environmental governance in 2022, to complete the optimization and maintenance of the prevention and treatment equipment of environmental protection facilities, including the operation and maintenance of various waste water and waste gas treatment facilities, the inspection and replacement of various environmental monitoring instruments and various inspections, the waste and exhaust Raschig ring and the internal and external cleaning of the washing tower, environmental inspection, and waste water station treatment. Capacity improvement, low-nitrogen boiler transformation, etc.; in order to comply with national environmental protection policies and regulations, and to meet changes in local standards, RMB 384,000 was invested to transform the original gas boiler with nitrogen oxides  $\leq 30\text{mg/m}^3$ , and successfully passed the Environmental Protection Bureau of the High-tech Zone Organize experts for on-site inspection; actively apply for cleaning audit, and with the participation and coordination of all the company, successfully pass the inspection and approval of the High-tech Zone Ecological Environment Bureau; actively apply for a green factory in Chongqing, successfully pass the inspection and acceptance of experts, and obtain the municipal green factory The factory is certified and approved; the hazardous waste is disposed of legally, and the disposal cost is about RMB 250,000; relying on self-monitoring and third-party regular testing data, the operation optimization, maintenance and adjustment of each treatment facility are carried out to achieve 100% discharge standards. In November 2022, it successfully passed the local third-party environmental monitoring, and registered and reviewed the national pollution discharge permit in accordance with the law, and successfully passed and obtained a receipt. Actively develop feasible projects for energy saving and carbon reduction, hoping to reduce the impact on the environment.

### **(III) The implementation of safety and health**

"Zero-job safety" is the company's long-term pursuit of the goal. The care of employees is also the responsibility of the company. In addition to complying with relevant domestic laws and regulations, an ISO45001 occupational health and safety management system has been established in all factories and has passed certification. The specific measures are as follows:

#### **(1) Strengthen personnel safety awareness**

Continue to promote safety culture and use visual management to set up safety culture corridors and slogans in the factory area, and report cases of occupational accidents inside the factory, cases of major occupational accidents outside the factory and relevant laws and regulations through digital and physical bulletin boards In this way, the information of occupational safety and health is continuously passed on to the employees. For occupational safety and health-related training, new recruits and personnel at all levels are also educated and trained in accordance with relevant laws and regulations, in order to improve employees' hazard awareness, abide by and implement standard operating procedures, and enhance personnel safety awareness.

#### **(2) Construct a safe working environment**

Before purchasing facilities, machines, and equipment, review safety-related designs in accordance with relevant laws and management regulations, and take possible hazards and human factors into consideration. After entering the factory, facilities, machines, and equipment must comply with safety regulations. It can be operated and used to ensure the safety of employees; for the job site, after hazard identification and risk assessment are carried out, the best feasible methods and technologies are used to carry out hazard prevention and risk control. And continue to simplify the operation process and screen high-hazard and high-risk hazard factors through electronic and hierarchical management methods, and implement source management to make the chemical and contractor management procedures more perfect.

(3) Implement emergency response system

In order to prevent disasters from having a major impact on operations, in addition to continuous script drills and personnel training, as well as the purchase of appropriate emergency supplies, we also regularly review the safety monitoring and abnormal alarm systems of the factory area, so as to establish the accident prevention ability and response of the factory personnel ability, to continuously strengthen the operation of the emergency organization in the factory area, so as to minimize disaster losses and casualties.

(4) Improve medical and preventive health care

Through professional nursing staff planning and handling employee health checks, flu vaccinations, physical fitness activities, muscle-building and fat-reducing activities, and providing lectures on promoting physical and mental health, we will continue to create a healthy workplace; for shifts, night work, For high-risk employees who may cause diseases due to abnormal workload such as long hours of work, on-site service doctors and health care personnel provide interview guidance and health management measures to prevent employees from suffering from cerebrovascular diseases due to overwork, and to achieve early detection, The purpose of early treatment is to ensure the physical and mental health of the relevant employees.

For the current threatening COVID-19, the "Severe Specific Infectious Pneumonia (COVID-19) Response Manual" was established by the epidemic prevention and response members as a response strategy for the epidemic prevention and response in the factory area; for the health and safety status of the personnel in the factory area, in addition to the regular inspection by the occupational safety department In addition to monitoring, evaluating and providing consultation, we also continue to encourage colleagues to get vaccinated to improve their own protection, and conduct rapid screening for high-risk groups in a timely manner to ensure the health and safety of all personnel in the factory.

(5) Continuous monitoring, auditing and improvement

In addition to regular measurement of the working environment in accordance with relevant laws and regulations, the safe operation of the factory area also conducts daily inspections, high-risk operation inspections, and supervisor inspections; for accidents that occur in the factory area, investigations, improvements, and reporting to the competent authority are also completed in accordance with relevant regulations. Issues and proposals related to occupational safety are reviewed and discussed through the Occupational Safety and Health Committee. In addition, it accepts relevant audits from domestic and foreign third-party



verification units or customers from time to time, so as to continuously improve and enhance the operation of occupational safety and health in the factory area.

**(IV) Description of hazardous substance management system**

The products of Taiwan Jingji are moving towards green products. Regarding raw materials, materials, processes, equipment and other business activities, the use of controlled substances is strictly prohibited, so that product design, manufacturing and shipment can meet the requirements of non-use, non-mixing, and non-pollution. Then reduce the impact of products and services on the environment and human body as the goal, and actively take relevant countermeasures as follows:

1. In addition to following domestic laws and regulations, the company also complies with international norms, such as: EU RoHS 2.0 [Directive on the Restriction of Hazardous Substances in Electrical and Electronic Equipment (EU) 2015/863], EU WEEE [Waste Electrical and Electronic Equipment Directive (2012/19/2012) EU], EU REACH [Chemical Registration, Evaluation, Authorization, Restriction Directive (EC) No. 1907/2006], etc., as well as the green product requirements of key customers, the most stringent requirements are formulated into the "Environmental Management Substance Management Regulations" » Thought to follow, and simultaneously required suppliers, and regularly collected information on hazardous substances from suppliers to confirm compliance with the requirements.
2. In addition to obtaining the certification of IECQ QC 080000 Hazardous Substance Process Management System, green procurement activities are taken as the basis for continuously providing green products to users, so as to meet the requirements of non-use, non-mixing, and non-toxicity from product design to manufacturing and shipment. Pollution conditions, thereby reducing the impact of products and services on the environment; in order to strengthen the management of green products in the supply chain, suppliers are encouraged to introduce the IECQ QC 080000 hazardous substance process management system in addition to the basic ISO 9001 quality system to implement Implementation of environmental management activities.
3. Based on the belief of fully protecting the earth and benefiting the next generation, as well as the corporate responsibility of jointly maintaining the overall ecological environment, the company shoulders the mission of contributing to society and actively promotes environmental management activities in a prudent manner. Taiwan Crystal Technology's non-hazardous substance policy and commitment are as follows:

TXC's No Hazardous Substance Policy and Commitment	
(1)	Be the best green product partner of customers according to the most stringent relevant regulations or customer requirements.
(2)	Confirm organizational operations and provide resources, promote environmental education, and strengthen the environmental awareness and goals of all employees and supply partners.
(3)	Design green products, paying attention to products and production processes without harmful substances.
(4)	Continuously improve through company-related activities to achieve the company's goal of sustainable operation.

4. Continue to maintain the validity of the certificate of IECQ QC 080000 Hazardous Substance Process Management System; continue to pass the international giant Sony (SONY) Green Partner.
5. Based on green procurement: In order to ensure that the quality of products of Taiwan Crystal Technology can meet the goal of green products, through publicity, training and communication, suppliers must not use banned substances in the manufacturing process, and the products produced must not contain banned substances . At the same time, suppliers are encouraged to introduce the IECQ QC 080000 hazardous substance process management system in addition to the basic ISO 9001 quality system to promote the

implementation of green product goals.

TXC has 100% assessed the impact of products on health and safety through the above procedures and requirements, and has reached 100% compliance with customer requirements; at the same time, the performance achieved in 2022 is as follows:

No.	Item	2022	
		Target	Performance
1	Number of returned items due to non-compliance with GP requirements	0	0
2	The number of abnormal cases of hazardous substances in the factory	0	0
3	The number of finished products that do not comply with GP for hazardous substance testing	0	0

**(V) Other supplementary briefing**

In order to strengthen the fulfillment of corporate social responsibility, TXC is regularly audited to ensure that the code of conduct and procedures in labor, health and safety, environment, ethics and management systems are consistent with the "RBA Responsible Business Alliance Code of Conduct". In addition, the 2022 "Greenhouse Gas Inventory Report" was verified by the British Standards Institute (BSI) in accordance with the new ISO 14064-1:2018 Greenhouse Gas Inventory Standard. Corporate social welfare activities in 2022 please refer to the company's website for details.

In the future, we will continue to promote various environmental, safety and health-related activities in the factory to ensure the safety and sanitation of the working environment and maximize the safety of colleagues. The company's detailed information on the promotion and tracking of environmental protection is posted on the company's website.

## V Labor Relations

### (I) Employee welfare measures

#### (1) Employee welfare

Since the establishment of the company, there has been a harmonious relationship between employer and employee. As of the latest year and the date of printing of the annual report, there has been no loss caused by employer/employee disputes. Since the establishment of the company, there has been no major labor and capital disputes. In addition to handling employer/employee meetings, employee opinion surveys, employee symposiums and foreign employee symposiums in accordance with the law, the company has also set up employee opinion boxes and other opinion response channels to protect the rights and interests of employees. We have spared no efforts in preserving employee benefits. The welfare measures of employees are as follows:

Insurance & retirement	Labor, health, group insurance, retirement reserve, housing fund (mainland subsidiary), social insurance (mainland subsidiary)
Profit sharing	Employee compensation, shareholding trust, Spring Festival bonus, autumn festival bonus and performance bonus
Gift money	Three festivals gift money, birthday gift money, marriage gift money, childbirth gift money, hospitalization gift money, funeral gift money
Medical insurance	1. Group insurance: life insurance, major disease insurance, accident injury insurance, accident medical treatment, hospitalization medical treatment, occupational disaster insurance 2. Regular health examination: physical examination, blood routine examination, vision examination, hearing examination, liver function examination, blood lipid examination, urine examination, chest X-ray photography, etc 3. Supervisor health examination 4. Old age commercial insurance, serious illness medical insurance and basic medical insurance (mainland subsidiary)
Activities	Tourism activities at home and abroad, staff sports meeting, yearly events, various ball games, special store discounts, diversified staff association activities, relief massage station service, health promotion seminars/activities ,family days, various theme activities held according to festivals
Emergency relief	Subsidy according to the actual situation of employees
Book reading	Buy all kinds of books, magazines, newspapers, VCD/DVD multimedia for employees to read and enjoy
Other welfare	Improve promotion channels, overseas company development opportunities and overseas company training opportunities, pay performance bonus

	according to operation conditions, commendation of senior excellent employees, annual outstanding project commendation, annual outstanding employee commendation, employee proposal award, employee children scholarship, patent award, project award, further education subsidy, child care allowance
Facilities	Staff canteen, staff dormitory, bike/car parking space, billiard room, basketball court, badminton court, gymnasium, nursing (milk collection) room, infirmary, convenience store, training classroom, library, chess and card room (mainland subsidiary)

(2) Employee education and training

- i. The Company provides employees a multiple learning environment. Colleagues can continually challenge their growth limit through internal / external training, OJT, KM (knowledge management system), reading clubs, online / physical library, and supervisor / peer instruction. At the same time, through the new employees / professional technology / supervisor coaching / general knowledge course / self-development education and training system to bring maximum satisfaction for employees! On the other hand, through planning of job category / job level, work rotation, project allocation and overseas assignments to integrate their lives with their careers and enable them enjoy the happiness of growth in knowledge and skills and develop a bright future.
- ii. The Company has established Education and Training Guidelines and Mandatory Occupational Course Guidelines and our subsidiaries have established Employee Promotion and Reassignment Guidelines to plan related training courses in accordance with occupational and professional requirements in order to improve employee knowledge and skills, overall quality of employees and operation performance. Related education and training performance in 2022 is listed in the table below:

(a) PCF Factory

Item	No. of Class	No. of Sessions	No of Trainees	No. of Hours	Expense(NT\$)
1. Management Training	15	18	810	1,918	572,395
2. Job Training	97	163	5,508	11,541	415,780
3. General Training	6	6	1,151	3,681	-
4. New employees Training	3	18	150	1,269	-
5. Self Inspiration	12	16	619	1,046	-
Total	133	221	8,238	19,455	988,175

(b) NGB Factory

Item	No. of Class	No. of Sessions	No of Trainees	No. of Hours	Expense(RMB)
1. Management Training	15	15	256	2,286	29,520
2. Job Training	236	236	6,618	21,327	142,474
3. General Training	78	78	1,670	4,177	-
4. Manufacturing Training	214	214	7,360	7,360	-
5. System Training	17	17	10,906	3,497	-
Total	560	560	26,810	38,647	171,994

(c) CKG Factory

Item	No. of Class	No. of Sessions	No of Trainees	No. of Hours	Expense(RMB)
1. Management Training	7	12	480	1,200	4,200
2. Job Training	32	49	3,185	7,326	53,900
3. General Training	22	29	5,800	18,560	22,900
4. Project & Other Training	5	6	430	3,440	-
Total	66	96	9,895	30,526	81,000

- iii. The financial people obtained the relevant license specified by the competent authority
  - A. The Company's three finance supervisor qualified for Professional Certification of Finance and Accounting Supervisor of Publicly-listed Companies sponsored by the R.O.C. Accounting Research Development Fund.
  - B. One financial staffs of the Company acquired the Internal Auditor Certificate issued by the Internal Auditing Association.
  - C. One financial staff of the Company acquired the Stock Professional Services certification test issued by the Securities and Futures Bureau, Financial Supervisory Commission.
  - D. One financial staff of the Company acquired the Certified Public Accountant issued by the Ministry of Examination.
  - E. Two financial staff of the Company acquired the Certified Accountant issued by the Ministry of Examination.
  - F. One financial staffs of the Company acquired the Certificate of Securities Salesperson issued by the Ministry of Examination.
  - G. Two financial staffs of the Company acquired the Certificate of PMP (Project Management Professional)
  - H. Two of the Company's financial officer has obtained the "Certificate of Proficiency Test for Associated Persons of Securities Firms" issued by the Securities and Futures Institute
  - I. One of the Company's financial officer has obtained the "Certificate of Proficiency Test for Elementary Loan Officer" issued by the Securities and Futures Institute
  - J. Two financial personnel of the company have obtained the certificate of basic corporate governance aptitude test issued by the Certification Foundation

### (3) Pension System Implementation

TXC's employee retirement measures are fixed according to labor standard laws; in accordance with period legal reminders, reaseave 9% of monthly salary for retirement preparatory funds are paid into the Bank of Taiwan, and an Occupational Retirement Preparatory Fund Supervisory Committee is then responsible for managing and using the retirement fund. Starting July 1<sup>st</sup>, 2005, in accordance with labor retirement fund regulations, reaseave 6% of monthly salary for monthly retirement payments are transferred into special individual retirement accounts established by the department of labor; A separate appointed agent retirement fund was established in January 2007, reaseave 8% of monthly salary for employee pension to ensure that retirement plans are managed professionally.

### (4) Labor and Management Negotiations and Employee Rights

In addition to handling labor-management meetings in accordance with the law, the company also organizes employee satisfaction surveys, employee discussions, and foreign personnel meetings, and sets up multiple channels of communication such as employee suggestion boxes, and is committed to providing a smooth communication channel so that the company's direction and employees' opinions can be fully realized. Communicate and serve as the basis for improving and providing a better working environment and conditions. Based on the protection of employees' work safety and the protection of the work environment and personal safety of employees, in addition to the establishment of the "Occupational Safety and Health Committee", regular committee meetings are held to review the effectiveness of business promotion and occupational safety and health matters, and various management measures are also in place. And ask their colleagues to fully implement. In addition to insuring group insurance every year,

the company regularly holds occupational safety and health lectures, and sends people to participate in relevant occupational safety and health courses, and set up "TXC Emergency Response Plan" and "Environmental Safety Management Manual" to ensure the protection of their colleagues. Please refer to our website for safety and calm response to emergencies. In order to achieve the goal of zero disasters, the company will revise the annual emergency contingency plan and the environmental safety management manual from time to time, and then formulate detailed execution operations according to the content of the plan, and the implementation of the project schedule and content by the public institution, and then through the audit system. Exploring the lack of implementation, setting the emergency contingency plan for the next year, the management manual for environmental safety and health, and reviewing the amendments at any time according to the implementation process and auditing, etc., to reduce the risk of damage to the public institutions, in order to achieve the ultimate goal of zero disaster.

**(II) The losses suffered in the recent years due to labor disputes, and the estimated current and future estimated amounts and corresponding measures:** None.

**(III) Either there is a defined employee behavior or ethical code**

The company has set a second edition of the "TXC Code of Conduct" in both Chinese and English to regulate the behavioral ethics of all subordinates of the company.

**(IV) Fulfillment of social responsibility**

There company's corporate social responsibility has always including three aspects: corporate philanthropy, corporate governance and environmental safety & health. In the future, related resources from external units that have been cooperating over a long period with our company will be fully integrated. This combined with the high level of enthusiasm and caring shown by our volunteer employees and the newly established charity and compassion foundation will show our commitment to displaying a spirit of 'giving back to society', making maximum use of limited resources and encouraging the joint participation of neighboring communities and companies. By making a greater impact with our philanthropic activities, TXC will set out a path for sustainable operations and expand the reach of our philanthropy. For the implementation of sustainable development, please refer to the company's website and sustainability report.

## VI Information and Communication Security Management

### (I) Describe the information security risk management framework, the information security policy, the specific management plan and the resources invested in the information security management, etc.

#### 1. Information Security Management Organizational Structure

The company has established an information security committee to promote information security management. The general manager serves as the chairman, the information security chief (and convener) is concurrently held by the top director of the management center, the deputy convener is concurrently held by the top director of the Netcom Information Office, and the convening committee is held by each center. The supervisor is concurrently held, and a review meeting is held at least once a year. In addition, depending on business needs or major changes, when there is a risk of affecting information security, a meeting may be held from time to time. In addition, in order to implement information security management, the Information Security Executive Team under the Information Security Committee is responsible for the implementation and control of various information security operations, as well as information security incident handling and emergency response. The information security audit team is responsible for conducting information security internal audit and tracking at least once a year according to the information security internal audit plan.

#### 2. Information Security Policy

"In order to ensure the safe use of internal information, TXC Corporation avoids improper disclosure of information and enables the continuous operation of various business information operations, maintain the effectiveness of internal management systems, and strengthen the confidence and satisfaction of customers and suppliers etc. related parties."

#### 3. Information Security Objectives and Training

In order to maintain the confidentiality, integrity and availability of the company's information assets, through the joint efforts of all colleagues to achieve the following goals:

- (1) Protect information about the company's business activities from unauthorized access, modification and improper disclosure.
- (2) Protect the correctness of the company's important business information processing.
- (3) Maintain the high availability of the company's information operations.
- (4) Handle information security education and training, and communicate information security-related publicity in supervisory meetings to promote employees' awareness of information security and strengthen their awareness of related responsibilities.
- (5) Implement information security internal audit system to ensure the implementation of information security management

In order to ensure the achievement of information security goals and objectives, the effectiveness of the evaluation will be monitored at ordinary times. The situation should be notified and corrective measures should be taken when any suspected non-compliance event occurs, and the information security goal promotion situation should be reported to the information security management committee. Through information security education and training and promotion activities, and to convey information security-related publicity in the supervisor meeting, in order to promote employees' information security intentions and strengthen their awareness of related responsibilities.



#### 4. Investment resources

- (1) Since the introduction of the ISO27001 information security management system in 2011, the company has continued to pass the annual regular third-party verification, and passed the annual verification of the ISO27001 information security management system in September 2022. The certification is valid from September 2022 to September 2023, plans to obtain the ISO/IEC 27001:2022 transition certification in September 2023 to strengthen the effectiveness of information security management and control.
- (2) The company uses the Cyber-Defense Matrix architecture to plan the information security protection network. In 2020, it focuses on weak point scanning and analysis, anti-virus, IP management, network access control, and mail defense, and strengthens firewall construction and regional defense to avoid single-point failures causing global The company's network fails. In 2021, in order to strengthen the internal network defense, import endpoint management and file encryption, strengthen internal and external information security protection, and set up an information security supervisor and a staff in response to the requirements of the Financial Supervisory Commission.
- (3) In 2022, the company introduce Threat Detection and Response (MDR), and continue to strengthen the necessity of firewalls, endpoint management, and email defense in each domain, and publish information security e-newsletter (total of 12 times), plant-wide information security publicity (total of 4 field) to strengthen information security awareness.

**(II) List the losses, possible impacts and countermeasures caused by 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.**

1. Information monitoring, audit and enforcement results from the fourth quarter of 2021 to the third quarter of 2022 were reported to the board of directors on November 7, 2022.
2. The company has not had any major cyber attacks or other related information security incidents that impacted the company's operations in 2022.

## VII Important Contracts

Company	Contractual Nature	Contract Party	Start Date-End Date	Main Content	Limitation Clause
TXC	Software licensing	ORACLE TAIWAN LLC, TAIWAN BRANCH (U.S.A.)	2002/09~ Permanent licensing	Oracle ERP R12.1.3	Licensing, transfer prohibited
	Software licensing	Flowring Technology Corp.	2002/09~ Permanent licensing	Signing flow Agentflow	Licensing, transfer prohibited
	Software licensing	ORACLE TAIWAN LLC, TAIWAN BRANCH (U.S.A.)	2011/04~ Permanent licensing	Oracle Agile PLM	Licensing, transfer prohibited
	Software licensing	Ares International Corp.	2011/08~ Permanent licensing	GUI/VAT Product licensing	Licensing, transfer prohibited
	Software licensing	ORACLE TAIWAN LLC, TAIWAN BRANCH (U.S.A.)	2013/12~ Permanent licensing	Oracle WebLogic & WebCenter Portal	Licensing, transfer prohibited
	Software licensing	Intumit Inc.	2014/10~ Permanent licensing	(SmartKMS 8)Knowledge Management System	Licensing, transfer prohibited
	Software licensing	SUNNET Technology Co.	2015/03~ Permanent licensing	Training Master (CTMS)	Licensing, transfer prohibited
	Software licensing	SUNNET Technology Co.	2015/03~ Permanent licensing	Power Master (CSAS)	Licensing, transfer prohibited
	Software licensing	Ares International Corp.	2019/11~ Permanent licensing	CiMes Software product licensing	Licensing, transfer prohibited
	Software licensing	FACET TECHNOLOGY INC.	2020/01~ Permanent licensing	EAP SECS Development Tools - Runtime License RMS Site Limited License	Licensing, transfer prohibited
	Software licensing	Ares International Corp.	2021/05~ Permanent licensing	Recruitment management system authorization	Licensing, transfer prohibited
	Software licensing	Ares International Corp.	2021/05~ Permanent licensing	Area-PP (Privacy Guard) authorization	Licensing, transfer prohibited
	Software licensing	Galaxy Software Services Corporation (GSS)	2022/08~ Permanent licensing	Vitals ESP knowledge management enterprise cloud system suite (product) software	Licensing, transfer prohibited
TXC (NGB)	Software licensing	Hangzhou Jinmai Software Co., Ltd.	2010/07~ Permanent licensing	CAD Internet version software licensing	No transfer without consent
	Software licensing	Hangzhou Yinyang Information Co., Ltd.	2017/05~ Permanent licensing	Office2016 and WinPro Licensing	Licensing, transfer prohibited
	Software licensing	Yanwei Trading (Shanghai) Co., Ltd.	2017/12~ Permanent licensing	SolidWorks standard 2017 package	Licensing, transfer prohibited

	Software licensing	Guangzhou Saiyi Information Technology Co., Ltd.	2018/06/28~ Permanent licensing	Smart factory	Licensing, transfer prohibited
	Software licensing	Shanghai Chuangsheng Information Technology Co., Ltd.	2018/10~ Permanent licensing	UG10000-WISD and NX11110	Licensing, transfer prohibited
	Software licensing	Fansoft Software Co., Ltd.	2020/04~ Permanent licensing	Electronic Data Analysis System	Licensing, transfer prohibited
	Software licensing	Shanghai Fanwei Network Technology Co., Ltd.	2020/04~ Permanent licensing	Pan Micro OA	Licensing, transfer prohibited
	Software licensing	Aijia Software (Suzhou) Co., Ltd.	2020/12~ Permanent licensing	HCP System	Licensing, transfer prohibited
	Software licensing	Shanghai Jinge Information Technology Co., Ltd.	2021/03~ Permanent licensing	RFID application software	Licensing, transfer prohibited
	Software licensing	Shanghai Jiuwu Internet Technology Co., Ltd.	2021/08~ Permanent licensing	Zenon software system	Licensing, transfer prohibited
	Software licensing	Shanghai Jiuwu Internet Technology Co., Ltd.	2021/08~ Permanent licensing	DataStation System Software	Licensing, transfer prohibited
	Software licensing	Shanghai Jiuwu Internet Technology Co., Ltd.	2021/11~2023/10	Nine owner data management system software	Licensing, transfer prohibited
	Software licensing	Suzhou Guantong Automation Technology Co., Ltd.	2021/12~ Permanent licensing	Power balance automatic control project	Licensing, transfer prohibited
	Software licensing	Suzhou Guangshidai Electromechanical Equipment Co., Ltd.	2022/01~ Permanent licensing	Equipment material synchronization management software	Licensing, transfer prohibited
	Software licensing	Ningbo Sijie Information Technology Co., Ltd.	2022/05~2024/04	Access Control/Consumption Card System	Licensing, transfer prohibited
	Software licensing	Shanghai Jiuwu Internet Technology Co., Ltd.	2022/07~2024/06	IoT video platform software	Licensing, transfer prohibited
TXC (CKG)	Software licensing	Shanghai Hupu Information Technology Co., Ltd.	2014/08~ Permanent licensing	Intranet security management software	Licensing, transfer prohibited
TXC	Bank financing	China Trust Bank	2020/01/03~2025/01/03	Medium and long term loans	None
TXC (TETC)	Bank financing	AGRICULTURAL BANK OF CHINA (ABC)	2022/09/01-2023/03/25	Medium and long term loans	None
TXC (CKG)	Bank financing	China Trust Bank	2020/09/25~2023/09/24	Short-term loans	None

## Chapter 6 Financial Information

### I. Abbreviated Balance Sheets and P/L Statements for the Past 5 Years

#### (I) Abbreviated Consolidated Balance Sheets (IFRS)

Unit : NT\$ 1,000

Year		Financial information for the post 5 years (Note1)				
		2018	2019	2020	2021	2022
Current assets		7,117,289	7,945,036	9,587,601	11,369,852	11,412,451
Property, plant and equipment (Note 2)		4,110,722	4,054,149	4,808,588	5,843,828	6,319,742
Intangible assets		21,831	27,816	41,684	51,890	53,838
Other assets (Note 2)		1,311,884	1,341,769	2,163,838	3,537,698	2,065,213
Total assets		12,561,726	13,368,770	16,601,711	20,803,268	19,851,244
Current liabilities	Before distribution	2,088,860	2,796,519	5,093,290	4,894,702	4,335,711
	After distribution (Note 6)	2,708,374	3,570,912	6,270,367	7,217,880	6,504,010
Non-current liabilities		1,722,026	1,874,500	1,853,415	3,148,872	3,042,325
Total liabilities	Before distribution	3,810,886	4,671,019	6,946,705	8,043,574	7,378,036
	After distribution (Note 6)	4,430,400	5,445,412	8,123,782	10,366,752	9,546,335
Interests attributable to parent company		8,750,840	8,697,751	9,655,006	12,759,694	12,473,208
Common stock		3,097,570	3,097,570	3,097,570	3,097,570	3,097,570
Capital surplus		1,665,116	1,666,690	1,668,269	1,696,784	1,709,979
Retained earnings	Before distribution	4,243,060	4,457,863	5,235,929	7,167,557	7,808,729
	After distribution (Note 6)	3,623,546	3,683,470	4,058,852	4,844,379	5,640,430
Other interests		(254,906)	(524,372)	(346,762)	797,783	(143,070)
Treasury Stock		0	0	0	0	0
Non-controlling interests		0	0	0	0	0
Total stockholders' equity	Before distribution	8,750,840	8,697,751	9,655,006	12,759,694	12,473,208
	After distribution (Note 6)	8,131,326	7,923,358	8,477,929	10,436,516	10,304,909

\* If individual financial reports are prepared, the Company shall also prepare condensed balance sheets and statements of income for the past five years.

Note 1: The years which have not yet been audited and certified by a CPA should be noted.

Note 2: The assessment date and reassessed value amount should be listed for assets which have been reassessed in that year.

Note 3: Listed companies or companies with securities sold by securities firms should list the annual report publishing dates up to the previous quarter. Whether or not the financial data has been certified, audited or both should also be noted.

Note 4: For the above amounts after distribution, the amounts listed should be based on the following year's shareholders meeting resolution.

Note 5: For financial data which requires self-correction or revision as notified by the competent authorities, the corrected or revised amounts should be listed and the circumstances and reasons should be noted.

Note 6: It is the amount resolved by the board of directors on March 6, 2023.

**(II) Abbreviated Balance Sheets (IFRS)**

Unit : NT\$ 1,000

Year		Financial information for the post 5 years (Note1)				
		2018	2019	2020	2021	2022
Item						
Current assets		3,896,214	3,924,645	5,176,579	7,295,454	7,138,542
Property, plant and equipment (Note 2)		1,894,487	1,961,704	2,328,906	2,621,486	2,891,305
Intangible assets		170	3,692	8,984	15,190	17,795
Other assets (Note 2)		6,162,079	6,214,496	6,918,239	8,898,855	8,378,411
Total assets		11,952,950	12,104,537	14,432,708	18,830,985	18,426,053
Current liabilities	Before distribution	1,626,245	1,794,064	3,036,340	3,132,441	3,160,285
	After distribution (Note 6)	2,245,759	2,568,457	4,213,417	5,455,619	5,328,584
Non-current liabilities		1,575,865	1,612,722	1,741,362	2,938,850	2,792,560
Total liabilities	Before distribution	3,202,110	3,406,786	4,777,702	6,071,291	5,952,845
	After distribution (Note 6)	3,821,624	4,181,179	5,954,779	8,394,469	8,121,144
Interests attributable to parent company		8,750,840	8,697,751	9,655,006	12,759,694	12,473,208
Common stock		3,097,570	3,097,570	3,097,570	3,097,570	3,097,570
Capital surplus		1,665,116	1,666,690	1,668,269	1,696,784	1,709,979
Retained earnings	Before distribution	4,243,060	4,457,863	5,235,929	7,167,557	7,808,729
	After distribution (Note 6)	3,623,546	3,683,470	4,058,852	4,844,379	5,640,430
Other interests		(254,906)	(524,372)	(346,762)	797,783	(143,070)
Treasury Stock		0	0	0	0	0
Non-controlling interests		0	0	0	0	0
Total stockholders' equity	Before distribution	8,750,840	8,697,751	9,655,006	12,759,694	12,473,208
	After distribution (Note 6)	8,131,326	7,923,358	8,477,929	10,436,516	10,304,909

\* If individual financial reports are prepared, the Company shall also prepare condensed balance sheets and statements of income for the past five years.

Note 1: The years which have not yet been audited and certified by a CPA should be noted.

Note 2: The assessment date and reassessed value amount should be listed for assets which have been reassessed in that year.

Note 3: Listed companies or companies with securities sold by securities firms should list the annual report publishing dates up to the previous quarter. Whether or not the financial data has been certified, audited or both should also be noted.

Note 4: For the above amounts after distribution, the amounts listed should be based on the following year's shareholders meeting resolution.

Note 5: For financial data which requires self-correction or revision as notified by the competent authorities, the corrected or revised amounts should be listed and the circumstances and reasons should be noted.

Note 6: It is the amount resolved by the board of directors on March 6, 2023.

**(III) Abbreviated Consolidated P/L Statements (IFRS)**

Unit : NT\$ 1,000

Item	Year	Financial information for the post 5 years (Note1)				
		2018	2019	2020	2021	2022
Net operating revenue		8,156,268	8,430,970	11,048,392	15,244,851	13,169,688
Gross profit		1,827,626	2,007,091	3,332,806	5,627,229	5,030,838
Operating income		533,301	632,138	1,617,660	3,474,745	2,811,214
Nonoperating gains and losses		200,196	132,439	91,057	222,098	562,133
Income before income tax		733,497	764,577	1,708,717	3,696,843	3,373,347
Continuing operations net Income		644,249	671,782	1,429,287	3,116,984	2,805,504
Discontinuing operations net Loss		0	0	0	0	0
Net income (loss)		644,249	671,782	1,429,287	3,116,984	2,805,504
Other comprehensive income (net amount)		(246,756)	(106,931)	300,782	1,136,266	(782,007)
Total comprehensive income		397,493	564,851	1,730,069	4,253,250	2,023,497
Net income attributable to parent company		644,350	671,782	1,429,287	3,116,984	2,805,504
Net income attributable to non-controlling interests		(101)	0	0	0	0
Comprehensive income attributable to parent company		397,594	564,851	1,730,069	4,253,250	2,023,497
Comprehensive income attributable to non-controlling interests		(101)	0	0	0	0
Earnings per share (NT\$)		2.08	2.17	4.61	10.06	9.06

\* If the company has prepared individual financial reports, it shall also prepare a concise balance sheet and comprehensive profit and loss statement for the last five years

Note1: Any year that has not been verified and certified by an accountant should be indicated.

Note 2: Listed companies or companies whose shares have been traded in the business offices of securities companies should list the quarter before the date of publication of the annual report. In addition, whether the financial information has been certified by an accountant, checked, or both should be specified.

Note 3: The loss of the suspended unit is presented as the net amount after deduction of income tax.

Note 4: If the financial information should be corrected or restated upon notification by the competent authority, the corrected or restated figures should be listed, and the circumstances and reasons should be indicated.

**(IV) Abbreviated P/L Statements (IFRS)**

Unit : NT\$ 1,000

Year Item	Financial information for the post 5 years (Note1)				
	2018	2019	2020	2021	2022
Net operating revenue	6,556,906	6,672,071	9,140,414	11,680,702	10,596,932
Gross profit	1,015,820	1,074,968	1,946,727	3,396,773	3,180,892
Operating income	324,442	303,472	978,319	2,232,857	1,914,610
Nonoperating gains and losses	362,445	408,074	647,492	1,289,729	1,370,475
Income before income tax	686,887	711,546	1,625,811	3,522,586	3,285,085
Continuing operations net Income	644,350	671,782	1,429,287	3,116,984	2,805,504
Discontinuing operations net Loss	0	0	0	0	0
Net income (loss)	644,350	671,782	1,429,287	3,116,984	2,805,504
Other comprehensive income ( net amount )	(246,756)	(106,931)	300,782	1,136,266	(782,007)
Total comprehensive income	397,594	564,851	1,730,069	4,253,250	2,023,497
Net income attributable to parent company	644,350	671,782	1,429,287	3,116,984	2,805,504
Net income attributable to non-controlling interests	0	0	0	0	0
Comprehensive income attributable to parent company	397,594	564,851	1,730,069	4,253,250	2,023,497
Comprehensive income attributable to non-controlling interests	0	0	0	0	0
Earnings per share (NT\$)	2.08	2.17	4.61	10.06	9.06

\* If the company has prepared individual financial reports, it shall also prepare a concise balance sheet and comprehensive profit and loss statement for the last five years

Note1: Any year that has not been verified and certified by an accountant should be indicated.

Note 2: Listed companies or companies whose shares have been traded in the business offices of securities companies should list the quarter before the date of publication of the annual report. In addition, whether the financial information has been certified by an accountant, checked, or both should be specified.

Note 3: The loss of the suspended unit is presented as the net amount after deduction of income tax.

Note 4: If the financial information should be corrected or restated upon notification by the competent authority, the corrected or restated figures should be listed, and the circumstances and reasons should be indicated.

**(V) Name and audit opinions of the Certified Public Accountant during the past 5 years**

Year	Accounting firm	Certified Public Accountant	Audit opinions
2018	Deloitte & Touche	Lin, I-Hui, Weng, Po-Jen	No reserved opinions
2019	Deloitte & Touche	Hsieh, Ming-Chung, Su, Yu-Hsiu	No reserved opinions
2020	Deloitte & Touche	Hsieh, Ming-Chung, Su, Yu-Hsiu	No reserved opinions
2021	Deloitte & Touche	Hsieh, Ming-Chung, Su, Yu-Hsiu	No reserved opinions
2022	Deloitte & Touche	Hsieh, Ming-Chung, Su, Yu-Hsiu	No reserved opinions

Note: 1. Explanation for the change of accountants during the past five years:

Due to organizational changes, mergers and internal personnel and work arrangements of the accounting firm, as well as to be in line with the corporate governance measures.



## II. Financial Analysis for the past 5 Years

### (I) Consolidated Financial Analysis (IFRS)

Unit : NT\$ 1,000

Year		Financial analysis for the post 5 years				
		2018	2019	2020	2021	2022
Capital Structure Analysis	Debt ratio (%)	30.34	34.94	41.84	38.66	37.17
	Long-term fund to fixed assets ratio (%)	254.77	260.78	239.33	272.23	245.51
Liquidity Analysis	Current Ratio (%)	340.73	284.10	188.24	232.29	263.22
	Quick Ratio (%)	250.96	205.84	128.45	175.70	198.69
	Times interest earned (%)	3,696	3,389	8,069	8,997	7,006
Operating performance Analysis	Average AR turnover(times)	3.02	2.99	3.43	4.02	3.45
	Average AR turnover(days)	120.86	122.07	106.41	90.79	105.79
	Average inventory turnover(times)	3.81	3.33	3.18	3.53	3.05
	Average payment turnover(times)	4.96	4.30	4.28	4.76	4.93
	Average inventory turnover(days)	95.80	109.60	114.77	103.39	119.67
	Fixed assets turnover(times)	1.92	2.07	2.49	2.86	2.17
	Total assets turnover(times)	0.63	0.65	0.74	0.82	0.65
Profitability Analysis	Turn on total assets (%)	5.09	5.32	9.65	16.84	13.99
	Turn on total equity (%)	7.19	7.70	15.58	27.81	22.24
	Paid-in capital ratio (%)	23.68	24.68	55.16	119.35	108.90
	Net margin (%)	7.90	7.97	12.94	20.45	21.30
	Earnings per share(Basic) Note I	2.08	2.17	4.61	10.06	9.06
Cash Flow	Cash flow ratio (%)	51.15	59.49	37.31	74.12	77.28
	Cash flow adequacy ratio (%)	116.90	113.47	87.85	82.96	83.36
	Cash flow reinvestment ration (%)	1.87	6.29	6.52	12.01	4.54
Leverage	Operating leverage	2.5348	2.2142	1.5253	1.3040	1.4442
	Financial Leverage	1.0398	1.0382	1.0134	1.0121	1.0177

Please explain the reasons of changes in financial ratio for the post two years (No needs for analysis if change of financial ratio is less than 20%)

1. The decrease in the interest coverage ratio was mainly due to the decrease in profit and loss before interest and tax and the increase in interest expenses compared with the same period last year.
2. The turnover rate of real estate, plant and equipment and the turnover rate of total assets decreased, mainly due to the decrease of net sales and the increase of average real estate, plant and equipment compared with the same period of last year.

3. The decrease in return on assets and return on equity was mainly due to the decrease in net profit after tax compared with the same period last year.
4. The decrease in cash reinvestment ratio is mainly due to the increase in cash dividends in the current period compared with the same period last year and the decrease in net cash inflows from operating activities, as well as the increase in real estate, plant and equipment, working capital and investment expenditures in the current period compared with the same period last year.

Note 1: The year that has not been verified and certified by an accountant should be indicated.

Note 2: As of the date of publication of the annual report, if a company that is listed or whose shares have been traded in a securities firm's business place has the most recent financial information that has been checked, certified or reviewed by an accountant, it shall also be disclosed.

Note 3 : At the end of this form of the annual report, the following calculation formula should be listed:

1. Capital Structure Analysis

(1) Debt ratio = Total liabilities / Total assets

(2) Long-term fund to fixed assets ratio = ( Total stockholders' equity + Long-term liabilities ) / Net Fixed Assets

2. Liquidity Analysis

(1) Current Ratio = current assets / current liabilities

(2) Quick Ratio = ( current assets – Inventories – Prepaid expenses ) / current liabilities

(3) Times interest earned = Earnings before interest and taxes / Interest expenses

3. Operating performance Analysis

(1) Average collection turnover =

Net sales / Average trade Receivables

(2) Days sales outstanding = 365 / Average collection turnover

(3) Average inventory turnover = Cost of good sold / Average inventory °

(4) Average payment turnover = Cost of good sold / Average trade Payables

(5) Average inventory turnover(Days) = 365 / Average inventory turnover

(6) Fixed assets turnover = Net sales / Net Fixed Assets

(7) Total assets turnover = Net sales / Total assets

4. Profitability Analysis

(1) Turn on total assets = [ Net income + Interest expenses × ( 1 – Effective tax rate ) ] / Average total assets °

(2) Turn on total equity = Net income / Average stockholders' equity °

(3) Net margin = Net income / net sales °

(4) Earnings per share = ( Net income – Preferred stock dividend ) / Weighted average number of shares outstanding

5. Cash Flow

(1) Cash flow ratio = Net cash provided by operating activities / current liabilities

(2) Cash flow adequacy ratio = Five-year sum of cash from operations / Five-year sum of capital expenditures, inventory additions, and cash dividend.

(3) Cash flow reinvestment ration = (Cash provided from operating activities – Cash dividend) / ( Grosss fixed assets + investment + Other assets + Working capital )

6. Leverage

(1) Operating leverage = ( Net sales – Variable cost ) / Income from operations

(2) Financial Leverage = Income from operations / ( Income from operations – Interest expenses )

Note 4: For the formula for calculating earnings per share above, special attention should be paid to the following items when measuring:

1. Based on the weighted average number of common shares, not the number of shares outstanding at the end of the year.
2. Anyone who has cash capital increase or treasury stock trading should consider its circulation period and calculate the weighted average number of shares.
3. For those who convert surplus into capital increase or capital reserve into capital increase,

when calculating earnings per share for previous years and semi-annual years, retrospective adjustments should be made according to the capital increase ratio, regardless of the issuance period of the capital increase.

4. If the preference shares are non-convertible accumulated preference shares, the dividends for the current year (whether paid or not) shall be deducted from the after-tax net profit, or the after-tax net loss shall be added. If the special stock is non-cumulative, if there is a net profit after tax, the special stock dividend shall be deducted from the net profit after tax; if it is a loss, no adjustment is required.

Note 5: Cash flow analysis should pay special attention to the following items when measuring:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditure refers to the annual cash outflow of capital investment.
3. The increase in inventory will only be included when the balance at the end of the period is greater than the balance at the beginning of the period. If the inventory decreases at the end of the year, it will be calculated as zero.
4. Cash dividends include cash dividends of ordinary shares and preferred shares.
5. Gross property, plant and equipment refers to the total amount of real property, plant and equipment before deduction of accumulated depreciation.

Note 6: The issuer should classify various operating costs and operating expenses into fixed and variable according to their nature. If estimates or subjective judgments are involved, they should pay attention to their rationality and maintain consistency.

Note 7: If the company's stock has no par value or the par value of each share is not NT\$10, the ratio of paid-in capital stated above shall be calculated based on the equity ratio attributable to the owners of the parent company on the balance sheet.

**(II) Financial Analysis (IFRS)**

Unit : NT\$ 1,000

Year Item		Financial analysis for the post 5 years				
		2018	2019	2020	2021	2022
Capital Structure Analysis	Debt ratio (%)	26.79	28.14	33.10	32.24	32.31
	Long-term fund to fixed asstes ratio (%)	545.09	525.59	489.34	598.84	527.99
Liquidity Analysis	Current Ratio (%)	239.58	218.76	170.49	232.90	225.88
	Quick Ration (%)	177.65	169.02	131.84	188.85	179.02
	Times interest earned (%)	5,620	5,805	16,903	30,031	14,207
Operating performance Analysis	Average AR turnover(times)	2.98	2.96	3.45	3.54	3.14
	Average AR turnover(days)	122.48	123.31	105.79	103.10	116.24
	Average inventory turnover(times)	5.67	5.99	7.40	6.85	5.27
	Average payment turnover(times)	4.73	4.45	4.77	4.95	4.96
	Average inventory turnover(days)	64.37	60.93	49.32	53.28	69.25
	Fixed assets turnover(times)	3.28	3.46	4.26	4.72	3.84
	Total assets turnover(times)	0.53	0.55	0.69	0.70	0.57
Profitability Analysis	Turn on total assets (%)	5.31	5.67	10.83	18.80	15.16
	Turn on total equity (%)	7.21	7.70	15.58	27.81	22.24
	Paid-in capital ratio (%)	22.18	22.97	52.49	113.72	106.05
	Net margin (%)	9.83	10.07	15.64	26.68	26.47
	Earnings per share(Basic) Note I	2.08	2.17	4.61	10.06	9.06
Cash Flow	Cash flow ratio (%)	32.50	47.04	22.78	65.35	68.76
	Cash flow adequacy ratio (%)	87.45	83.22	66.65	67.96	71.85
	Cash flow reinvestment ration (%)	(1.93)	1.68	(0.58)	4.97	(0.80)
Leverage	Operating leverage	1.9043	2.0813	1.3841	1.2059	1.2692
	Financial Leverage	1.0399	1.0429	1.0100	1.0100	1.0123

Please explain the reasons of changes in financial ratio for the post two years (No needs for analysis if change of financial ratio is less than 20%)

1. The decrease in the interest coverage ratio was mainly due to the decrease in profit and loss before interest and tax and the increase in interest expenses compared with the same period last year.
2. The decrease in inventory turnover rate and the increase in average days of sales are due to the decrease in cost of goods sold and the increase in average inventory compared with the same period last year.
3. The decrease in return on assets and return on equity was mainly due to the decrease in net profit after tax compared with the same period last year.
4. The negative cash reinvestment ratio is due to the negative net cash inflow from operating activities after deducting cash dividends, and the increase in real estate, plant and equipment, working capital and investment expenditures in the current period compared with the same period last year.

Note 1: The year that has not been verified and certified by an accountant should be indicated.

Note 2: As of the date of publication of the annual report, if a company that is listed or whose shares have been traded in a securities firm's business place has the most recent financial information that has been checked, certified or reviewed by an accountant, it shall also be disclosed.

Note3 : Please refer to the description of Table (I. Consolidated Financial Analysis (IFRS)) for the calculation formula of this table.

### **III. Audit Committee's Review Report**

#### **TXC Corporation Audit Committee's Review Report**

The Board of Directors has prepared the Company's 2022 business report, consolidated financial statements, the individual financial statements and proposal of earnings distribution, of which the consolidated financial statements and the individual financial statements have been audited by independent auditors Mr. Hsieh, Ming-Chung and Ms. Su, Yu-Hsiu of Deloitte & Touche. The business report, consolidated financial statements, the individual financial statements and proposal of earnings distribution have been recognized by Audit Committee according to Article 14-4 of the Securities Exchange Act and Article 219 of the Corporate Act. Please examine.

2023 shareholder meeting of the company

Convener of the Audit Committee : **Yu, Shang-Wu**

March 13, 2023

- IV Consolidated Financial statements of the most recent year:  
Please refer to Appendix 1**
- V The Company's unconsolidated financial statements audit by a certified public accountant for the most recent year:  
Please refer to Appendix 2**
- VI Where there is any financial difficulty in the Company and affiliates during the most recent year and as of the date the annual report was published, impact thereof on the financial status of the Company:N/A**

## Chapter 7 Review of Financial Conditions, Operating Results, and Risk Management

### I. Financial Statement

Unit: NT\$1,000

Item \ Year	2022	2021	Difference	
			Amount	%
Current Assets	11,412,451	11,369,852	42,599	0.37
Non Current Assets	8,438,793	9,433,416	(994,623)	(10.54)
Total Assets	19,851,244	20,803,268	(952,024)	(4.58)
Current Liabilities	4,335,711	4,894,702	(558,991)	(11.42)
Non Current Liabilities	3,042,325	3,148,872	(106,547)	(3.38)
Total Liabilities	7,378,036	8,043,574	(665,538)	(8.27)
Share Capital	3,097,570	3,097,570	0	0
Capital Surplus	1,709,979	1,696,784	13,195	0.78
Retained Earnings	7,808,729	7,167,557	641,172	8.95
Other Equity	(143,070)	797,783	(940,853)	(117.93)
Non-Controlling Interests	0	0	0	0
Total Equity	12,473,208	12,759,694	(286,486)	(2.25)

Explanation for the analysis on the changes during the past two years. (This analysis can be exempted if the change is less than 20%)Explanation:

- The decrease in other equity was mainly due to the increase in unrealized losses on financial assets measured at fair value through other comprehensive income.



## II. Financial Performance

### (I) Comparative analysis table for the operating results

Unit: NT\$1,000

Year	2022	2021	Increase(Decrease) Amount	Change %
Items				
Sales	13,169,688	15,244,851	(2,075,163)	(13.61)
Cost of Goods Sold	8,138,850	9,617,622	(1,478,772)	(15.38)
Gross Profit	5,030,838	5,627,229	(596,391)	(10.60)
Operating Expenses	2,219,624	2,152,484	67,140	3.12
Profit from Operations	2,811,214	3,474,745	(663,531)	(19.10)
Non-Operating Income and Expenses	562,133	222,098	340,035	153.10
Profit before Income Tax	3,373,347	3,696,843	(323,496)	(8.75)
Income Tax Expense	567,843	579,859	(12,016)	(2.07)
Net Profit for The Year	2,805,504	3,116,984	(311,480)	(9.99)
Other Comprehensive Income (Loss)	(782,007)	1,136,266	(1,918,273)	(168.82)
Total Comprehensive income (Loss) for The Year	2,023,497	4,253,250	(2,229,753)	(52.42)

Explanation for the analysis on the changes during the past two years. (This analysis can be exempted if the change is less than 20%) Explanation:

1. The increase in non-operating income and expenses was mainly due to the increase in net foreign currency exchange benefits.
2. The decrease in other comprehensive gains and losses was mainly due to the increase in unrealized losses of financial assets measured by fair value in other comprehensive gains and losses.
3. The decrease in total comprehensive profit and loss for the period was mainly due to the increase in unrealized losses of financial assets measured at fair value through other comprehensive gains and losses and the decrease in net profit for the period.

### (II) Expected sales quantity and its basis

In 2023, the company will uphold a prudent and conservative attitude. In addition to the support of existing customer orders, it still plans to expand the production capacity of new products and optimize the manufacturing process of products. Since the company has gradually obtained customer certification in automotive electronics and high-end precision products And admitted that it is expected that new products and production line expansion will contribute to revenue, and continue to improve in the miniaturization, high frequency, low energy consumption of precision products, under the conditions of effective management of customer relationships and product diversification , It is estimated that the total combined sales will reach around 4 billion units, while the global market share can maintain about 11~12%, and the estimated goal is to maintain the leading position in the global quartz industry.

### III. Cash Flow

Unit: NT\$1,000

Beginning Cash Balance	Net Cash Provided by (Used in) Operating Activities of the year	Net Cash Provided by (Used in) Investing Activities of the year	Net Cash Provided by (Used in) Financing Activities of the year	Cash Balance (including the amount affected by exchange rate)
3,631,645	3,350,433	(775,006)	(2,032,824)	4,222,610

**(I) Analysis on changes in cash flow of the year:**

- (1) Operating activities: The main changes are from the current net profit plus depreciation and changes in working capital.
- (2) Investing activities: The main changes are from capital expenditures and changes in financial assets.
- (3) Financing activities: The main change is due to the repayment of long-term and short-term loans.

**(II) Remedy for cash shortage and liquidity analysis:** None.

**(III) Cash liquidity analysis for the coming year:** On the premise of maintaining a stable cash flow, the company will consider the financial market conditions based on the cash balance on the account and the cash flow of operating activities and investment activities, and prudently plan and control various cash expenditures related to investment and operations.

### IV. Impact of major annual capital expenditure on financial operations

The company's main major capital expenditures in 2022 are payments for the expansion of production line equipment and equipment upgrades for miniaturized products, in order to respond to market customer demand and optimize the company's product portfolio and technical specifications. On the basis of the consolidated financial statements, the amount paid for the purchase of fixed assets in 2022 will be NT\$1.242 billion, accounting for about 9.43% of the net sales. Continue to expand production capacity and invest in new product development. It is expected that the long-term development plan of the company will be injected into the operation. Growth momentum, no major impact on financial business in the short term.

**V. The main reasons for the profit or loss resulted from joint venture policies in the most recent year, the improvement plan thereof and the investment plan for the coming year:**

Explanations Projects	Amount	Policies	Main reasons for the profit or loss	Improvement plan	Other future investment plan
TAIWAN CRYSTAL TECHNOLOGY INTERNATIONAL LIMITED	NT 993,971,000	Investing China subsidiaries, OBU	The main reason for profit this year is the increase in production capacity, yield rate and product quality.	Continue to introduce excellent talents and require to improve yield rate and quality standards.	Other related expansion investment plans are under continuous evaluation.
TAIWAN CRYSTAL TECHNOLOGY (HK) LIMITED	NT 44,000	Trading	The main reason for this year's profit is that the company's operating activities have begun to expand	Continue to maintain the company's operating performance	None

**VI. Risks analysis and assessment**

**(I) Policies and organizational structure of risk management**

The Company's risk management policy is to establish a risk management mechanism for risk identification, measurement, supervision and control, and to configure an integrated risk management system. To conduct risk management, analysis and evaluation on the following issues: 1. Business / Law / Regulations / Standards; 2. Changes in political environment; 3.; Changes in economic / financial environment; 4. Natural disasters (climate change); 5. Technology and information; 6. Competitive environment; 7. Facilities / equipment; 8. Business / market operations; 9. Related Supply chains; 10. Financial operations; 11. Community / Environmental Security and Hygiene; and 12. Personnel etc., total 12 items and 88 indicators, in order to develop mitigation strategies and operational continuity plans to eliminate, reduce, transfer, accept risks, and promote appropriate risk management-oriented business model, achieving operational goals to enhance shareholder value, and major risks such as marketing market, production operation, human resource planning, new product development progress, and financial accounting control faced by various business operations, except in addition to the original system norms and treatments, actively develop advanced and highly sensitive procedures and guidelines for supervision, evaluation, and risk management to balance safety and efficiency, and establish economically effective business operation models, such as strengthening the establishment of information systems, strengthen early warning and monitoring capabilities and promote the ISO22301 and ISO31000 risk management systems related to risk identification and management; and have completed the establishment and certification of ISO27001 Information Security Management Systems and AEO.

The Company has formulated the measures for key operational risk management for each identifiable risk and approved by the board of directors. The framework and guidelines for the Company's key operational risks are provided to all departments for related risk identification and evaluation, and the response is formulated according to the results of the measures and supervision plan, so that the identified potential key operational risks can be minimized by daily supervision, management and control. The Company has established a risk response organization, with the general manager acting as the convener to coordinate the promotion and operation of the risk management plan. Several central authority and responsibility units are organized for the purpose to promote a variety of risk management.

- Administrator Center: The roles and responsibilities of the management center: Arrangement and response of human resources, evaluation of financial risks, execution of various insurance operations, maintenance of operating system configuration, establishment and maintenance of environmental safety and health, review and establishment of laws and regulations, and media public relations and external coordination matters etc.
- R & D Center: The roles and responsibilities of the R & D Center: Put in place the emergency response measures for R & D operating environment, risk assessment of new product development, and R & D progress control
- Marketing Center: The roles and responsibilities of the Marketing Center: Collection and establishment of market information, coordination between the production and marketing departments, establishment and handling of customer relationships, and tracking and collection of account receivable.
- Manufacturing Center: The roles and responsibilities of the Manufacturing Center: Put in place the emergency response measures for production operations, production contingency plan and specifications, manpower support and allocation plans, and on-site environmental safety contingency plans..
- MEMS Center: The roles and responsibilities of the MEMS Center (Microelectromechanical Systems Center): Put in place the emergency response measures for production operations, production contingency plan and specifications, manpower support and allocation plans, and on-site environmental safety contingency plans
- Supply Chain Center: The roles and responsibilities of the Supply Chain Center: Development of a supplier contingency plan, put in place the emergency response measures for procurement, development of alternative plans for import and export transportation, customs declaration, customs clearance, insurance-related

- operations and equipment purchase.
- Quality Assurance Center: The roles and responsibilities of the Supply Chain Center: Development of document data storage plans, control of Disaster-damaged products and quality control, and put in place the emergency response measures for product testing operations
- Internal Audit Dept.: The roles and responsibilities of the Internal Audit Dept.: Regularly check whether the implementation of risk control of each central unit is actually performed according to the Company's internal control and audit plan, and preparing for an audit report based on the actual audit results.
- Occupational Safety and Health Management Office: The roles and responsibilities of the Audit Office: Supervision of environmental safety and health management such as environmental safety and health review / risk assessment to ensure safety and health normal operation of the health system.

**(II) Impact of recent year interest rates changes, exchange rate fluctuation and inflation on the profit or loss of the Company and the future countermeasures therefor.**

- (1) Impact of recent year interest rates on the profit or loss of the Company and the future countermeasures therefor:
- i Impact of interest rates on the profit or loss of the Company and the subsidiary  
In 2022, the net interest of the Company and its subsidiary was NT\$48,847,000 and the Company's interest expense will be increased by approximately NT\$6,933,000 for every 0.25% increment in the market interest rate.
  - ii Future countermeasures  
Since the Company and its subsidiary have sound financial structure together with the gradual expansion of the Company's business scale, it has close long-term cooperation with the banks. Through the bank's assistance, it has been able to obtain better interest rates and terms to improve its financial structure, enrich medium and long-term working capital and reduce the risks of interest rate changes. Its financing costs have been lower than the average market interest rate.
- (2) Impact of recent year exchange rate fluctuation on the profit or loss of the Company and the future countermeasures therefor:
- i Impact of exchange rate fluctuation on the profit or loss of the Company and subsidiary  
Due to nature of the industry, the Company's foreign procurement of raw materials account for about 80% and export income accounted for more than 90%, therefore, exchange rate control is relatively important. In 2022, the sharp fluctuations in exchange rates has made hedging operations relatively difficult. However, the Company and subsidiary have established appropriate risk management mechanisms to avoid risks. In the future, the Company's gross margin will be affected by approximately 0.5%, for every 1% market exchange rate appreciation.
  - ii Future countermeasures  
As for the response to exchange rate changes, the Company and subsidiary have

established a risk assessment team to adopt dynamic natural hedging. The remaining mainly undertakes hedging instruments such as spot exchange transactions and/or foreign exchange forward contract to reduce risks by maintaining a high hedging ratio.

- (3) Impact of the recent year inflation on the profit or loss of the Company and the future countermeasures therefor:
  - i Impact of inflation on the profit or loss of the Company and subsidiary  
The Company's expenses will be increased by approximately NT\$22,196,000 for every 1% increment in inflation.
  - ii Future countermeasures  
In recent years, there has been little impact on the costs and prices due to stable inflation data. In the future, the Company will remain on the lookout for the inflation trend for the purpose of costs control and price quotation and make appropriate adjustments.

**(III) The main reasons for engaging in high risk and highly leveraged investments, capital lending to others, endorsement, the policies and profit (or loss) of derivative commodity transactions and the future countermeasures therefor:**

- (1) The Company and subsidiary did not engage in any high risk and highly leveraged investments in 2022.
- (2) The Company and subsidiary engaged in capital lending to others and endorsement according to the regulatory statute and performed regular auditing and filing pursuant to the relevant regulations of the competent authority and the Company. The details are as follows:
  - i Capital lending to others: none.
  - ii Endorsement: none.
  - iii The policies and profit (or loss) of derivative commodity transactions and the future countermeasures therefor:
    - (a) The Company and subsidiary engaged in derivative financial commodity transactions to avoid risks in foreign currency claims, debts and commitments arising from changes in exchange rate and/or interest rate. The hedging strategy is for the purpose of avoiding most of the market price risks.
    - (b) In 2022, the Company and its subsidiary recognized foreign exchange gain of NT\$436,249,000 due to large fluctuations in exchange rates.
    - (c) The Company and subsidiary use derivative financial commodity that are highly correlated with changes in the fair value of the hedged items as hedging instruments to avoid the risks arising from the Company's business operations and perform periodic assessments to control the risks thereof.

**(IV) Future R & D plan and estimated investment in R & D**

- (1) The Company has systematically managed the R&D plan and introduced the PLM (Product Lifecycle Management) system to track and grasp the progress of product R&D through the PLM system. In 2022, the company will set different R&D projects according to product and technology categories, and set goals, progress and schedule in line with market demand. In 2023, the R&D expenses are expected to invest another NT\$190 million.

No.	Name of the program	Current progress	Reinvestment in R & D	Estimated time of mass production	Primary factor of success
1	8A79.96MHz development	70%	NT\$ 60M	to be completed by Jun. 2023	Master key technology
2	3225 XTAL 320MHz development	70%	NT\$ 20M	to be completed by Jun. 2023	Master key technology
3	Low Profile-OG48%	60%	NT\$ 30M	to be completed by Oct. 2023	Master key technology
4	1612 TSX 76.8MHz for ACAP	30%	NT\$ 80M	to be completed by Feb. 2024	Master key technology

- (2) The new R & D projects in 2023 that has been launched are expected to be introduced into mass production phase in one to two years. The R & D expenditure for the entire year is estimated to be NT\$225 million.

No.	Name of the program	Current progress	Reinvestment in R & D	Estimated time of mass production	Primary factor of success
1	1612 XO 32.768kHz	15%	NT\$ 60M	to be completed by Jun. 2023	Master key technology
2	8A768MHz development	20%	NT\$ 80M	to be completed by Sep. 2023	Master key technology
3	1008 307MHzd development	20%	NT\$ 85M	to be completed by May 2024	Master key technology

- (3) Factors to R & D's success: The Company's competitive edge lies in continuous innovation, and the innovation is reflected on futuristic products. Therefore, in addition to considering the strength of market demand, the control and effective monitoring over the progress of R & D projects to shorten the R & D timeline and continued strengthening of R&D team by developing efficient training and upgrading the overall professional quality are the key factors that directly affects the success of R & D. In addition, whether the production process capability can increase the production yield to reduce the product cost while the product is advanced is another important factor that determines whether the new product can be successfully introduced into the market.

**(V) Impact on the Company's financial operations from the changes in important domestic and foreign policies and laws during the most recent years and the countermeasures therefor:**

- (1) From 2018 to 2023, the five-degree increase in basic salary is about 23.36%, and the personnel cost has increased. The company actively expands the operation scale and increases the market share, and improves the cost competitiveness by improving the process capability and work efficiency.
- (2) From April 2023, the electricity price will be raised by about 17%, resulting in an increase in production costs. The company will actively promote various energy-saving and carbon-saving programs to increase production efficiency and reduce the impact.
- (3) The global epidemic, extreme weather events, and changing global political and economic situations continue to have a great impact on the sustainable operation of enterprises. In this ever-changing and challenging environment, the company actively implements ESG promotion and strengthens risks management, looking for new opportunities for future development.

- (4) The company has always paid close attention to and grasped the policies and laws that may affect the company's operations, and cooperated with the revision of relevant internal systems of the company. The legal changes in 2022 have been assessed to have no significant impact on the company's operations.

**(2) (VI) Impact on the Company's financial operations from the changes in technologies and the industry during the most recent years and the countermeasures therefor:**

- (1) With the development of information technology, applications such as automotive frequency components, wireless communication, digital home, mobile video, digital mobile devices, medical and health technology, and Internet of Things (IoT) will have an integral and additive benefit on quartz components, and the global IT industrial application is expected to increase continuously. Overall, the market demand for the quartz component will basically be stable in the coming years. In order to maintain stable profitability and industrial competitiveness, the Company will continue to improve the production processes and technology to maintain its cost advantages.
- (2) When the fluctuations in the oil and electricity prices and industrial water restrictions become the norm, the industries and businesses will take the first blow and the operating costs will increase substantially. The Company will continue to promote energy-saving and carbon-saving schemes to reduce energy consumption.
- (3) In response to the recent frequent attacks on information security, the company not only introduced the ISO27001 information security management system, but also reviewed key information facilities and their applications with information security standards and frameworks, continued to build a complete information communication environment, and strengthened information communication security protection and management. Mechanism to train information security talents to ensure the company's continuous operation.

**(VII) Impact on the corporate crisis management from the changes in corporate image during the most recent years and the countermeasures therefor:**

- (1) Based on the humanitarian beliefs of caring for disadvantaged groups, the company prepares a budget every year to give back to the society in many ways and fulfill its corporate social responsibilities. Since the establishment of the "TXC\_ Foundation" in 2017, the company has achieved "get it". The feedback concept of "Use in society and use in society" enables limited resources to produce greater synergy, which in turn encourages the surrounding communities and manufacturers to invest together and exert greater public welfare influence, so that the company can continue to operate and make public welfare It can be widely distributed. Aiming at school education, rooting education, senior (inheritance) education, encouraging innovation, improving research, and strengthening the operation of conference affairs for disadvantaged groups and basic education in remote areas, and combining the resources of the company's volunteer community to expand the effectiveness of services, The company's volunteer club was established in 2015. It continues to promote social welfare activities and caring for disadvantaged groups. It has been recognized by the Taoyuan City Government and praised by excellent volunteers to implement the company's mission of caring for public welfare and fulfilling corporate responsibilities. In 2022, the company was awarded the Gold Medal Award of won the double gold medal of Taoyuan City Happy and Gender equality Enterprise by the Taoyuan City Government. This is an affirmation of the company's long-term operation of a friendly workplace and taking care of employee benefits.



- (2) In line with the government's promotion of the corporate governance 3.0-sustainable development blueprint, the company attaches great importance to the sustainable development of the environment and society. To implement the execution plan of sustainable development, and to improve the quality of corporate governance and strengthen the communication channels with shareholders, in addition to regularly updating the company's website with the latest financial and business information, it also regularly holds corporate briefings to improve the transparency of information disclosure. TXC will continue to promote corporate governance related matters. For the first time in 2022, TCFD and SASB climate change international standards were included in the sustainability report, and won the "Sustainability Pioneering Award" issued by the British Standards Institution BSI, and the low-risk evaluation of Sustainalytics, an internationally renowned ESG sustainability evaluation agency. The company has been responsible for many years. The attitude and dedication of responsibility have been highly affirmed and recognized by the investment market
- (3) In order to improve customer satisfaction, the company has strengthened its existing "customer relationship management system", which has been recognized by many manufacturers and affirmed by customers, and continues to strengthen the technology level of the company to meet the application needs of customers.
- (4) In order to implement the company's supply chain safety management and information confidentiality management to enhance trade competitiveness, we regularly and continuously maintain the certified quality management system (ISO9001), the automotive industry quality system certification (IATF 16949), and the environmental management system (ISO14001), Taiwan Occupational Safety and Health Management System (CNS15506), Information Security Management System (ISO/IEC27001), Hazardous Substance Process Management System (IECQ QC 080000:2017), Occupational Safety and Health Management System (ISO45001), Taiwan Intellectual Property Management Standard (TIPS) Certification of Class A, Healthy Workplace Certification - Health Promotion Mark, Safety Certification Quality Enterprise (AEO) certification issued by the Ministry of Health and Welfare.
- (5) In response to crisis events and external potential risks, if there is any impact on the company's operations and corporate reputation, the crisis management mechanism will be launched immediately, and the emergency response team will conduct risk assessment and take necessary actions.

**(VIII) Expected benefits, possible risks and countermeasures for merger: None.**

**(IX) Expected benefits, possible risks and countermeasures for plant and production line expansions**

Production expansion benefits:

The Company continues to expand production capacity of its Ping-Zhen Plant (Taiwan), Ning-Bo Plant and Chong-Qing Plant to expand its economic scale, reduce production costs and upgrade product specification. The production capacity is, according to the production capacity plan, expected to increase to meet market demand and increase market share

Possible risks:

Declined demand, low production capacity, increased production costs.

Countermeasures:

If the target market demand is not as expected and the product development progress is delayed, in

order to avoid the imbalance between supply and demand, the product specifications will be flexibly adjusted to increase the utilization rate, and the product process capability will be accelerated, the yield rate and production efficiency will be improved, and the product sales mix will be optimized to enhance the group Overall profit

**(X) Risks involved in intensive purchase or sales and the countermeasures therefor:**

Each major raw material shall have purchase source of more than two suppliers to avoid risks from intensive purchase. The sales targets are mainly the prestigious domestic and foreign manufactures in communications, information and consumer products industries; except for a customer who accounts for more than 10% of the Company's total sales ratio due to its scale of operations, continued expansion and growth requirements, there are no risks from intensive sales.

**(XI) The impact and risk on the Company from massive transfer or replacement of equity by directors, supervisor or shareholder(s) holding more than 10% of the shares and the countermeasures therefor: None.**

**(XII) The impact and risk on the Company from changes in the right to operate and the countermeasures therefor: None.**

**(XIII) Litigation or non-litigation incidents: Major lawsuits, non-litigations or administrative disputes (determined or in-process) involving the Company and the Company's directors, supervisor, CEO, substantive directors, large shareholder(s) and subsidiary holding more than 10% of the Company's shares shall, if outcome of the lawsuit may have a material effect on shareholders' equity or the price of securities, be specified and disclosed of the facts of the dispute, the amount of the subject matter, the commencement date of the lawsuit, the main parties involved in the case, and status of the cases as of the publication date of the annual report: None.**

**(XIV) Other important risks and corresponding countermeasures**

The company has established the "Operational Plan and Risk Management Measures", which requires at least two risk assessments per year, conduct risk inspections and formulate drill plans for various types of operational risks and projects, and hold regular risk management meetings and irregular ad hoc meetings. TXc will hold risk management meetings in March and September 2022 respectively to conduct operational risk analysis in response to the outbreak of the domestic new crown pneumonia epidemic, international political and economic conflicts, customer adjustments to inventory, rising operating costs and supply chain chaos, and fully launch BCP ( Business Contingency Plan, emergency contingency plan), analyze the risk level of each operation according to the process risk, determine high, medium and low risks, and initiate relevant supply chain contingency measures. At the same time, the company's epidemic prevention command center strengthens the coordination of relevant departments to coordinate epidemic prevention resources, formulates and releases the implementation of epidemic prevention control measures, and pays attention to employee health and tracking rolling management at any time. In November 2022, the implementation of the annual operational risk management will be reported to the board of directors.

**VII. Other important matters: None.**

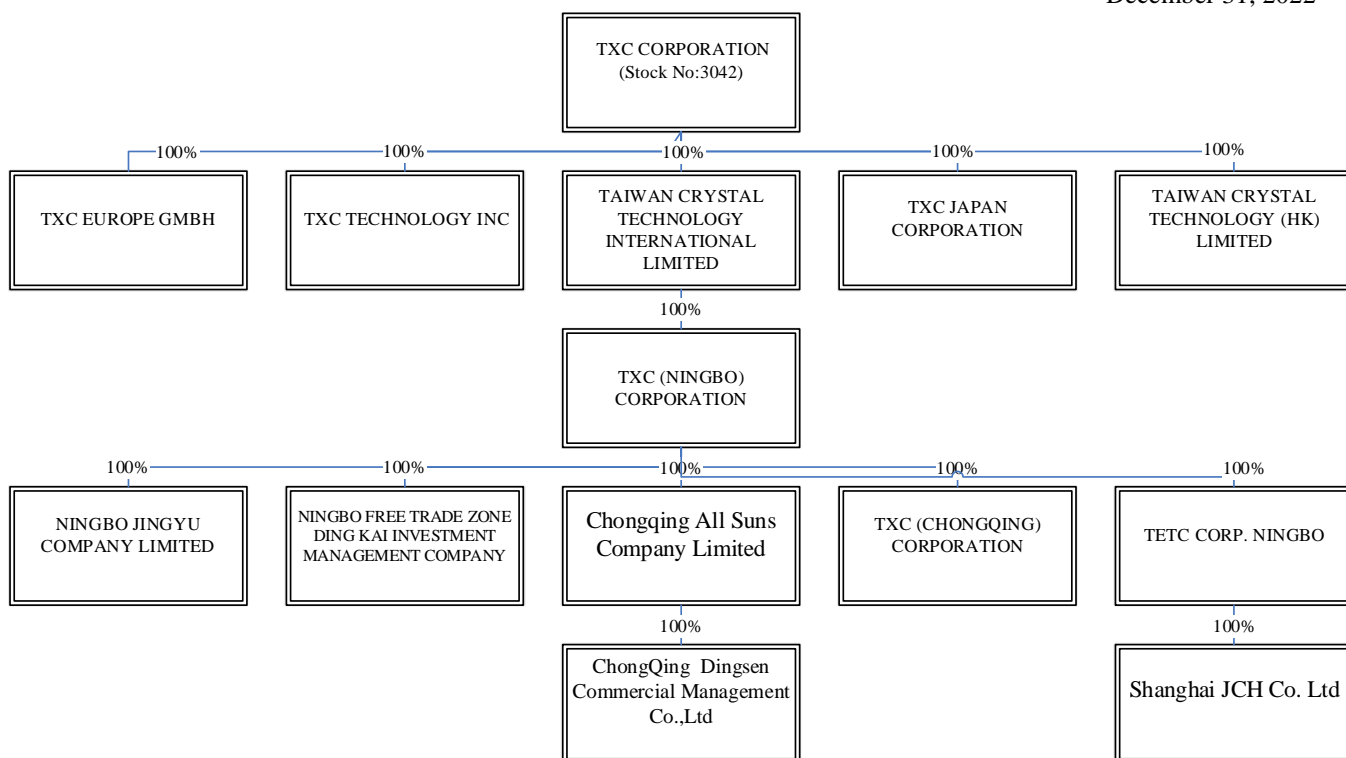
# Chapter 8 Special Disclosure

## I. Subsidiary

### 1. TXC Subsidiary

#### (5) TXC Subsidiaries Chart

December 31, 2022



## (2) Basic information of TXC Subsidiaries

December 31, 2022

Name	Date of Incorporated	Address	Capital	Business Activities
TAIWAN CRYSTAL TECHNOLOGY INTERNATIONAL LIMITED	1998.12.23	WESTERN SAMOA	USD 42,835,294	Investment holding
TXC TECHNOLOGY INC	2000.12.01	431 Lambert Road,Suite 306 Brea,California 92812, U.S.A.	USD 300,000	Marketing activities
TXC JAPAN CORPORATION	2005.09.13	Davinici-shin-yokohama Bldg.,1-3-1, Shin-yokohama, Kohoku-ku,Yokohama,222-0033 Japan	YEN 21,000,000	Marketing activities
TAIWAN CRYSTAL TECHNOLOGY (HK) LIMITED	2010.07.06	Flat/Rm 2811 28/F,Trend Centre, 29-31 Cheung Lee Street, Chai Wan. H.K.	USD 80,000	Trading
TXC EUROPE GMBH	2018.08.17	Sebastian-Kneipp-Straße 41, 60439 Frankfurt am Main	EUR 50,000	Marketing activities
TXC (NINGBO) CORPORATION	1999.03.12	No.189, Huangshan Xi Rd., Economic & Technical Development Zone,Ningbo Zhejiang, China	USD 77,241,343	Manufacture and sales of electronics products
TXC (CHONGQING) CORPORATION	2010.10.11	JinFeng Industrial Region, Jiulongpo District, Chongqing City, China	RMB 247,876,609	Manufacture and sales of electronics products
Chongqing All Suns Company Limited	2011.02.14	Jiulongpo District, Chongqing, China Jinfeng Road 108,	RMB 150,000,000	Real estate related
Ningbo Jingyu Company Limited	2011.09.07	No.189, Huangshan Xi Rd., Economic & Technical Development Zone,Ningbo Zhejiang, China	RMB 2,500,000	Trading
Ningbo Free Trade Zon Ding Kai Investment Management Company	2017.05.12	Room 4211, Office Building, 11 Meishan Avenue Business Center, Beilun District, Ningbo City	RMB 35,050,000	Investment
ChongQing Dingsen Commercial Management Co.,Ltd	2020.12.30	22 Fengsheng Road, Jiulongpo District, Chongqing, China	RMB 1,000,000	Property management
TETC CORP. NINGBO	2021.05.12	3-3-1, Building F, No. 213, Wanjingshan Road, Chaiqiao Street, Beilun District, Ningbo City, Zhejiang Province, China	RMB 100,000,000	Manufacture and sales of electronics products
Shanghai JCH Co.,Ltd	2022.11.25	Room 3F301, Room 101, Building 28, No. 1388 Zhangdong Road, China (Shanghai) Pilot Free Trade Zone	RMB 500,000	Marketing and technical services

## (3) Resters of Directors, Supervisors, and General Manager of TXC's Subsidiaries

December 31, 2022  
Number of shares; share (%)

Name	Title	Name or representative	Shares	Share (%)
TAIWAN CRYSTAL TECHNOLOGY INTERNATIONAL LIMITED	Chairman	TXC Corporation Representative: Lin, Wan-Shing	42,835,294	100%
TXC TECHNOLOGY INC	Chairman	TXC Corporation Representative: Chen, Li-Wei	300,000	100%
TXC JAPAN CORPORATION	Chairman	TXC Corporation Representative: Shih Tien, Tun-Hsiung	2,100	100%
	Director	TXC Corporation Representative: Lin, Wan-Shing	2,100	100%
	Supervisor	TXC Corporation Representative: Tsai, Jung-Hsien	2,100	100%
TAIWAN CRYSTAL TECHNOLOGY (HK) LIMITED	Chairman	TXC Corporation Representative: Lin, Wan-Shing	80,000	100%
TXC EUROPE GMBH	Chairman	TXC Corporation Representative: Kuo, Ya-Han	50,000	100%
TXC (NINGBO) CORPORATION	Chairman	Taiwan Crystal Technology International Limited Representative: Chen Chueh, Shang-Hsin	77,241,343	100%
	Director/ President	Taiwan Crystal Technology International Limited Representative: Chao, Min-Chiang	77,241,343	100%
	Director	Taiwan Crystal Technology International Limited Representative: Lin, Wan-Shing	77,241,343	100%
	Supervisor	Taiwan Crystal Technology International Limited Representative: Chang, Chien-Tsung	77,241,343	100%
TXC (CHONGQING) CORPORATION	Chairman	TXC (NINGBO) CORPORATION Representative: Chen Chueh, Shang-Hsin	247,876,609	100%
	Director	TXC (NINGBO) CORPORATION Representative: Chang, Chien-Tsung	247,876,609	100%
	Director	TXC (NINGBO) CORPORATION Representative: Lin, Wan-Shing	247,876,609	100%
	Supervisor	TXC (NINGBO) CORPORATION Representative: Lin, Chia-Ching	247,876,609	100%
Chongqing All Suns Company Limited	Chairman	TXC (NINGBO) CORPORATION Representative: Chou, Chien-Fu	150,000,000	100%
	Director	TXC (NINGBO) CORPORATION Representative: Lin, Wan-Shing	150,000,000	100%

Name	Title	Name or representative	Shares	Share (%)
	Director	TXC (NINGBO) CORPORATION Representative: Chen Chueh, Shang-Hsin	150,000,000	100%
	Supervisor	TXC (NINGBO) CORPORATION Representative: Lin, Chia-Ching	150,000,000	100%
Ningbo Jingyu Company Limited	Chairman	TXC (NINGBO) CORPORATION Representative: Lin, Chia-Ching	2,500,000	100%
	Supervisor	TXC (NINGBO) CORPORATION Representative: Chen Chueh, Shang-Hsin	2,500,000	100%
Ningbo Free Trade Zon Ding Kai Investment Management Company	Chairman	TXC (NINGBO) CORPORATION Representative: Lin, Chia-Ching	35,050,000	100%
	Supervisor	TXC (NINGBO) CORPORATION Representative: Lin, Hai	35,050,000	100%
	President	TXC (NINGBO) CORPORATION Representative: Chao, Min-Chiang	35,050,000	100%
ChongQing Dingsen Commercial Management Co.,Ltd	Chairman	Chongqing All Suns Company Limited Representative: Chou, Chien-Fu	1,000,000	100%
	Supervisor	Chongqing All Suns Company Limited Representative: Kuo, Chia-Ching	1,000,000	100%
TETC CORP. NINGBO	Chairman	TXC (NINGBO) CORPORATION Representative: Chen Chueh, Shang-Hsin	100,000,000	100%
	Director/ President	TXC (NINGBO) CORPORATION Representative: Huang, Hsiang-Lin	100,000,000	100%
	Director	TXC (NINGBO) CORPORATION Representative: Lin, Chia-Ching	100,000,000	100%
	Supervisor	TXC (NINGBO) CORPORATION Representative: Wu, Chung-Lin	100,000,000	100%
Shanghai JCH Co.,Ltd	Chairman	TETC CORP. NINGBO Representative: Peng, Tze-Fa	500,000	100%
	Supervisor	TETC CORP. NINGBO Representative: Lin, Chia-Ching	500,000	100%

## (4) Operational Highlights of TXC Subsidiaries

December 31, 2022

Unit: NT\$ thousands, except EPS (NT\$)

Name	Capital	Total Assets	Total Liabilities	Shareholder Equity	Sales Revenues	Operating Profits (Loss)	Net Income (After tax)	EPS (After tax)
TAIWAN CRYSTAL TECHNOLOGY INTERNATIONAL LIMITED	1,390,461	7,153,448	-	7,153,448	-	(32)	993,971	23.20
TXC TECHNOLOGY INC	9,879	22,533	707	21,826	50,804	(3,825)	2,014	6.71
TXC JAPAN CORPORATION	6,172	48,636	17,046	31,590	95,841	4,363	2,173	1,034.76
TAIWAN CRYSTAL TECHNOLOGY (HK) LIMITED	2,371	240,636	48,378	192,258	371,976	(541)	44	0.56
TXC EUROPE GMBH	1,746	22,933	13,933	9,000	61,715	5,136	4,050	81.00
TXC (NINGBO) CORPORATION	2,350,052	8,652,463	1,503,270	7,149,193	4,138,376	373,784	993,988	12.87
TXC (CHONGQING) CORPORATION	1,162,074	2,026,194	378,490	1,647,704	1,539,588	115,496	141,860	0.57
Chongqing All Suns Company Limited	684,908	892,381	78,944	813,437	103,160	7,884	222	-
Ningbo Jingyu Company Limited	7,090	6,524	314	6,210	1,290	49	236	0.09
Ningbo Free Trade Zon Ding Kai Investment Management Company	160,043	131,857	-	131,857	-	-	1	-
ChongQing Dingsen Commercial Management Co.,Ltd	4,390	4,641	5,862	(1,221)	6,688	(4,760)	(4,379)	(4.38)
TETC CORP. NINGBO	433,440	1,635,741	697,125	938,616	1,460,037	405,001	388,509	3.89
Shanghai JCH Co., Ltd	2,238	2,205	8	2,197	-	(9)	(9)	(0.02)

Note: All related companies were exposed by the number of financial statements audited by CPA in 2022.

## 2. Consolidated financial statements of related companies:

The consolidated financial statements of related companies and the consolidated financial statements of the parent and subsidiary companies of the company are the same. Therefore, the consolidated financial statements of related companies are the same as the consolidated financial statements of the parent and subsidiary companies. Please refer to Appendix 1 for details.



**II. Private Placement Securities in 2021 and as of the Date of this Annual Report:  
None**

**III. Status of TXC's Common Shares Acquired, Disposed of, and Held by Subsidiaries:  
None**

**IV. Other Necessary Supplement: None**

**V. Any Events in 2021 and as of the Date of this Annual Report that Had Significant Impacts on Shareholders' Right or Security Prices as Stated in Item 3: None**

**TXC Corporation and Subsidiaries**

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

## **DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES**

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2022 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 “Consolidated and Separate Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

TXC CORPORATION

By

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PETER LIN  
Chairman

March 13, 2023

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
TXC Corporation

### **Opinion**

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

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

### **Basis for Opinion**

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

### **Key Audit Matters**

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

The key audit matter identified in the Group's consolidated financial statements for the year ended December 31, 2022 is stated as follows:

The revenue of the Group for the year ended December 31, 2022 had an approximate 14% decrease compared to revenue for the year ended December 31, 2021. In comparison with 2021, the revenue derived from specific customers increased; therefore, we considered the validity of revenue derived from specific customers as a key audit matter. For the accounting policy for revenue recognition, please refer to Note 4.

The key audit procedures that we performed included the following:

1. We obtained an understanding and tested the appropriateness of the design and the implementation of internal control system that is related to revenue recognition.
2. We selected samples from the revenue details of specific customers, checked the sales orders and delivery orders and confirmed the occurrence of the sales revenue.

### **Other Matter**

We have audited the accompanying financial statements of TXC Corporation as of December 31, 2022 and 2021 on which we have issued an unmodified opinion.

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

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

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

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

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Ming-Chung Hsieh and Yu-Shiou Su.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 13, 2023

Notice to Readers

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

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

## TXC CORPORATION AND SUBSIDIARIES

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

ASSETS	2022		2021	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 4,222,610	21	\$ 3,631,645	17
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	417,450	2	723,028	4
Financial assets at amortized cost - current (Notes 4 and 9)	351,977	2	133,186	1
Notes receivable (Notes 4 and 10)	32,125	-	4,679	-
Trade receivables (Notes 4 and 10)	3,514,781	18	4,004,421	19
Trade receivables from related parties (Notes 4, 10 and 30)	9,851	-	30,894	-
Other receivables (Note 4)	65,288	-	71,073	-
Other receivables from related parties (Notes 4 and 30)	643	-	1,179	-
Inventories (Notes 4 and 11)	2,699,721	14	2,639,289	13
Non-current assets held for sale (Notes 4 and 13)	-	-	6,979	-
Other current assets	98,005	-	123,479	1
Total current assets	<u>11,412,451</u>	<u>57</u>	<u>11,369,852</u>	<u>55</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	-	-	1,080	-
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	662,533	4	1,710,092	8
Financial assets measured at cost - non-current (Notes 4 and 9)	-	-	135,907	1
Investments accounted for using the equity method (Notes 4 and 14)	458,607	2	431,301	2
Property, plant and equipment (Notes 4 and 15)	6,319,742	32	5,843,828	28
Right-of-use assets (Notes 4 and 16)	205,984	1	209,079	1
Investment properties (Notes 4 and 17)	571,346	3	494,368	3
Other intangible assets (Note 4)	53,838	-	51,890	-
Deferred tax assets (Notes 4 and 25)	61,271	-	49,979	-
Prepayment for equipment	94,538	1	488,534	2
Other non-current assets	10,934	-	17,358	-
Total non-current assets	<u>8,438,793</u>	<u>43</u>	<u>9,433,416</u>	<u>45</u>
<b>TOTAL</b>	<u>\$ 19,851,244</u>	<u>100</u>	<u>\$ 20,803,268</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term loans (Note 18)	\$ 513,750	3	\$ 562,508	3
Short-term bills payables (Note 18)	-	-	86,974	1
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	13,620	-	1,383	-
Contract liabilities - current (Notes 11 and 23)	40	-	10,814	-
Trade payables	1,208,497	6	2,089,471	10
Trade payables to related parties (Note 30)	622	-	2,140	-
Other payables (Note 20)	1,421,979	7	1,479,312	7
Other payables to related parties (Note 30)	1,250	-	3,495	-
Current tax liabilities (Notes 4 and 25)	204,057	1	330,380	2
Lease liabilities - current (Notes 4 and 16)	3,088	-	3,051	-
Deferred revenue - current (Notes 20 and 27)	38,817	-	23,717	-
Current portion of long-term borrowings and bonds payable (Note 18)	890,785	5	280,343	1
Other current liabilities	39,206	-	21,114	-
Total current liabilities	<u>4,335,711</u>	<u>22</u>	<u>4,894,702</u>	<u>24</u>
<b>NON-CURRENT LIABILITIES</b>				
Bonds payable (Note 19)	1,183,273	6	1,172,721	6
Long-term borrowings (Note 18)	1,522,600	8	1,674,959	8
Deferred income tax liabilities (Notes 4 and 25)	118,132	1	93,456	1
Lease liabilities - non-current (Notes 4 and 16)	3,399	-	4,685	-
Deferred revenue - non-current (Notes 20 and 27)	108,191	-	70,772	-
Net defined benefit liabilities - non-current (Notes 4 and 21)	35,203	-	61,789	-
Guarantee deposits received	71,527	-	70,490	-
Total non-current liabilities	<u>3,042,325</u>	<u>15</u>	<u>3,148,872</u>	<u>15</u>
Total liabilities	<u>7,378,036</u>	<u>37</u>	<u>8,043,574</u>	<u>39</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Note 22)</b>				
Share capital				
Ordinary shares	3,097,570	16	3,097,570	15
Capital surplus	1,709,979	9	1,696,784	8
Retained earnings				
Legal reserve	1,946,812	10	1,635,942	8
Special reserve	-	-	346,761	1
Unappropriated earnings	5,861,917	29	5,184,854	25
Total retained earnings	<u>7,808,729</u>	<u>39</u>	<u>7,167,557</u>	<u>34</u>
Other equity				
Exchange differences on translating the financial statements of foreign operations	(450,523)	(2)	(559,579)	(3)
Unrealized gain on financial assets at fair value through other comprehensive income	307,453	1	1,357,362	7
Total other equity	<u>(143,070)</u>	<u>(1)</u>	<u>797,783</u>	<u>4</u>
Total equity	<u>12,473,208</u>	<u>63</u>	<u>12,759,694</u>	<u>61</u>
<b>TOTAL</b>	<u>\$ 19,851,244</u>	<u>100</u>	<u>\$ 20,803,268</u>	<u>100</u>

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



## TXC CORPORATION AND SUBSIDIARIES

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

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

	2022		2021	
	Amount	%	Amount	%
REVENUE (Note 23)	\$ 13,169,688	100	\$ 15,244,851	100
COST OF GOODS SOLD (Note 24)	<u>(8,138,850)</u>	<u>(62)</u>	<u>(9,617,622)</u>	<u>(63)</u>
GROSS PROFIT	<u>5,030,838</u>	<u>38</u>	<u>5,627,229</u>	<u>37</u>
OPERATING EXPENSES (Note 24)				
Selling and marketing expenses	527,312	4	581,974	4
General and administrative expenses	653,187	5	625,293	4
Research and development expenses	1,039,164	8	945,213	6
Expected credit loss (reversal) recognized on trade receivables	<u>(39)</u>	<u>-</u>	<u>4</u>	<u>-</u>
Total operating expenses	<u>2,219,624</u>	<u>17</u>	<u>2,152,484</u>	<u>14</u>
PROFIT FROM OPERATIONS	<u>2,811,214</u>	<u>21</u>	<u>3,474,745</u>	<u>23</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 24)	27,435	-	20,872	-
Other income (Note 24)	173,762	1	174,384	1
Other gains and losses (Note 24)	392,657	3	54,631	-
Finance costs (Note 24)	(48,847)	-	(41,553)	-
Share of profits of associates and joint accounted for using equity method (Note 14)	<u>17,126</u>	<u>-</u>	<u>13,764</u>	<u>-</u>
Total non-operating income and expenses	<u>562,133</u>	<u>4</u>	<u>222,098</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	3,373,347	25	3,696,843	24
INCOME TAX EXPENSE (Note 25)	<u>(567,843)</u>	<u>(4)</u>	<u>(579,859)</u>	<u>(4)</u>
NET PROFIT FOR THE YEAR	<u>2,805,504</u>	<u>21</u>	<u>3,116,984</u>	<u>20</u>

(Continued)

## TXC CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
<b>OTHER COMPREHENSIVE (LOSS) INCOME</b>				
Item that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ 11,609	-	\$ (8,138)	-
Unrealized (loss) gain on investments in equity instruments at fair value through other comprehensive income	(902,903)	(7)	1,180,893	8
Share of the other comprehensive income (loss) of associates accounted for using the equity method	<u>231</u>	<u>-</u>	<u>(185)</u>	<u>-</u>
	<u>(891,063)</u>	<u>(7)</u>	<u>1,172,570</u>	<u>8</u>
Item that maybe reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	106,056	1	(35,567)	-
Share of the other comprehensive income (loss) of associates accounted for using the equity method	<u>3,000</u>	<u>-</u>	<u>(737)</u>	<u>-</u>
	<u>109,056</u>	<u>1</u>	<u>(36,304)</u>	<u>-</u>
Other comprehensive (loss) income for the year, net of income tax	<u>(782,007)</u>	<u>(6)</u>	<u>1,136,266</u>	<u>8</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ 2,023,497</u>	<u>15</u>	<u>\$ 4,253,250</u>	<u>28</u>
<b>EARNINGS PER SHARE (Note 26)</b>				
From continuing and discounted operations				
Basic	<u>\$ 9.06</u>		<u>\$ 10.06</u>	
Diluted	<u>\$ 8.68</u>		<u>\$ 9.91</u>	

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

(Concluded)

**TXC CORPORATION AND SUBSIDIARIES**

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

	Equity Attributable to Owners of the Parent						Others		Total Equity
	Shares (In Thousands)	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	
BALANCE AT JANUARY 1, 2021	309,757	\$ 3,097,570	\$ 1,668,269	\$ 1,480,696	\$ 524,372	\$ 3,230,861	\$ (523,275)	\$ 176,513	\$ 9,655,006
Appropriation of 2020 earnings (Note 22)									
Legal reserve	-	-	-	155,246	-	(155,246)	-	-	-
Special reserve	-	-	-	-	(177,611)	177,611	-	-	-
Cash dividends distributed by the company	-	-	-	-	-	(1,177,077)	-	-	(1,177,077)
Net profit for the year ended December 31, 2021	-	-	-	-	-	3,116,984	-	-	3,116,984
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	-	(8,279)	(36,304)	1,180,849	1,136,266
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	3,108,705	(36,304)	1,180,849	4,253,250
Equity component of convertible bonds issued by the Company	-	-	28,431	-	-	-	-	-	28,431
Other changes in capital surplus	-	-	84	-	-	-	-	-	84
BALANCE AT DECEMBER 31, 2021	309,757	3,097,570	1,696,784	1,635,942	346,761	5,184,854	(559,579)	1,357,362	12,759,694
Appropriation of 2021 earnings (Note 22)									
Legal reserve	-	-	-	310,870	-	(310,870)	-	-	-
Special reserve	-	-	-	-	(346,761)	346,761	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(2,323,178)	-	-	(2,323,178)
Net profit for the year ended December 31, 2022	-	-	-	-	-	2,805,504	-	-	2,805,504
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	-	11,872	109,056	(902,935)	(782,007)
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	2,817,376	109,056	(902,935)	2,023,497
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	146,974	-	(146,974)	-
Donation from shareholders	-	-	280	-	-	-	-	-	280
Changes in capital surplus from investment in associates and joint ventures accounted for using the equity method	-	-	12,915	-	-	-	-	-	12,915
BALANCE AT DECEMBER 31, 2022	309,757	\$ 3,097,570	\$ 1,709,979	\$ 1,946,812	\$ -	\$ 5,861,917	\$ (450,523)	\$ 307,453	\$ 12,473,208

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

## TXC CORPORATION AND SUBSIDIARIES

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

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 3,373,347	\$ 3,696,843
Adjustments for:		
Depreciation expenses	1,225,810	1,040,515
Amortization expenses	22,825	15,823
Net gain on fair value change of financial assets and liabilities at fair value through profit or loss	(3,869)	(21,740)
Finance costs	48,847	41,553
Interest income	(27,435)	(20,872)
Dividend income	(11,486)	(2,682)
Share of profit of associates and joint ventures	(17,126)	(13,764)
Gain on disposal of property, plant and equipment	(7,560)	(2,507)
Impairment loss recognized on property, plant and equipment	1,749	2,606
Loss on disposal of non-current assets held for sale	249	1,575
Expected credit loss (reversed) recognized on trade receivables	(39)	4
Write-down of inventories	18,949	16,370
Changes in operating assets and liabilities		
Notes receivable	(27,446)	17,280
Trade receivables	489,630	(530,697)
Trade receivables from related parties	21,043	(733)
Other receivables	39,857	(26,557)
Other receivables from related parties	536	(689)
Inventories	(265,192)	(293,140)
Other current assets	25,474	68,188
Contract liabilities - current	(10,774)	(718,265)
Trade payables	(787,821)	141,873
Trade payables to related parties	(1,518)	(1,403)
Other payables	(57,776)	519,049
Other payables to related parties	(2,245)	2,015
Other current liabilities	18,092	(7,347)
Net defined benefit liabilities	(12,074)	(11,944)
Deferred revenue	18,544	94,489
Cash generated from operations	4,072,591	4,005,843
Interest paid	(37,852)	(38,057)
Income tax paid	(684,306)	(340,060)
Net cash generated from operating activities	<u>3,350,433</u>	<u>3,627,726</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through other comprehensive income	(25,359)	(5,359)
Proceeds from sale of financial assets at fair value through other comprehensive income	178,498	-
Purchase of financial assets at amortized cost	(63,561)	-

(Continued)

# TXC CORPORATION AND SUBSIDIARIES

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

	2022	2021
Proceeds from sale of financial assets at amortized cost	\$ -	\$ 644,774
Purchase of financial assets at fair value through profit or loss	-	(159,082)
Proceeds from sale of financial assets/liabilities at fair value through profit or loss	334,526	-
Purchase of investments accounted for using the equity method	(11,185)	(14,166)
Proceeds from disposal of non-current assets held for sale	1,745	27,338
Payments for property, plant and equipment	(1,242,411)	(2,112,820)
Proceeds from disposal of property, plant and equipment	13,637	39,544
Payments for intangible assets	(23,748)	(22,921)
Payments for right-of-use assets	-	(115,206)
Decrease in other non-current assets	6,424	852
Increase in prepayment for equipment	-	(183,750)
Interest received	27,338	20,906
Dividends received	<u>29,090</u>	<u>19,662</u>
Net cash used in investing activities	<u>(775,006)</u>	<u>(1,860,228)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments of short-term borrowings	(68,615)	(298,035)
Increase in short-term bills payable	-	86,974
Decrease in short-term borrowings	(88,631)	-
Proceeds from issuance of convertible bonds	-	1,194,573
Proceeds from long-term borrowings	914,867	480,000
Repayments of long-term borrowings	(465,533)	(646,932)
Proceeds from guarantee deposits received	1,037	34,363
Repayment of the principal portion of lease liabilities	(3,051)	(3,066)
Dividends paid to owners of the Company	(2,323,178)	(1,177,077)
Other changes in capital surplus	<u>280</u>	<u>84</u>
Net cash used in financing activities	<u>(2,032,824)</u>	<u>(329,116)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		
	<u>48,362</u>	<u>(25,014)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>590,965</b>	<b>1,413,368</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		
	<u>3,631,645</u>	<u>2,218,277</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 4,222,610</u>	<u>\$ 3,631,645</u>

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

(Concluded)

# **TXC CORPORATION AND SUBSIDIARIES**

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

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### **1. GENERAL INFORMATION**

TXC Corporation (the “Company”) was incorporated in the Republic of China (ROC) on December 28, 1983.

TXC specializes in producing high quality crystals and crystal oscillator (CXO) as well as develops a variety of sensors by core technology to satisfy the market demand. Sensors are applied to various applications including mobile communication, information and storage device, the Internet of Things (IoT), vehicle electronics, telecommunication equipment, smart home, AI, medical care, and 5G, etc.

The Company’s shares have been listed on the Taiwan Stock Exchange since August 26, 2002.

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

To ensure the rights and interests of investors through full disclosure of operational governance, the Company applied for the Corporate Governance Assessment held by the Taiwan Corporate Governance Association (TCGA). For the “Corporate Governance Evaluation” jointly held by the Taiwan Stock Exchange Corporation (TWSE) and Taipei Exchange, under the category of listed companies, the company was awarded as the top 20 percent in 2014, top 5 percent from 2015 to 2017, and top 6 to 20 percent from 2018 to 2021. The Company will continue to strengthen corporate governance with the intention to achieve international standards for protection of public interest. The Company prepared Corporate Social Responsibility Report in accordance with GRI Standards every year, officially established ESG Committee on 2021. Meanwhile, The Company prepared ESG Report to acquire the-third-party (BSI) certification, initially introduced TCFD and SASB, comprehensively implemented sustainable development based on scientific methods which met international mainstream, and fulfilled the responsibilities as a global citizen. All of the above are the efforts that The Company made to replace Corporate Social Responsibility Report to reinforce its operation sustainable development, the implement of energy saving and emission reducing, developing gender-friendly workplace, and fulfilling responsibilities for social benefit.

### **2. APPROVAL OF FINANCIAL STATEMENTS**

The consolidated financial statements were approved by the Company’s board of directors on March 6, 2023.

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

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

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies.

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

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

Note 1: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 2: The amendments will be applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were applied prospectively to transactions that occurred on or after January 1, 2023.

1) Amendments to IAS 1 “Disclosure of Accounting Policies”

The amendments specify that the Group should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;
- The Group may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and
- Not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

- a) The Group changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
- b) The Group chose the accounting policy from options permitted by the standards;
- c) The accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;
- d) The accounting policy relates to an area for which the Group is required to make significant judgements or assumptions in applying an accounting policy, and the Group discloses those judgements or assumptions; or
- e) The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

2) Amendments to IAS 8 “Definition of Accounting Estimates”

The amendments define that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, the Group may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Group uses measurement techniques and inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group has assessed that the application of other standards and interpretations will not have a material impact on the Group’s financial position and financial performance.

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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024

Note 1: Unless stated otherwise, the above IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

1) Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments stipulate that, when the Group sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when the Group loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when the Group sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Group’s interest as an unrelated investor in the associate or joint venture, i.e., the Group’s share of the gain or loss is eliminated. Also, when the Group loses control of a subsidiary that does not contain a business but retains significant influence or joint control over an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Group’s interest as an unrelated investor in the associate or joint venture, i.e., the Group’s share of the gain or loss is eliminated.



- 2) Amendments to IAS 1 “Classification of Liabilities as Current or Non-current” (referred to as the “2020 amendments”) and “Non-current Liabilities with Covenants” (referred to as the “2022 amendments”)

The 2020 amendments clarify that for a liability to be classified as non-current, the Group shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Group will exercise that right.

The 2020 amendments also stipulate that, if the right to defer settlement is subject to compliance with specified conditions, the Group must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date. The 2022 amendments further clarify that only covenants with which an entity is required to comply on or before the reporting date should affect the classification of a liability as current or non-current. Although the covenants to be complied with within twelve months after the reporting period do not affect the classification of a liability, the Group shall disclose information that enables users of financial statements to understand the risk of the Group that may have difficulty complying with the covenants and repay its liabilities within twelve months after the reporting period.

The 2020 amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Group’s own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Group’s own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32 “Financial Instruments: Presentation”, the aforementioned terms would not affect the classification of the liability.

- 3) Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”

The amendments clarify that the liability that arises from a sale and leaseback transaction - that satisfies the requirements in IFRS 15 to be accounted for as a sale - is a lease liability to which IFRS 16 applies. However, if the lease in a leaseback that includes variable lease payments that do not depend on an index or rate, the seller-lessee shall measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. Seller-lessee subsequently recognizes in profit or loss the difference between the payments made for the lease and the lease payments that reduce the carrying amount of the lease liability.

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

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, or other regulations and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value.

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

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

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

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

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

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

d. Basis of consolidation

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

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate.

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

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

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

See Note 12 and Table 6 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

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

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

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

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

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

On the disposal of a foreign operation (i.e., a disposal of the Company's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to the non-controlling interests of the subsidiary but is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

f. Inventories

- Inventories

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

- Construction in progress

Construction in progress is initially recorded at cost. Prior to the completion, the borrowing costs directly attributable to construction in progress are capitalized as part of the cost of the asset. When the property sales have been deemed as cost carried forward, cost is allocated by applying sales and building coverage ratios. Once selected, the same construction project cannot be changed in the preceding and following years.

The construction is measured at the lower of cost and net realizable value. The net realizable value is the estimated selling prices of inventories less all estimated costs of completion and estimated costs necessary to make the sale.

g. Investments in associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture.

The Group uses the equity method to account for its investments in associates and joint ventures.

Under the equity method, investments in an associate and a joint venture are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate and joint venture. The Group also recognizes the changes in the Group's share of the equity of associates and joint ventures attributable to the Group.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate or a joint venture at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Company subscribes for additional new shares of an associate and joint venture at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate and joint venture. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates and joint ventures accounted for using the equity method. If the Group's ownership interest is reduced due to its additional subscription of the new shares of the associate and joint venture, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate and joint venture is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate and a joint venture equals or exceeds its interest in that associate and joint venture (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate and joint venture), the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate and joint venture.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate and a joint venture. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate and the joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate and the joint venture. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate and joint venture on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

When a group entity transacts with its associate and joint venture, profits and losses resulting from the transactions with the associate and joint venture are recognized in the Group's consolidated financial statements only to the extent that interests in the associate and the joint venture are not related to the Group.

#### h. Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and subsequent accumulated impairment loss.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such properties are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Freehold land is not depreciated.

Depreciation on property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

#### i. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

For a transfer of classification from investment properties to property, plant and equipment, the deemed cost of the property for subsequent accounting is its carrying amount at the commencement of owner-occupation.

For a transfer of classification from property, plant and equipment to investment properties, the deemed cost of the property for subsequent accounting is its carrying amount at the end of owner-occupation.

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

j. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

k. Impairment of property, plant and equipment, right-of-use asset, investment properties, intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually.

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

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

## l. Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, and the sale should be expected to qualify for recognition as a completed sale within 1 year from the date of classification.

When the Group is committed to a sale plan involving the disposal of an investment or a portion of an investment in an associate or a joint venture, only the investment or the portion of the investment that will be disposed of is classified as held for sale when the classification criteria are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. If the Group ceases to have significant influence or joint control over the investment after the disposal takes place, the Group accounts for any retained interest that has not been classified as held for sale in accordance with the accounting policies for financial instruments.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

## m. Financial instruments

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

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

### 1) Financial assets

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

#### a) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in debt instruments and equity instruments at FVTOCI.

##### i. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 30.

ii. Financial assets at amortized cost

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

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables at amortized cost and debt investments with no active market, are measured at amortized cost, which equals the gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset.

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

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets

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

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



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

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part that is no longer recognized is treated in the same way as when the financial asset is derecognized in entirety. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

2) Financial liabilities

a) Subsequent measurement

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

- Financial liabilities at FVTPL

Except the financial liabilities at FVTPL, all financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities held for trading are stated at fair value, and any gains or losses on such financial liabilities are recognized in other gains or losses. Fair value is determined in the manner described in Note 30.

#### b) Derecognition of financial liabilities

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

#### 3) Convertible bonds

The component parts of compound instruments (i.e., convertible bonds) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised; in which case, the balance recognized in equity will be transferred to capital surplus - share premiums. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premiums.

Transaction costs that relate to the issuance of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

#### 4) Derivative financial instruments

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

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

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

n. Revenue recognition

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

Revenue from the sale of goods

Revenue from the sale of goods comes from sales of crystals frequency control devices and sensors. Sales of crystals frequency control devices and sensors are recognized as revenue when the goods are delivered to the customer's specific location, the goods are shipped and the goods are picked up by customers because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently.

o. Leasing

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

1) The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

2) The Group as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

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

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

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

p. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

q. Government grants

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

Government grants are recognized as a reduction of the related costs and other income on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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

r. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

s. Taxation

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

1) Current tax

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

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

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

## 6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<b>2022</b>	<b>2021</b>
Cash on hand	\$ 1,179	\$ 1,115
Checking accounts and demand deposits	3,367,422	3,069,037
Cash equivalents (investments with original maturities less than three months)		
Time deposits	274,009	251,493
Repurchase agreements collateralized by bonds	<u>580,000</u>	<u>310,000</u>
	<u>\$ 4,222,610</u>	<u>\$ 3,631,645</u>

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

	<u>December 31</u>	
	<b>2022</b>	<b>2021</b>
Demand deposits	0.001%-2.85%	0.0001%-0.35%
Time deposits	0.98%-4.13%	0.35%-3.71%
Repurchase agreements collateralized by bonds	1.02%	0.24%-0.25%

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	<b>2022</b>	<b>2021</b>
<u>Financial assets at FVTPL - current</u>		
Financial assets mandatorily classified as at FVTPL		
Derivative financial instruments (not under hedge accounting)		
Foreign exchange forward contracts and exchange contracts (b)	\$ <u>3,662</u>	\$ <u>2,399</u>
Non-derivative financial assets		
Listed shares	20,350	-
Mutual funds	287	191,487
Hybrid financial assets		
Structured deposits (a)	<u>393,151</u>	<u>529,142</u>
	<u>413,788</u>	<u>720,629</u>
	<u>\$ 417,450</u>	<u>\$ 723,028</u>

(Continued)

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Financial assets at FVTPL - non-current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Redemption options on convertible bonds	\$ -	\$ 1,080
<u>Financial liabilities at FVTPL - current</u>		
Financial liabilities mandatorily classified as at FVTPL		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts and exchange contracts (b)	\$ 13,620	\$ 1,383 (Concluded)

- a. The structured time deposit contract includes an embedded derivative instrument which is not closely related to the host contract. The entire contract is assessed and classified mandatorily as at FVTPL since it contained a host that is an asset within the scope of IFRS 9.
- b. At the end of the reporting period, outstanding foreign exchange contracts and exchange contracts not under hedge accounting were as follows:

	<b>Currency</b>	<b>Maturity Date</b>	<b>Contract Amount (In Thousands)</b>
<u>December 31, 2022</u>			
Sell	USD/RMB	2023.01.30-112.04.26	USD10,000/RMB70,227
Sell	USD/JPY	2023.01.04-112.01.10	USD2,500/JPY334,823
Exchange contracts	USD/NTD	2023.01.09-112.03.29	USD29,000/NTD900,640
Foreign exchange forward contracts	USD/NTD	2023.01.10	USD3,000/NTD99,000
<u>December 31, 2021</u>			
Sell	USD/RMB	2022.01.27-2022.04.27	USD10,500/RMB67,946
Sell	USD/JPY	2022.01.24	USD2,000/JPY229,263
Knock-out forward	USD/JPY	2022.02.14	USD2,000/JPY231,150
Exchange contracts	USD/NTD	2022.01.18-2022.04.18	USD14,000/NTD387,709
Foreign exchange forward contracts	USD/NTD	2022.01.03-2022.02.16	USD10,000/NTD280,250

The Group entered into foreign exchange forward contracts and exchange contracts during the years ended December 31, 2022 and 2021 to manage exposures due to exchange rate fluctuations of foreign currency denominated assets and liabilities. However, those contracts did not meet the criteria of hedge effectiveness and therefore were not accounted for by using hedge accounting.

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Non-current</u>		
Domestic investments		
Listed shares		
UPI Semiconductor Corp. ordinary shares	\$ 262,122	\$ -
Emerging market shares		
UPI Semiconductor Corp. ordinary shares	-	1,399,268
Unlisted shares	<u>213,170</u>	<u>77,466</u>
	<u>475,292</u>	<u>1,476,734</u>
Foreign investments		
Unlisted shares	<u>187,241</u>	<u>233,358</u>
	<u>\$ 662,533</u>	<u>\$ 1,710,092</u>

These investments in equity instruments are held for medium- to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

The shares of UPI Semiconductor Corp. were first listed on the emerging market of OTC starting on March 12, 2021 and then began to be listed on TWSE on January 3, 2022. The transfers of financial assets measured at fair value are set out in Note 30.

In 2022, the Group sold its shares in UPI Semiconductor Corp. in order to manage credit concentration risk. The shares sold had a fair value of \$178,498 thousand and its related unrealized gain of \$151,993 thousand was transferred from other equity to retained earnings.

In 2022, the Group disposed of QST Products LL's common stock, the related unrealized loss on financial assets at fair value through other comprehensive income of \$5,019 thousand was transferred to retained earnings as a reduction.

## 9. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Current</u>		
Domestic investments		
Pledge deposits (a)	\$ 70,259	\$ 60,916
Time deposits with original maturities of more than 3 months (b)	<u>281,718</u>	<u>72,270</u>
	<u>\$ 351,977</u>	<u>\$ 133,186</u>
<u>Non-current</u>		
Domestic investment		
Time deposits with original maturities of more than 1 year (b)	<u>\$ -</u>	<u>\$ 135,907</u>



- a. Refer to Note 32 for information relating to investments in financial assets at amortized cost pledged as security.
- b. The ranges of interest rates for time deposits with original maturities of more than 3 months were approximately 1.68%-4.125% and 3.91%-4.38% per annum as of December 31, 2022 and 2021, respectively.

## 10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount	\$ 32,131	\$ 4,685
Less: Allowance for impairment loss	<u>(6)</u>	<u>(6)</u>
Notes receivable - operating	<u>\$ 32,125</u>	<u>\$ 4,679</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 3,538,129	\$ 4,048,803
Less: Allowance for impairment loss	<u>(13,497)</u>	<u>(13,488)</u>
	<u>\$ 3,524,632</u>	<u>\$ 4,035,315</u>

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

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates, as well as the GDP forecasts and industry outlook. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base. In addition, a 100% allowance for loss is recognized for accounts receivable when the overdue period exceeds 120 days and for which no other credit guarantee is provided.

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

The following table details the loss allowance of notes receivable and trade receivables based on the Group's provision matrix.

December 31, 2022

	<b>Not Past Due</b>	<b>1 to 60 Days</b>	<b>61 to 120 Days</b>	<b>121 to 180 Days</b>	<b>Over 180 Days</b>	<b>Total</b>
Expected credit loss rate	0.30%	0.27%-2.84%	22.93%-34.39%	100%	100%	
Gross carrying amount	\$ 3,332,503	\$ 230,679	\$ 7,078	\$ -	\$ -	\$ 3,570,260
Loss allowance (Lifetime ECL)	<u>(10,032)</u>	<u>(1,037)</u>	<u>(2,434)</u>	<u>-</u>	<u>-</u>	<u>(13,503)</u>
Amortized cost	<u>\$ 3,322,471</u>	<u>\$ 229,642</u>	<u>\$ 4,644</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,556,757</u>

December 31, 2021

	<b>Not Past Due</b>	<b>1 to 60 Days</b>	<b>61 to 120 Days</b>	<b>121 to 180 Days</b>	<b>Over 180 Days</b>	<b>Total</b>
Expected credit loss rate	0.3%	0.9%	5%	100%	100%	
Gross carrying amount	\$ 3,804,496	\$ 248,992	\$ -	\$ -	\$ -	\$ 4,053,488
Loss allowance (Lifetime ECL)	<u>(11,253)</u>	<u>(2,241)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,494)</u>
Amortized cost	<u>\$ 3,793,243</u>	<u>\$ 246,751</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,039,994</u>

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

	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ 13,494	\$ 13,506
Add: Impairment loss recognized	-	4
Less: Impairment losses reversed	(39)	-
Foreign exchange gains and losses	<u>48</u>	<u>(16)</u>
Balance at December 31	<u>\$ 13,503</u>	<u>\$ 13,494</u>

## 11. INVENTORIES

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Finished goods	\$ 620,212	\$ 582,087
Work in process	446,386	436,873
Raw materials	769,022	635,358
Supplies and spare parts	137,716	112,785
Merchandise	475,972	405,775
Buildings and land held for sale	<u>250,413</u>	<u>466,411</u>
	<u>\$ 2,699,721</u>	<u>\$ 2,639,289</u>

The cost of crystal inventories recognized as cost of goods sold for 2022 and 2021 included \$8,066,061 thousand and \$8,956,703 thousand, respectively. The cost of goods sold for 2022 and 2021 included inventory write-downs of \$18,949 and \$16,370 thousand, respectively.

The cost of real estate inventories recognized as cost of goods sold for 2022 and 2021 included \$72,789 thousand and \$660,919 thousand, respectively.

The construction in progress is the payment made by Chongqing Zhongyang Properties Co., Ltd. to acquire the land use right in Chongqing Gao-Shing District to develop and sell real estate in 2012. Chongqing Zhongyang Properties Co., Ltd. has obtained the title deed of real estate issued by Chongqing Association of land and real estate resources during 2013. The construction began in 2018 and later its related revenue was recognized after completion in April 2021.

The details of the building and land held for sale are as follows:

Area	December 31, 2022	
	Buildings and Land Held for Sale	Contract Liabilities - Current
Jing Yuan	\$ 250,413	\$ 40

Area	December 31, 2021	
	Buildings and Land Held for Sale	Contract Liabilities - Current
Jing Yuan	\$ 466,411	\$ 10,814

The information about transferring from building and land held for sale, to investment properties, because the purpose of use was changed. Please refer to Note 17.

The information about capitalization of interest are set out in Note 24.

## 12. SUBSIDIARIES

### Subsidiary Included in Consolidated Financial Statements

The detail information of the subsidiaries at the end of reporting period was as follows:

Investor	Investee	Business Nature	Percentage of Ownership at		Note
			2022	2021	
TXC Corporation (TXC)	Taiwan Crystal Technology International Limited (TCTI)	Investment management	100	100	a
	TXC Technology, Inc.	Marketing activities	100	100	b
	TXC Japan Corporation	Marketing activities	100	100	c
	Taiwan Crystal Technology (HK) Limited (TCT-HK)	International trading	100	100	e
Taiwan Crystal Technology International Limited	TXC Europe GmbH	Marketing activities	100	100	j
	TXC (Ningbo) Corporation (TXC-Ningbo)	Research and development, manufacture, and sale of quartz elements and related electronic products	100	100	d

(Continued)

Investor	Investee	Business Nature	Percentage of Ownership at		Note
			2022	2021	
TXC (Ningbo) Corporation	TXC (Chongqing) Corporation (TXC- Chongqing)	Research and development, manufacture, and sale of quartz elements and related electronic products	100	100	f
	Chongqing Zhongyang Properties Co., Ltd. (Chongqing Zhongyang)	Properties development	100	100	g
	Ningbo Beilun Jingyu Trading Corporation (Beilun Jingyu)	International trading	100	100	h
	Ningbo Meishan Free Trade Port Area Ding Kai Investment Management Company Limited (Ding Kai Investment)	Investment management	100	100	i
	TETC CORP. NINGBO (TETC-NINGBO)	Research and development, manufacture, and sale of quartz elements and related electronic products	100	100	l
Chongqing Zhongyang Properties Co., Ltd.	ChongQing Dingsen Commercial Management Co., Ltd	Property management	100	100	k
TETC CORP. NINGBO	Shanghai JCH Co., Ltd (JCH)	Marketing activities and technical services	100	-	m

(Concluded)

- a. Taiwan Crystal Technology International Limited was incorporated on December 23, 1998 in Samoa.
- b. TXC Technology, Inc. was incorporated on December 1, 2000 in California, U.S.A.
- c. TXC Japan Corporation was incorporated on September 13, 2005 in Yokohama, Japan.
- d. TXC (Ningbo) Corporation was incorporated on March 12, 1999 in Ningbo, China.
- e. Taiwan Crystal Technology (HK) Limited was incorporated on July 6, 2010 in Hong Kong Special Administrative Region, China.
- f. TXC (Chongqing) Corporation was incorporated on October 11, 2010 in Chongqing, China.
- g. Chongqing Zhongyang Properties Co., Ltd. was incorporated on February 14, 2011 in Chongqing, China.
- h. Ningbo Beilun Jingyu Trading Corporation was incorporated on September 7, 2011 in Ningbo, China.
- i. Ningbo Meishan Free Trade Port Area Ding Kai Investment Management Company Limited was incorporated on May 12, 2017 in Beilun District, Ningbo, China.
- j. TXC Europe GmbH was founded in Germany on August 17, 2018.
- k. ChongQing Dingsen Commercial Management Co., Ltd. was incorporated on February 21, 2019 in Chongqing, China.

- l. TETC CORP. NINGBO was incorporated on December 30, 2020 in Ningbo, China.
- m. Shanghai JCH Co., Ltd was registered on October 13, 2022 in Shanghai, China.

### 13. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Domestic investments		
Unlisted shares		
Godsmith Sensor Inc.	<u>\$ -</u>	<u>\$ 6,979</u>

In November 2020, the Company's board of directors approved to dispose of 24% shares of Godsmith Sensor Inc. and expected to complete the sale within twelve months. Accordingly, the Company has reclassified Godsmith Sensor Inc. as non-current assets held for sale, and were presented separately in the accompanying balance sheets.

For the years ended December 31, 2022 and 2021, the Group had sold 100 thousand and 1,450 thousand shares in Godsmith Sensor Inc. at fair value of \$1,745 thousand and \$27,338 thousand and were recognized as loss on disposal \$249 thousand and \$1,575 thousand, respectively.

As of December 31, 2022, the Group still held 250 thousand shares. The financial assets were assessed to no longer meet the definition of non-current assets held for sale and therefore reclassified as financial assets at fair value through other comprehensive income on the consolidated balance sheet.

### 14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Investments in associates	<u>\$ 458,607</u>	<u>\$ 431,301</u>

- a. Investment in associates

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Associates that are not individually material	<u>\$ 401,707</u>	<u>\$ 391,214</u>

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
The Group's share of:		
Profit from continuing operations	\$ 24,867	\$ 21,323
Other comprehensive income (loss)	<u>3,230</u>	<u>(922)</u>
Total comprehensive income for the year	<u>\$ 28,097</u>	<u>\$ 20,401</u>

Refer to Table 4 "name, locations, and related information of investees on which the Company exercises significant influence" for the nature of activities, principal place of business and country of incorporation of the associates.

In 2021, the Group subscribed 367 thousand ordinary shares of Tai-Shing for cash which amount to \$14,166 thousand; after the subscription, the Group's percentage of ownership in Tai-Shing was 33.34%. The Group recognized goodwill of \$5,339 thousand as cost of investments in associates.

b. Investment joint ventures

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Joint ventures that are not individually material	<u>\$ 56,900</u>	<u>\$ 40,087</u>
	<b><u>For the Year Ended December 31</u></b>	
	<b><u>2022</u></b>	<b><u>2021</u></b>
The Group's share of:		
Loss from continuing operations	<u>\$ (7,742)</u>	<u>\$ (7,559)</u>
 Total comprehensive loss for the year	<u>\$ (7,742)</u>	<u>\$ (7,559)</u>

Refer to Table 4 "name, locations, and related information of investees on which the Company exercises significant influence" and Table 5 "information on investment in mainland China" for the nature of activities, principal place of business and country of incorporation of the joint ventures.

## 15. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Land Improvements	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Property in Construction	Total
<b>Cost</b>								
Balance at January 1, 2021	\$ 593,855	\$ 1,599	\$ 2,607,379	\$ 8,734,385	\$ 20,583	\$ 362,059	\$ 2,440	\$ 12,322,300
Additions	28,000	680	394,220	1,618,950	1,943	55,917	13,110	2,112,820
Disposals	-	-	(268,150)	(631,666)	(1,290)	(28,641)	-	(929,747)
Reclassified as intangible assets	-	-	-	-	-	-	(2,424)	(2,424)
Transfer to inventories	-	-	-	-	-	(57)	-	(57)
Effect of foreign currency exchange differences	-	-	(4,506)	(22,617)	(87)	(2,012)	11	(29,211)
Balance at December 31, 2021	<u>\$ 621,855</u>	<u>\$ 2,279</u>	<u>\$ 2,728,943</u>	<u>\$ 9,699,052</u>	<u>\$ 21,149</u>	<u>\$ 387,266</u>	<u>\$ 13,137</u>	<u>\$ 13,473,681</u>
<b>Accumulated depreciation and impairment</b>								
Balance at January 1, 2021	\$ -	\$ 900	\$ 1,345,469	\$ 5,916,127	\$ 13,849	\$ 237,367	\$ -	\$ 7,513,712
Disposals	-	-	(268,150)	(596,166)	(1,290)	(27,104)	-	(892,710)
Depreciation expense	-	309	135,793	850,854	2,607	35,959	-	1,025,522
Impairment losses	-	-	-	2,606	-	-	-	2,606
Transfer to inventories	-	-	-	-	-	(29)	-	(29)
Effect of foreign currency exchange differences	-	-	(2,006)	(15,579)	(57)	(1,606)	-	(19,248)
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 1,209</u>	<u>\$ 1,211,106</u>	<u>\$ 6,157,842</u>	<u>\$ 15,109</u>	<u>\$ 244,587</u>	<u>\$ -</u>	<u>\$ 7,629,853</u>
Carrying amount at December 31, 2021	<u>\$ 621,855</u>	<u>\$ 1,070</u>	<u>\$ 1,517,837</u>	<u>\$ 3,541,210</u>	<u>\$ 6,040</u>	<u>\$ 142,679</u>	<u>\$ 13,137</u>	<u>\$ 5,843,828</u>
<b>Cost</b>								
Balance at January 1, 2022	\$ 621,855	\$ 2,279	\$ 2,728,943	\$ 9,699,052	\$ 21,149	\$ 387,266	\$ 13,137	\$ 13,473,681
Additions	-	745	48,796	1,053,663	4,063	50,457	84,687	1,242,411
Disposals	-	-	(17,836)	(95,597)	(1,116)	(14,292)	-	(128,841)
Reclassified from investment properties	-	-	5,930	-	-	-	-	5,930
Transfer from prepayment of facilities	-	-	-	393,996	-	-	-	393,996
Effect of foreign currency exchange differences	-	-	16,158	76,204	258	3,900	(244)	96,276
Balance at December 31, 2022	<u>\$ 621,855</u>	<u>\$ 3,024</u>	<u>\$ 2,781,991</u>	<u>\$ 11,127,318</u>	<u>\$ 24,354</u>	<u>\$ 427,331</u>	<u>\$ 97,580</u>	<u>\$ 15,083,453</u>
<b>Accumulated depreciation and impairment</b>								
Balance at January 1, 2022	\$ -	\$ 1,209	\$ 1,211,106	\$ 6,157,842	\$ 15,109	\$ 244,587	\$ -	\$ 7,629,853
Disposals	-	-	(17,836)	(90,446)	(597)	(13,885)	-	(122,764)
Depreciation expense	-	372	149,840	999,813	2,442	46,031	-	1,198,498
Impairment losses	-	-	-	1,749	-	-	-	1,749
Reclassified from investment properties	-	-	3,668	-	-	-	-	3,668
Effect of foreign currency exchange differences	-	-	6,929	42,922	183	2,673	-	52,707
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 1,581</u>	<u>\$ 1,353,707</u>	<u>\$ 7,111,880</u>	<u>\$ 17,137</u>	<u>\$ 279,406</u>	<u>\$ -</u>	<u>\$ 8,763,711</u>
Carrying amount at December 31, 2021 and January 1, 2022	<u>\$ 621,855</u>	<u>\$ 1,070</u>	<u>\$ 1,517,837</u>	<u>\$ 3,541,210</u>	<u>\$ 6,040</u>	<u>\$ 142,679</u>	<u>\$ 13,137</u>	<u>\$ 5,843,828</u>
Carrying amount at December 31, 2022	<u>\$ 621,855</u>	<u>\$ 1,443</u>	<u>\$ 1,428,284</u>	<u>\$ 4,015,438</u>	<u>\$ 7,217</u>	<u>\$ 147,925</u>	<u>\$ 97,580</u>	<u>\$ 6,319,742</u>

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

Land improvements	5-7 years
Buildings	
Industrial building	3-51 years
Electrical power systems	3-51 years
Engineering systems	3-51 years
Equipment	
Major production equipment	3-15 years
Temperature control systems	4-7 years
Transportation equipment	4-7 years
Transportation equipment	4-5 years
Office equipment	3-5 years

Property, plant and equipment pledged as collateral for bank borrowings were set out on Note 32.

## 16. LEASE ARRANGEMENTS

### a. Right-of-use assets

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Carrying amount</u>		
Land	\$ 199,547	\$ 201,375
Buildings	5,727	6,544
Transportation equipment	<u>710</u>	<u>1,160</u>
	<u>\$ 205,984</u>	<u>\$ 209,079</u>
	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Additions to right-of-use assets	<u>\$ -</u>	<u>\$ 123,059</u>
Depreciation charge for right-of-use assets		
Land	\$ 4,654	\$ 3,021
Buildings	2,618	2,631
Transportation equipment	<u>448</u>	<u>449</u>
	<u>\$ 7,720</u>	<u>\$ 6,101</u>

Right-of-use assets pledged as collateral for bank borrowings were set out in Note 32.

b. Lease liabilities

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Carrying amount</u>		
Current	\$ 3,088	\$ 3,051
Non-current	<u>3,399</u>	<u>4,685</u>
	<u>\$ 6,487</u>	<u>\$ 7,736</u>

Range of discount rates for lease liabilities was as follows:

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Buildings	0.86%-1.27%	0.86%-1.27%
Transportation equipment	0.86%	0.86%

c. Material lease-in activities and terms

The Group purchased the land use right for the construction of plants, offices and retail stores with use term of 50 years in mainland China and its payments was paid fully at the time of contract signed and can be renewed upon the expiration of the period. The Group does not have purchase options to acquire the land and buildings at the end of the contract.

d. Other lease information

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Expenses relating to short-term leases	<u>\$ 207</u>	<u>\$ 223</u>
Total cash outflow for leases	<u>\$ (3,258)</u>	<u>\$ (118,495)</u>

The Group leases certain which qualify as short-term leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

## 17. INVESTMENT PROPERTIES

	<b>Completed Investment Properties</b>
<u>Cost</u>	
Balance at January 1, 2021	\$ 90,548
Disposals	(1,350)
Transferred from inventories	454,365
Effect of foreign currency exchange differences	<u>669</u>
Balance at December 31, 2021	<u>\$ 544,232</u>

(Continued)



	<b>Completed Investment Properties</b>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2021	\$ (42,465)
Disposals	1,350
Depreciation expense	(8,892)
Effect of foreign currency exchange differences	<u>143</u>
Balance at December 31, 2021	<u>\$ (49,864)</u>
Carrying amount at December 31, 2021	<u>\$ 494,368</u>
<u>Cost</u>	
Balance at January 1, 2022	\$ 544,232
Disposals	(300)
Transferred from inventories	92,595
Transferred to property, plant and equipment	(5,930)
Effect of foreign currency exchange differences	<u>6,733</u>
Balance at December 31, 2022	<u>\$ 637,330</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2022	\$ (49,864)
Disposals	300
Transferred to property, plant and equipment	3,668
Depreciation expense	(19,592)
Effect of foreign currency exchange differences	<u>(496)</u>
Balance at December 31, 2022	<u>\$ (65,984)</u>
Carrying amount at December 31, 2022	<u>\$ 571,346</u> (Concluded)

The investment real estate held by the combined company is mainly located in Pingzhen District of Taoyuan City and Ningbo City, Mainland China, and some of the factories and offices are leased to collect rents. The other part of the investment real estate is located in Chongqing City, mainland China, and is mainly self-built shopping malls to collect rents.

The investment properties held by the Group are depreciated using the straight-line method over their useful lives of 3-60 years.

The fair value of the Group's investment properties as of December 31, 2022 and 2021 was \$1,085,198 thousand and \$1,152,787 thousand, respectively. The fair value valuation had not been performed by independent qualified professional valuers; however, management of the Group used the valuation model that market participants would use in determining the fair value. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

All of the Group's investment properties were freehold properties. The investment properties pledged as collateral for bank borrowing are set out in Note 32.

## 18. BORROWINGS

### a. Short-term borrowings

	<u>December 31</u>	
	2022	2021
<u>Secured borrowings (Note 32)</u>		
Bank loans	\$ 43,651	\$ 130,461
<u>Unsecured borrowings</u>		
Bank loans	359,869	432,047
Letters of credit	<u>110,230</u>	<u>-</u>
	<u>470,099</u>	<u>432,047</u>
	<u>\$ 513,750</u>	<u>\$ 562,508</u>

The interest rate on the letters of credit were 1.2%-3.65% and 3.44%-3.85% per annum as of December 31, 2022 and 2021, respectively.

### b. Short-term bills payable

	<u>December 31</u>	
	2022	2021
Bank acceptances	\$ -	\$ 86,974

Outstanding short-term bills payable were as follows:

#### December 31, 2021

<u>Promissory Institution</u>	<u>Nominal Amount</u>	<u>Discount Amount</u>	<u>Carrying Amount</u>	<u>Interest Rate</u>	<u>Collateral</u>	<u>Carrying Amount of Collateral</u>
<u>Bank acceptances</u>						
Bank of Ningbo	<u>RMB 20,000</u>	<u>\$ -</u>	<u>\$ 86,974</u>	3.6%	-	<u>\$ -</u>

### c. Long-term borrowings

	<u>December 31</u>	
	2022	2021
<u>Unsecured borrowings</u>		
Bank loans	\$ 2,413,385	\$ 1,955,302
Less: Current portions	<u>(890,785)</u>	<u>(280,343)</u>
Long-term borrowings	<u>\$ 1,522,600</u>	<u>\$ 1,674,959</u>

The borrowings of the Group were as follows:

	Detail of Borrowing	December 31	
		2022	2021
Unsecured bank borrowing denominated in NT\$	Maturity date: 2025.01.03 Principle is paid monthly since January 15, 2021	\$ 50,000	\$ 75,000
Unsecured bank borrowing denominated in NT\$	Maturity date: 2025.01.03 Principle is paid monthly since January 15, 2021	75,000	112,500
Unsecured bank borrowing denominated in NT\$	Maturity date: 2025.01.03 Principle is paid monthly since January 15, 2021	75,000	112,500
Unsecured bank borrowing denominated in NT\$	Maturity date: 2025.04.01 Principle is paid monthly since March 15, 2023	300,000	300,000
Unsecured bank borrowing denominated in NT\$	Maturity date: 2025.04.15 Principle is paid monthly since May 15, 2023	200,000	200,000
Unsecured bank borrowing denominated in NT\$	Maturity date: 2024.09.15 Principle is paid monthly since September 15, 2022	168,000	200,000
Unsecured bank borrowing denominated in US\$	Maturity date: 2024.09.15 Principle is paid monthly since September 15, 2022	252,000	300,000
Unsecured bank borrowing denominated in US\$	Maturity date: 2024.09.15 Principle is paid monthly since September 15, 2022	84,000	100,000
Unsecured bank borrowing denominated in NT\$	Maturity date: 2025.01.03 Principle is paid monthly since March 15, 2021	52,174	78,261
Unsecured bank borrowing denominated in NT\$	Maturity date: 2026.08.17 Principle is paid monthly since September 15, 2022	183,333	200,000
Unsecured bank borrowing denominated in NT\$	Maturity date: 2024.08.03 Principle is repaid at maturity	100,000	-
Unsecured bank borrowing denominated in NT\$	Maturity date: 2024.08.03 Principle is repaid at maturity	300,000	-
Unsecured bank borrowing denominated in NT\$	Maturity date: 2024.08.03 Principle is repaid at maturity	300,000	-
Secured bank borrowing denominated in RMB	Maturity date: 2027.11.01 Principle is repaid semi-annually per agreement of RMB250 thousand, from April 19, 2024 to April 19, 2026; per agreement of RMB500 thousand, from April 19, 2026 to the maturity date	39,180	-
Unsecured bank borrowing denominated in RMB	Maturity date: 2023.08.31 Principle is repaid semi-annually per agreement of RMB100 thousand, from November 30, 2022 to the maturity date.	43,210	-

(Continued)

		<b>December 31</b>	
		<b>2022</b>	<b>2021</b>
<b>Detail of Borrowing</b>			
Unsecured bank borrowing denominated in RMB	Maturity date: 2023.09.08 Principle is repaid semi-annually per agreement of RMB100 thousand, from December 8, 2022 to the maturity date.	\$ 43,210	\$ -
Unsecured bank borrowing denominated in RMB	Maturity date: 2023.11.01 Principle is repaid semi-annually per agreement of RMB500 thousand, from February 1, 2023 to the maturity date.	43,651	-
Unsecured bank borrowing denominated in RMB	Maturity date: 2023.11.08 Principle is repaid semi-annually per agreement of RMB500 thousand, from February 8, 2023 to the maturity date.	43,210	-
Unsecured bank borrowing denominated in NT\$	Maturity date: 2023.09.06 Principle is repaid at maturity	-	180,000
Unsecured bank borrowing denominated in US\$	Maturity date: 2022.02.26 Principle is repaid at maturity	-	41,589
Unsecured bank borrowing denominated in US\$	Maturity date: 2023.09.24 Principle is repaid at maturity	61,417	55,452
Less: Current portions		<u>(890,785)</u>	<u>(280,343)</u>
		<u>\$ 1,522,600</u>	<u>\$ 1,674,959</u> (Concluded)

The range of interest rates on bank loans was 0.725%-5.49% and 0.1%-1.2% per annum as of December 31, 2022 and 2021, respectively.

## 19. BONDS PAYABLE

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Unsecured domestic convertible bonds	\$ 1,200,000	\$ 1,200,000
Less: Discount on bonds payable	<u>(16,727)</u>	<u>(27,279)</u>
	<u>\$ 1,183,273</u>	<u>\$ 1,172,721</u>

On July 26, 2021, the Company issued the 5th domestic unsecured convertible bonds with an aggregate principal amount of \$1,200,000 thousand at 0% interest rate, and the issuance period is for three years from July 26, 2021 to July 26, 2024. The repayment will be made at face value in full by cash upon maturity. Bondholders are entitled to convert bonds into the Company's ordinary shares from October 27, 2021 to July 26, 2024. The conversion price was set initially at \$138 per share. According to the regulations on issuance and conversion of bonds, the conversion price shall be adjusted to \$122.9 per share starting from July 23, 2022.

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus. The effective interest rate of the liability component was 0.8961% per annum on initial recognition.

Proceeds from issuance (less transaction costs of \$5,427 thousand)	\$ 1,194,573
Equity component (less transaction costs allocated to the equity component of \$129 thousand)	(28,431)
Assets component	<u>2,040</u>
Liability component at the date of issue (less transaction costs allocated to the liability component of \$5,298 thousand)	1,168,182
Interest charged at an effective interest rate	<u>4,539</u>
Liability component at December 31, 2021	1,172,721
Interest charged at an effective interest rate	<u>10,552</u>
Liability component at December 31, 2022	<u>\$ 1,183,273</u>

## 20. OTHER LIABILITIES

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Current</u>		
Other payables		
Payables for bonus to employees and directors	\$ 393,658	\$ 413,264
Payables for commission	25,232	24,273
Payables for salaries	147,661	166,626
Payables for bonus	506,933	472,609
Payables for annual leave	47,364	43,683
Payables for purchase of equipment	138,135	212,665
Others	<u>162,996</u>	<u>146,912</u>
	<u>\$ 1,421,979</u>	<u>\$ 1,479,312</u>
Deferred revenue		
Arising from government grants (Note 27)	<u>\$ 38,817</u>	<u>\$ 23,717</u>
<u>Non-current</u>		
Deferred revenue		
Arising from government grants (Note 27)	<u>\$ 108,191</u>	<u>\$ 70,772</u>

## 21. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

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

The employees of the Group's subsidiaries in mainland China are members of a state-managed retirement benefit plan operated by the government of China. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

b. Defined benefit plans

The defined benefit plan adopted by the Company of the Group in accordance with the Labor Standards Act is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contribute amounts equal to 9% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Present value of defined benefit obligation	\$ 182,628	\$ 192,025
Fair value of plan assets	<u>(147,425)</u>	<u>(130,236)</u>
Net defined benefit liability	<u>\$ 35,203</u>	<u>\$ 61,789</u>

Movements in net defined benefit liability (asset) were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liability (Asset)</b>
Balance at January 1, 2021	\$ 179,235	\$ (115,675)	\$ 63,560
Service cost			
Current service cost	1,466	-	1,466
Net interest expense (income)	<u>896</u>	<u>(611)</u>	<u>285</u>
Recognized in profit or loss	<u>2,362</u>	<u>(611)</u>	<u>1,751</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,395)	(1,395)
Actuarial (gain) loss - changes in demographic assumptions	4,578	-	4,578
Actuarial (gain) loss - changes in financial assumptions	(2,533)	-	(2,533)
Actuarial (gain) loss - experience adjustments	<u>9,523</u>	<u>-</u>	<u>9,523</u>
Recognized in other comprehensive income	<u>11,568</u>	<u>(1,395)</u>	<u>10,173</u>
Contributions from the employer	-	(13,695)	(13,695)
Benefits paid	<u>(1,140)</u>	<u>1,140</u>	<u>-</u>
Balance at December 31, 2021	<u>192,025</u>	<u>(130,236)</u>	<u>61,789</u>

(Continued)

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liability (Asset)</b>
Service cost			
Current service cost	\$ 1,340	\$ -	\$ 1,340
Past service cost loss (gain) on settlement	(458)	460	2
Net interest expense (income)	<u>1,200</u>	<u>(857)</u>	<u>343</u>
Recognized in profit or loss	<u>2,082</u>	<u>(397)</u>	<u>1,685</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)		(9,662)	(9,662)
Actuarial (gain) loss - changes in demographic assumptions	1,120	-	1,120
Actuarial (gain) loss - changes in financial assumptions	(7,329)	-	(7,329)
Actuarial (gain) loss - experience adjustments	<u>1,358</u>	<u>-</u>	<u>1,358</u>
Recognized in other comprehensive income	<u>(4,851)</u>	<u>(9,662)</u>	<u>(14,513)</u>
Contributions from the employer	-	(13,758)	(13,758)
Benefits paid	<u>(6,628)</u>	<u>6,628</u>	<u>-</u>
Balance at December 31, 2022	<u>\$ 182,628</u>	<u>\$ (147,425)</u>	<u>\$ 35,203</u> (Concluded)

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

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Cost of goods sold	\$ 880	\$ 900
Selling and marketing expenses	122	128
General and administrative expenses	243	282
Research and development expenses	<u>440</u>	<u>441</u>
	<u>\$ 1,685</u>	<u>\$ 1,751</u>

Through the defined benefit plans under the Labor Standards Act, the Group is exposed to the following risks:

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

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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Discount rate(s)	1.50%	0.625%
Expected rate(s) of salary increase	2.50%	2.00%

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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Discount rate(s)		
0.25% increase	<u>\$ (4,510)</u>	<u>\$ (5,022)</u>
0.25% decrease	<u>\$ 4,679</u>	<u>\$ 5,219</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 4,551</u>	<u>\$ 5,059</u>
0.25% decrease	<u>\$ (4,409)</u>	<u>\$ (4,895)</u>

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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
The expected contributions to the plan for the next year	<u>\$ 13,560</u>	<u>\$ 13,884</u>
The average duration of the defined benefit obligation	10.2 years	10.7 years

## 22. EQUITY

### a. Share capital

#### Ordinary shares

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Numbers of shares authorized (in thousands)	<u>500,000</u>	<u>500,000</u>
Shares authorized	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>309,757</u>	<u>309,757</u>
Shares issued	<u>\$ 3,097,570</u>	<u>\$ 3,097,570</u>

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

The Company's 30,000 thousand authorized shares were reserved for the issuance of convertible bonds and employee share options.



b. Capital surplus

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*</u>		
Issuance of ordinary shares	\$ 611,776	\$ 611,776
Conversion of bonds	977,028	977,028
Overdue options	73,377	73,377
The difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	331	331
<u>May only be used to offset a deficit</u>		
Share of changes in capital surplus of associates or joint venture	15,627	2,712
Other	3,409	3,129
<u>May not be used for any purpose</u>		
Employee share options	<u>28,431</u>	<u>28,431</u>
	<u>\$ 1,709,979</u>	<u>\$ 1,696,784</u>

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

c. Retained earnings and dividend policy

Under the dividends policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonuses to shareholders. For the policies on distribution of employees' compensation and remuneration of directors and supervisors before and after amendment, refer to employee benefits expense in Note 24(g).

Dividends are recommended by the board of directors in accordance with the Corporation's dividend policy. Under this policy, industry trends and growth should be evaluated, investment opportunities should be fully understood, and proper capital adequacy ratios should be considered in determining the dividends to be distributed. In addition, cash dividends should not be less than 20% of the total dividends to be appropriated.

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

Items referred to under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and in the directive titled “Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs” should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2021 and 2020 were approved in the shareholders’ meetings on May 31, 2022 and July 20, 2021, respectively. The appropriations and dividends per share were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (NT\$)</u>	
	<u>For Fiscal Year 2021</u>	<u>For Fiscal Year 2020</u>	<u>For Fiscal Year 2021</u>	<u>For Fiscal Year 2020</u>
Legal reserve	\$ 310,870	\$ 155,246	\$ -	\$ -
Special reserve	(346,761)	(177,611)	-	-
Cash dividends	2,323,178	1,177,077	7.5	3.8

The appropriations of earnings for 2022 have been proposed by the board of directors on March 6, 2023 were as follows:

	<u>Appropriation of Earnings</u>	<u>Dividends Per Share (NT\$)</u>
Legal reserve	\$ 296,435	\$ -
Special reserve	143,070	-
Cash dividends	2,168,299	7

The appropriation of earnings for 2022 is subject to the resolution of the shareholders’ meeting to be held on May 30, 2023.

d. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Balance at January 1	\$ (559,579)	\$ (523,275)
Exchange differences on translating the financial statements of foreign operations	106,056	(35,567)
Share of exchange differences of associates accounted for using the equity method	<u>3,000</u>	<u>(737)</u>
Balance at December 31	<u>\$ (450,523)</u>	<u>\$ (559,579)</u>

2) Unrealized gain (loss) on financial assets at FVTOCI

	<b><u>For the Year Ended December 31</u></b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ <u>1,357,362</u>	\$ <u>176,513</u>
Recognized during the period		
Unrealized loss - equity instruments	(902,903)	1,180,893
Share from associates accounted for using the equity method	<u>(32)</u>	<u>(44)</u>
Other comprehensive income recognized in the period	<u>(902,935)</u>	<u>1,180,849</u>
Cumulative unrealized gain/(loss) of equity instruments transferred to retained earnings due to disposal	<u>(146,974)</u>	<u>-</u>
Balance at December 31	\$ <u><u>307,453</u></u>	\$ <u><u>1,357,362</u></u>

**23. REVENUE**

	<b><u>For the Year Ended December 31</u></b>	
	<b>2022</b>	<b>2021</b>
Revenue from contracts with customers		
Revenue from sale of goods	\$ 13,104,001	\$ 14,261,153
Construction contract revenue	<u>65,687</u>	<u>983,698</u>
	<u>\$ 13,169,688</u>	<u>\$ 15,244,851</u>
Trade receivables (Note 10)	<u>\$ 3,524,632</u>	<u>\$ 4,035,315</u>
Contract liabilities		
Construction of properties	\$ 40	\$ 10,814
Sale of goods	<u>12,116</u>	<u>15,654</u>
	<u>\$ 12,156</u>	<u>\$ 26,468</u>

The contract liabilities were unearned sales revenue and accounted for other current liabilities.

**24. NET PROFIT AND OTHER COMPREHENSIVE INCOME (LOSS) FROM CONTINUING OPERATIONS**

Net profit from continuing operations was attributable to:

a. Interest income

	<b><u>For the Year Ended December 31</u></b>	
	<b>2022</b>	<b>2021</b>
Bank deposits	\$ 13,398	\$ 8,819
Financial assets at amortized cost	10,516	10,668
Others	<u>3,521</u>	<u>1,385</u>
	<u>\$ 27,435</u>	<u>\$ 20,872</u>

b. Other income

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Income from government grants	\$ 124,887	\$ 96,622
Dividends income	11,486	2,682
Others	<u>37,389</u>	<u>75,080</u>
	<u>\$ 173,762</u>	<u>\$ 174,384</u>

c. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Loss on disposal of non-current assets held for sale	\$ (249)	\$ (1,575)
Gain on disposal of property, plant and equipment	7,560	2,507
Fair value changes of financial assets and financial liabilities		
Financial assets mandatorily at FVTPL	3,869	21,740
Net foreign exchange gains	436,249	75,755
Property, plant and equipment impairment losses	(1,749)	(2,606)
Depreciation of investment properties	(19,592)	(8,892)
Others	<u>(33,431)</u>	<u>(32,298)</u>
	<u>\$ 392,657</u>	<u>\$ 54,631</u>

d. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Interest on bank loans	\$ 38,222	\$ 36,955
Interest on convertible bonds	10,552	4,539
Interest on lease liabilities	<u>73</u>	<u>59</u>
	<u>\$ 48,847</u>	<u>\$ 41,553</u>

The detail of capitalization of interest:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
The amount of capitalization of interest	<u>\$ -</u>	<u>\$ 4,416</u>
Interest rate of capitalization of interest	-	6.18%

e. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Property, plant and equipment	\$ 1,198,498	\$ 1,025,522
Investment properties	19,592	8,892
Right-of-use assets	7,720	6,101
Intangible assets	<u>22,825</u>	<u>15,823</u>
	<u>\$ 1,248,635</u>	<u>\$ 1,056,338</u>
 An analysis of deprecation by function		
Operating costs	\$ 924,733	\$ 870,804
Operating expenses	281,485	160,819
Other gains and losses	<u>19,592</u>	<u>8,892</u>
	<u>\$ 1,225,810</u>	<u>\$ 1,040,515</u>
 An analysis of amortization by function		
Operating costs	\$ 120	\$ -
Operating expenses	<u>22,705</u>	<u>15,823</u>
	<u>\$ 22,825</u>	<u>\$ 15,823</u>

f. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Post-employment benefits (see Note 21)		
Defined contribution plans	\$ 117,200	\$ 100,342
Defined benefit plans	<u>1,685</u>	<u>1,751</u>
	<u>118,885</u>	<u>102,093</u>
Other employee benefits		
Payroll expense	2,552,911	2,602,784
Labor and health insurance	145,149	126,034
Others	<u>59,806</u>	<u>57,080</u>
	<u>2,757,866</u>	<u>2,785,898</u>
	<u>\$ 2,876,751</u>	<u>\$ 2,887,991</u>
 An analysis of employee benefits expense by function		
Operating costs	\$ 1,650,335	\$ 1,617,854
Operating expenses	<u>1,226,416</u>	<u>1,270,137</u>
	<u>\$ 2,876,751</u>	<u>\$ 2,887,991</u>

g. Employees' compensation and remuneration of directors for 2022 and 2021

The Company accrued employees' compensation and remuneration of directors at the rates no less than 3% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2022 and 2021 which were been approved by the Company's board of directors on March 6, 2023 and March 7, 2022, respectively, were as follows:

Accrual rate

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Employees' compensation	9.0%	9.0%
Remuneration of directors	1.5%	1.5%

Amount

	<u>For the Year Ended December 31</u>			
	<u>2022</u>		<u>2021</u>	
	<u>Cash</u>	<u>Share</u>	<u>Cash</u>	<u>Share</u>
Employees' compensation	\$ 330,344	\$ -	\$ 354,226	\$ -
Remuneration of directors	55,057	-	59,038	-

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

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2021 and 2020.

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

## 25. INCOME TAXES RELATING TO CONTINUING

a. The major components of tax expense were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Current tax		
In respect of the current period	\$ 559,719	\$ 603,377
Income tax on unappropriated earnings	19,766	-
Adjustments for prior year	<u>(22,162)</u>	<u>(41,846)</u>
	<u>557,323</u>	<u>561,531</u>
Deferred tax		
In respect of the current period	<u>10,520</u>	<u>18,328</u>
Income tax expense recognized in profit or loss	<u>\$ 567,843</u>	<u>\$ 579,859</u>

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

	<b><u>For the Year Ended December 31</u></b>	
	<b>2022</b>	<b>2021</b>
Profit before tax from continuing operations	<u>\$ 3,373,347</u>	<u>\$ 3,696,843</u>
Income tax expense calculated at the statutory rate	\$ 674,669	\$ 739,369
Tax effect of adjusting items:		
Nondeductible expenses in determining taxable income	8,768	3,350
Tax-exempt income	(7,271)	(4,801)
Deferred tax effect of earnings of subsidiaries	79,672	37,854
Income tax on unappropriated earnings	19,766	-
Unrecognized temporary differences	1,287	606
Unrecognized loss carryforwards	1,095	(15,378)
Investment tax credit	(124,274)	(101,436)
Effect of different tax rate of group entities operating in other jurisdictions	(54,647)	(37,859)
Adjustment for prior years' tax	(22,162)	(41,846)
Effect of tax rate changes	<u>(9,060)</u>	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ 567,843</u>	<u>\$ 579,859</u>
b. Income tax expense recognized in other comprehensive income		

	<b><u>For the Year Ended December 31</u></b>	
	<b>2022</b>	<b>2021</b>
<u>Deferred tax</u>		
In respect of the current year		
Remeasurement of defined benefit plans	<u>\$ (2,904)</u>	<u>\$ (2,035)</u>

c. Current tax assets and liabilities

	<b><u>December 31</u></b>	
	<b>2022</b>	<b>2021</b>
Current tax liabilities		
Income tax payable	<u>\$ 204,057</u>	<u>\$ 330,380</u>

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2022

	<b>Opening Balance</b>	<b>Recognize in Profit or Loss</b>	<b>Recognize in Other Compre- hensive Income</b>	<b>Exchange Differences</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>					
Unrealized loss on inventories	\$ 7,738	\$ 688	\$ -	\$ 9	\$ 8,435
Unrealized exchange loss	7	11,329	-	-	11,336
Payable for annual leave	7,701	335	-	27	8,063

(Continued)

	Opening Balance	Recognize in Profit or Loss	Recognize in Other Compre- hensive Income	Exchange Differences	Closing Balance
Determine benefit obligation	\$ 14,722	\$ (2,415)	\$ (2,904)	\$ -	\$ 9,403
Property, plant and equipment	3,045	(412)	-	44	2,677
Financial liabilities at fair value through profit or loss	1,882	2,100	-	27	4,009
Deferred revenue	10,437	695	-	141	11,273
Others	<u>4,447</u>	<u>1,597</u>	<u>-</u>	<u>31</u>	<u>6,075</u>
	<u>\$ 49,979</u>	<u>\$ 13,917</u>	<u>\$ (2,904)</u>	<u>\$ 279</u>	<u>\$ 61,271</u>
<u>Deferred tax liabilities</u>					
Associates	\$ 70,598	\$ 8,920	\$ -	\$ -	\$ 79,518
Unrealized loss on inventories	34	(34)	-	-	-
Financial assets at fair value through profit or loss	-	552	-	(3)	549
Property, plant and equipment	<u>22,824</u>	<u>14,999</u>	<u>-</u>	<u>242</u>	<u>38,065</u>
	<u>\$ 93,456</u>	<u>\$ 24,437</u>	<u>\$ -</u>	<u>\$ 239</u>	<u>\$ 118,132</u>

(Concluded)

For the year ended December 31, 2021

	Opening Balance	Recognize in Profit or Loss	Recognize in Other Compre- hensive Income	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>					
Unrealized loss on inventories	\$ 7,797	\$ (56)	\$ -	\$ (3)	\$ 7,738
Unrealized exchange loss	7,432	(7,425)	-	-	7
Payable for annual leave	5,300	2,406	-	(5)	7,701
Determine benefit obligation	15,076	(2,389)	2,035	-	14,722
Property, plant and equipment	1,001	2,044	-	-	3,045
Financial liabilities at fair value through profit or loss	291	1,588	-	3	1,882
Deferred revenue	-	10,415	-	22	10,437
Others	<u>2,995</u>	<u>1,465</u>	<u>-</u>	<u>(13)</u>	<u>4,447</u>
	<u>\$ 39,892</u>	<u>\$ 8,048</u>	<u>\$ 2,035</u>	<u>\$ 4</u>	<u>\$ 49,979</u>
<u>Deferred tax liabilities</u>					
Associates	\$ 67,032	\$ 3,566	\$ -	\$ -	\$ 70,598
Unrealized loss on inventories	-	34	-	-	34
Property, plant and equipment	<u>-</u>	<u>22,776</u>	<u>-</u>	<u>48</u>	<u>22,824</u>
	<u>\$ 67,032</u>	<u>\$ 26,376</u>	<u>\$ -</u>	<u>\$ 48</u>	<u>\$ 93,456</u>

e. Income tax assessments

The income tax returns through 2020, except 2019, have been assessed by the tax authorities.



## 26. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share from continuing operations were as follows:

### Net Profit for the Year

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Profit for the period attributable to owners of the Company	\$ 2,805,504	\$ 3,116,984
Interest on convertible bonds after tax	<u>8,442</u>	<u>4,539</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 2,813,946</u>	<u>\$ 3,121,523</u>

Weighted average number of ordinary shares outstanding (in thousand shares):

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Weighted average number of ordinary shares in computation of basic earnings per share	309,757	309,757
Effect of dilutive potential ordinary shares:		
Convertible bonds	9,764	1,623
Employees' compensation	<u>4,645</u>	<u>3,683</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>324,166</u>	<u>315,063</u>

The Group may settle the compensation paid to employees by cash or shares; therefore, the Group presumes that the entire amount of the compensation will be settled in shares and the resulting potential shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the shares had a dilutive effect. Such dilutive effect of the potential shares was included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

## 27. GOVERNMENT GRANTS

For the year ended December 31, 2022 and 2021, the Group received a government grant of \$92,084 thousand and \$119,122 thousand for its investment of equipment, respectively. The amount was recognized as deferred revenue and subsequently transferred to profit or loss over the useful life of the related asset.

## 28. CAPITAL MANAGEMENT

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

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

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

## 29. FINANCIAL INSTRUMENTS

### a. Fair value of financial instruments

The management believes the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

### b. Fair value of financial instruments that are measured at fair value on a recurring basis

#### 1) Fair value hierarchy

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic listed shares	\$ 20,350	\$ -	\$ -	\$ 20,350
Foreign exchange forward contracts and exchange contracts	-	3,662	-	3,662
Mutual funds	287	-	-	287
Structured deposits	<u>-</u>	<u>393,151</u>	<u>-</u>	<u>393,151</u>
	<u>\$ 20,637</u>	<u>\$ 396,813</u>	<u>\$ -</u>	<u>\$ 417,450</u>
Financial liabilities at FVTPL				
Foreign exchange forward contracts and exchange contracts	<u>\$ -</u>	<u>\$ 13,620</u>	<u>\$ -</u>	<u>\$ 13,620</u>
Financial assets at FVTOCI				
Domestic listed shares	\$ 262,122	\$ -	\$ -	\$ 262,122
Domestic unlisted shares	-	-	213,170	213,170
Foreign unlisted shares	<u>-</u>	<u>-</u>	<u>187,241</u>	<u>187,241</u>
	<u>\$ 262,122</u>	<u>\$ -</u>	<u>\$ 400,411</u>	<u>\$ 662,533</u>

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Redemption options on convertible bonds	\$ -	\$ 1,080	\$ -	\$ 1,080
Foreign exchange forward contracts and exchange contracts	-	2,399	-	2,399
Mutual funds	191,487	-	-	191,487
Structured deposits	<u>-</u>	<u>529,142</u>	<u>-</u>	<u>529,142</u>
	<u>\$ 191,487</u>	<u>\$ 532,621</u>	<u>\$ -</u>	<u>\$ 724,108</u>
Financial liabilities at FVTPL				
Foreign exchange forward contracts and exchange contracts	<u>\$ -</u>	<u>\$ 1,383</u>	<u>\$ -</u>	<u>\$ 1,383</u>

(Continued)

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Domestic emerging shares	\$ 1,399,268	\$ -	\$ -	\$ 1,399,268
Domestic unlisted shares	-	-	77,466	77,466
Foreign unlisted shares	-	-	233,358	233,358
	<u>\$ 1,399,268</u>	<u>\$ -</u>	<u>\$ 310,824</u>	<u>\$ 1,710,092</u>
				(Concluded)

There were no transfers between Levels 1 and 2 in the current and prior periods of 2022 and 2021.

2) Reconciliation of Level 3 fair value measurements of financial assets

For the year ended December 31, 2022

	<u>Financial Assets at FVTPL</u>	<u>Financial Assets at FVTOCI</u>
	<u>Equity Instruments</u>	<u>Equity Instruments</u>
<u>Financial assets</u>		
Balance at January 1, 2022	\$ -	\$ 310,824
Purchase	-	25,360
Reclassified from non-current assets held for sale	-	4,985
Recognized in other comprehensive income	-	55,745
Effect of foreign currency exchange differences	-	3,497
	<u>-\$ -</u>	<u>\$ 400,411</u>

For the year ended December 31, 2021

	<u>Financial Assets at FVTPL</u>	<u>Financial Assets at FVTOCI</u>
	<u>Equity Instruments</u>	<u>Equity Instruments</u>
Balance at January 1, 2021	\$ 9,255	\$ 525,304
Purchase	-	5,359
Disposal	(9,255)	-
Transfer to Level 1	-	(113,446)
Recognized in other comprehensive income	-	(104,928)
Effect of foreign currency exchange differences	-	(1,465)
	<u>-\$ -</u>	<u>\$ 310,824</u>

Since the UPI Semiconductor Corp.'s shares were listed on the Taipei Exchange on March 12, 2021, the fair value hierarchy was transferred from Level 3 to Level 1 when observable market data became available for such equity investment.

3) Valuation techniques and inputs applied for the purpose of measuring Level 2 fair value measurement

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
Derivatives - foreign exchange forward contracts and exchange contracts	Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Structured deposits	Discounted cash flow. Future cash flows are discounted at a rate that reflects current borrowing interest rates of the bond issuers at the end of the reporting period
Redemption options on convertible bonds	Binomial tree valuation model. Binomial tree valuation model were evaluated by the observable closing price of the stocks, volatility, risk-free interest rate, risk discount rate, and liquidity risk at the balance sheet date.

4) Valuation techniques and inputs applied for the purpose of measuring Level 3 fair value measurement

The Group uses price-book ratio approach, comparing the net value per share with other public companies among similar industries or evaluating share price based on average price-book ratio of other competitors, to capture the present value of the expected future economic benefits to be derived from the ownership of these investees.

The fair values of unlisted equity securities - ROC were determined using income approach. In this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of these investees. The significant unobservable inputs used are listed on the table below. An increase in long-term revenue growth rates or long-term pre-tax operating margin or a decrease in WACC or discount for lack of marketability used in isolation would result in increase in fair value.

c. Categories of financial instruments

	<u>December 31</u>	
	2022	2021
<u>Financial assets</u>		
FVTPL		
Mandatorily at FVTPL (1)	\$ 417,450	\$ 724,108
Financial assets at amortized cost (2)	8,223,316	8,019,825
Financial assets at FVTOCI		
Equity instruments	662,533	1,710,092
<u>Financial liabilities</u>		
FVTPL		
Mandatorily as at FVTPL (3)	13,620	1,383
Amortized cost (4)	6,814,283	7,422,413

- 1) The balances included the carrying amount of beneficiary certificate, foreign exchange forward contracts and exchange contracts, structured deposits, redemption options on convertible bonds and investment of equity instruments.
  - 2) The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables, other receivables and refundable deposits.
  - 3) The balances included the carrying amount of foreign exchange forward contracts and exchange contracts.
  - 4) The balances included financial liabilities measured at amortized cost, which comprise short-term and long-term loans, short-term bills payable, bonds payable, trade payables, other payables and guarantee deposits received.
- d. Financial risk management objectives and policies

The Group's major financial instruments included equity and debt investments, bonds payable, borrowings. The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Group's policies approved by the board of directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The corporate treasury function reported quarterly to the Group's risk management committee, an independent body that monitors risks and policies implemented to mitigate risk exposures.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below). The Group entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk, including: Foreign exchange forward contracts to hedge the exchange rate risk arising on the Group's foreign currency monetary.

a) Foreign currency risk

Several subsidiaries of the Company had foreign currency sales and purchases, which exposed the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period (see Note 34).

Sensitivity analysis

The Group was mainly exposed to the USD and JPY.

The following table details the Group's sensitivity to a 1% increase and decrease in the New Taiwan dollar (the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign exchange forward contracts designated as cash flow hedges, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. The sensitivity analysis included external loans/borrowings as well as loans/borrowings to foreign operations within the Group where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. A positive number below indicates an increase in post-tax profit and other equity associated with the New Taiwan dollar strengthening 1% against the relevant currency. For a 1% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on post-tax profit and other equity and the balances below would be negative.

	<b>USD Impact (i)</b>		<b>JPY Impact (ii)</b>	
	<b>For the Year Ended December 31</b>		<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Profit or loss	\$ 33,590	\$ 41,987	\$ (3,392)	\$ (2,966)

i. This was mainly attributable to the exposure outstanding on USD non-money items, which were not hedged at the end of the reporting period.

ii. This was mainly attributable to the exposure to outstanding JPY, which were not hedged, at the end of the reporting period.

b) Interest rate risk

The Group was exposed to interest rate risk because the Group's bank deposits and the Group borrowed funds at floating interest rates.

The carrying amount of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows.

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Fair value interest rate risk		
Financial assets	\$ 1,164,521	\$ 786,559
Financial liabilities	3,474,901	2,763,792
Cash flow interest rate risk		
Financial assets	3,408,887	3,112,326
Financial liabilities	635,507	1,013,713

Sensitivity analysis

The sensitivity analyses below were determined based on the Group's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 25 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2022 and 2021 would increase/(decrease) by \$6,933 thousand and \$5,247 thousand, which was mainly attributable to the Group's exposure to interest rates on its floating rate bank deposits and bank borrowings.

## 2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of the counterparty to discharge its obligation and due to the financial guarantees provided by the Group, could be equal to the total of the following:

- a) The carrying amount of the respective recognized financial assets as stated in the balance sheets; and
- b) The maximum amount the entity would have to pay if the financial guarantee is called upon, irrespective of the likelihood of the guarantee being exercised.

## 3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liability. As of December 31, 2022 and 2021, the Group had available unutilized overdraft and short-term bank loan facilities of approximately \$6,774,251 thousand and \$6,909,081 thousand, respectively.

### • Liquidity and interest risk rate tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

To extend that interest flows are floating rate, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

### December 31, 2022

	Weighted Interest Average Effective Rate (%)	Less Than 1 Year	2-3 Years	4-5 Years	5+ Years	Total
<u>Non-derivative financial liabilities</u>						
Trade payables	-	\$ 1,209,119	\$ -	\$ -	\$ -	\$ 1,209,119
Other payables	-	1,423,229	-	-	-	1,423,229
Lease liabilities	0.86-1.27	3,088	3,399	-	-	6,487
Variable interest rate liabilities	0.725-0.975	248,087	354,087	33,333	-	635,507
Fixed interest rate liabilities	0.90-5.49	1,156,448	2,279,272	39,181	-	3,474,901

December 31, 2021

	<b>Weighted Interest Average Effective Rate (%)</b>	<b>Less Than 1 Year</b>	<b>2-3 Years</b>	<b>4-5 Years</b>	<b>5+ Years</b>	<b>Total</b>
<u>Non-derivative financial liabilities</u>						
Trade payables	-	\$ 2,091,611	\$ -	\$ -	\$ -	\$ 2,091,611
Other payables	-	1,482,807	-	-	-	1,482,807
Lease liabilities	0.86-1.27	3,051	4,685	-	-	7,736
Variable interest rate liabilities	0.30-3.85	142,754	755,626	115,333	-	1,013,713
Fixed interest rate liabilities	0.10-4.10	787,071	1,940,721	36,000	-	2,763,792

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities was subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

- Liquidity and interest rate risk tables for non-derivative financial liabilities

The following table details the Group's liquidity analysis of its derivative financial instruments. The table is based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement.

December 31, 2022

	<b>On Demand or Less Than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Net settled</u>					
Foreign exchange forward contracts and exchange contracts	\$ (1,551)	\$ (9,098)	\$ 688	\$ -	\$ -

December 31, 2021

	<b>On Demand or Less Than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Net settled</u>					
Foreign exchange forward contracts and exchange contracts	\$ 1,024	\$ 84	\$ (92)	\$ -	\$ -



### 30. RELATED-PARTY TRANSACTIONS

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

<u>Related Party Name</u>	<u>Relationship with the Company</u>
Tai-shing Electronics Components Corp.	Associate
TSE Technology (Ningbo) Co., Ltd.	Associate
EcLife Co., Ltd.	Other associate
Ningbo Longying Semiconductor Co., Ltd.	Other associate
PETER LIN	Chairman of the Company

a. Sales of goods

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Associates	\$ 73,936	\$ 115,221
Other associate	12,339	11,903
Chairman of the Company	<u>12,896</u>	<u>-</u>
	<u>\$ 99,171</u>	<u>\$ 127,124</u>

Selling prices and payment terms offered to related parties were similar with those offered to third parties.

b. Purchase of goods

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Other associates	<u>\$ 2,873</u>	<u>\$ 14,409</u>

Purchase prices and payment terms offered by related parties were similar with those offered by third parties.

c. Operating expenses

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Other associates	<u>\$ 2,033</u>	<u>\$ 3,237</u>

d. Commission revenue

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Associates	\$ 1,505	\$ 2,456
Other associates	<u>-</u>	<u>49</u>
	<u>\$ 1,505</u>	<u>\$ 2,505</u>

e. Rental revenue

			For the Year Ended December 31			
			2022		2021	
Related Party	Location	Rent Collection	Amount	% to Total Account Balance	Amount	% to Total Account Balance
Ningbo Xingmao Electron Technology Co., Ltd.	1F., No. 189, Huangshan W. Rd., Beilun Dist., Ningbo City	Based on contract, and paid on a monthly basis	\$ 4,558	-	\$ 2,976	-
Ningbo Longying Semiconductor Co., Ltd.	Building D4, No. 189, Huangshan W. Rd., Beilun Dist., Ningbo City	Based on contract, and paid on a monthly basis	177	-	124	-
Tai-Shing Electronics Components Corporation	6F., No. 4, Gongye 6th Rd., Pingzhen Dist., Taoyuan City 324, Taiwan	Based on contract, and paid on a monthly basis	<u>3,518</u>	-	<u>3,576</u>	-
			<u>\$ 8,253</u>		<u>\$ 6,676</u>	

There is no significant difference in transaction terms between related parties and unrelated parties.

f. Trade receivables from related parties (excluding loans to related parties)

	December 31	
	2022	2021
Associates	\$ 8,171	\$ 27,256
Other associates	1,748	3,706
Less: Allowance for impairment loss	<u>(68)</u>	<u>(68)</u>
	<u>\$ 9,851</u>	<u>\$ 30,894</u>

The outstanding trade receivables from related parties are unsecured.

g. Trade payables to related parties (excluding loans from related parties)

	December 31	
	2022	2021
Other associates	<u>\$ 622</u>	<u>\$ 2,140</u>

The outstanding trade payables to related parties are unsecured.

Payment terms of the transactions to related parties were similar to those for third parties.

h. Other receivables from related parties

	December 31	
	2022	2021
Associates	\$ 635	\$ 1,154
Other	<u>8</u>	<u>25</u>
	<u>\$ 643</u>	<u>\$ 1,179</u>

i. Other payables to related parties

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Other associates	<u>\$ 1,250</u>	<u>\$ 3,495</u>

j. Prepayments for facility

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Other associates	<u>\$ 4,357</u>	<u>\$ 4,247</u>

k. Acquisition of property, plant and equipment

	<b>Acquisition Amounts</b>	
	<b>2022</b>	<b>2021</b>
Other associates	<u>\$ 16,106</u>	<u>\$ 7,563</u>

l. Compensation of key management personnel

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Short-term benefits	\$ 186,665	\$ 204,921
Post-employment benefits	<u>3,671</u>	<u>3,978</u>
	<u>\$ 190,336</u>	<u>\$ 208,899</u>

The remuneration of directors and key executives, as determined by the remuneration committee, was based on the performance of individuals and market trends.

### 31. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Building equipment, net	\$ 247,376	\$ 284,332
Investment property	13,147	16,775
Pledge deposits	70,259	60,916
Right-of-use assets	<u>10,710</u>	<u>10,931</u>
	<u>\$ 341,492</u>	<u>\$ 372,954</u>

### 32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2022 and 2021 were as follows:

- a. As of December 31, 2022, unused letters of credit amounted to approximately JPY11,058 thousand and EUR339 thousand.
- b. On November 8, 2021, the board of directors of the Company approved its subsidiary TETC CORP. NINGBO to construct a plant project, with an estimated investment of RMB145,000 thousand, related construction matters are still under design and planning. On April 19, 2022, the Company signed a construction contract and the total contract amount and paid amount are as follows:

	<b>Contract Amount</b>	<b>Paid Amount</b>	<b>Unpaid Amount</b>
Property, plant and equipment	<u>RMB 101,880</u>	<u>RMB 15,560</u>	<u>RMB 86,320</u>

- c. As of December 31, 2022, the Company unrecognized commitments are as follows:

	<b>Contract Amount</b>	<b>Paid Amount</b>	<b>Unpaid Amount</b>
Acquisition of equipment	<u>\$ 83,380</u>	<u>\$ 37,722</u>	<u>\$ 45,658</u>
Acquisition of equipment	<u>RMB 36,242</u>	<u>RMB 9,388</u>	<u>RMB 26,854</u>
Acquisition of equipment	<u>JPY 115,200</u>	<u>JPY 25,600</u>	<u>JPY 89,600</u>
Acquisition of equipment	<u>USD 798</u>	<u>USD 642</u>	<u>USD 156</u>

### 33. SIGNIFICANT EVENTS AFTER REPORTING PERIOD: NONE

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

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

**Unit: In Thousands of Foreign Currencies and New Taiwan Dollars**

December 31, 2022

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 139,256	30.7080 (USD:NTD)	\$ 4,276,273
USD	4,148	6.9646 (USD:RMB)	127,377
JPY	533,718	0.2324 (JPY:NTD)	124,036
JPY	306,521	0.0527 (JPY:RMB)	71,245
JPY	110,132	0.0076 (JPY:USD)	25,595

(Continued)

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 25,887	30.7080 (USD:NTD)	\$ 794,938
USD	8,133	6.9646 (USD:RMB)	249,748
JPY	1,338,747	0.2324 (JPY:NTD)	311,125
JPY	974,054	0.0527 (JPY:RMB)	226,370
JPY	97,085	0.0076 (JPY:USD)	22,563
			(Concluded)

December 31, 2021

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 149,297	27.69 (USD:NTD)	\$ 4,134,034
USD	18,499	6.3674 (USD:RMB)	512,237
JPY	655,609	0.2406 (JPY:NTD)	157,740
JPY	593,346	0.0553 (JPY:RMB)	142,759
JPY	779,162	0.0087 (JPY:USD)	187,466

Financial liabilities

Monetary items			
USD	11,401	27.69 (USD:NTD)	315,694
USD	4,764	6.3674 (USD:RMB)	131,915
JPY	1,524,360	0.2406 (JPY:NTD)	366,761
JPY	1,353,526	0.0553 (JPY:RMB)	325,658
JPY	382,816	0.0087 (JPY:USD)	92,106

For the years ended December 31, 2022 and 2021, unrealized net foreign exchange gains were \$436,249 thousand and \$75,755 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

### 35. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and information on investees:

- 1) Lending funds to others. (None)
- 2) Providing endorsements or guarantees for others. (None)
- 3) Holding of securities at the end of the period. (Table 1)
- 4) Aggregate purchases or sales of the same securities reaching NT\$300 million or 20 percent of paid-in capital or more. (None)

- 5) Acquisition of real estate reaching NT\$300 million or 20 percent of paid-in capital or more. (None)
  - 6) Disposal of real estate reaching NT\$300 million or 20 percent of paid-in capital or more. (None)
  - 7) Purchases or sales of goods from or to related parties reaching NT\$100 million or 20 percent of paid-in capital or more. (Table 2)
  - 8) Trade receivables from related parties reaching NT\$100 million or 20 percent of paid-in capital or more. (Table 3)
  - 9) Trading in derivative instruments. (Note 7)
  - 10) Others: The business relationship between the parent and the subsidiaries and between each subsidiary, and the circumstances and amounts of any significant transactions between them. (Table 7)
  - 11) Information on investees. (Table 4)
- b. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, investment gain or loss, carrying amount of the investment at the end of the period, repatriated investment gains, and limit on the amount of investment in the mainland China area. (Table 5)
  - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses. (Table 6)
    - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
    - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
    - c) The amount of property transactions and the amount of the resultant gains or losses.
    - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
    - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
    - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.
- d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (None)

### 36. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group's reportable segments under IFRS 8 "Operating Segments" were as follows:

#### Crystal

##### a. Segment revenues and results

	Segment Revenue		Segment Profit	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2022	2021	2022	2021
Crystal segment	\$ 13,104,001	\$ 14,261,153	\$ 2,804,395	\$ 3,209,567
Real estate development segment	65,687	983,698	6,819	265,178
Continuing operations	\$ 13,169,688	\$ 15,244,851	2,811,214	3,474,745
Interest income			27,435	20,872
Other income			173,762	174,384
Other gains and losses			392,657	54,631
Financial costs			(48,847)	(41,553)
Share of profit or loss of subsidiaries, associates and joint ventures			17,126	13,764
Profit before tax (continuing operations)			\$ 3,373,347	\$ 3,696,843

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the years ended December 31, 2022 and 2021.

Segment profit represented the profit before tax earned by each segment without allocation of central administration costs and directors' salaries, share of profits of associates, gain recognized on the disposal of interest in former associates, rental revenue, interest income, gain or loss on disposal of property, plant and equipment, gain or loss on disposal of financial instruments, exchange gain or loss, valuation gain or loss on financial instruments, finance costs and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

##### b. Revenue from major products and services

	2022	2021
Crystals	\$ 9,932,466	\$ 10,911,520
Oscillators	2,455,314	2,297,518
Construction contract revenue	65,687	983,698
Others	716,221	1,052,115
	\$ 13,169,688	\$ 15,244,851

c. Geographical information

The Group's operates in two principal geographical areas - Taiwan and China.

The Group's revenue from continuing operations from external customers and information about its non-current assets by geographical location are detailed below:

	<b>Revenue from External Customers</b>		<b>Non-current Assets</b>	
	<b>For the Year Ended December 31</b>		<b>December 31</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Taiwan	\$ 632,320	\$ 743,598	\$ 3,019,491	\$ 2,976,992
Asia	11,802,007	13,941,998	4,235,131	4,126,754
America	462,159	321,142	-	-
Europe	249,953	215,536	-	-
Others	<u>23,249</u>	<u>22,577</u>	<u>1,760</u>	<u>1,311</u>
	<u>\$ 13,169,688</u>	<u>\$ 15,244,851</u>	<u>\$ 7,256,382</u>	<u>\$ 7,105,057</u>

Non-current assets included property, plant and equipment, intangible assets and other assets but excluded deferred tax assets and financial instruments.

d. Major customer information

Single customers contributing 10% or more to the Group's revenue were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
F Group	<u>\$ 2,502,897</u>	<u>\$ 2,325,125</u>



TABLE 1

## TXC CORPORATION AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2022				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
TXC Corporation	<u>Stock - unlisted company</u> Godsmith Sensor Inc	None	Financial assets at fair value through other comprehensive income - non-current	800	\$ 4,833	4	\$ 4,833	
	RFIC Technology Corporation	TXC Corporation is a director of the Company	"	3,334	12,009	12	12,009	
	Win Precision Technology Co., Ltd.	None	"	1,625	190,879	3	190,879	
	Gallopwave Inc.	"	"	5,000	5,449	10	5,449	
	<u>Stock - list company</u> UPI Semiconductor Corp.	"	"	1,106	262,122	1	262,122	
	<u>Stock - listed company</u> United Microelectronics Corporation	A director of one of the TXC Corporation's director		Financial assets at fair value through profit or loss - current	500	<u>20,350</u> <u>\$ 495,642</u>	-	<u>20,350</u> <u>\$ 495,642</u>
TXC (Ningbo) Corporation	<u>Shares overseas - unlisted company</u> Ningbo SJ Electronics Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	567	<u>\$ 55,654</u>	5	<u>\$ 55,654</u>	
TXC (Chongqing) Corporation	<u>Structured deposits</u> China Construction Bank	None	Financial assets at fair value through profit or loss - current	RMB 7,002	\$ 30,875	-	\$ 30,875	
	Agricultural Bank of China	"	"	RMB 11,579	51,052	-	51,052	
	China CITIC Bank	"	"	RMB 37,279	164,368	-	164,368	
	China Minsheng Bank	"	"	RMB 10,002	<u>44,101</u> <u>\$ 290,396</u>	-	<u>44,101</u> <u>\$ 290,396</u>	
Ningbo Beilun Jingyu Trading Corporation	<u>Beneficiary certificate</u> Southern Cash Fund	None	Financial assets at fair value through profit or loss - current	RMB 64	<u>\$ 278</u>	-	<u>\$ 278</u>	
Ningbo Meishan Free Trade Port Area Ding Kai Investment Management Company Limited	<u>Shares overseas - unlisted company</u> Zhejiang Bright Semiconductor Technology Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	7,004	<u>\$ 131,587</u>	3	<u>\$ 131,587</u>	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2022				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
Chongqing Zhongyang Properties Co., Ltd.	Structured deposits Chongqing Rural Commercial Bank	None	Financial assets at fair value through profit or loss - current	RMB 22,950	<u>\$ 101,191</u>	-	<u>\$ 101,191</u>	
ChongQing Dingsen Commercial Management Co., Ltd.	Structured deposits China Construction Bank Corporation	None	Financial assets at fair value through profit or loss - current	RMB 355	<u>\$ 1,564</u>	-	<u>\$ 1,564</u>	

(Concluded)

**TXC CORPORATION AND SUBSIDIARIES**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2022**  
(In Thousands of New Taiwan Dollars)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note		
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total			
TXC Corporation	TXC (Ningbo) Corporation	Subsidiary	Purchase	\$ 2,470,783	37	No significant differences with the third parties.	Its trading price depends on its function within the Group	No significant differences with the third parties.	\$ (571,918)	(42)			
	"	"	Sale	568,885	5				"	"		176,871	6
	TXC (Chongqing) Corporation	"	Purchase	1,208,967	18				"	"		(275,148)	(20)
	TETC CORP. NINGBO	"	Purchase	293,984	4				"	"		(76,537)	(6)
TXC (Ningbo) Corporation	TXC (Chongqing) Corporation	"	Purchase	174,670	8	"	"	"	(49,135)	(8)			
			Sale	131,019	3	"	"	"	28,733	3			

**TXC CORPORATION AND SUBSIDIARIES**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL**

**DECEMBER 31, 2022**

**(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
TXC Corporation	TXC (Ningbo) Corporation	Subsidiary	\$ 176,871	3.96	\$ -	-	\$ 101,950	\$ -
TXC (Ningbo) Corporation	TXC Corporation	Parent entity	571,918	4.19	-	-	415,593	-
TXC (Chongqing) Corporation	TXC Corporation	Parent entity	275,148	4.05	-	-	154,998	-

## TXC CORPORATION AND SUBSIDIARIES

## NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars or U.S. Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2022			Net Income (Losses) of the Investee	Equity in the Earnings (Losses)	Note
				December 31, 2022	December 31, 2021	Shares (In Thousands)	Percentage of Ownership	Carrying Value			
TXC Corporation	Taiwan Crystal Technology International Ltd.	Western Samoa	Investment management	\$ 1,390,461	\$ 1,390,461	42,835	100.00	\$ 7,094,310	\$ 993,971	\$ 967,172	
	Taiwan Crystal Technology International (HK) Limited	Hong Kong	International trading	2,371	2,371	80	100.00	192,258	44	44	
	TXC Japan Corporation	Japan	Marketing activities	6,172	6,172	2	100.00	31,590	2,173	2,173	
	TXC Technology Inc.	U.S.A.	Marketing activities	9,879	9,879	300	100.00	21,826	2,014	2,014	
	Tai-Shing Electronics Components Corporation	Taiwan	Manufacture and sales of electronics products	373,432	373,432	8,802	33.34	401,707	74,584	24,867	
	TXC Europe GmbH	Germany	Marketing activities	1,746	1,746	50	100.00	9,000	4,050	4,050	

## TXC CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars or U.S. Dollars)

1. Name of the investees in mainland China, main businesses and products, paid-in capital, method of investment, information on inflow or outflow of capital, percentage of ownership, investment income or loss, ending balance of investment, dividends remitted by the investee, and the limit of investment in mainland China:

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2022 (In Thousand)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2022 (In Thousand)	Investee Company Current Net Income	Percentage of Ownership	Investment Income (Loss) Recognized	Carrying Amount as of December 31, 2022	Accumulated Inward Remittance of Earnings as of December 31, 2022
					Outflow	Inflow						
TXC (Ningbo) Corporation	Research and development, manufacture, and sale of quartz elements and related electronic products	\$ 2,350,052	Indirect investment of the Corporation in mainland China through the Corporation's subsidiary in a third region	\$ 1,427,630	\$ -	\$ -	\$ 1,427,630	\$ 993,988	100.00	\$ 993,988	\$ 7,149,193	\$ 1,039,001
TXC (Chongqing) Corporation	Research and development, manufacture, and sale of quartz elements and related electronic products	1,162,074	Other investment of the Corporation in mainland China	-	-	-	-	141,860	100.00	141,860	1,647,704	306,500
TETC CORP. NINGBO	Research and development, manufacture, and sale of quartz elements and related electronic products	433,440	Other investment of the Corporation in mainland China	-	-	-	-	388,509	100.00	388,509	938,616	-
Chongqing Zhongyang Properties Co., Ltd.	Properties development	684,908	Other investment of the Corporation in mainland China	-	-	-	-	222	100.00	222	813,437	-
Ningbo Beilun Jingyu Trading Corporation	International trading	7,090	Other investment of the Corporation in mainland China	-	-	-	-	236	100.00	236	6,210	-
Ningbo Longying Semiconductor Co., Ltd.	Research and development in integrated circuit	220,006	Other investment of the Corporation in mainland China	-	-	-	-	(21,741)	32.91	(7,742)	56,900	-
Ningbo Meishan Free Trade Port Area Ding Kai Investment Management Company Limited	Investment management	160,043	Other investment of the Corporation in mainland China	-	-	-	-	1	100.00	1	131,857	-
ChongQing Dingsen Commercial Management Co., Ltd.	Property management	4,390	Other investment of the Corporation in mainland China	-	-	-	-	(4,379)	100.00	(4,379)	(1,221)	-
Shanghai JCH Co., Ltd	Marketing activities and Technical Services	2,238	Other investment of the Corporation in mainland China	-	-	-	-	(9)	100.00	(9)	2,197	-

2. The limited amounts of the investment in mainland China

Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$ 1,427,630	\$ 2,350,052	\$ -

Note: The investment in mainland China has no maximum limit since the Company has acquired the approval from the Industrial Development Bureau for the establishment of the Company's operating headquarters in Taiwan.

## TXC CORPORATION AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY,  
AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)

1. Significant direct or indirect transactions with the investees, prices and terms of payment, unrealized gain or loss:

Company Name	Related Party	Transaction Type	Transaction Details				Accounts/Notes Receivable/Payable		Unrealized Gain or Loss	
			Amount	Percentage (%)	Price	Payment Term	Compared with Terms of Third Parties	Balance		%
TXC Corporation	TXC (Ningbo) Corporation	Purchase	\$ 2,470,783	37	Its trading price depends on its function within the Group	Similar with third parties	Its trading price depends on its function within the Group	\$ (571,918)	(42)	\$ 30,028
	TXC (Ningbo) Corporation	Sale	568,885	5	"	"	"	176,871	6	6,517
	TXC (Chongqing) Corporation	Purchase	1,208,967	18	"	"	"	(275,148)	(20)	16,054
	TETC CORP. NINGBO	Purchase	293,984	4	"	"	"	(76,537)	(6)	2,882

2. The transactions of properties and the profit or loss: None.
3. Endorsements guarantees or collateral directly or indirectly provided to the investees: None
4. Financings directly or indirectly provided to the investees: None
5. Other transactions that significantly impacted the current year's profit or loss or financial position: None

## TXC CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
 FOR THE YEAR ENDED DECEMBER 31, 2022  
 (In Thousands of New Taiwan Dollars)

For the year ended December 31, 2021

No.	Company Name	Counterparty	Nature of Relationship (Note 1)	Intercompany Transactions			
				Accounts	Amount	Terms (Note 2)	Percentage of Consolidated Total Gross Sales or Total Assets (%)
0	TXC Corporation	TXC (Ningbo) Corporation	a	Sales	\$ 568,885	a	4
				Purchase	2,470,783	a	19
				Trade receivables	176,871	a	1
		TXC (Chongqing) Corporation	a	Trade payables	571,918	a	3
				Purchase	1,208,967	a	9
				Trade payables	275,148	a	1
TETC CORP. NINGBO	a	Purchase	293,984	a	2		
1	TXC (Ningbo) Corporation	TXC (Chongqing) Corporation	c	Purchase	174,670	c	1
		TETC CORP. NINGBO	c	Sales	131,019	c	1

Note 1: a. Represent the transactions from parent company to subsidiary.  
 c. Represent the transactions between subsidiaries.

Note 2: In 2022, the selling price and purchasing price were not significantly different from those of third parties, except for TXC (Ningbo) Corporation, TXC (Chongqing) Corporation, TETC CORP. NINGBO and Taiwan Crystal Technology (HK) Limited which is depending on its function within the Group.

Note 3: The company may decide whether to list the material transactions in this table according to the principle of materiality.



**TXC Corporation**

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

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
TXC Corporation

### **Opinion**

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

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

### **Basis for Opinion**

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

### **Key Audit Matters**

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

The key audit matter identified in the Company's financial statements for the year ended December 31, 2022 is stated as follows:

The revenue of the Company for the year ended December 31, 2022 had an approximate 9% decrease compared to revenue for the year ended December 31, 2021. In comparison with 2021, the revenue derived from specific customers increased; therefore, we considered the validity of revenue derived from specific customers as a key audit matter. For the accounting policy for revenue recognition, please refer to Note 4.

The key audit procedures that we performed included the following:

1. We obtained an understanding and tested the appropriateness of the design and the implementation of internal control system that is related to revenue recognition.

2. We selected samples from the revenue details of specific customers, checked the sales orders and delivery orders and confirmed the occurrence of the sales revenue.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### **Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Ming-Chung Hsieh and Yu-Shiou Su.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 13, 2023

#### Notice to Readers

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

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

# TXC CORPORATION

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

ASSETS	2022		2021	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 2,375,033	13	\$ 2,270,993	12
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	20,350	-	-	-
Financial assets at amortized cost - current (Notes 4 and 9)	52,213	1	53,719	1
Notes receivable (Notes 4 and 10)	535	-	2,827	-
Trade receivables (Notes 4 and 10)	2,976,981	16	3,383,659	18
Trade receivables from related parties (Notes 4, 10 and 28)	214,000	1	160,655	1
Other receivables (Notes 4 and 10)	18,059	-	43,349	-
Other receivables from related parties (Notes 4 and 28)	370	-	375	-
Inventories (Notes 4 and 11)	1,471,204	8	1,344,912	7
Non-current assets held for sale (Notes 4 and 12)	-	-	6,979	-
Other current assets	9,797	-	27,986	-
Total current assets	<u>7,138,542</u>	<u>39</u>	<u>7,295,454</u>	<u>39</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	-	-	1,080	-
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	475,292	3	1,476,734	8
Right-of-use assets (Notes 4 and 15)	4,637	-	7,704	-
Investments accounted for using equity method (Notes 4 and 13)	7,750,691	42	7,050,255	37
Property, plant and equipment (Notes 4 and 14)	2,891,305	16	2,621,486	14
Investment properties (Notes 4 and 16)	18,589	-	19,966	-
Other intangible assets (Note 4)	17,795	-	15,190	-
Deferred tax assets (Notes 4 and 24)	42,852	-	30,472	-
Prepayment for equipment	83,784	-	310,078	2
Refundable deposits	2,566	-	2,566	-
Total non-current assets	<u>11,287,511</u>	<u>61</u>	<u>11,535,531</u>	<u>61</u>
<b>TOTAL</b>	<u>\$ 18,426,053</u>	<u>100</u>	<u>\$ 18,830,985</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	\$ 13,620	-	\$ 1,383	-
Trade payables	430,715	2	607,896	3
Trade payables to related parties (Note 28)	931,578	5	1,020,783	6
Other payables (Note 19)	867,361	5	942,545	5
Other payables to related parties (Note 28)	1,364	-	3,864	-
Current tax liabilities (Notes 4 and 24)	235,808	1	301,233	2
Lease liabilities - current (Notes 4 and 15)	3,088	-	3,051	-
Current portion of long-term borrowings and bonds payable (Note 17)	656,087	4	238,754	1
Other current liabilities	20,664	-	12,932	-
Total current liabilities	<u>3,160,285</u>	<u>17</u>	<u>3,132,441</u>	<u>17</u>
<b>NON-CURRENT LIABILITIES</b>				
Bonds payable (Notes 4 and 18)	1,183,273	6	1,172,721	6
Long-term borrowings (Note 17)	1,483,420	8	1,619,507	9
Lease liabilities - non-current (Notes 4 and 15)	1,596	-	4,685	-
Deferred tax liabilities (Notes 4 and 24)	79,518	1	70,598	-
Net defined benefit liabilities - non-current (Notes 4 and 20)	35,203	-	61,789	-
Guarantee deposits received	9,550	-	9,550	-
Total non-current liabilities	<u>2,792,560</u>	<u>15</u>	<u>2,938,850</u>	<u>15</u>
Total liabilities	<u>5,952,845</u>	<u>32</u>	<u>6,071,291</u>	<u>32</u>
<b>EQUITY (Note 21)</b>				
Share capital				
Ordinary shares	3,097,570	17	3,097,570	17
Capital surplus	1,709,979	9	1,696,784	9
Retained earnings				
Legal reserve	1,946,812	11	1,635,942	9
Special reserve	-	-	346,761	2
Unappropriated earnings	5,861,917	32	5,184,854	27
Total retained earnings	<u>7,808,729</u>	<u>43</u>	<u>7,167,557</u>	<u>38</u>
Other equity				
Exchange differences on translating the financial statements of foreign operations	(450,523)	(3)	(559,579)	(3)
Unrealized gain on financial assets at fair value through other comprehensive income	307,453	2	1,357,362	7
Total other equity	<u>(143,070)</u>	<u>(1)</u>	<u>797,783</u>	<u>4</u>
Total equity	<u>12,473,208</u>	<u>68</u>	<u>12,759,694</u>	<u>68</u>
<b>TOTAL</b>	<u>\$ 18,426,053</u>	<u>100</u>	<u>\$ 18,830,985</u>	<u>100</u>

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

# TXC CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Note 22)	\$ 10,596,932	100	\$ 11,680,702	100
COST OF GOODS SOLD (Notes 11 and 23)	<u>7,414,935</u>	<u>70</u>	<u>8,277,289</u>	<u>71</u>
GROSS PROFIT	3,181,997	30	3,403,413	29
UNREALIZED GAIN ON ASSOCIATES/AND JOINT VENTURES	(9,767)	-	(8,662)	-
REALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES /AND JOINT VENTURES	<u>8,662</u>	<u>-</u>	<u>2,022</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>3,180,892</u>	<u>30</u>	<u>3,396,773</u>	<u>29</u>
OPERATING EXPENSES (Notes 4 and 23)				
Selling and marketing expenses	265,891	2	268,235	2
General and administrative expenses	277,400	3	248,665	2
Research and development expenses	<u>722,991</u>	<u>7</u>	<u>647,016</u>	<u>6</u>
Total operating expenses	<u>1,266,282</u>	<u>12</u>	<u>1,163,916</u>	<u>10</u>
PROFIT FROM OPERATIONS	<u>1,914,610</u>	<u>18</u>	<u>2,232,857</u>	<u>19</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 23)	12,075	-	8,033	-
Other income (Notes 4 and 23)	36,439	-	48,989	-
Other gains and losses (Note 23)	344,928	3	7,361	-
Finance costs (Notes 4 and 23)	(23,287)	-	(11,769)	-
Share of profit of associates and joint ventures (Note 13)	<u>1,000,320</u>	<u>10</u>	<u>1,237,115</u>	<u>11</u>
Total non-operating income and expenses	<u>1,370,475</u>	<u>13</u>	<u>1,289,729</u>	<u>11</u>
PROFIT BEFORE INCOME TAX	3,285,085	31	3,522,586	30
INCOME TAX EXPENSE (Note 24)	<u>479,581</u>	<u>5</u>	<u>405,602</u>	<u>4</u>
NET PROFIT FOR THE YEAR	<u>2,805,504</u>	<u>26</u>	<u>3,116,984</u>	<u>26</u>

(Continued)

# TXC CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
<b>OTHER COMPREHENSIVE (LOSS) INCOME</b>				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ 11,609	-	\$ (8,138)	-
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	(853,288)	(8)	1,257,640	11
Share of the other comprehensive income of associates accounted for using the equity method	(49,384)	-	(76,932)	(1)
	<u>(891,063)</u>	<u>(8)</u>	<u>1,172,570</u>	<u>10</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	106,056	1	(35,567)	-
Share of the other comprehensive loss of associates accounted for using the equity method	3,000	-	(737)	-
	<u>109,056</u>	<u>1</u>	<u>(36,304)</u>	<u>-</u>
Other comprehensive (loss) income for the year, net of income tax	<u>(782,007)</u>	<u>(7)</u>	<u>1,136,266</u>	<u>10</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ 2,023,497</u>	<u>19</u>	<u>\$ 4,253,250</u>	<u>36</u>
<b>EARNINGS PER SHARE (Note 25)</b>				
From continuing and discontinued operations				
Basic	<u>\$ 9.06</u>		<u>\$ 10.06</u>	
Diluted	<u>\$ 8.68</u>		<u>\$ 9.91</u>	

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

(Concluded)

# TXC CORPORATION

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

	Shares (In Thousands)	Share Capital	Capital Surplus	Retained Earnings			Others		Total Equity
				Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	
BALANCE AT JANUARY 1, 2021	309,757	\$ 3,097,570	\$ 1,668,269	\$ 1,480,696	\$ 524,372	\$ 3,230,861	\$ (523,275)	\$ 176,513	\$ 9,655,006
Appropriation of 2020 earnings (Note 21)									
Legal reserve	-	-	-	155,246	-	(155,246)	-	-	-
Special reserve	-	-	-	-	(177,611)	177,611	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(1,177,077)	-	-	(1,177,077)
Net profit for the year ended December 31, 2021	-	-	-	-	-	3,116,984	-	-	3,116,984
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	-	(8,279)	(36,304)	1,180,849	1,136,266
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	3,108,705	(36,304)	1,180,849	4,253,250
Equity component of convertible bonds issued by the Company	-	-	28,431	-	-	-	-	-	28,431
Other changes in capital surplus	-	-	84	-	-	-	-	-	84
BALANCE AT DECEMBER 31, 2021	309,757	3,097,570	1,696,784	1,635,942	346,761	5,184,854	(559,579)	1,357,362	12,759,694
Appropriation of 2021 earnings (Note 21)									
Legal reserve	-	-	-	310,870	-	(310,870)	-	-	-
Special reserve	-	-	-	-	(346,761)	346,761	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(2,323,178)	-	-	(2,323,178)
Net profit for the year ended December 31, 2022	-	-	-	-	-	2,805,504	-	-	2,805,504
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	-	11,872	109,056	(902,935)	(782,007)
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	2,817,376	109,056	(902,935)	2,023,497
Surplus donated	-	-	280	-	-	-	-	-	280
Changes in capital surplus from investment in associates and joint ventures accounted for using the equity method	-	-	12,915	-	-	-	-	-	12,915
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	146,974	-	(146,974)	-
BALANCE AT DECEMBER 31, 2022	309,757	\$ 3,097,570	\$ 1,709,979	\$ 1,946,812	\$ -	\$ 5,861,917	\$ (450,523)	\$ 307,453	\$ 12,473,208

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



# TXC CORPORATION

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

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 3,285,085	\$ 3,522,586
Adjustments for:		
Depreciation expenses	496,254	442,154
Amortization expenses	17,980	11,001
Net loss on fair value change of financial assets and liabilities designated as at fair value through profit or loss	19,124	7,557
Finance costs	23,287	11,769
Interest income	(12,075)	(8,033)
Dividend income	(11,486)	(2,682)
Share of the other comprehensive income of associates accounted for using the equity method	(1,000,320)	(1,237,115)
Gain on disposal of property, plant and equipment	(6,679)	(1,093)
Loss on disposal of non-current assets held for sale	249	1,575
Write-down of inventories	17,468	15,532
Unrealized gain on the transactions with subsidiaries, associates and joint ventures	9,767	8,662
Realized gain on the transactions with subsidiaries, associates and joint ventures	(8,662)	(2,022)
Changes in operating assets and liabilities:		
Notes receivable	2,292	(2,665)
Trade receivables	406,678	(424,604)
Trade receivables from related parties	(53,345)	(88,057)
Other receivables	25,387	(24,289)
Other receivables from related parties	5	(366)
Inventories	(143,760)	(287,354)
Other current assets	18,189	36,535
Trade payables	(177,181)	(91,327)
Trade payables to related parties	(89,205)	2,950
Other payables	(75,696)	379,833
Other payables to related parties	(2,500)	2,382
Other current liabilities	7,732	1,273
Defined benefit liabilities, net	(12,074)	(11,944)
Cash generated from operations	2,736,514	2,262,258
Interest paid	(12,223)	(7,609)
Income taxes paid	(551,369)	(207,687)
Net cash generated from operating activities	<u>2,172,922</u>	<u>2,046,962</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through profit or loss	(26,157)	-
Proceeds from sale of financial assets at fair value through profit or loss	-	2,255

(Continued)

# TXC CORPORATION

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

	2022	2021
Purchase of financial assets at fair value through other comprehensive income	\$ (25,359)	\$ (5,359)
Proceeds from sale of financial assets at fair value through other comprehensive income	178,498	-
Proceeds from sale of financial assets at amortized cost	6,033	414,271
Acquisition of associates	-	(14,166)
Proceeds from disposal of non-current assets held for sale	1,745	27,338
Payments for property, plant and equipment	(535,481)	(731,775)
Proceeds from disposal of property, plant and equipment	6,825	2,759
Increase in refundable deposits	-	(58)
Payments for intangible assets	(20,585)	(17,207)
Increase in prepayment for equipment	-	(197,706)
Interest received	11,978	8,067
Dividend received from associates	353,760	171,440
Other dividends received	<u>29,090</u>	<u>19,662</u>
Net cash used in investing activities	<u>(19,653)</u>	<u>(320,479)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments of short-term borrowings	-	(524,993)
Proceeds from issuance of convertible bonds	-	1,194,573
Proceeds from long-term borrowings	700,000	480,000
Repayments of long-term borrowings	(418,754)	(321,739)
Proceeds from guarantee deposits received	-	(48)
Payments for right-of-use assets	(3,052)	(3,066)
Dividends paid to owners of the Company	(2,323,178)	(1,177,077)
Other changes in capital surplus	<u>280</u>	<u>84</u>
Net cash used in financing activities	<u>(2,044,704)</u>	<u>(352,266)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		
	<u>(4,525)</u>	<u>(3,212)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>104,040</b>	<b>1,371,005</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>2,270,993</u>	<u>899,988</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 2,375,033</u>	<u>\$ 2,270,993</u>

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

(Concluded)

# TXC CORPORATION

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

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### 1. ORGANIZATION AND OPERATIONS

TXC Corporation (the “Company”) was incorporated in the Republic of China (ROC) on December 28, 1983.

TXC specializes in producing high quality crystals and crystal oscillator (CXO) as well as develops a variety of sensors by core technology to satisfy the market demand. Sensors are applied to various applications including mobile communication, information and storage device, the Internet of Things (IoT), vehicle electronics, telecommunication equipment, smart home, AI, medical care, and 5G, etc.

TXC’s shares have been listed on the Taiwan Stock Exchange since August 26, 2002.

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

To ensure the rights and interests of investors through full disclosure of operational governance, the Company applied for the Corporate Governance Assessment held by the Taiwan Corporate Governance Association (TCGA). For the “Corporate Governance Evaluation” jointly held by the Taiwan Stock Exchange Corporation (TWSE) and Taipei Exchange, under the category of listed companies, the company was awarded as the top 20 percent in 2014, top 5 percent from 2015 to 2017, and top 6 to 20 percent from 2018 to 2021. The Company will continue to strengthen corporate governance with the intention to achieve international standards for protection of public interest. The Company prepared Corporate Social Responsibility Report in accordance with GRI Standards every year, officially established ESG Committee on 2021. Meanwhile, The Company prepared ESG Report to acquire the-third-party (BSI) certification, initially introduced TCFD and SASB, comprehensively implemented sustainable development based on scientific methods which met international mainstream, and fulfilled the responsibilities as a global citizen. All of the above are the efforts that The Company made to replace Corporate Social Responsibility Report to reinforce its operation sustainable development, the implement of energy saving and emission reducing, developing gender-friendly workplace, and fulfilling responsibilities for social benefit.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors on March 6, 2023.

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

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

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Company’s accounting policies.

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

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

Note 1: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 2: The amendments will be applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were applied prospectively to transactions that occurred on or after January 1, 2023.

1) Amendments to IAS 1 “Disclosure of Accounting Policies”

The amendments specify that the Company should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;
- The Company may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and
- Not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

- a) The Company changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
- b) The Company chose the accounting policy from options permitted by the standards;
- c) The accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;
- d) The accounting policy relates to an area for which the Company is required to make significant judgements or assumptions in applying an accounting policy, and the Company discloses those judgements or assumptions; or
- e) The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

2) Amendments to IAS 8 “Definition of Accounting Estimates”

The amendments define that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, the Company may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Company uses measurement techniques and inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.

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

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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

1) Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments stipulate that, when the Company sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when the Company loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when the Company sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Company’s interest as an unrelated investor in the associate or joint venture, i.e., the Company’s share of the gain or loss is eliminated. Also, when the Company loses control of a subsidiary that does not contain a business but retains significant influence or joint control over an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Company’s interest as an unrelated investor in the associate or joint venture, i.e., the Company’s share of the gain or loss is eliminated.

- 2) Amendments to IAS 1 “Classification of Liabilities as Current or Non-current” (referred to as the “2020 amendments”) and “Non-current Liabilities with Covenants” (referred to as the “2022 amendments”)

The 2020 amendments clarify that for a liability to be classified as non-current, the Company shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Company will exercise that right.

The 2020 amendments also stipulate that, if the right to defer settlement is subject to compliance with specified conditions, the Company must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date. The 2022 amendments further clarify that only covenants with which an entity is required to comply on or before the reporting date should affect the classification of a liability as current or non-current. Although the covenants to be complied with within twelve months after the reporting period do not affect the classification of a liability, the Company shall disclose information that enables users of financial statements to understand the risk of the Company that may have difficulty complying with the covenants and repay its liabilities within twelve months after the reporting period.

The 2020 amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Company’s own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Company’s own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32 “Financial Instruments: Presentation”, the aforementioned terms would not affect the classification of the liability.

- 3) Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”

The amendments clarify that the liability that arises from a sale and leaseback transaction - that satisfies the requirements in IFRS 15 to be accounted for as a sale - is a lease liability to which IFRS 16 applies. However, if the lease in a leaseback that includes variable lease payments that do not depend on an index or rate, the seller-lessee shall measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. Seller-lessee subsequently recognizes in profit or loss the difference between the payments made for the lease and the lease payments that reduce the carrying amount of the lease liability.

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

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- a. Statement of compliance

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

b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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

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

When preparing its parent company only financial statements, the Company used equity method to account for its investment in subsidiaries, associates and jointly controlled entities. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owner of the Company in its financial statements, adjustments arising from the differences in accounting treatment between parent company only basis and basis were made to investments accounted for by equity method, share of profit or loss of subsidiaries, associates and joint ventures, share of other comprehensive income of subsidiaries, associates and joint ventures and related equity items, as appropriate, in the parent company only financial statements.

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

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

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

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

d. Foreign currencies

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

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

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

Non-monetary item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

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

On the disposal of a foreign operation (i.e., a disposal of the Company's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is not recognized in profit or loss. For all other partial disposals (i.e., partial disposals of associates or jointly controlled entities that do not result in the Company losing significant influence or joint control), the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

e. Inventories

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

f. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

Subsidiary is an entity that is controlled by the Company.



Under the equity method, investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are accounted for as equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of loss of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further loss, if any.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business over the cost of acquisition is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Company directly disposed of the related assets or liabilities.

Profit or loss resulting from downstream transactions is eliminated in full only in the parent company only financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries is recognized only in the parent company only financial statements and only to the extent of interests in the subsidiaries that are not related to the Company.

g. Investments in associates

An associate is an entity over which the Company has significant influence and which is neither a subsidiary nor an interest in a joint venture.

The Company uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes the changes in the Company's share of the equity of associates

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Company subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates and joint ventures accounted for using the equity method. If the Company's ownership interest is reduced due to its additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Company's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further loss, if any. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Company continues to apply the equity method and does not remeasure the retained interest.

When the Company transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Company's financial statements only to the extent of interests in the associate that are not related to the Company.

#### h. Property, plant and equipment

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

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

The depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

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

i. Investment properties

Investment properties are properties held to earn rental and/or for capital appreciation.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

For a transfer of classification from investment properties to property, plant and equipment, the deemed cost of the property for subsequent accounting is its carrying amount at the commencement of owner-occupation.

For a transfer of classification from property, plant and equipment to investment properties, the deemed cost of an item of property for subsequent accounting is its carrying amount at the end of owner-occupation.

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

j. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

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

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

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

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

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

1. Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, and the sale should be expected to qualify for recognition as a completed sale within 1 year from the date of classification

When the Company is committed to a sale plan involving the disposal of an investment or a portion of an investment in an associate or a joint venture, only the investment or the portion of the investment that will be disposed of is classified as held for sale when the classification criteria are met, and the Company discontinues the use of the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. If the Company ceases to have significant influence or joint control over the investment after the disposal takes place, the Company accounts for any retained interest that has not been classified as held for sale in accordance with the accounting policies for financial instruments.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Such assets classified as held for sale are not depreciated

m. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

i Financial assets at FVTPL

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

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

ii Financial assets at amortized cost

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

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

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

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

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

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

iii Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables) and investments in debt instruments that are measured at FVTOCI.

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

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

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

## 2) Financial liabilities

### a) Subsequent measurement

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

- Financial liabilities at FVTPL

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

Financial liabilities held for trading are stated at fair value, and any remeasurement gains or losses on such financial liabilities are recognized in other gains or losses. Fair value is determined in the manner described in Note 27.

### b) Derecognition of financial liabilities

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

## 3) Convertible bonds

The component parts of compound instruments (i.e., convertible bonds) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised; in which case, the balance recognized in equity will be transferred to capital surplus - share premiums. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premiums.

## 4) Derivative financial instruments

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

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

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

n. Revenue recognition

The Company identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

Revenue from the sale of goods

Revenue from the sale of goods comes from sales of crystals frequency control devices and sensors. Sales of crystals frequency control devices and sensors are recognized as revenue when the goods are delivered to the customer's specific location, the goods are shipped and the goods are picked up by customers because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently.

o. Leases

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

1) The Company as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

2) The Company as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets

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

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate will be used



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

p. Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than those stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

q. Government grants

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

Government grants related to income are recognized in other income on a systematic basis over the periods in which the Company recognizes as expenses the related costs that the grants intend to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognized as a deduction from the carrying amount of the relevant assets and recognized in profit or loss on a systematic and rational basis over the useful lives of the related assets.

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

r. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

s. Taxation

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

1) Current tax

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

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

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

2) Deferred tax

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

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are recognized only 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 such temporary differences are expected to reverse in the foreseeable future.

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

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

3) Current and deferred tax for the year

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

Where current tax or deferred tax arises from the initial accounting for a business combination and the acquisition of a subsidiary, the tax effect is included in the accounting for the business combination and investments in a subsidiary.

**5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY**

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

**6. CASH AND CASH EQUIVALENTS**

	<u>December 31</u>	
	<b>2022</b>	<b>2021</b>
Cash on hand	\$ 959	\$ 889
Checking accounts and demand deposits	1,520,065	1,708,612
Cash equivalents (investments with original maturities less than 3 months)		
Time deposits	274,009	251,492
Repurchase agreements collateralized by bonds	<u>580,000</u>	<u>310,000</u>
	<u>\$ 2,375,033</u>	<u>\$ 2,270,993</u>

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

	<u>December 31</u>	
	<b>2022</b>	<b>2021</b>
Demand deposits	0.001%-2.85%	0.001%-0.2%
Time deposits	0.98%-3.98%	0.35%-3.71%
Repurchase agreements collateralized by bonds	1.02%	0.24%-0.25%

**7. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<u>December 31</u>	
	<b>2022</b>	<b>2021</b>
<u>Financial assets at FVTPL - current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Domestic listed shares	<u>\$ 20,350</u>	<u>\$ -</u>

(Continued)

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Financial assets at FVTPL - non-current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Convertible options	\$ <u>-</u>	\$ <u>1,080</u>
<u>Financial liabilities at FVTPL - current</u>		
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts and exchange contracts (a)	\$ <u>13,620</u>	\$ <u>1,383</u> (Concluded)

At the end of the reporting period, outstanding forward exchange contracts not under hedge accounting were as follows:

December 31, 2022

Sell	USD/JPY	2023.01.04-2023.01.10	USD2,500/JPY334,823
Exchange contracts	USD/NTD	2023.01.09-2023.03.29	USD29,000/NTD900,640
Foreign exchange forward contracts	USD/NTD	2023.01.10	USD3,000/NTD99,000

December 31, 2021

Sell	USD/JPY	2022.01.24	USD2,000/JPY229,263
Knock-out forward	USD/JPY	2022.02.14	USD2,000/JPY231,150
Exchange contracts	USD/NTD	2022.01.18-2022.04.18	USD14,000/NTD387,709
Foreign exchange forward contracts	USD/NTD	2022.01.03-2022.02.16	USD10,000/NTD280,250

The Company entered into foreign exchange forward contracts and exchange contracts during the years ended December 31, 2022 and 2021 to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities. Those contracts did not meet the criteria of hedge effectiveness and therefore were not accounted for by using hedge accounting.

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Non-current</u>		
Domestic investments		
Listed shares		
UPI Semiconductor Corp. ordinary share	\$ 262,122	\$ -
Emerging market shares		
UPI Semiconductor Corp. ordinary share	-	1,399,268
Unlisted shares	<u>213,170</u>	<u>77,466</u>
	<u>\$ 475,292</u>	<u>\$ 1,476,734</u>

These investments in equity instruments are held for medium- to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.

The shares of UPI Semiconductor Corp. were first listed on the emerging market of OTC starting on March 12, 2021 and then began to be listed on TWSE on January 3, 2022. The transfers of financial assets measured at fair value are set out in Note 27.

In 2022, the Company sold its shares in UPI Semiconductor Corp. in order to manage credit concentration risk in a fair value of \$178,498 thousand and its related unrealized gain of \$151,993 thousand was transferred from other equity to retained earnings.

In 2022, the subsidiary, TXC Technology Inc., disposed of QST Products LL's common stock, and the related unrealized loss on financial assets at fair value through other comprehensive income of \$5,019 thousand was transferred to retained earnings as a reduction.

## 9. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	2022	2021
<u>Current</u>		
Domestic investments		
Pledge deposits*	\$ <u>52,213</u>	\$ <u>53,719</u>

\* Refer to Note 29 for information relating to investments in financial assets at amortized cost pledged as security.

## 10. NOTES, ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	<u>December 31</u>	
	2022	2021
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount	\$ 541	\$ 2,833
Less: Allowance for impairment loss	<u>(6)</u>	<u>(6)</u>
	<u>\$ 535</u>	<u>\$ 2,827</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 3,201,034	\$ 3,554,367
Less: Allowance for impairment loss	<u>(10,053)</u>	<u>(10,053)</u>
	<u>\$ 3,190,981</u>	<u>\$ 3,544,314</u>

(Continued)

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Other receivables</u>		
Income tax refund receivable	\$ 17,526	\$ 26,458
Others	<u>533</u>	<u>16,891</u>
	<u>\$ 18,059</u>	<u>\$ 43,349</u>
		(Concluded)

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

The Company measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates, as well as the GDP forecasts and industry outlook. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base. In addition, a 100% allowance for loss is recognized for accounts receivable when the overdue period exceeds 120 days and for which no other credit guarantee is provided.

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

The following table details the loss allowance of trade receivables based on the Company's provision matrix.

December 31, 2022

	<b>Not Past Due</b>	<b>1 to 60 Days</b>	<b>61 to 90 Days</b>	<b>91 to 120 Days</b>	<b>Over 120 Days</b>	<b>Total</b>
Expected credit loss rate	0.01%	0.23%-3.53%	21%	31.5%	100%	
Gross carrying amount	\$ 3,012,861	\$ 188,714	\$ -	\$ -	\$ -	\$ 3,201,575
Loss allowance (Lifetime ECL)	<u>(9,309)</u>	<u>(750)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,059)</u>
Amortized cost	<u>\$ 3,003,552</u>	<u>\$ 187,964</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,191,516</u>

December 31, 2021

	Not Past Due	1 to 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days	Total
Expected credit loss rate	0.3%	0.9%	5%	100%	100%	
Gross carrying amount	\$ 3,337,479	\$ 219,721	\$ -	\$ -	\$ -	\$ 3,557,200
Loss allowance (Lifetime ECL)	<u>(8,082)</u>	<u>(1,977)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,059)</u>
Amortized cost	<u>\$ 3,329,397</u>	<u>\$ 217,744</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,547,141</u>

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

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Balance at January 1	<u>\$ 10,059</u>	<u>\$ 10,059</u>
Balance at December 31	<u>\$ 10,059</u>	<u>\$ 10,059</u>

## 11. INVENTORIES

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Finished goods	\$ 348,318	\$ 340,121
Work in process	202,994	190,778
Raw materials	365,711	346,980
Supplies and spare parts	105,999	85,132
Merchandise	418,403	351,628
Inventory in transit	<u>29,779</u>	<u>30,273</u>
	<u>\$ 1,471,204</u>	<u>\$ 1,344,912</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2022 and 2021 was \$7,414,935 thousand and \$8,277,289 thousand, respectively. The cost of goods sold for the 2022 and 2021 included inventory write-downs of \$17,468 thousand and \$15,532 thousand, respectively.

## 12. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Domestic investments		
Unlisted shares		
Godsmith Sensors Inc.	<u>\$ -</u>	<u>\$ 6,979</u>

In November 2020, the Company's board of directors approved to dispose of 24% shares of Godsmith Sensor Inc. and expected to complete the sale within twelve months. Accordingly, the Company has reclassified Godsmith Sensor Inc. as non-current assets held for sale, and were presented separately in the accompanying balance sheets.

For the years ended December 31, 2022 and 2021, the Company had sold 100 thousand and 1,450 thousand shares of Godsmith Sensor Inc. at fair value of \$1,745 thousand and \$27,338 thousand and were recognized as loss on disposal \$249 thousand and \$1,575 thousand, respectively.

As of December 31, 2022, the Company still held 250 thousand shares. The financial assets were assessed to no longer meet the definition of non-current assets held for sale and therefore reclassified as financial assets at fair value through other comprehensive income on the balance sheet.

### 13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	<u>December 31</u>	
	<b>2022</b>	<b>2021</b>
Investments in subsidiaries	\$ 7,348,984	\$ 6,659,041
Investments in associates	<u>401,707</u>	<u>391,214</u>
	<u>\$ 7,750,691</u>	<u>\$ 7,050,255</u>

#### Investments in Subsidiaries

	<u>December 31</u>	
	<b>2022</b>	<b>2021</b>
Unlisted companies		
Taiwan Crystal Technology International Limited.	\$ 7,094,310	\$ 6,429,484
TXC Technology Inc.	21,826	20,955
TXC Japan Corporation	31,590	30,683
Taiwan Crystal Technology (HK) Limited	192,258	173,321
TXC Europe GmbH	<u>9,000</u>	<u>4,598</u>
	<u>\$ 7,348,984</u>	<u>\$ 6,659,041</u>

The proportion of the Company's ownership was as follows:

	<u>December 31</u>	
	<b>2022</b>	<b>2021</b>
<u>Unlisted stock</u>		
Taiwan Crystal Technology International Ltd.	100	100
TXC Technology Inc.	100	100
TXC Japan Corporation	100	100
Taiwan Crystal Technology (HK) Limited	100	100
TXC Europe GmbH	100	100

#### Investments in Associates

	<u>December 31</u>	
	<b>2022</b>	<b>2021</b>
Associate that is not individually material	<u>\$ 401,707</u>	<u>\$ 391,214</u>



**For the Year Ended December 31**  
**2022**                      **2021**

The Company's share of:

Profit from continuing operations	\$ 24,867	\$ 21,323
Other comprehensive income (loss)	<u>3,230</u>	<u>(922)</u>
 Total comprehensive income for the year	 <u>\$ 28,097</u>	 <u>\$ 20,401</u>

Refer to Table 4 "name, locations, and related information of investees on which the Company exercises significant influence" for the nature of activities, principal place of business and country of incorporation of the associates.

In 2021, the Company subscribed 367 thousand ordinary shares of Tai-Shing for cash \$14,166 thousand. After the subscription, the Company's percentage of ownership in Tai-Shing was 33.34%. The Company recognized goodwill of \$5,339 thousand as cost of investments in associates.

#### 14. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Land Improvements	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Total
<u>Cost</u>							
Balance at January 1, 2021	\$ 593,855	\$ 1,599	\$ 1,579,053	\$ 3,610,737	\$ 1,534	\$ 109,596	\$ 5,896,374
Additions	28,000	680	253,348	437,457	-	12,290	731,775
Disposals	<u>-</u>	<u>-</u>	<u>(268,150)</u>	<u>(73,866)</u>	<u>-</u>	<u>(7,917)</u>	<u>(349,933)</u>
Balance at December 31, 2021	<u>\$ 621,855</u>	<u>\$ 2,279</u>	<u>\$ 1,564,251</u>	<u>\$ 3,974,328</u>	<u>\$ 1,534</u>	<u>\$ 113,969</u>	<u>\$ 6,278,216</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2021	\$ -	\$ 901	\$ 885,408	\$ 2,592,739	\$ 1,162	\$ 87,258	\$ 3,567,468
Disposals	-	-	(268,150)	(72,200)	-	(7,917)	(348,267)
Depreciation expense	<u>-</u>	<u>309</u>	<u>67,724</u>	<u>359,159</u>	<u>148</u>	<u>10,189</u>	<u>437,529</u>
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 1,210</u>	<u>\$ 684,982</u>	<u>\$ 2,879,698</u>	<u>\$ 1,310</u>	<u>\$ 89,530</u>	<u>\$ 3,656,730</u>
Carrying amount at December 31, 2021	<u>\$ 621,855</u>	<u>\$ 1,069</u>	<u>\$ 879,269</u>	<u>\$ 1,094,630</u>	<u>\$ 224</u>	<u>\$ 24,439</u>	<u>\$ 2,621,486</u>
<u>Cost</u>							
Balance at January 1, 2022	\$ 621,855	\$ 2,279	\$ 1,564,251	\$ 3,974,328	\$ 1,534	\$ 113,969	\$ 6,278,216
Additions	-	745	45,750	469,174	-	19,812	535,481
Disposals	-	-	(17,836)	(25,614)	-	(10,780)	(54,230)
Transfer from prepayment of facilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>226,294</u>	<u>-</u>	<u>-</u>	<u>226,294</u>
Balance at December 31, 2022	<u>\$ 621,855</u>	<u>\$ 3,024</u>	<u>\$ 1,592,165</u>	<u>\$ 4,644,182</u>	<u>\$ 1,534</u>	<u>\$ 123,001</u>	<u>\$ 6,985,761</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2022	\$ -	\$ 1,210	\$ 684,982	\$ 2,879,698	\$ 1,310	\$ 89,530	\$ 3,656,730
Disposals	-	-	(17,836)	(25,468)	-	(10,780)	(54,084)
Depreciation expense	<u>-</u>	<u>372</u>	<u>75,777</u>	<u>403,865</u>	<u>149</u>	<u>11,647</u>	<u>491,810</u>
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 1,582</u>	<u>\$ 742,923</u>	<u>\$ 3,258,095</u>	<u>\$ 1,459</u>	<u>\$ 90,397</u>	<u>\$ 4,094,456</u>
Carrying amount at December 31, 2022	<u>\$ 621,855</u>	<u>\$ 1,442</u>	<u>\$ 849,242</u>	<u>\$ 1,386,087</u>	<u>\$ 75</u>	<u>\$ 32,604</u>	<u>\$ 2,891,305</u>

There was no impairment assessment was performed for the years ended December 31, 2022 and 2021 as there was no indication of impairment.

The above items of property, plant and equipment are depreciated on a straight-line basis at follows:

Land improvements	5-7 years
Buildings	
Industrial building	3-51 years
Electrical power systems	3-51 years
Engineering systems	3-51 years
Equipment	
Major production equipment	2-15 years
Temperature control systems	4-7 years
Transportation equipment	4-7 years
Transportation equipment	5 years
Office equipment	2-6 years

Property, plant and equipment pledged as collateral for bank borrowings were set out in Note 29.

## 15. LEASE ARRANGEMENTS

### a. Right-of-use assets

	<u>December 31</u>	
	2022	2021
<u>Carrying amounts</u>		
Buildings	\$ 3,926	\$ 6,544
Transportation equipment	<u>711</u>	<u>1,160</u>
	<u>\$ 4,637</u>	<u>\$ 7,704</u>
	<u>For the Year Ended December 31</u>	
	2022	2021
Additions to right-of-use assets	<u>\$ -</u>	<u>\$ 7,853</u>
Depreciation charge for right-of-use assets		
Buildings	\$ 2,618	\$ 2,631
Transportation equipment	<u>449</u>	<u>449</u>
	<u>\$ 3,067</u>	<u>\$ 3,080</u>

### b. Lease liabilities

	<u>December 31</u>	
	2022	2021
<u>Carrying amounts</u>		
Current	\$ 3,088	\$ 3,051
Non-current	<u>1,596</u>	<u>4,685</u>
	<u>\$ 4,684</u>	<u>\$ 7,736</u>

Range of discount rate for lease liabilities was as follows:

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Buildings	0.86%-1.27%	0.86%-1.27%
Transportation equipment	0.86%	0.86%

c. Material lease-in activities and terms

The Company leases certain warehouses in economic zone with lease term of 3 years, and leases car for business use with lease term of 5 years for the nine months ended September 30, 2019. The Company does not have a bargain purchase option to acquire the leased warehouse at the expire of the lease period.

d. Other lease information

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Expenses relating to short-term leases	<u>\$ 207</u>	<u>\$ 223</u>
Total cash outflow for leases	<u>\$ (3,258)</u>	<u>\$ (3,289)</u>

The Company leases certain building which qualify as short-term leases. The Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

## 16. INVESTMENT PROPERTIES

	<b>Completed Investment Property</b>
<u>Cost</u>	
Balance at January 1, 2021	\$ 30,227
Additions	-
Disposal	<u>(1,350)</u>
Balance at December 31, 2021	<u>\$ 28,877</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2021	\$ (8,716)
Disposal	1,350
Depreciation expense	<u>(1,545)</u>
Balance at December 31, 2021	<u>\$ (8,911)</u>
Carrying amount at December 31, 2021	<u>\$ 19,966</u>

(Continued)

	<b>Completed Investment Property</b>
<u>Cost</u>	
Balance at January 1, 2022	\$ 28,877
Additions	-
Disposals	<u>(300)</u>
Balance at December 31, 2022	<u>\$ 28,577</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2022	\$ (8,911)
Disposal	300
Depreciation expense	<u>(1,377)</u>
Balance at December 31, 2022	<u>\$ (9,988)</u>
Carrying amount at December 31, 2022	<u>\$ 18,589</u> (Concluded)

The investment properties are depreciated using the straight-line method over their estimated useful lives of 3-51 years.

The fair value of the Company's investment properties as of December 31, 2022 and 2021 was \$52,963 thousand and \$60,242 thousand, respectively. The fair value valuation had not been performed by independent qualified professional appraisers. The management of the Company had used the valuation model that market participants would use in determining the fair value. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

All of the Company's investment properties were freehold properties.

## 17. BORROWINGS

### Long-term Borrowings

	<u>December 31</u>	
	2022	2021
<u>Unsecured borrowings</u>		
Line of credit borrowings	\$ 2,139,507	\$ 1,858,261
Less: Current portions	<u>(656,087)</u>	<u>(238,754)</u>
Long-term borrowings	<u>\$ 1,483,420</u>	<u>\$ 1,619,507</u>

The borrowings of the Company were as follows:

	Detail of Borrowing	December 31	
		2022	2021
Floating rate borrowings			
Unsecured bank borrowing denominated in NT\$	Maturity date: 2025.01.03 Principle is paid monthly since March 15, 2021	\$ 52,174	\$ 78,261
Unsecured bank borrowing denominated in NT\$	Maturity date: 2025.01.03 Principle is paid monthly since January 15, 2021	75,000	112,500
Unsecured bank borrowing denominated in NT\$	Maturity date: 2025.01.03 Principle is paid monthly since January 15, 2021	50,000	75,000
Unsecured bank borrowing denominated in NT\$	Maturity date: 2025.01.03 Principle is paid monthly since January 15, 2021	75,000	112,500
Unsecured bank borrowing denominated in NT\$	Maturity date: 2026.08.17 Principle is paid monthly since September 15, 2022	183,333	200,000
Unsecured bank borrowing denominated in NT\$	Maturity date: 2023.08.03 Principle is repaid at maturity	100,000	-
Unsecured bank borrowing denominated in NT\$	Maturity date: 2024.09.15 Principle is paid monthly since September 15, 2022	252,000	300,000
Unsecured bank borrowing denominated in NT\$	Maturity date: 2024.09.15 Principle is paid monthly since September 15, 2022	84,000	100,000
Unsecured bank borrowing denominated in NT\$	Maturity date: 2024.09.15 Principle is paid monthly since September 15, 2022	168,000	200,000
Unsecured bank borrowing denominated in NT\$	Maturity date: 2024.08.03 Principle is repaid at maturity	300,000	-
Unsecured bank borrowing denominated in NT\$	Maturity date: 2025.04.01 Principle is paid monthly since March 15, 2023	300,000	300,000
Unsecured bank borrowing denominated in NT\$	Maturity date: 2024.08.03 Principle is repaid at maturity	300,000	-
Unsecured bank borrowing denominated in NT\$	Maturity date: 2023.09.06 Principle is repaid at maturity	-	180,000
Unsecured bank borrowing denominated in NT\$	Maturity date: 2025.04.15 Principle is paid monthly since May 15, 2023	200,000	200,000
Less: Current portions		<u>(656,087)</u>	<u>(238,754)</u>
		<u>\$ 1,483,420</u>	<u>\$ 1,619,507</u>

The interest rate on the line of credit was 0.725%-1.35% and 0.10%-0.68% annum as of December 31, 2022 and 2021, respectively.

## 18. BONDS PAYABLE

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Unsecured domestic convertible bonds	\$ 1,200,000	\$ 1,200,000
Less: Discount on bonds payable	<u>(16,727)</u>	<u>(27,279)</u>
	<u>\$ 1,183,273</u>	<u>\$ 1,172,721</u>

On July 26, 2021, the Company issued the 5th domestic unsecured convertible bonds with an aggregate principal amount of \$1,200,000 thousand at 0% interest rate, and the issuance period is for three years from July 26, 2021 to July 26, 2024. The repayment will be made at face value in full by cash upon maturity. Bondholders are entitled to convert bonds into the Company's ordinary shares from October 27, 2021 to July 26, 2024. The conversion price was set initially at \$138 per share. According to the regulations on issuance and conversion of bonds, the conversion price should be adjusted to \$122.9 per share starting from July 23, 2022.

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus. The effective interest rate of the liability component was 0.8961% per annum on initial recognition.

Proceeds from issuance (less transaction costs of \$5,427 thousand)	\$ 1,194,573
Equity component (less transaction costs allocated to the equity component of \$129 thousand)	(28,431)
Assets component	<u>2,040</u>
Liability component at the date of issue (less transaction costs allocated to the liability component of \$5,298 thousand)	1,168,182
Interest charged at an effective interest rate of 0.8961%	<u>4,539</u>
Liability component at December 31, 2021	1,172,721
Interest charged at an effective interest rate of 0.8961%	<u>10,552</u>
Liability component at September 30, 2022	<u>\$ 1,183,273</u>

## 19. OTHER LIABILITIES

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Current</u>		
Other payables		
Payables for bonus to employees and directors	\$ 393,658	\$ 413,264
Payables for commission	25,232	24,273
Payables for salaries	48,580	46,012
Payables for bonus	229,855	218,808
Payables for annual leave	30,946	28,925
Payable for purchase of equipment	53,251	115,599
Others	<u>85,839</u>	<u>95,664</u>
	<u>\$ 867,361</u>	<u>\$ 942,545</u>

## 20. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

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

The Company has set up appointed manager's pension fund and contributes monthly an amount of not less than 8% of the appointed manager's monthly salaries and wages to the Bank of Taiwan.

### b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Act is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 9% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Present value of defined benefit obligation	\$ 182,628	\$ 192,025
Fair value of plan assets	<u>(147,425)</u>	<u>(130,236)</u>
Net defined benefit liability	<u>\$ 35,203</u>	<u>\$ 61,789</u>

Movements in net defined benefit liability (asset) were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liability (Asset)</b>
Balance at January 1, 2021	<u>\$ 179,235</u>	<u>\$ (115,675)</u>	<u>\$ 63,560</u>
Service cost			
Current service cost	1,466	-	1,466
Net interest expense (income)	<u>896</u>	<u>(611)</u>	<u>285</u>
Recognized in profit or loss	<u>2,362</u>	<u>(611)</u>	<u>1,751</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,395)	(1,395)
Actuarial (gain) loss - changes in demographic assumptions	4,578	-	4,578

(Continued)

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liability (Asset)</b>
Actuarial (gain) loss - changes in financial assumptions	\$ (2,533)	\$ -	\$ (2,533)
Actuarial (gain) loss - experience adjustments	<u>9,523</u>	<u>-</u>	<u>9,523</u>
Recognized in other comprehensive income	<u>11,568</u>	<u>(1,395)</u>	<u>10,173</u>
Contributions from the employer	-	(13,695)	(13,695)
Benefits paid	<u>(1,140)</u>	<u>1,140</u>	<u>-</u>
Balance at December 31, 2021	<u>192,025</u>	<u>(130,236)</u>	<u>61,789</u>
Service cost			
Current service cost	1,340	-	1,340
Past service cost loss (gain) on settlement	(458)	460	2
Net interest expense (income)	<u>1,200</u>	<u>(857)</u>	<u>343</u>
Recognized in profit or loss	<u>2,082</u>	<u>(397)</u>	<u>1,685</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(9,662)	(9,662)
Actuarial (gain) loss - changes in demographic assumptions	1,120	-	1,120
Actuarial (gain) loss - changes in financial assumptions	(7,329)	-	(7,329)
Actuarial (gain) loss - experience adjustments	<u>1,358</u>	<u>-</u>	<u>1,358</u>
Recognized in other comprehensive income	<u>(4,851)</u>	<u>(9,662)</u>	<u>(14,513)</u>
Contributions from the employer	-	(13,758)	(13,758)
Benefits paid	<u>(6,628)</u>	<u>6,628</u>	<u>-</u>
Balance at December 31, 2022	<u>\$ 182,628</u>	<u>\$ (147,425)</u>	<u>\$ 35,203</u> (Concluded)

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

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Cost of goods sold	\$ 880	\$ 900
Selling and marketing expenses	122	128
General and administrative expenses	243	282
Research and development expenses	<u>440</u>	<u>441</u>
	<u>\$ 1,685</u>	<u>\$ 1,751</u>

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

- 1) Investment risk: The plan assets are invested in domestic/and foreign/equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.



- 2) Interest risk: A decrease in the government and corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	<u>December 31</u>	
	<b>2022</b>	<b>2021</b>
Discount rate(s)	1.50%	0.625%
Expected rate(s) of salary increase	2.50%	2.00%

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

	<u>December 31</u>	
	<b>2022</b>	<b>2021</b>
Discount rate(s)		
0.25% increase	<u>\$ (4,510)</u>	<u>\$ (5,022)</u>
0.25% decrease	<u>\$ 4,679</u>	<u>\$ 5,219</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 4,551</u>	<u>\$ 5,059</u>
0.25% decrease	<u>\$ (4,409)</u>	<u>\$ (4,895)</u>

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

	<u>December 31</u>	
	<b>2022</b>	<b>2021</b>
The expected contributions to the plan for the next year	<u>\$ 13,560</u>	<u>\$ 13,884</u>
The average duration of the defined benefit obligation	10.2 years	10.7 years

## 21. EQUITY

### a. Share capital

#### Ordinary shares

	<u>December 31</u>	
	<b>2022</b>	<b>2021</b>
Numbers of shares authorized (in thousands)	<u>500,000</u>	<u>500,000</u>
Shares authorized	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>309,757</u>	<u>309,757</u>
Shares issued	<u>\$ 3,097,570</u>	<u>\$ 3,097,570</u>

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

30,000 thousand authorized shares of the Company were reserved for the issuance of convertible bonds and employee share options.

b. Capital surplus

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*</u>		
Issuance of ordinary shares	\$ 611,776	\$ 611,776
Conversion of bonds	977,028	977,028
Overdue options	73,377	73,377
The difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	331	331
<u>May only be used to offset a deficit</u>		
Share of changes in capital surplus of associates or joint venture	15,627	2,712
Others	3,409	3,129
<u>May not be used for any purpose</u>		
Employee share options	<u>28,431</u>	<u>28,431</u>
	<u>\$ 1,709,979</u>	<u>\$ 1,696,784</u>

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

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on distribution of employees' compensation and remuneration of directors and supervisors before and after amendment, refer to employee benefits expense in Note 23(g).

Dividends are recommended by the board of directors in accordance with the Corporation's dividend policy. Under this policy, industry trend and growth should be evaluated, investment opportunities should be fully understood, and proper capital adequacy ratios should be considered in determining the dividend to be distributed. In addition, cash dividends should not be less than 20% of the total dividends to be appropriated.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2021 and 2020 were approved in the shareholders' meetings on May 31, 2022 and July 20, 2021, respectively. The appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>For Fiscal Year 2021</b>	<b>For Fiscal Year 2020</b>	<b>For Fiscal Year 2021</b>	<b>For Fiscal Year 2020</b>
Legal reserve	\$ 310,870	\$ 155,246	\$ -	\$ -
Special reserve	(346,761)	(177,611)	-	-
Cash dividends	2,323,178	1,177,077	7.5	3.8

The appropriations of earnings for 2022 have been proposed by the board of directors on March 6, 2023 were as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 296,435	\$ -
Special reserve	143,070	-
Cash dividends	2,168,299	7

The appropriation of earnings for 2022 is subject to the resolution of the shareholders' meeting to be held on May 30, 2023.

d. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ (559,579)	\$ (523,275)
Exchange differences on translating the financial statements of foreign operations	106,056	(35,567)
Share of exchange differences of associates accounted for using the equity method	<u>3,000</u>	<u>(737)</u>
Balance at December 31	<u>\$ (450,523)</u>	<u>\$ (559,579)</u>

2) Unrealized gain (loss) on financial assets at FVTOCI

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ 1,357,362	\$ 176,513
Recognized during the period		
Unrealized loss - equity instruments	(853,288)	1,257,640
Share from associates accounted for using the equity method	<u>(49,647)</u>	<u>(76,791)</u>
Other comprehensive income recognized in the period	(902,935)	1,180,849
Cumulative unrealized gain/(loss) of equity instruments transferred to retained earnings due to disposal	<u>(146,974)</u>	<u>-</u>
Balance at December 31	<u>\$ 307,453</u>	<u>\$ 1,357,362</u>

**22. REVENUE**

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Revenue from contracts with customers		
Revenue from sale of goods	<u>\$ 10,596,932</u>	<u>\$ 11,680,702</u>
Contract balances		
	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Trade receivables (Note 10)	<u>\$ 3,190,981</u>	<u>\$ 3,544,314</u>

**23. NET PROFIT FROM CONTINUING OPERATIONS**

Net profit from continuing operations had been arrived at after charging:

a. Interest income

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Bank deposits	\$ 7,473	\$ 6,610
Financial assets at amortized cost	1,822	75
Others	<u>2,780</u>	<u>1,348</u>
	<u>\$ 12,075</u>	<u>\$ 8,033</u>

b. Other income

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Rental income	\$ 6,236	\$ 6,369
Dividends income	11,486	2,682
Income from government grants	8,846	16,177
Others	<u>9,871</u>	<u>23,761</u>
	<u>\$ 36,439</u>	<u>\$ 48,989</u>

c. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Gain on disposal of property, plant and equipment	\$ 6,679	\$ 1,093
Fair value changes of financial assets and financial liabilities		
Financial assets mandatorily at FVTPL	(19,124)	(7,557)
Net foreign exchange gain	362,359	17,000
Loss on disposal of non-current assets as held for sale	(249)	(1,575)
Depreciation expenses of investment properties	(1,377)	(1,545)
Others	<u>(3,360)</u>	<u>(55)</u>
	<u>\$ 344,928</u>	<u>\$ 7,361</u>

d. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Interest on bank loans	\$ 12,662	\$ 7,171
Interest on convertible bonds	10,552	4,539
Interest on lease liabilities	<u>73</u>	<u>59</u>
	<u>\$ 23,287</u>	<u>\$ 11,769</u>

e. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Property, plant and equipment	\$ 491,810	\$ 437,529
Investment property	1,377	1,545
Right-of-use assets	3,067	3,080
Intangible assets	<u>17,980</u>	<u>11,001</u>
	<u>\$ 514,234</u>	<u>\$ 453,155</u>

(Continued)

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
An analysis of deprecation by function		
Cost of goods sold	\$ 309,276	\$ 350,288
Operating expenses	185,601	90,321
Non-operating expenses	<u>1,377</u>	<u>1,545</u>
	<u>\$ 496,254</u>	<u>\$ 442,154</u>
An analysis of amortization by function		
Cost of goods sold	\$ 32	\$ -
Operating expenses	<u>17,948</u>	<u>11,001</u>
	<u>\$ 17,980</u>	<u>\$ 11,001</u>

(Concluded)

f. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Post-employment benefits		
Defined contribution plans	\$ 31,795	\$ 29,472
Defined benefit plans (Note 20)	<u>1,685</u>	<u>1,751</u>
	<u>33,480</u>	<u>31,223</u>
Other employee benefits		
Salaries	1,264,761	1,261,501
Labor and health insurance	85,826	75,923
Others	<u>1,960</u>	<u>1,912</u>
	<u>1,352,547</u>	<u>1,339,336</u>
Total employee benefits expense	<u>\$ 1,386,027</u>	<u>\$ 1,370,559</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 744,192	\$ 712,860
Operating expenses	<u>641,835</u>	<u>657,699</u>
	<u>\$ 1,386,027</u>	<u>\$ 1,370,559</u>

g. Employees' compensation and remuneration of directors for 2022 and 2021

The Company accrued employees' compensation and remuneration of directors at the rates no less than 3% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2022 and 2021 which were approved by the Company's board of directors on March 6, 2023 and March 7, 2022, respectively, were as follows:

Accrual rate

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Employees' compensation	9.0%	9.0%
Remuneration of directors	1.5%	1.5%

Amount

	<b>For the Year Ended December 31</b>			
	<b>2022</b>		<b>2021</b>	
	<b>Cash Bonus</b>	<b>Share Bonus</b>	<b>Cash Bonus</b>	<b>Share Bonus</b>
Employees' compensation	\$ 330,344	\$ -	\$ 354,226	\$ -
Remuneration of directors	55,057	-	59,038	-

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

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2021 and 2020.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2022 and 2021 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 24. INCOME TAXES RELATING TO CONTINUING OPERATIONS

- a. Major components of tax expense recognized in profit or loss

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Current tax</u>		
In respect of the current year	\$ 483,644	\$ 430,203
Income tax on unappropriated earnings	19,766	-
Adjustments for prior year	<u>(17,465)</u>	<u>(34,117)</u>
	<u>485,945</u>	<u>396,086</u>
<u>Deferred tax</u>		
In respect of the current period	<u>(6,364)</u>	<u>9,516</u>
Income tax expense recognized in profit or loss	<u>\$ 479,581</u>	<u>\$ 405,602</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Profit before tax from continuing operations	<u>\$ 3,285,085</u>	<u>\$ 3,522,586</u>
Income tax expense calculated at the statutory rate	\$ 657,017	\$ 704,517
Non-deductible loss from tax	5,286	1,358
Income tax on unappropriated earnings	19,766	-
Tax-exempt income	(207,721)	(249,002)
Deferred income tax effect on earnings of subsidiaries	79,672	37,854
Investment tax credits	(56,974)	(55,008)
Adjustment for prior years' tax	<u>(17,465)</u>	<u>(34,117)</u>
Income tax expense recognized in profit or loss	<u>\$ 479,581</u>	<u>\$ 405,602</u>

b. Income tax expense recognized in other comprehensive income

**For the Year Ended December 31**  
**2022**                      **2021**

Deferred tax

In respect of the current year

Remeasurement of defined benefit plans

\$ (2,904)

\$ (2,035)

c. Current income tax assets and liabilities

**December 31**  
**2022**                      **2021**

Current tax liabilities

Income tax payable

\$ 235,808

\$ 301,233

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2022

	<b>Opening Balance</b>	<b>Recognize in Profit or Loss</b>	<b>Recognize in Other Compre- hensive Income</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Unrealized loss on inventories	\$ 7,000	\$ 446	\$ -	\$ 7,446
Unrealized exchange loss	7	11,329	-	11,336
Payable for annual leave	5,785	404	-	6,189
Determine benefit obligation	14,722	(2,415)	(2,904)	9,403
Financial liabilities at fair value through profit or loss	469	3,540	-	4,009
Others	<u>2,489</u>	<u>1,980</u>	<u>-</u>	<u>4,469</u>
	<u>\$ 30,472</u>	<u>\$ 15,284</u>	<u>\$ (2,904)</u>	<u>\$ 42,852</u>
<u>Deferred tax liabilities</u>				
Associates	<u>\$ 70,598</u>	<u>\$ 8,920</u>	<u>\$ -</u>	<u>\$ 79,518</u>



For the year ended December 31, 2021

	<b>Opening Balance</b>	<b>Recognize in Profit or Loss</b>	<b>Recognize in Other Compre- hensive Income</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Unrealized loss on inventories	\$ 7,161	\$ (161)	\$ -	\$ 7,000
Unrealized exchange loss	7,432	(7,425)	-	7
Payable for annual leave	4,022	1,763	-	5,785
Determine benefit obligation	15,076	(2,389)	2,035	14,722
Financial liabilities at fair value through profit or loss	291	178	-	469
Others	<u>405</u>	<u>2,084</u>	<u>-</u>	<u>2,489</u>
	<u>\$ 34,387</u>	<u>\$ (5,950)</u>	<u>\$ 2,035</u>	<u>\$ 30,472</u>
<u>Deferred tax liabilities</u>				
Associates	<u>\$ 67,032</u>	<u>\$ 3,566</u>	<u>\$ -</u>	<u>\$ 70,598</u>

f. Income tax assessments

The income tax returns through 2020, except 2019, have been assessed by the tax authorities.

## 25. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share from continuing operations were as follows:

### Net Profit for the Year

Weighted average number of ordinary shares outstanding (in thousand shares):

	<b><u>For the Year Ended December 31</u></b>	
	<b>2022</b>	<b>2021</b>
Earnings used in the computation of basic earnings per share	\$ 2,805,504	\$ 3,116,984
Effect of potentially dilutive ordinary shares:		
Interest on convertible corporate bonds after tax	<u>8,442</u>	<u>4,539</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 2,813,946</u>	<u>\$ 3,121,523</u>

	<b><u>For the Year Ended December 31</u></b>	
	<b>2022</b>	<b>2021</b>
Weighted average number of ordinary shares in computation of basic earnings per share	309,757	309,757
Effect of potentially dilutive ordinary shares:		
Convertible Bond	9,764	1,623
Employees' compensation	<u>4,645</u>	<u>3,683</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>324,166</u>	<u>315,063</u>

The Company may settle compensation or bonuses paid to employees in cash or shares; therefore, the Company assumes that the entire amount of the compensation or bonus will be settled in shares and the resulting potential shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## 26. CAPITAL MANAGEMENT

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

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

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

## 27. FINANCIAL INSTRUMENTS

### a. Fair value of financial instruments that are not measured at fair value

The management believes the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values.

### b. Fair value of financial instruments that are measured at fair value on a recurring basis

#### 1) Fair value hierarchy

December 31, 2022

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTPL				
Domestic listed shares	<u>\$ 20,350</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,350</u>

(Continued)

	Level 1	Level 2	Level 3	Total
Financial liabilities				
Foreign exchange forward contracts and exchange contracts	\$ _____ -	\$ 13,620	\$ _____ -	\$ 13,620
Financial assets at FVTOCI				
Domestic listed shares	\$ 262,122	\$ -	\$ -	\$ 262,122
Domestic unlisted shares	_____ -	_____ -	213,170	213,170
	<u>\$ 262,122</u>	<u>\$ _____ -</u>	<u>\$ 213,170</u>	<u>\$ 475,292</u> (Concluded)

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Redemption options on convertible bonds	\$ _____ -	\$ 1,080	\$ _____ -	\$ 1,080
Financial liabilities				
Foreign exchange forward contracts and exchange contracts	\$ _____ -	\$ 1,383	\$ _____ -	\$ 1,383
Financial assets at FVTOCI				
Domestic emerging shares	\$ 1,399,268	\$ -	\$ -	\$ 1,399,268
Domestic unlisted shares	_____ -	_____ -	77,466	77,466
	<u>\$ 1,399,268</u>	<u>\$ _____ -</u>	<u>\$ 77,466</u>	<u>\$ 1,476,734</u>

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

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2022

	<u>Financial Assets at FVTPL Equity Instruments</u>	<u>Financial Assets at FVTOCI Equity Instruments</u>
Balance at January 1, 2022	\$ -	\$ 77,466
Purchases	-	25,359
Reclassified from non-current assets held for sale	-	4,985
Recognized in other comprehensive income (included in unrealized valuation gain (loss) on financial assets at FVTOCI)	_____ -	105,360
Balance at December 31, 2022	<u>\$ _____ -</u>	<u>\$ 213,170</u>

For the year ended December 31, 2021

	<b>Financial Assets at FVTPL</b>	<b>Financial Assets at FVTOCI</b>
	<b>Equity Instruments</b>	<b>Equity Instruments</b>
Balance at January 1, 2021	\$ 9,255	\$ 213,736
Purchases	-	5,359
Sales	(9,255)	-
Transfer to Level 1	-	(113,446)
Recognized in other comprehensive income (included in unrealized valuation gain (loss) on financial assets at FVTOCI)	-	(28,183)
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 77,466</u>

Since the UPI Semiconductor Corp.'s shares were listed on the Taipei Exchange on March 12, 2021, the fair value hierarchy was transferred from Level 3 to Level 1 when observable market data became available for such equity investment.

- 3) Valuation techniques and inputs applied for the purpose of measuring Level 2 fair value measurement

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
Derivatives - foreign exchange forward contracts and exchange contracts	Discounted cash flow.  Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Redemption options on convertible bonds	Binomial tree valuation model.  Binomial tree valuation model were evaluated by the observable closing price of the stocks, volatility, risk-free interest rate, risk discount rate, and liquidity risk at the balance sheet date.

- 4) Valuation techniques and inputs applied for the purpose of measuring Level 3 fair value measurement

The fair values of some of the unlisted equity securities - ROC were determined using the market approach. In this approach, the fair values were measured based on the analysis of financial position and financial performance of the investees, with reference to the value in the active market and the index and trade information of the companies, which have similar businesses. Then, the Company considers the financial performance of such equity securities based on the evaluation criteria and uses proper index to determine the fair value.

c. Categories of financial instruments

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Financial assets</u>		
FVTPL		
Mandatorily at FVTPL (1)	\$ 20,350	\$ 1,080
Financial assets at amortized cost (2)	5,639,757	5,918,143
Financial assets at FVTOCI		
Equity instruments	475,292	1,476,734
<u>Financial liabilities</u>		
FVTPL		
Mandatorily (3)	13,620	1,383
Amortized cost (4)	5,563,348	5,615,620

- 1) The balances include the investment in equity instruments and redemption options on convertible bonds.
- 2) The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables, other receivables and refundable deposits.
- 3) The balances included the carrying amount of foreign exchange forward contracts and exchange contracts.
- 4) The balances included financial liabilities measured at amortized cost, which comprise short-term and long-term loans, trade payables, other payables, bonds payable, and guarantee deposits received.

d. Financial risk management objectives and policies

The Company's major financial instruments included equity and debt investments, notes receivable, trade receivables, other receivables, notes payable, trade payables, other payables, borrowings. The Company's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Company sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Company's policies approved by the board of directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis. The Company did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The financial department reported quarterly to the board of directors, which monitors risks and policies implemented to mitigate risk exposures.

## 1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below). The Company entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk, including forward foreign exchange contracts to hedge the exchange rate risk arising on the Company's foreign currency monetary.

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

### a) Foreign currency risk

Several subsidiaries of the Company had foreign currency sales and purchases, which exposed the Company to foreign currency risk. Exchange rate exposures are managed within approved policy parameters utilizing foreign exchange forward contracts.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period (see Note 32).

#### Sensitivity analysis

The Company was mainly exposed to the USD, JPY and RMB.

The following table details the Company's sensitivity to a 1% increase and decrease in the New Taiwan dollar (the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign exchange forward contracts designated as cash flow hedges, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. The sensitivity analysis included external loans/borrowings as well as loans/borrowings to foreign operations within the Company where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. A positive number below indicates an increase in post-tax profit and other equity associated with the New Taiwan dollar strengthening 1% against the relevant currency. For a 1% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on post-tax profit and other equity and the balances below would be negative.

	<b>Profit or Loss</b>	
	<b>2022</b>	<b>2021</b>
USD impact (i)	\$ 34,813	\$ 32,385
JPY impact (ii)	(1,871)	(2,155)
RMB impact (iii)	(1,435)	2

- i. This was mainly attributable to the exposure outstanding on monetary items USD, which were not hedged at the end of the reporting period.
- ii. This was mainly attributable to the exposure to outstanding monetary items JPY, which were not hedged, at the end of the reporting period.
- iii. This was mainly attributable to the exposure on outstanding monetary items in RMB which were not hedged at the end of the reporting period.

b) Interest rate risk

The Company was exposed to interest rate risk because the Company's bank deposits and the Company borrowed funds at floating interest rates.

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

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Fair value interest rate risk		
Financial assets	\$ 869,363	\$ 575,338
Financial liabilities	2,687,273	2,072,721
Cash flow interest rate risk		
Financial assets	1,556,924	1,747,747
Financial liabilities	635,507	958,261

Sensitivity analysis

The sensitivity analyses below were determined based on the Company's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 25 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2022 and 2021 would increase/(decrease) by \$2,288 thousand and \$1,974 thousand, respectively, which was mainly attributable to the Company's exposure to interest rates on its floating rate bank deposits and bank borrowings.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure of discharge an obligation by the counterparties and financial guarantees provided by the Company arises from:

- a) The carrying amount of the respective recognized financial assets as stated in the balance sheets;
- b) The amount of contingent liabilities in relation to financial guarantee issued by the Company.

3) Liquidity risk

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

The Company relies on bank borrowings as a significant source of liability. As of December 31, 2022 and 2021, the Company had available unutilized overdraft and short-term bank loan facilities of approximately \$3,275,449 thousand and \$4,035,569 thousand, respectively.

a) Liquidity and interest risk rate tables

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

To extend that interest flows are floating rate, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

December 31, 2022

	Weighted Interest Average Effective Rate (%)	Less Than 1 Year	2-3 Years	4-5 Years	5+ Years	Total
<u>Non-derivative financial liabilities</u>						
Trade payable	-	\$ 1,362,293	\$ -	\$ -	\$ -	\$ 1,362,293
Other payables	-	868,725	-	-	-	868,725
Lease liabilities	0.86-1.27	3,088	1,596	-	-	4,684
Variable interest rate liabilities	0.725-0.975	248,087	354,087	33,333	-	635,507
Fixed interest rate liabilities	0.90-1.35	408,000	2,279,273	-	-	2,687,273

December 31, 2021

	Weighted Interest Average Effective Rate (%)	Less Than 1 Year	2-3 Years	4-5 Years	5+ Years	Total
<u>Non-derivative financial liabilities</u>						
Trade payable	-	\$ 1,628,679	\$ -	\$ -	\$ -	\$ 1,628,679
Other payables	-	946,409	-	-	-	946,409
Lease liabilities	0.86-1.27	3,051	4,685	-	-	7,736
Variable interest rate liabilities	0.10-0.68	142,754	700,174	115,333	-	958,261
Fixed interest rate liabilities	0.30-0.8961	96,000	1,940,721	36,000	-	2,072,721

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities was subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

b) Liquidity and interest risk rate tables for derivative financial liabilities

The following table detailed the Company's liquidity analysis for its derivative financial instruments. The table was based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement.



December 31, 2022

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Net settled</u>					
Foreign exchange forward contracts and exchange contracts	<u>\$ (2,857)</u>	<u>\$(10,763)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2021

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Net settled</u>					
Foreign exchange forward contracts and exchange contracts	<u>\$ (364)</u>	<u>\$ (963)</u>	<u>\$ (56)</u>	<u>\$ -</u>	<u>\$ -</u>

## 28. TRANSACTIONS WITH RELATED PARTY

Details of transactions between the Company and related parties are disclosed below.

a. Related party name and relationship

<u>Related Party Name</u>	<u>Relationship with the Company</u>
Tai-Shing Electronics Components Corporation	Associate
Liang Shing Eclife Corp. (“Eclife”)	Other associate
Longying (Ningbo) Semiconductor Co., Ltd	Other associate
TXC (Ningbo) Corporation	Subsidiary
TXC (Chongqing) Corporation	Subsidiary
Ningbo Jingyu Company Limited	Subsidiary
TETC CORP. NINGBO	Subsidiary
TXC Technology, Inc.	Subsidiary
Taiwan Crystal Technology (HK) Limited	Subsidiary
TXC Japan Corporation	Subsidiary
TXC Europe GmbH	Subsidiary

b. Sales of goods

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Subsidiaries	\$ 686,745	\$ 446,515
Other associate	12,339	11,808
Associates	<u>73,936</u>	<u>115,221</u>
	<u>\$ 773,020</u>	<u>\$ 573,544</u>

In 2022 and 2021, the selling price and purchasing price were not significantly different from those with third parties, except those for NGB, CKG, TETC, Ningbo Jingyu, TXC Technology, TCTH and TXC JP whose trading price depends on its function within the Company.

c. Purchase of goods

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Subsidiaries		
TXC (Ningbo) Corporation	\$ 2,470,783	\$ 2,893,530
TXC (Chongqing) Corporation	1,208,967	1,361,626
Others	<u>349,287</u>	<u>270,565</u>
	4,029,037	4,525,721
Other associates	<u>259</u>	<u>226</u>
	<u><u>\$ 4,029,296</u></u>	<u><u>\$ 4,525,947</u></u>

In 2022 and 2021, the selling price and purchasing price were not significantly different from those with third parties, except those for NGB, CKG, TETC, Ningbo Jingyu, TXC Technology, TCTH and TXC JP whose trading price depends on its function within the Company.

d. Operating expenses

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Subsidiaries		
TXC Technology, Inc.	\$ 48,231	\$ 43,837
TXC Japan Corporation	29,944	34,046
TXC Europe GmbH	<u>11,761</u>	<u>11,698</u>
	89,936	89,851
Other associates	<u>2,033</u>	<u>3,237</u>
	<u><u>\$ 91,969</u></u>	<u><u>\$ 92,818</u></u>

The consulting fee above is due to the Company's part of business activities committed to the related parties.

e. Rental income

			<b>For the Year Ended December 31</b>			
			<b>2022</b>	<b>% to Total Account Balance</b>	<b>2021</b>	<b>% to Total Account Balance</b>
<b>Related Party</b>	<b>Location</b>	<b>Rent Collection</b>	<b>Amount</b>		<b>Amount</b>	
Tai-Shing Electronics Components Corporation	6F., No. 4, Gongye 6th Rd., Pingzhen Dist., Taoyuan City 324, Taiwan	Based on contract, and paid on a monthly basis	<u>\$ 3,518</u>	-	<u>\$ 3,576</u>	-

f. Receivables from related parties (excluding loans to related parties)

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Subsidiaries	\$ 204,150	\$ 129,761
Associates	8,171	27,256
Other associates	1,747	3,706
Less: Allowance for impairment loss	<u>(68)</u>	<u>(68)</u>
	<u><u>\$ 214,000</u></u>	<u><u>\$ 160,655</u></u>

The outstanding accounts receivable from related parties are unsecured.

g. Payables to related parties (excluding loans from related parties)

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Subsidiaries		
TXC (Ningbo) Corporation	\$ 571,918	\$ 606,223
TXC (Chongqing) Corporation	275,148	321,195
Others	<u>84,464</u>	<u>93,357</u>
	931,530	1,020,775
Other associates	<u>48</u>	<u>8</u>
	<u>\$ 931,578</u>	<u>\$ 1,020,783</u>

The outstanding trade payables to related parties are unsecured.

h. Other receivables from related parties

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Associates	\$ 362	\$ 350
Other associates	<u>8</u>	<u>25</u>
	<u>\$ 370</u>	<u>\$ 375</u>

Other receivables resulted from purchasing machinery and equipment on behalf of subsidiaries.

i. Other payables to related parties

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Subsidiaries	\$ 114	\$ 369
Other associates	<u>1,250</u>	<u>3,495</u>
	<u>\$ 1,364</u>	<u>\$ 3,864</u>

The credit period of the transaction above is similar to those for the third parties.

j. Prepayments

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Other associates	<u>\$ 4,357</u>	<u>\$ 4,247</u>

k. Payments for property, plant and equipment

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Other associates	<u>\$ 16,106</u>	<u>\$ 7,563</u>

1. Compensation of key management personnel

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Short-term employee benefits	\$ 63,640	\$ 77,416
Post-employment benefits	<u>3,671</u>	<u>3,978</u>
	<u>\$ 67,311</u>	<u>\$ 81,394</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

**29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY**

The following assets were provided as collateral for bank borrowings and foreign exchange forward contracts:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Pledged deposits	<u>\$ 52,213</u>	<u>\$ 53,719</u>

**30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS**

In addition to those disclosed in other notes, significant commitments and contingencies of the Company as of December 31, 2022 and 2021 were as follows:

- a. As of December 31, 2022, unused letters of credit amounted to approximately JPY11,058 thousand and EUR339 thousand.
- b. As of December 31, 2022, the Company unrecognized commitments are as follows:

**In Thousands of Foreign Currencies/New Taiwan Dollars**

	<b>Contract Amount</b>	<b>Paid Amount</b>	<b>Unpaid Amount</b>
Acquisition of equipment	<u>\$ 83,380</u>	<u>\$ 37,722</u>	<u>\$ 45,658</u>
Acquisition of equipment	<u>USD 498</u>	<u>USD 495</u>	<u>USD 3</u>
Acquisition of equipment	<u>JPY 64,000</u>	<u>JPY 25,600</u>	<u>JPY 38,400</u>

**31. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD: NONE**

### 32. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

**Unit: In Thousands of Foreign Currencies and New Taiwan Dollars**

December 31, 2022

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 139,256	30.708 (USD:NTD)	\$ 4,276,273
JPY	533,718	0.2324 (JPY:NTD)	124,036
RMB	29,898	4.4092 (RMB:NTD)	131,826
Non-monetary items			
Investments accounted for using equity method			
USD	6,972	30.708 (USD:NTD)	214,084
JPY	135,930	0.2324 (JPY:NTD)	31,590
RMB	1,608,979	4.4092 (RMB:NTD)	7,094,310
EUR	275	32.7086 (EUR:NTD)	9,000
<u>Financial liabilities</u>			
Monetary items			
USD	25,887	30.708 (USD:NTD)	794,938
JPY	1,338,747	0.2324 (JPY:NTD)	311,125
RMB	62,448	4.4092 (RMB:NTD)	275,346

December 31, 2021

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 154,524	27.69 (USD:NTD)	\$ 4,278,770
JPY	713,455	0.2406 (JPY:NTD)	171,657
RMB	73,925	4.3487 (RMB:NTD)	321,478
Non-monetary items			
Investments accounted for using equity method			
USD	7,016	27.69 (USD:NTD)	194,276
JPY	127,527	0.2406 (JPY:NTD)	30,683
RMB	1,478,484	4.3487 (RMB:NTD)	6,429,484
EUR	147	31.3382 (EUR:NTD)	4,598
<u>Financial liabilities</u>			
Monetary items			
USD	35,942	27.69 (USD:NTD)	995,234
JPY	1,609,213	0.2406 (JPY:NTD)	387,177
RMB	73,870	4.3487 (RMB:NTD)	321,238

For the years ended December 31, 2022 and 2021, unrealized net foreign exchange gains or loss were \$362,359 thousand and \$17,000 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the Company entities.

### 33. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and information on investees:

- 1) Lending funds to others. (None)
- 2) Providing endorsements or guarantees for others. (None)
- 3) Holding of securities at the end of the period. (Table 1)
- 4) Aggregate purchases or sales of the same securities reaching NT\$300 million or 20 percent of paid-in capital or more. (None)
- 5) Acquisition of real estate reaching NT\$300 million or 20 percent of paid-in capital or more. (None)
- 6) Disposal of real estate reaching NT\$300 million or 20 percent of paid-in capital or more. (None)
- 7) Purchases or sales of goods from or to related parties reaching NT\$100 million or 20 percent of paid-in capital or more. (Table 2)
- 8) Trade receivables from related parties reaching NT\$100 million or 20 percent of paid-in capital or more. (Table 3)
- 9) Trading in derivative instruments. (Note 5)
- 10) Others: The business relationship between the parent and the subsidiaries and between each subsidiary, and the circumstances and amounts of any significant transactions between them. (Table 4)

b. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, investment gain or loss, carrying amount of the investment at the end of the period, repatriated investment gains, and limit on the amount of investment in the mainland China area. (Table 5)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses: (Table 6)
  - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
  - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
  - c) The amount of property transactions and the amount of the resultant gains or losses.

- d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
  - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
  - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.
- c. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (None)

TABLE 1

## TXC CORPORATION

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2022				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
TXC Corporation	<u>Stock - unlisted company</u> Godsmith Sensor Inc	None	Financial assets at fair value through other comprehensive income - non-current	800	\$ 4,833	4	\$ 4,833	
	RFIC Technology Corporation	TXC Corporation is a director of the Company	"	3,334	12,009	12	12,009	
	Win Precision Technology Co., Ltd.	None	"	1,625	190,879	3	190,879	
	Gallopwave Inc.	"	"	5,000	5,449	10	5,449	
	<u>Stock - listed company</u> UPI Semiconductor Corp.	"	"	1,106	262,122	1	262,122	
	<u>Stock - listed company</u> United Microelectronics Corporation	A director of one of the TXC Corporation's director	Financial assets at fair value through profit or loss - current	500	<u>20,350</u>	-	<u>20,350</u>	
						<u>\$ 495,642</u>	<u>\$ 495,642</u>	
TXC (Ningbo) Corporation	<u>Shares overseas - unlisted company</u> Ningbo SJ Electronics Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	567	<u>\$ 55,654</u>	5	<u>\$ 55,654</u>	
TXC (Chongqing) Corporation	<u>Structured deposits</u> China Construction Bank	None	Financial assets at fair value through profit or loss - current	RMB 7,002	\$ 30,875	-	\$ 30,875	
	Agricultural Bank of China	"	"	RMB 11,579	51,052	-	51,052	
	China CITIC Bank	"	"	RMB 37,279	164,368	-	164,368	
	China Minsheng Bank	"	"	RMB 10,002	44,101	-	44,101	
					<u>\$ 290,396</u>		<u>\$ 290,396</u>	
Ningbo Beilun Jingyu Trading Corporation	<u>Beneficiary certificate</u> Southern Cash Fund	None	Financial assets at fair value through profit or loss - current	RMB 64	<u>\$ 287</u>	-	<u>\$ 287</u>	
Ningbo Meishan Free Trade Port Area Ding Kai Investment Management Company Limited	<u>Shares overseas - unlisted company</u> Zhejiang Bright Semiconductor Technology Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	7,004	<u>\$ 131,587</u>	3	<u>\$ 131,587</u>	

(Continued)



Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2022				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
Chongqing Zhongyang Properties Co., Ltd.	<u>Structured deposits</u> Chongqing Rural Commercial Bank	None	Financial assets at fair value through profit or loss - current	RMB 22,950	<u>\$ 101,191</u>	-	<u>\$ 101,191</u>	
ChongQing Dingsen Commercial Management Co., Ltd.	<u>Structured deposits</u> China Construction Bank Corporation	None	Financial assets at fair value through profit or loss - current	RMB 355	<u>\$ 1,564</u>	-	<u>\$ 1,564</u>	

(Concluded)

**TXC CORPORATION**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2022**  
**(In Thousands of New Taiwan Dollars)**

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
TXC Corporation	TXC (Ningbo) Corporation	Subsidiary	Purchase	\$ 2,470,783	37	No significant differences with the third parties.	Its trading price depends on its function within the Company	No significant differences with the third parties.	\$ (571,918)	(42)	
	"	"	Sale	568,885	5	"	"	"	176,871	6	
	TXC (Chongqing) Corporation	"	Purchase	1,208,967	18	"	"	"	(275,148)	(20)	
	TETC CORP. NINGBO	"	Purchase	293,984	4	"	"	"	(76,537)	(6)	
TXC (Ningbo) Corporation	TXC (Chongqing) Corporation	"	Purchase	174,670	8	"	"	"	(49,135)	(8)	
			Sale	131,019	3	"	"	"	28,733	3	

**TXC CORPORATION**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL**

**DECEMBER 31, 2022**

**(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
TXC Corporation	TXC (Ningbo) Corporation	Subsidiary	\$ 176,871	3.96	\$ -	-	\$ 101,950	\$ -
TXC (Ningbo) Corporation	TXC Corporation	Parent entity	571,918	4.19	-	-	415,593	-
TXC (Chongqing) Corporation	TXC Corporation	Parent entity	275,148	4.05	-	-	154,998	-

## TXC CORPORATION

## NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars or U.S. Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2022			Net Income (Losses) of the Investee	Equity in the Earnings (Losses)	Note
				December 31, 2022	December 31, 2021	Shares (In Thousands)	Percentage of Ownership	Carrying Value			
TXC Corporation	Taiwan Crystal Technology International Ltd.	Western Samoa	Investment management	\$ 1,390,461	\$ 1,390,461	42,835	100.00	\$ 7,094,310	\$ 993,971	\$ 967,172	
	Taiwan Crystal Technology International (HK) Limited	Hong Kong	International trading	2,371	2,371	80	100.00	192,258	44	44	
	TXC Japan Corporation	Japan	Marketing activities	6,172	6,172	2	100.00	31,590	2,173	2,173	
	TXC Technology Inc.	U.S.A.	Marketing activities	9,879	9,879	300	100.00	21,826	2,014	2,014	
	Tai-Shing Electronics Components Corporation	Taiwan	Manufacture and sales of electronics products	373,432	373,432	8,802	33.34	401,707	74,584	24,867	
	TXC Europe GmbH	Germany	Marketing activities	1,746	1,746	50	100.00	9,000	4,050	4,050	

## TXC CORPORATION

INFORMATION ON INVESTMENT IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars or U.S. Dollars)

1. Name of the investees in mainland China, main businesses and products, paid-in capital, method of investment, information on inflow or outflow of capital, percentage of ownership, investment income or loss, ending balance of investment, dividends remitted by the investee, and the limit of investment in mainland China:

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2022 (In Thousand)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2022 (In Thousand)	Investee Company Current Net Income	Percentage of Ownership	Investment Income (Loss) Recognized	Carrying Amount as of December 31, 2022	Accumulated Inward Remittance of Earnings as of December 31, 2022
					Outflow	Inflow						
TXC (Ningbo) Corporation	Research and development, manufacture, and sale of quartz elements and related electronic products	\$ 2,350,052	Indirect investment of the Corporation in mainland China through the Corporation's subsidiary in a third region	\$ 1,427,630	\$ -	\$ -	\$ 1,427,630	\$ 993,988	100.00	\$ 993,988	\$ 7,149,193	\$ 1,039,001
TXC (Chongqing) Corporation	Research and development, manufacture, and sale of quartz elements and related electronic products	1,162,074	Other investment of the Corporation in mainland China	-	-	-	-	141,860	100.00	141,860	1,647,704	306,500
TETC CORP. NINGBO	Research and development, manufacture, and sale of quartz elements and related electronic products	433,440	Other investment of the Corporation in mainland China	-	-	-	-	388,509	100.00	388,509	938,616	-
Chongqing Zhongyang Properties Co., Ltd.	Properties development	684,908	Other investment of the Corporation in mainland China	-	-	-	-	222	100.00	222	813,437	-
Ningbo Beilun Jingyu Trading Corporation	International trading	7,090	Other investment of the Corporation in mainland China	-	-	-	-	236	100.00	236	6,210	-
Ningbo Longying Semiconductor Co., Ltd.	Research and development in integrated circuit	220,006	Other investment of the Corporation in mainland China	-	-	-	-	(21,741)	32.91	(7,742)	56,900	-
Ningbo Meishan Free Trade Port Area Ding Kai Investment Management Company Limited	Investment management	160,043	Other investment of the Corporation in mainland China	-	-	-	-	1	100.00	1	131,857	-
ChongQing Dingsen Commercial Management Co., Ltd.	Property management	4,390	Other investment of the Corporation in mainland China	-	-	-	-	(4,379)	100.00	(4,379)	(1,221)	-
Shanghai JCH Co., Ltd.	Marketing activities and Technical Services	2,238	Other investment of the Corporation in mainland China	-	-	-	-	(9)	100.00	(9)	2,197	-

2. The limited amounts of the investment in Mainland China

Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by the investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$1,427,630	\$2,350,052	-

Note: The investment in mainland China has no maximum limit since the Company has acquired the approval from the Industrial Development Bureau for the establishment of the Company's operating headquarters in Taiwan.

## TXC CORPORATION

**SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD AREA, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES FOR THE YEAR ENDED DECEMBER 31, 2022**  
(In Thousands of New Taiwan Dollars)

1. Significant direct or indirect transactions with the investees, prices and terms of payment, unrealized gain or loss:

Company Name	Related Party	Transaction Type	Transaction Details					Accounts/Notes Receivable/Payable		Unrealized Gain or Loss
			Amount	Percentage (%)	Price	Payment Term	Compared with Terms of Third Parties	Balance	%	
TXC Corporation	TXC (Ningbo) Corporation	Purchase	\$ 2,470,783	37	Its trading price depends on its function within the Company	Similar with third parties	Its trading price depends on its function within the Company	\$ (571,918)	(42)	\$ 30,028
	TXC (Ningbo) Corporation	Sale	568,885	5	"	"	"	176,871	6	6,517
	TXC (Chongqing) Corporation	Purchase	1,208,967	18	"	"	"	(275,148)	(20)	16,054
	TETC CORP. NINGBO	Purchase	293,984	4	"	"	"	(76,537)	(6)	2,882

2. The transactions of properties and the profit or loss: None.
3. Endorsements guarantees or collateral directly or indirectly provided to the investees: None.
4. Financings directly or indirectly provided to the investees: None.
5. Other transactions that significantly impacted the current year's profit or loss or financial position: None.

# TXC CORPORATION

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**TXC CORPORATION****CASH AND CASH EQUIVALENTS****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars, and Foreign Currency)**

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<b>Item</b>		<b>Amount</b>
Cash		
Cash on hand	Including US\$12 thousand @30.7080; JPY997 thousand @0.2324; HK\$2 thousand @3.9384; and RMB25 thousand @4.4092; SGD3 thousand @22.8678; EUR4 thousand @32.7086	\$ 959
Cash in banks		
Checking accounts and demand deposits		391,021
Foreign-currency deposits	Including US\$34,521 thousand @30.7080; JPY394,138 thousand @0.2324; EUR121 thousand @32.7086; RMB934 thousand @4.4092; and HK\$2 thousand @3.9384	1,129,044
Time deposits	Including RMB21,000 thousand @4.4092; US\$2,000 thousand @30.7080	274,009
Cash equivalents		<u>580,000</u>
		<u>\$ 2,375,033</u>



**TXC CORPORATION****TRADE RECEIVABLES****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars)**

<b>Item</b>	<b>Explanation</b>	<b>Amount</b>
Related parties		
TXC (Ningbo) Corporation	For goods	\$ 176,871
TXC (Chongqing) Corporation	"	605
Tai-Shing Electronics Components Corporation	"	8,171
TETC CORP. NINGBO	"	21,674
TXC Japan Corporation	"	1,270
TXC Europe GmbH	"	3,730
Liang Shing Eclife Corp.	"	1,269
Longying (Ningbo) Semiconductor Co., Ltd	"	<u>478</u>
		214,068
Less: Allowance for impairment loss		<u>(68)</u>
		<u>\$ 214,000</u>
Third parties		
A Company	For goods	\$ 317,905
B Company	"	292,705
Others (Note)	"	<u>2,376,356</u>
		2,986,966
Less: Allowance for doubtful accounts		<u>(9,985)</u>
		<u>\$ 2,976,981</u>

Note: Each of the accounts was less than 5% of the total account balance.

**TXC CORPORATION****INVENTORIES****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Cost</b>	<b>Market Value (Note)</b>
Raw materials	\$ 366,450	\$ 365,711
Supplies and spare parts	107,180	105,999
Work in process	220,894	202,994
Finished goods	361,560	348,318
Merchandise	420,302	418,403
Goods in transit	<u>29,779</u>	<u>29,779</u>
	1,506,165	<u>\$ 1,471,204</u>
Less: Allowance for loss	<u>(34,961)</u>	
	<u>\$ 1,471,204</u>	

Note: The market value is based on net realizable value.

## TXC CORPORATION

CHANGES IN FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT  
 FOR THE YEAR ENDED DECEMBER 31, 2022  
 (In Thousands of New Taiwan Dollars and Shares)

	Beginning Balance		Remeasure	Increase		Decrease		Ending Balance			Pledge or Security
	Shares	Amount		Shares	Amount	Shares	Amount	Shares	% of Ownership	Amount	
Listed shares											
UPI Semiconductor Corp	1,516	\$ 1,399,268	\$ (958,648)	-	\$ -	410	\$ 178,498	1,106	1	\$ 262,122	None
Unlisted shares											
Win Precision Technology Co., Ltd.	1,365	62,785	122,735	260	5,359	-	-	1,625	3	190,879	"
Godsmith Sensor Inc.	550	9,322	(9,474)	250	4,985	-	-	800	4	4,833	"
Gallopwave Inc.	-	-	(4,551)	5,000	10,000	-	-	5,000	10	5,449	"
RFIC Technology Corporation	2,334	5,359	(3,350)	1,000	10,000	-	-	3,334	12	12,009	"
		<u>77,466</u>	<u>105,360</u>		<u>30,344</u>		<u>-</u>			<u>213,170</u>	
		<u>\$ 1,476,734</u>	<u>\$ (853,288)</u>		<u>\$ 30,344</u>		<u>\$ 178,498</u>			<u>\$ 475,292</u>	

## TXC CORPORATION

CHANGES IN INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD  
 FOR THE YEAR ENDED DECEMBER 31, 2022  
 (In Thousands of New Taiwan Dollars and Shares)

	Beginning Balance		Increase		Decrease		Equity in Investees Gain (Loss)	Ending Balance			Market Price or Net Asset Value		Valuation Method	Pledge or Security		
	Shares	Amount	Shares	Amount	Shares	Amount		Shares	% of Ownership	Amount	Unit Price	Amount				
Unlisted company																
Taiwan Crystal Technology International Ltd.	42,835	\$ 6,429,484	-	\$ -	-	\$ 353,760	\$ 1,018,586	42,835	100.00	\$ 7,094,310	-	\$ 7,094,310	Equity method	None	\$ -	
TXC Technology Inc.	300	20,955	-	-	-	-	871	300	100.00	21,826	-	21,826	Equity method	None	-	
TXC Japan Corporation	2	30,683	-	-	-	-	907	2	100.00	31,590	-	31,590	Equity method	None	-	
Taiwan Crystal Technology International (HK) Limited	80	173,321	-	-	-	-	18,937	80	100.00	192,258	-	192,258	Equity method	None	-	
Tai-Shing Electronics Components Corporation	8,802	391,214	-	-	-	17,604	28,097	8,802	33.34	401,707	37.80	401,707	Equity method	None	-	
TXC Europe GmbH	50	4,598	-	-	-	-	4,402	50	100.00	9,000	-	9,000	Equity method	None	-	
		<u>\$ 7,050,255</u>		<u>\$ -</u>		<u>\$ 371,364</u>	<u>\$ 1,071,800</u>			<u>\$ 7,750,691</u>		<u>\$ 7,750,691</u>			<u>\$ -</u>	

Note: All the above are unlisted company which do not have market price to evaluated.

**TXC CORPORATION****ACCOUNTS PAYABLE****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars)**

<b>Item</b>	<b>Explanation</b>	<b>Amount</b>
Related parties		
TXC (Ningbo) Corporation	Payment for goods	\$ 571,918
TXC (Chongqing) Corporation	"	275,148
Taiwan Crystal Technology (HK) Limited	"	7,824
Liang Shing Eclife	"	18
Ningbo Beilun Jingyu Trading Corporation	"	103
Longying (Ningbo) Semiconductor Co., Ltd	"	30
TETC CORP. NINGBO	"	<u>76,537</u>
		<u>931,578</u>
Third parties		
A Corporation	Payment for goods	95,998
B Corporation	"	87,285
C Corporation	"	41,658
D Corporation	"	39,939
E Corporation	"	29,018
F Corporation	"	21,264
Others (Note)	"	<u>115,553</u>
		<u>430,715</u>
		<u>\$ 1,362,293</u>

Note: Each of the accounts was less than 5% of the total account balance.

**TXC CORPORATION**

**OPERATING REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>
Quartz crystal products	\$ 10,645,341
Less: Sales returns	22,358
Less: Sales allowances	<u>26,051</u>
	<u>\$ 10,596,932</u>

**TXC CORPORATION****COST OF GOODS SOLD  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)**

---

<b>Item</b>	<b>Amount</b>
Direct materials	
Beginning materials	\$ 432,112
Add: Material purchase	1,237,307
Add: Unfavorable cost variance	107,302
Less: Expense	(157,210)
Less: Adjustment items	(14,267)
Ending materials	<u>(471,710)</u>
	1,133,534
Direct labor	389,225
Overhead	<u>1,027,456</u>
Manufacturing cost	2,550,215
Beginning work in process	190,778
Add: Purchases	102,322
Add: Others	814
Less: Expense	(43,927)
Less: Favorable cost variance	(24,934)
Ending work in process	<u>(202,994)</u>
Finished goods cost	2,572,274
Beginning finished goods	340,121
Less: Favorable cost variance	(10,007)
Less: Expense	(30,133)
Less: Others	(1,051)
Ending finished goods	<u>(348,318)</u>
Production cost	<u>2,522,886</u>
Beginning merchandise inventory	351,628
Add: Purchase	4,954,464
Less: Others	(340)
Less: Favorable cost variance	(11,815)
Less: Expense	(1,089)
Ending merchandise inventory	<u>(418,403)</u>
Purchase cost	<u>4,874,445</u>
Loss on physical inventory	<u>17,604</u>
	<u>\$ 7,414,935</u>

**TXC CORPORATION****OVERHEAD EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)**

---

<b>Item</b>	<b>Explanation</b>	<b>Amount</b>
Indirect labor	Including salary and wages, pension, food stipend, employee benefits and insurance etc.	\$ 376,923
Indirect materials		127,820
Depreciation		309,276
Utilities		92,718
Maintenance fee		53,544
Others		<u>67,175</u>
		<u>\$ 1,027,456</u>

Note: Each of the accounts was less than 5% of the total account balance.



**TXC CORPORATION****OPERATING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)**

---

<b>Item</b>	<b>Explanation</b>	<b>Selling and Marketing</b>	<b>General and Administration</b>	<b>Research and Development</b>
Salary		\$ 70,743	\$ 172,170	\$ 359,768
Insurance		4,360	20,773	17,918
Depreciation		657	4,942	180,002
Amortization		-	15,125	5,061
Research expense		-	-	107,110
Import and export expense		44,554	-	-
Others		<u>145,577</u>	<u>64,390</u>	<u>53,132</u>
		<u>\$ 265,891</u>	<u>\$ 277,400</u>	<u>\$ 722,991</u>

Note: Each of the accounts was less than 5% of the total account balance.

## TXC CORPORATION

**EMPLOYEE WELFARE, DEPRECIATION AND AMORTIZATION EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**  
(In Thousands of New Taiwan Dollars)

Item	2022			2021		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Salaries	\$ 676,513	\$ 533,191	\$ 1,209,704	\$ 650,039	\$ 550,532	\$ 1,200,571
Insurance	48,048	37,778	85,826	44,907	31,016	75,923
Pension	19,048	14,432	33,480	17,529	13,694	31,223
Remuneration of directors	-	55,057	55,057	-	60,930	60,930
Other employee benefit	583	1,377	1,960	385	1,527	1,912
	<u>\$ 744,192</u>	<u>\$ 641,835</u>	<u>\$ 1,386,027</u>	<u>\$ 712,860</u>	<u>\$ 657,699</u>	<u>\$ 1,370,559</u>
Depreciation expense	<u>\$ 309,276</u>	<u>\$ 185,601</u>	<u>\$ 494,877</u>	<u>\$ 350,288</u>	<u>\$ 90,321</u>	<u>\$ 440,609</u>

Note 1: As of December 31, 2022 and 2021, the number of employees was 1,166 and 1,151 people with 8 and 6 directors not included in the employees, respectively.

Note 2: Information should be disclosed:

- a. The average of employee benefit is \$1,149,370 in the current year.  
The average of employee benefit is \$1,143,781 in the previous year.
- b. The average of salaries is \$1,044,650 in the current year.  
The average of salaries is \$1,048,534 in the previous year.
- c. Change in the average of salaries adjustment rates is (0.37%).

Note 3: The Company did not have the supervisors for the year ended December 31, 2022 and 2021. Therefore, the Company did not have the corresponding remuneration of supervisors.

Note 4: The Company and its subsidiaries set the salary scales according to the relative contribution of the employees' positions, in line with the company's operation and development strategy, and based on their personal performance, future development potential and the Company's operation status as the basis for salary adjustment and bonus payment, so as to encourage the employees to make positive efforts and excellent performance and to achieve the "internal fairness" and "individual fairness" pursuant to the salary; and to encourage employees to deliver great performance at work, the Company allocates a certain proportion of profit-making earnings as the basis of employee dividends and shares the earnings results with colleagues, considers the benchmark enterprises of the industry, regularly checks the rationality of various salary and welfare systems by the "remuneration committee", maintains the company's high level employee welfare, attracts outstanding talents to join and stay for a long time.

Note 5: The remuneration of directors is determined based on the Company's Articles of Incorporation. Fair remuneration is provided by considering the operation results and contributions towards company performance. President and vice presidents remuneration payment policy is based on the Company's Salary Management Rules and salary levels for that job position in the industry market, the scope of authority of that job position inside the Company and the degree of contribution toward operation targets. The procedure for setting remuneration follows evaluation and review procedures under the Company's Director and Manager Performance Evaluation Rules. In addition, the Company's overall operational performance, future industry risks and development trends, individual performance achievement rates and contribution towards company performance are also considered in order to provide a fair compensation. The fairness of related performance evaluations and remuneration are reviewed by the salary and compensation committee and board of directors. The remuneration system is discussed at appropriate time based on the actual operating conditions and with respect to related laws to achieve a balance between sustainable company operation and risk control.