Stock Code: 6155

KING CORE ELECTRONICS INC.

2022

Annual Report

Website of the Annual Report/Market Observation Post System Website: http://mops.twse.com.tw/

Information declaration website designated by Financial Supervisory Commission: Ditto

Website for inquiring about related information on the Company's annual reports: Ditto

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This translated document is prepared in accordance with the Chinese version and is for reference only. In the event of any inconsistency between the English version and the Chinese version, the Chinese version shall prevail.

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E-mail: jonas@mail.kingcore.com.tw

Acting spokesperson: Chen Cheng-Han ; title: Vice Chairman

Tel: (03)469-8855

E-mail: rex@mail.kingcore.com.tw

II. Company and Factory Address and Phone Number:

Address: No. 269, Nanfeng Rd., Pingzhen Dist., Taoyuan

Tel: (03)469-8855

III. Shares Registry for Share Transfers:

Name: Transfer Agency Department, Taishin Securities Co., Ltd.

Address: B1, No. 96, Sec. 1, Jianguo North Rd., Taipei

Tel: (02)2504-8125

Website: www.tssco.com.tw/

IV. External Auditors in the most recent year:

Name: Lin Cheng-Wei and Chen Kuo-Shuai

CPA Firm: Ernst & Young, Taiwan

Address: 9F., No. 333, Section 1, Keelung Rd., Taipei

Website: www.ey.com/home

Tel: (02)2757-8888

V. Name of overseas stock exchange and method for accessing information on overseas negotiable securities: None

VI. Company Website: www.kingcore.com.tw

Contents

One. To shareholders

Ladies and gentlemen!

First, thank you for taking time off your busy schedule to attend this year's shareholders' meeting. I hereby express the sincerest gratitude to all of you for your support and encouragement on behalf of the Company. Now, the Company's business operations in 2022 and future prospects are reported as follows:

I. 2022 Business Report

(I) Outcomes in Implementation of 2022 Business Report

1. In 2022, the consolidated net operating revenue amounted to NT$770,147 thousand, which declined by 3.68% compared with that in 2021.
2. In 2022, the consolidated operating profit was NT$70,117 thousand, which declined by 45.07% compared with that in 2021.
3. In 2022, the consolidated operating gross profit after tax was NT$190,616 thousand, which increased by 135.92% compared with that in 2021.

(II) Budget execution: the Company has not made its 2022 financial forecast open, so its budget execution needn't be disclosed.

(III) Revenue and profitability analysis

1. Financial income and expense

Unit: NT$ thousand

Item	2022	Percentage
Net operating revenue	770,147	100%
Operating cost	565,133	73%
Operating gross profit	205,014	27%
Operating expenses	134,897	18%
Operating profit	70,117	9%
Net non-operating revenue and expense	163,334 ,	21%
Profit After Tax	190,616	25%
Operating gross profit after tax attributable to the parent company	190,616	25%

Note: Above financial information shall be indicated based on consolidated information specified by International Financial Reporting Standards.

2. Profitability

Item	2022
Return on asset (%)	7.42
Return on shareholders' equity (%)	12.90
Operating profit to paid-in capital (%)	8.05
Net pretax profit to paid-in capital (%)	26.79
Profit margin (%)	24.75
EPS (NT$)	2.19

Note: Above financial information shall be indicated based on consolidated information specified by International Financial Reporting Standards.

(IV) Research and development

For more than 30 years, the Company has possessed professional knowledge on magnetic materials, formulas of ferrite core powder and process know-how. It has been actively engaged in exploring countermeasures against electromagnetic interferences, studying and developing new products and technologies. It has built an authoritative image for solving EMI problems in the industry. It provides special product services for companies and research organizations which have EMI/EMC problems for solving. Its research outcomes are specifically as follows: Ferrite cores and beads of varying size applied in EMI solutions; multilayer, wire-wound inductors and CM filters as well as wire-wound power inductors suitable use at all frequency bands.

In addition to conventional Ni-Zn ferrite materials, wire-wound power inductors also contain high-current alloy material. Matched with magnetic seals, they can satisfy customers' customized needs for varying size (2.0mm~10mm) and wide range of inductance (0.1uH~1000mH). The Company can provide portable 3C products for general commercial purposes, servers of industrial computers and stationary power modules for buck-boost. So far, it has developed a complete series which satisfy needs for AEC-Q200 automobile electronics after material and process optimization.

The Company has been developing common mode filters for a long time, and we have also improved related applications through our self-manufactured ferrite core and size design as well as optimization of wire-wound mechanisms. King Core provides customers with modules for various high-pass, low-pass and band-pass filtering applications in frequency bands ranging from hundreds of kHz to hundreds of MHz to 10 GHz for HDMI 2.0/USB3.2 applications. The Company is also leveraging its expertise and know-how in ferrite core materials and wire-wound and multi-layer chip technology to actively develop more advanced HDMI2.1/USB4 protocol requirements, while also optimizing material and process reliability to reach automotive level standards, such as the AEC-Q200 standards. In order to address the explosive growth of the automotive electronics and IoT industries, and customers' needs for reliable components, we continue to strive for excellence, honing our manufacturing technology management capabilities for magnetic materials and products and developing material formulations for wireless charging, electromagnetic wave shielding, and have made progress in meeting the demand for high-frequency antennas, which we now offer to customers.

II. Summary of 2023 Business Plan

(I) Operational guidelines

In 2022, the demand for parts and components saw a drastic reversal of demand. Interrelated factors such as the impact of the COVID-19 pandemic, strict lockdown measures in Mainland China, the war between Russia and Ukraine, geopolitics, decoupling from China, and climate change will continue to transform the global supply chain and the market demand will continue to fluctuate significantly. Information and communications technology (ICT) industry clients responded to the increase in inventory levels by cutting down on orders. On the other hand, under the long-term deployment and efforts of King Core, the smart home appliances, tools and equipment, and automotive electronics customer sectors saw increased demand, while the power supply and green energy customer groups remained stable.

In response to the dynamic changes in the general market environment, King Core shall continue to invest in Taiwan and will expand its investments in Taiwan. In 2023, the Company will set up a production line for a new type of powder used in magnetic core materials in its Taoyuan Pingzhen plant, which will not only increase the production capacity but also mitigate external uncertainties of material supply and production. This ensures that King Core's material supply and production in Taiwan remains stable and secure for customers' peace of mind and satisfaction, and enhance and deepen customers' trust and cooperation with King Core.

It upholds that only if it makes constant R&D innovations and keeps informative about trend of market development can it maintain long-term development and operations in a going concern basis. It also expects to outperform other enterprises in the industry in performances and profits in a new year.

The solar power generation equipment set up by the Pingzhen Plant of the Company generated 463,793KWH power in total in 2022 and its cumulative power generation was up to 2,764,218KWH. This suggests that carbon emissions will be reduced by 1,451,064t when

4,819,538trees are planted and NT$15,636 thousand will be earned from solar power generation. In the development of new energies, the Company will strengthen its contributions and efforts.

Based on the business concept of "confirming and fully satisfying customer requirements," the Company's management team continuously monitors and keeps informative about changes in market demands and future development trends. It actively strengthens technical cooperation and exchange with technical units. It develops new materials and products, in hope of confirming and fully satisfying customers' diverse needs with the most complete product lines. The Company will continue enhancing its competitive advantages and steadily move ahead based on its technologies in magnetic materials. It will inevitably make outstanding achievements in return to shareholders' long-term attention and support.

(II) Expected sales quantity and basis

The Company's expected sales quantity in 2023 is as follows:

Main products	Sales quantity (thousand pcs)
Ferrite cores	225,240
Chip inductors	761,900
Precision coils	111,520

Estimation basis:

(A) Ferrite cores: We anticipate continued demand for EMI ferrite cores used in smart home appliances, automotive electronics, networking and IoT products, power supply, automation and industrial equipment products. The Company will strengthen differentiation of ferrite cores, promote among foreign customers and keep informative about supply of raw materials. It is expected that sales of ferrite cores would be conservative in 2023.

(B) Chip inductors: The demands for smart home appliances, automotive electronics, information products, network communication and IoT products, power supply products, industrial computers and chip inductors will gradually increase with the demands for new-generation intelligent products. Therefore, the Company continues to actively expand the sales of High Power Bead/Inductor products and the mass production sales of new ultra-thin ferrite products in chip processes. After the Company's customers have largely expended their respective inventories in 2022, for the outlook of 2023 we cautiously anticipate a conservative growth target for the sales of chip products.

(C) Precision coils: the Company will strengthen application, development, marketing and sales of automotive electronics, information products, network communication and IOT products, power supply products and industrial computers. Owing to fierce market competitions, customer and product portfolios will be adjusted, for the major purpose of increasing profitability.

(III) Vital production and sales policies

To attain the above goals, the production and sales policies we adopt are as follows: (1) Constantly increase our productivity and lower our costs, and fully understand customers and markets. (2) Continuously enhance our manufacturing capacity, guarantee rapid delivery and fully satisfy customer requirements. (3) Actively develop new products and satisfy diverse customer requirements with the most complete product lines. (4) Actively develop niche products and markets, in order that the Company will become a comprehensive manufacturer of inductive products.

III. The development strategy of the future

The Company will adopt proactive and robust growth strategies. On one hand, it will recruit professional talents; on the other hand, it will actively develop new products and markets, so as to take the lead in the industry.

As a global corporate citizen, King Core is committed to the implementation of various environmental protection, energy saving, and waste reduction initiatives, as well as the fulfillment of corporate responsibility and improvement of corporate governance. In addition to the installation of photovoltaic power generation facilities at the Taoyuan Pingzhen plant, the Company continues to promote various ESG-related activities.

IV. The effect of the external competitive, legal, and macroeconomic environment

1. Products of the Company mainly include inductive elements, which are used for suppressing electromagnetic interferences, completing magnetic and wave filtration and converting waveforms. These years, governments of countries have attached more and more importance to electromagnetic interferences of electronic products. With constant increase in computing speed of related products such as electric vehicles, IoT, AI, 5G, intelligence home appliances, industrial equipment, medical devices and game machines, there has been growing demand for suppression of electromagnetic interferences and inductive elements. In addition, lifecycles of electronic products have become increasingly shorter. Swift changes occur to products and specifications. Because of this trend, the Company has obtained more and more opportunities. Meanwhile, it has faced greater challenges. To embrace these challenges, the Company has built a more powerful management team for improving its performances in different aspects such as research, development, manufacturing, sales and finance. Believe that the Company will get opportunities of business growth.
2. COVID-19, effects of China-US trade wars upon supply chains and increasingly more stringent requirements of Mainland China policies for Taiwan companies in Mainland China affect and create opportunities for the Company’s sales and channel layout. ESG-related issues such as energy saving and carbon reduction, environmental protection, corporate social responsibility and corporate governance have increasingly gained widespread attention, and the competent authorities and clients have correspondingly increased their requirements on related issues. Clients require high quality, fast delivery, regulatory compliance and R&D capabilities. In Taiwan, issues on labor force, personnel cost, environmental protection and energy utilization have become more and more complicated. How to strike a balance among quality, production capacity, friendly environment and profit and activate assets of the Company to maximize shareholders’ benefits will be a serious issue that the Company has to strive to settle through persistent efforts.
3. Looking ahead to 2023, COVID-19, the shadow cast by geopolitical uncertainties such as trade wars, climate change, Russia-Ukraine war, shortage of raw materials, rising costs and other uncertainties will still impose sustained effects. Meanwhile, they have created business opportunities in fields of automotive electronics, ICT products, smart home appliances, industrial computers and medical devices, etc. King Core possesses proprietary magnetic materials technology and has expanded into the production and development of multi-layer chip and precision coils, and can provide customers with complete solutions in electromagnetic compatibility and inductive components. The Company will continuously develop new products and specifications according to target customers’ needs. It will seize opportunities for promotion and market development. It will implement complete quality rules, constantly improve mass production technologies and supply raw materials, in order to become the customers’ best partner providing countermeasures for suppressing electromagnetic shield and creating value for its shareholders.

At last, heartfelt gratitude is hereby expressed to all of you for your cordial contributions, long-term support and encouragement. The most esteemed respect is hereby extended to all of you! Best wishes!

We would like to give you our best regards for the future ahead.

Chairman: Yang Cheng-Li

Managerial Personnel: Tsai Yuh-Chiang

Chief Accounting Officer: Yeh Mei-Ling

Two. Introduction to Company

I. Date of Incorporation: November 29, 1986

II. Company History

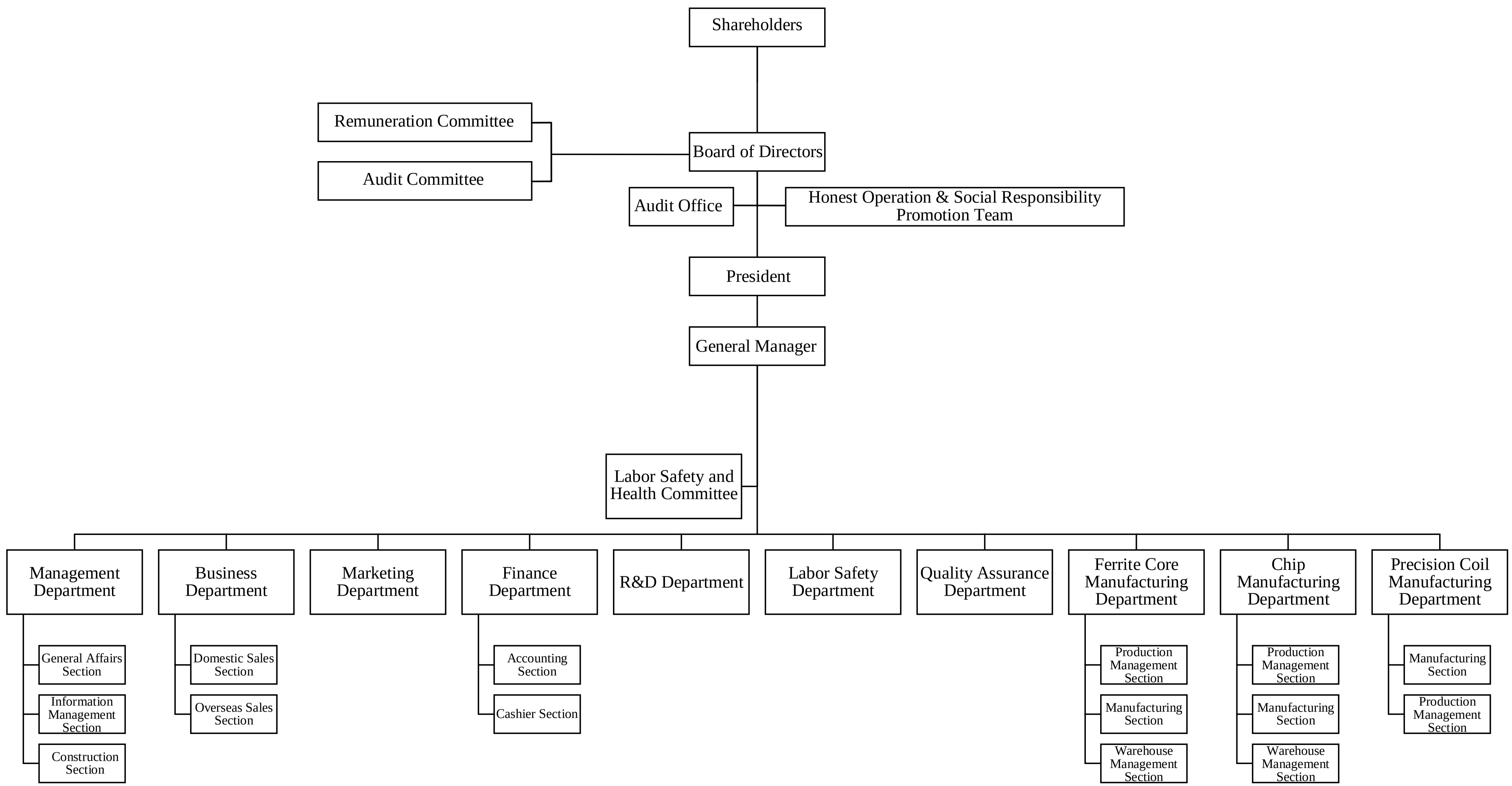
November 1986	KING CORE ELECTRONICS INC. was established in Xinzhuang City, Taipei County. Its capital amounts to NT$ 7,500,000, and the Company manufactures soft ferrite cores.
December 1986	Formally commenced production.
July 1987	Started selling products to Asian markets.
September 1988	Passed quality evaluation of Acer - biggest domestic manufacturer of personal computers and became its main supplier of parts.
January 1989	Moved to Yangmei, Taoyuan and expanded businesses.
March 1989	Increased capital to NT$ 15 million in cash.
June 1993	Got down to investing in new equipment, automatic circulation electric furnaces as well as type 500 high-speed molding machines.
December 1993	Achieved an annual turnover of NT$ 100 million and a monthly production capacity of 80t/month.
February 1995	In response to the trend that electronic products are “light, thin and small”, the Board of Director resolved to increase the Company’s capital to NT$ 85 million, and expanded the factory of multi-layer chips.
March 1995	A chip factory was built to produce multilayer chip inductors and beads using additive and surface mount technologies. It was put into operations.
September 1996	Certified by ISO-9001 as evaluated by Lloyd’s Register of Shipping.
May 1997	Commended as a “Role Model in Informatization” by the Small and Medium Enterprise Division, Ministry of Economic Affairs.
December 1997	Increased capital to NT$ 144.5 million to increase production capacity of ferrite cores and multi-layer chips.
December 1997	Purchased automatic circulation electric furnaces and increased production capacity of ferrite cores to 120t/month.
January 1998	Set up the R&D Department.
July 1998	Entered into a technology transfer contract on “production process of high frequency multilayer chip inductors” and developed high frequency inductors.
October 1998	Increased capital to NT$ 173.4 million by conversion from retained earnings. Reinvested in King Core (B.V.I.) Electronics Co., Ltd. by 100% shareholding to build King Core Electronics Plant in Shenzhen, Guangdong Province.
May 1999	Reinvested through King Core (B.V.I.) Electronics Co., Ltd. to establish KING CORE ELECTRONICS (SUZHOU) CO., LTD.
October 1999	Granted the RISING STAR AWARD as a national excellent enterprise.
June 2000	Issued stocks publicly as approved by the Financial Supervisory Commission.
September 2000	Increased capital in cash by NT$ 11,769,000 and via conversion from earnings by NT$ 54,831,000. Paid-in capital amounted to NT$ 240 million.
October 2000	Developed high frequency multilayer chip inductors and built a production line.
November 2020	Granted the outstanding achievement award for industrial waste minimization, pollution prevention and control by the Industrial Development Bureau, Ministry of Economic Affairs.
May 2001	Capital increased out of earnings and employees’ bonus by NT$ 80 million, and paid-in capital amounted to NT$ 320 million.
October 2001	Listed for trading as approved by the Ministry of Finance.
March 2002	Formally listed for trading.
July 2002	Capital increased out of earnings and employees’ bonus by NT$ 52 million, and paid-in capital amounted to NT$ 372 million.
August 2002	Issued domestic first guaranteed and second non-guaranteed convertible corporate bonds and listed them for trading.
March 2003	Built the Precision Coil Business Department and formally put products into mass production.
July 2003	Capital increased out of earnings and employees’ bonus by NT$ 60 million, and paid-in capital amounted to NT$ 432.3 million.
January 2004	The Company’s capital increased out of bonds by NT$ 319,760 and the paid-in capital was equal to NT$ 432,619,760.
April 2004	The Company’s capital increased out of bonds by NT$ 58,130 and the paid-in capital was equal to NT$ 432,677,890.

September 2004	Capital increased out of earnings and employees' bonus by NT$ 69,401,680, and paid-in capital amounted to NT$ 502,079,570.
July 2005	Capital increased out of earnings and employees' bonus by NT$ 106,415,910, and paid-in capital amounted to NT$ 608,495,480.
August 2005	Moved to the current site in Pingzhen Town, Taoyuan County and expanded scale of operation.
October 2005	The Company's capital increased out of bonds by NT$ 491,790 and the paid-in capital was equal to NT$ 608,987,270.
April 2006	The Company's capital increased out of bonds by NT$ 14,631,090 and the paid-in capital was equal to NT$ 623,618,360.
August 2006	Formally listed for trading.
September 2006	Capital increased out of earnings and employees' bonus by NT$ 37,016,980, and paid-in capital amounted to NT$ 660,635,340.
January 2007	The Company's capital increased out of bonds by NT$ 5,912,980 and the paid-in capital was equal to NT$ 666,548,320.
April 2007	The Company's capital increased out of bonds by NT$ 869,560 and the paid-in capital was equal to NT$ 667,417,880.
July 2007	The Company's capital increased out of bonds by NT$ 48,347,690 and the paid-in capital was equal to NT$ 715,765,570.
August 2007	The Company's capital increased out of bonds by NT$ 6,188,310 and the paid-in capital was equal to NT$ 721,953,880.
October 2007	Capital increased out of earnings and employees' bonus by NT$ 27,022,530, and paid-in capital amounted to NT$ 748,976,410.
February 2008	Certified by ISO-14000 as evaluated by Lloyd's Register of Shipping.
September 2008	Capital increased out of earnings and employees' bonus by NT$ 21,979,530, and paid-in capital amounted to NT$ 770,955,940.
September 2009	Capital increased out of earnings and employees' bonus by NT$ 12,833,580, and paid-in capital amounted to NT$ 783,789,520.
October 2010	Capital increased out of earnings and employees' bonus by NT$ 12,477,340, and paid-in capital amounted to NT$ 796,266,860.
January 2011	Entered into contracts with colleges and universities regarding technology transfer of high frequency inductors.
September 2011	Capital increased out of earnings and employees' bonus by NT$ 11,069,660, and paid-in capital amounted to NT$ 807,336,520.
September 2012	Capital increased out of earnings and employees' bonus by NT$ 10,456,400, and paid-in capital amounted to NT$ 817,792,920.
September 2013	Capital increased out of earnings and employees' bonus by NT$ 11,423,120, and paid-in capital amounted to NT$ 829,216,040.
September 2014	Capital increased out of earnings and employees' bonus by NT$ 10,707,640, and paid-in capital amounted to NT$ 839,923,680.
July 2015	Capital increased out of earnings and employees' bonus by NT$ 11,040,970, and paid-in capital amounted to NT$ 850,964,650.
July 2016	Capital increased out of earnings and employees' remuneration by NT$ 7,876,980, and paid-in capital amounted to NT$ 858,841,630.
July 2017	Capital increased out of employees' remuneration by NT$ 2,838,430, and paid-in capital amounted to NT$ 861,680,060.
March 2018	Reinvested in 100% equity of Shenzhen Zhen King Electronics Components Co.,Ltd. through KING CORE ELECTRONICS (SUZHOU) CO., LTD.
August 2018	Capital increased out of employees' remuneration by NT$ 1,225,630, and paid-in capital amounted to NT$ 862,905,690.
July 2019	Capital increased out of employees' remuneration by NT$ 3,770,200, and paid-in capital amounted to NT$ 866,675,890.
August 2020	Capital increased out of employees' remuneration by NT$ 1,750,680, and paid-in capital amounted to NT$ 868,426,570.
October 2021	Capital increased out of employees' remuneration by NT$ 1,990,020, and paid-in capital amounted to NT$ 869,203,920.
July 2022	Capital increased out of employees' remuneration by NT$ 2,273,300, and paid-in capital amounted to NT$ 871,477,220.

Three. Corporate Governance Report

I. Organization structure

(I) Organizational Chart



(II) Business operations of major departments

Department	Businesses
Audit Office:	Investigate and evaluate internal control rules, and put forward improvement suggestions.
Honest Operation & Social Responsibility Promotion Team:	Coordinate and review performance of honest operations, social responsibilities and corporate governance by related units of the Company.
General Manager's Office:	Establish, draft and set operation policies, operation plans and quality objectives; draft, supervise and track project.
Labor Safety and Health Committee:	Review, coordinate and bring forth suggestions about businesses related to labor safety and health.
Management Department:	Formulate management rules of the Company; manage computer information systems, human resources, procurements and general affairs.
Business Department:	Handle matters on product selling and promotion as well as customer services.
Marketing Department:	Promote products and analyze related market information.
Finance Department:	Plan and execute internal control rules of the Company; handle matters about finance, accounting and taxation; deal with stock affairs, plan and execute proposals for capital increase.
R&D Department:	Develop and improve ferrite cores, multilayer chip inductors, precision coils, power inductors, related products, new products and materials.
Labor Safety Department:	Plan and supervise labor safety and health affairs.
Quality Assurance Department:	Control quality, handle quality abnormalities, deal with customer complaints, statistically analyze quality, prepare product approval specification sheets, and formulate engineering specifications; manage calibration and document control centers, etc.
Ferrite Core Manufacturing Department:	Responsible for production and warehouse management of electromagnetic components, ferrite cores and other products.
Chip Manufacturing Department:	Responsible for production and warehouse management of chip inductors, beads and common mode filters.
Precision Coil Manufacturing Department:	Responsible for production and warehouse management of precision coils and related products.

II. Background information of Directors, Supervisors, General Manager, Vice General Managers, Senior Directors, and the heads of various departments and branches

(I) Directors' data

April 2, 2023 (book closure date); unit: share

Position	Nationality or place of registration	Name	Sex/age	Election (office taking) date	Term (Years)	Date when first elected	Shares held at the time of appointment		Number of shares in possession currently		Current shared held by spouse and children of minor age		Shareholding under the name of a third party		Experience (Education)	Office(s) concurrently held in the Company and in other companies	Spouse or relatives within the second degree of kinship or closer acting as other managers, directors, or supervisors			Remarks (Note 3)
							Quantity	Shareholding ratio	Quantity	Shareholding ratio	Quantity	Shareholding ratio	Quantity	Shareholding ratio			Position	Name	Relation	
Chairman (Natural person)	R.O.C.	Yang Cheng-Li	M 61-70 years	8/18/2021	3	11/29/1986	3,795,391	4.37	2,989,391	3.43	48,012	0.06	0	0.00	MBA, Tulane University Department of Business Administration, National Chengchi University	Chairman of KING CORE ELECTRONICS INC. Chairman of KING CORE ELECTRONICS (SUZHOU) CO., LTD. (legal representative) Chairman of ALLIED BIOTECH CORP. (legal representative) Chairman of YI BAO SHOE MATERIAL CORP. Director of NCCU Academic Development Foundation Independent Director of SCIENTECH CORPORATION Director of SHENG BAO INVESTMENT CORP. Director of JIN BAO INVESTMENT CORP. Director of ZHENG BAO INVESTMENT CORP. Director (legal representative) of King Core (B.V.I.) Electronics Co., Ltd. Director of YANG BAO INVESTMENT CORP. Director of ULTIMATE BEYOND LIMITED Director of InnoFund II Ltd. (legal representative) Independent Director of GIGA-BYTE TECHNOLOGY CO., LTD.	Director (legal representative)	Shyu Lih-Hwa	Spouse	N/A
Vice Chairman (legal representative)	R.O.C.	Chen Cheng-Han	M 61-70 years	8/18/2021	3	.1/16/2000	1,225,314	1.41	1,244,044	1.43	0	0.00	0	0.00	Department of Business Administration, National Chengchi University Business manager of Hewlett-Packard	Director of KING CORE ELECTRONICS INC. (legal representative) Director of KING CORE ELECTRONICS (SUZHOU) CO., LTD (legal representative) Supervisor of JIN BAO INVESTMENT CORP. Chairman of ZHENG BAO INVESTMENT CORP.	None	None	None	Not applicable.
Director (Natural person)	R.O.C.	Chuang Yung-Shun	M 61-70 years	8/18/2021	3	1/16/2000	2,913,305	3.38	2,913,305	3.34	41,895	0.05	0	0.00	EMBA of National Taiwan University MBA, Tulane University	Director of KING CORE ELECTRONICS INC. Chairman of AAEON TECHNOLOGY INC. (legal representative) Chairman of YANYOU INVESTMENT LIMITED (legal representative) Chairman of ONYX HEALTHCARE INC. (legal representative) Chairman of Aaeon Technology (Suzhou) Inc. (legal representative) Director of Outstanding Electronics (Dongguan) Manufacturer Co., Ltd. Director of Outstanding Electronics MANUFACTURER(Danyang) Co., Ltd. Chairman of YANXIN INVESTMENT LIMITED Director of Consortium Legal Person Aaeon Cultural and Educational Foundation Director of ATECH OEM INC. Director (legal representative) of XAC AUTOMATION CORP. Director of LITEMAX ELECTRONICS INC. Director of SUNENGINE CORPORATION LTD. (legal representative) Independent Director of TOP UNION ELECTRONICS CORPORATION Chairman of EVERFOCUS ELECTRONICS	None	None	None	Not applicable.

Position	Nationality or place of registration	Name	Sex/age	Election (office taking) date	Term (Years)	Date when first elected	Shares held at the time of appointment		Number of shares in possession currently		Current shared held by spouse and children of minor age		Shareholding under the name of a third party		Experience (Education)	Office(s) concurrently held in the Company and in other companies	Spouse or relatives within the second degree of kinship or closer acting as other managers, directors, or supervisors			Remarks (Note 3)
							Quantity	Shareholding ratio	Quantity	Shareholding ratio	Quantity	Shareholding ratio	Quantity	Shareholding ratio			Position	Name	Relation	
																CORP. Director of ALLIED BIOTECH CORP. Director of MACHVISION, INC. Director of MACHVISION (Dongguan) Testing Equipment Co., Ltd. Director of Chengye Biomedical Investment Corporation (legal representative) Director of Suzhou Taiyong Electronics Factory Director of AAEON TECHNOLOGY SINGAPORE PTE. LTD. Director of AAEON TECHNOLOGY (Europe) B.V.I Director of AAEON TECHNOLOGY GMBH Director of ONYX Healthcare USA, Inc. Director of ONYX Healthcare Europe B.V.I Director of AAEON Electronics Inc. Director of Allied Oriental International Ltd. Chairman of Onyx Healthcare (Shanghai) INC. (legal representative) Director of LitemaxTechnology, Inc. Director of Mcfees Group Inc. Chairman of FULI INVESTMENT LIMITED Director of Fengxin Venture Capital Limited (legal representative) Director of iHELPER Inc. (legal representative) Director of WINMATE INC. (legal representative) Director of IBASE TECHNOLOGY INC. (legal representative) Independent Director of TAIFLEX SCIENTIFIC CO., LTD.				
Director (Natural person)	R.O.C.	Liu Ming-Hsiung	M 51-60 years	8/18/2021	3	9/24/1998	0	0.00	0	0.00	0	0.00	0	0.00	Department of Business Administration, National Chengchi University Engineer of Luuceai	Director of KING CORE ELECTRONICS INC. Vice Chairman of GIGA-BYTE TECHNOLOGY CO., LTD. Director of Zhijia Investment Limited (legal representative) Director of GBC (legal representative) Director of Yingjia Technology Co., Ltd. (legal representative) Director of LINKA INVESTMENT LIMITED (legal representative) Director of INFO-TEK CORPORATION Director of Huiyang Venture Capital Corporation (legal representative) Supervisor of Senyun Precision Optical Corporation (legal representative) Director of Mingwei Investment Limited Director (legal representative) of CLOUDMATRIX CO., LTD. Director of JM MATERIAL TECHNOLOGY INC. (legal representative) Supervisor of BYTE International Co., Ltd. Director of Xiwei Investment Limited Director of ALLIED BIOTECH CORP. Supervisor of Shuolian Venture Capital Corporation (legal representative) Director of AMIDA TECHNOLOGY INC. (legal representative) Director of Hsiung Wei Investment Co.,Ltd. Director of Ming Wei Enterprise Co., Ltd. (legal representative)	None	None	None	Not applicable.

Position	Nationality or place of registration	Name	Sex/age	Election (office taking) date	Term (Years)	Date when first elected	Shares held at the time of appointment		Number of shares in possession currently		Current shared held by spouse and children of minor age		Shareholding under the name of a third party		Experience (Education)	Office(s) concurrently held in the Company and in other companies	Spouse or relatives within the second degree of kinship or closer acting as other managers, directors, or supervisors			Remarks (Note 3)
							Quantity	Shareholding ratio	Quantity	Shareholding ratio	Quantity	Shareholding ratio	Quantity	Shareholding ratio			Position	Name	Relation	
																Supervisor of Ming Wei Global Co.,Ltd. Director of Giga Computing Technology Co., Ltd.(legal representative)				
Director (Natural person)	R.O.C.	Kuo Kun-Chang	M 61-70 years	8/18/2021	3	8/18/2021	2,944,353	3.39	2,944,353	3.38	0	0.00	0	0.00	Department of Business Administration, National Chengchi University	Director of KING CORE ELECTRONICS INC. Supervisor of KING CORE ELECTRONICS (SUZHOU) CO., LTD (legal representative) Chairman of Shenzhen Zhen King Electronics Components Co.,Ltd. (legal representative)	None	None	None	Not applicable.
Director (Natural person)	R.O.C.	Hsieh Yu-Tien	M 61-70 years	8/18/2021	3	6/7/2006	53,873	0.06	53,873	0.06	0	0.00	0	0.00	Institute of Business Administration, Chinese Culture University Vice General Manager of NSC Securities Ltd.	Director of KING CORE ELECTRONICS INC. Independent Director of TAIWAN OASIS TECHNOLOGY CO., LTD. Independent Director of SUN MAX TECH LIMITED Independent Non-executive Director of Intellicentrics Global Holdings Ltd.	None	None	None	Not applicable.
Director (Corporate shareholder)	R.O.C.	SHENG BAO INVESTMENT CORP.	Not applicable.	8/18/2021	3	1/16/2000	10,054,530	11.58	10,459,530	12.00	0	0.00	0	0.00	Not applicable.	Director of KING CORE ELECTRONICS INC.	None	None	None	Not applicable.
Director (legal representative)	R.O.C.	Shyu Lih-Hwa	Female 61-70 years	8/18/2021	3	1/16/2000	48,012	0.06	48,012	0.06	2,989,391	3.43	0	0	Department of Business Administration, National Chengchi University	Director of KING CORE ELECTRONICS INC. (legal representative) Chairman of SHENG BAO INVESTMENT CORP. Chairman of Tian Ren He Yi Productions Co., Ltd. Supervisor of JIN BAO INVESTMENT CORP. Director of ZHENG BAO INVESTMENT CORP. Director of YI BAO SHOE MATERIAL CORP. Director of Everlight Cultural Foundation Director of YANG BAO INVESTMENT CORP.	Chairman	Yang Cheng-Li	Spouse	N/A
Director (legal representative)	R.O.C.	Tsai Yuh-Chiang	M 51-60 years	8/18/2021	3	6/6/2012	796,643	0.92	818,345	0.94	109,057	0.13	0	0.00	Master of Business Administration, National Chengchi University Executive Vice President of KING CORE ELECTRONICS INC.	Director of KING CORE ELECTRONICS INC. (legal representative) Chairman of JIN BAO INVESTMENT CORP. Director and General Manager of KING CORE ELECTRONICS (SUZHOU) CO., LTD (legal representative)	None	None	None	Not applicable.
Independent Director (Natural person)	R.O.C.	Huang Hsu-Nan	M 61-70 years	8/18/2021	3	5/31/2005	0	0.00	0	0.00	0	0.00	0	0.00	Ph.D., Management Science, Dean of the School of Management, Ming Chuan University National Chiao Tung University Director of Business Administration, Management Institute of Ming Chuan University Associate researcher of the Department of Business Administration, National Yunlin University of Science and Technology Associate researcher/group leader of Economic Construction Committee, Executive Yuan Director of Taiwan Efficiency and Productivity Association Executive supervisor of Global Logistics Council of Taiwan Evaluation committee member of Higher Learning Evaluation Center and Taiwan Assessment and Evaluation Association	Independent director of KING CO[illegible] ELECTRONICS INC. Director of Huayang SME Development Co., Lt[illegible] (legal representative) Full-time professor of Ming Chuan University a[illegible] director of SME Cultivation Center Director of LITEMAX ELECTRONICS INC. Supervisor of LE YOUNG CONSTRUCTION CO., LTD. Independent Director of XAC AUTOMATION CORP. Independent Director of EVERFOCUS ELECTRONICS CORP. Member of the Remuneration Committee of Top Union Electronics Corporation	None	None	None	Not applicable.
Independent Director	R.O.C.	Wang Chia-Ho	M 71-80	8/18/2021	3	5/31/2005	0	0.00	0	0.00	0	0.00	0	0.00	Department of Printing Engineering, Chinese Culture	Independent director of KING CORE ELECTRONICS INC.	None	None	None	Not applica

Position	Nationality or place of registration	Name	Sex/age	Election (office taking) date	Term (Years)	Date when first elected	Shares held at the time of appointment		Number of shares in possession currently		Current shared held by spouse and children of minor age		Shareholding under the name of a third party		Experience (Education)	Office(s) concurrently held in the Company and in other companies	Spouse or relatives within the second degree of kinship or closer acting as other managers, directors, or supervisors			Remarks (Note 3)
							Quantity	Shareholding ratio	Quantity	Shareholding ratio	Quantity	Shareholding ratio	Quantity	Shareholding ratio			Position	Name	Relation	
(Natural person)			years												University Chairman of Jingying Comprehensive Securities Co., Ltd. Chairman of Dahua Futures Co., Ltd.	Chairman of Huayang International Developmer Investment Co., Ltd. (legal representative) Chairman of Xin'an Investment Co., Ltd. (legal representative) Chairman of Tiaohe Investment Co., Ltd. (legal representative) Chairman of Fengxin Investment Co., Ltd. Supervisor of Huayang Innovation Technology Co., Ltd. Director of Huayang SME Development Co., Ltd. (legal representative) Chairman of Deyang Biotechnology Venture Capital Co., Ltd. (legal representative)				ble.
Independent Director (Natural person)	R.O.C.	Chan Yun-Hao	M 51-60 years	8/18/2021	3	06/13/2007	0	0.00	0	0.00	0	0.00	0	0.00	Master's Degree, Accounting, Missouri State University Listing Audit Department of Taipei Exchange Special assistant of the Chairman of Gemtek	Independent director of KING CORE ELECTRONICS INC. Chairman of TSE Technologies Corp. Independent Director of ABICO NetCom CO., LTD. Director of PRODRIVES & MOTIONS CO., LTD. (legal representative)	None	None	None	Not applicable.

Note 1: Any director who was ever employed by any Certified Public Accountants or its affiliates: None.
Note 2: 87,147,722 shares had been issued as of April 2, 2023
Note 3: Supplementary information on matters regarding the Chairman of the Board of Director and the general manager or person of an equivalent post (the highest level managerial personnel) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (e.g. additional seats of Independent Directors, no more than half of the seats of directors are serving concurrently as an employee or managerial personnel, or other ways.
)

(II) Major shareholders of the corporate shareholder April 15, 2023

Name of corporate shareholder	Major shareholders of the Company's corporate shareholders and their shareholding ratio (%)
SHENG BAO INVESTMENT CORP.	Shyu Lih-Hwa: 0.89; Yang Cheng-Li: 0.09; Yang Tzyy-Shiuan: 99.02

(III) Major shareholders of corporate shareholders' major shareholders which are legal persons: None.

(IV) Director information

I. Information on professional qualifications of directors and independence of independent directors:

Criteria / Name	Professional qualifications and experience (Note 1)	Independence (Note 2)	Employment in other public offerings Number of independent directors
Yang Cheng-Li	With experience in business work. Current Chairman of the Company and Chairman of ALLIED BIOTECH CORP. Not involved in any conditions defined in Article 30 of the Company Act.	Not applicable.	2
Chuang Yung-Shun	With experience in business work. Current director of the Company, Chairman of AAEON TECHNOLOGY INC. and Chairman of ONYX HEALTHCARE INC. Not involved in any conditions defined in Article 30 of the Company Act.	Not applicable.	2
Liu Ming-Hsiung	With experience in business work. Current Chairman of the Company and Vice Chairman of GIGA-BYTE TECHNOLOGY CO., LTD. Not involved in any conditions defined in Article 30 of the Company Act.	Not applicable.	0
Kuo Kun-Chang	With experience in business work. Current director of the Company, Chairman of Shenzhen Zhen King Electronics Components Co.,Ltd. and supervisor of KING CORE ELECTRONICS (SUZHOU) CO., LTD Not involved in any conditions defined in Article 30 of the Company Act.	Not applicable.	0
Hsieh Yu-Tien	With work experience in businesses, public and private universities with titles higher than lecturers. Current Director of the Company, Independent Director of TAIWAN OASIS TECHNOLOGY CO., LTD. and Independent Director of SUN MAX TECH LIMITED; ever worked as lecturer in the Department of Business Administration, Shih Chien University. Not involved in any conditions defined in Article 30 of the Company Act.	Not applicable.	2
SHENG BAO INVESTMENT CORP. Representative: Shyu Lih-Hwa	With experience in business work. Current director of the Company, Chairman of SHENG BAO INVESTMENT CORP. and Chairman of Tian Ren He Yi Productions Co., Ltd. Not involved in any conditions defined in Article 30 of the Company Act.	Not applicable.	0

Criteria / Name	Professional qualifications and experience (Note 1)	Independence (Note 2)	Employment in other public offerings Number of independent directors
SHENG BAO INVESTMENT CORP. Representative: Chen Cheng-Han	With experience in business work. Current Vice Chairman of the Company, former General Manager of the Company. Not involved in any conditions defined in Article 30 of the Company Act.	Not applicable.	0
SHENG BAO INVESTMENT CORP. Representative: :Tsai Yuh-Chiang	With experience in business work. Current Director of the Company, current General Manager of the Company. Not involved in any conditions defined in Article 30 of the Company Act.	Not applicable.	0
Huang Hsu-Nan	With work experience in businesses, public and private universities with titles higher than lecturers. Current independent director of the Company, full-time professor of Ming Chuan University and director of SME Cultivation Center Not involved in any conditions defined in Article 30 of the Company Act.	Independence of an independent director shall be stated, which includes but is not limited to stating that the independent director, his spouse, or relative within the second degree of kinship is not a director, supervisor, or employee of the Company or any of its affiliates; he or she doesn’t hold shares of the Company; he or she is not a director, supervisor or employee of any other company which has certain relationships with the Company; amount of compensation received for not being a professional individual who has provided commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company in the past 2 years.	2
Wang Chia-Ho	With experience in business work. Current independent director of the Company, Chairman of Huayang International Development Investment Co., Ltd. and Chairman of Xin’an Investment Co., Ltd. Not involved in any conditions defined in Article 30 of the Company Act.	Independence of an independent director shall be stated, which includes but is not limited to stating that the independent director, his spouse, or relative within the second degree of kinship is not a director, supervisor, or employee of the Company or any of its affiliates; he or she doesn’t hold shares of the Company; he or she is not a director, supervisor or employee of any other company which has certain relationships with the Company; amount of compensation received for not being a professional individual who has provided commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company in the past 2 years.	0

Criteria / Name	Professional qualifications and experience (Note 1)	Independence (Note 2)	Employment in other public offerings Number of independent directors
Chan Yun-Hao	With background and work experience on businesses, accounting and financial expertise. Graduated from Missouri State University as a Master of Professional Accounting; current Independent Director of the Company, Chairman of TSE Technologies Corp. and former employee of the Listing Audit Department of Taipei Exchange. Not involved in any conditions defined in Article 30 of the Company Act.	As independent directors, who comply with corresponding independence requirements, including but not limited to the independent director, his spouse, or relative within the second degree of kinship is not a director, supervisor, or employee of the Company or any of its affiliates; he or she doesn't hold shares of the Company; he or she is not a director, supervisor or employee of any other company which has certain relationships with the Company; amount of compensation received for being a professional individual who has provided commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company in the past 2 years is in line with pertinent rules.	1

II. Board Diversity and Independence:

(I) Diversity of the Board of Director: Clearly state diverse policies and objectives of the Board of Director and their attainment. Diverse policies include without limitation to standards for director election, directors' professional qualification, experience, sex, age, nationality, cultures, other circumstances or ratio. In addition, clarify the Company's specific objectives and their attainment in respect of the policies revealed above.

Directors of the Company are elected according to equal, impartial and open election procedures. They are elected among candidates with appropriate background, industry or related know-how and experience. The candidates with diverse backgrounds who can bring forth diversified opinions are actively considered, in order that the directors can be kept within an appropriate range and balance in terms of skills, experience, knowledge and characters. Members of the Board of Director shall generally demonstrate knowledge, skills and literacy necessary for performing their duties in their positions. To achieve the desired target for corporate governance, the Board of Director collectively shall be equipped with the following capabilities:

I. The ability to make judgments about operations.
II. Accounting and financial analysis ability.
III. Business management ability.
IV. Crisis management ability.
V. Knowledge of the industry.
VI. An international market perspective.
VII. Leadership skills.
VIII. Decision-making ability.

The 13th Board of Director of the Company has 11 members, all of whom are Taiwanese. Its components and ratios are as follows: Directors who are employees, females and independent directors account for 18.18%, 9.09% and 27.27% respectively. In terms of age, there is 1 director ranging from 71 to 80 years old, 7 directors who are 61 to 70 years old, and 3 directors whose age ranges between 51 and 60. Diversity of the Company's members is reflected from the following aspects: (1) All directors master professional abilities in business judgment, operations management, crisis management, industry knowledge, international markets and leadership decision-making. (2) Ten directors with financial backgrounds: Yang Cheng-Li, Liu Ming-Hsiung, Chuang Yung-Shun, Kuo Kun-Chang, Hsieh Yu-Tien, Shyu Lih-Hwa, Wang Chia-Ho, Huang Hsu-Nan and Chan Yun-Hao. (3) Directors concurrently serving as company officers shall not exceed one-third of the total number of the Board members. The Company emphasizes diversity of the Board members, where an appropriate balance is maintained in skills, experience, knowledge and character. In addition, it attaches importance to gender equality among its Board members, among whom, there shall be at least 1 female director. So far, such appointment has been completed. Above all, the Board members of the Company are generally expected to be diverse. For details on diverse distribution of the Company's Board members, refer to Schedule 2 on Page 49-50, and such details are synchronously disclosed on the website of the Company.

(II) Independence of directors: Clarify number and ratio of independent directors. State independence of the Board of Director, and explain if there is no circumstance specified under subclauses 3 and 4, Clause 3, Article 26 of the Securities Exchange Act, including spousal, relatives within the second degree of kingship or other kinships between directors or supervisors or between directors and supervisors.

At present, the Company's Board of Director has 3 independent directors (27.27%) and 8 non-independent directors (72.73%). Of the directors, 2 directors are employees/officers (18.18%, without exceeding one third of all directors), and spousal relationship or the second degree of kinship exists between two directors. All these mentioned above comply with Subclauses 3 and 4, Clause 3, Article 26 of the Securities Exchange Act.

Note 1: Professional Qualifications and Experience: Please state the professional qualifications and experience of individual directors and supervisors. If he or she is a member of the Audit Committee and has a background in accounting or finance, please state his or her background in accounting or finance as well as work experience in addition to whether under any of the circumstances set forth in Article 30 of the Company Act.

Note 2: Independence status of an independent director shall be stated, which includes but is not limited to whether the independent director, his spouse, or relative within the second degree of kinship is a director, supervisor, or employee of the Company or any of its affiliates; the number and percentage of the Company's shares held by the independent director, his or her spouse, relative within second degree of kinship (or held under others' names); whether he or she is a director, supervisor, or employee of a specified company or institution that has a relationship with the Company (referring to Subparagraphs 5-8, Paragraph 1, Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies); amount of compensation received for being a professional individual who has provided commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company in the past 2 years.

Note 3: For disclosure method, please refer to reference instances of the best practices on the website of the Corporate Governance Center of Taiwan Stock Exchange.

(V) Information of General Manager, Vice General Manager, Senior Director, heads of departments and heads

April 2, 2023 (book closure date); unit: share

Position (Note 1)	Nationality or Registry	Name	Gender	Election (office taking) date	Shares held		No. of shares held by the spouse and minor children		Shareholding under the name of a third party		Education and selected past positions (Note 2)	Other Position	Managerial Personnel with Spouses or Relatives Within the Second Degree of Kinship			Remarks (Note 3)
					Quantity	Shareholding rate (%)	Quantity	Shareholding rate (%)	Quantity	Shareholding rate (%)			Position	Name	Relation	
Vice Chairman	R.O.C.	Chen Cheng-Han	M	08/2021	1,244,044	1.43	0	0.00	0	0.00	Graduated from the Department of Business Administration, National Chengchi University Business Manager of Hewlett-Packard	Director of KING CORE ELECTRONICS INC. (legal representative) Director of KING CORE ELECTRONICS (SUZHOU) CO., LTD (legal representative) Supervisor of ZHENG BAO INVESTMENT CORP. Chairman of ZHENG BAO INVESTMENT CORP.	None	None	None	Not applicable.
General Manager	R.O.C.	Tsai Yuh-Chiang	M	08/2021	818,345	0.94	109,057	0.13	0	0.00	Master of Business Administration, National Chengchi University Executive Vice President of KING CORE ELECTRONICS INC.	Director of KING CORE ELECTRONICS INC. (legal representative) Chairman of ZHENG BAO INVESTMENT CORP. Director and General Manager of KING CORE ELECTRONICS (SUZHOU) CO., LTD (legal representative)	None	None	None	N/A
Vice General Manager of Manufacturing Department	R.O.C.	Tseng Tseng-Chuan	M	01/2009	227,705	0.26	7,678	0.01	0	0.00	Graduated from National Chin-Yi University of Technology Engineer of HI SINCERITY MICRO CHIP CO., LTD. Senior Director of the Chip and Ferrite Core Manufacturing Department, KING CORE ELECTRONICS INC.	None	None	None	None	Not applicable.
Chief Financial Officer and Accounting Officer	R.O.C.	Yeh Mei-Ling	Female	03/2011	25,527	0.03	0	0.00	0	0.00	Master of Accounting, Chung Yuan Christian University, Taiwan University	None	None	None	None	Not applicable.
Senior Director of R&D Department	R.O.C.	Huang Yi-Hong	M	05/2014	5,988	0.01	0	0.00	0	0.00	PhD, Department of Physics, Taiwan University Senior engineer of SHOWA DENKO HD TRACE CORP. Senior engineer of Novellus Chief engineer of UNITED MICROELECTRONICS CORP. R&D manager of DELTA ELECTRONICS, INC. R&D Senior Director of Jiaye Technology Co., Ltd. Vice General Manager of FEEI CHERNG ENTERPRISE CO., LTD.	None	None	None	None	Not applicable.

Position (Note 1)	Nationality or Registry	Name	Gender	Election (office taking) date	Shares held		No. of shares held by the spouse and minor children		Shareholding under the name of a third party		Education and selected past positions (Note 2)	Other Position	Managerial Personnel with Spouses or Relatives Within the Second Degree of Kinship			Remarks (Note 3)
					Quantity	Shareholding rate (%)	Quantity	Shareholding rate (%)	Quantity	Shareholding rate (%)			Position	Name	Relation	
Senior Director of Quality Assurance Department	R.O.C.	Wu Ping-Hsun	M	04/2016	6,590	0.01	0	0.00	0	0.00	Master of Business Administration, Chung Yuan Christian University Quality Assurance Department of SUPERWORLD ELECTRONICS CO., LTD. Engineer of ABC TAIWAN ELECTRONICS CORP. Quality Assurance Department Manager and Manufacturing Department Manager of Abc Electronics (Panyu) Corp.	None	None	None	None	Not applicable.
Senior Director of Management Department	R.O.C.	Lin Yu-Chao	M	1/2020	39,152	0.04	0	0.00	0	0.00	Bachelor of Department of Information Management, Yuan Ze University Internal audit manager of KING CORE ELECTRONICS INC.	None	None	None	None	Not applicable.

Note 1: Background information of the General Manager, Vice General Managers, Senior Directors, Heads of various departments and Branches; anyone of equivalent authority to the above, regardless of their job titles, shall be disclosed.

Note 2: Any director or supervisor who was ever employed by any Certified Public Accountants or its affiliates: None.

Note 3: Supplementary information on matters regarding the Chairman of the Board of Director and the general manager or person of an equivalent post (the highest-level managerial personnel) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (e.g. additional seats of Independent Directors, no more than half of the seats of directors are serving concurrently as an employee or managerial personnel, or other ways.)

III. Remuneration paid to Directors, Supervisors, General Managers and Vice General Manager

1. Remuneration to general and independent directors (the name and remuneration of each director are disclosed individually)

Unit: $NT thousand; thousand shares

Position	Name	Remuneration to Directors								Ratio of the total amount of A, B, C and D to operating gross profit after tax (Note 10)		Remuneration in the capacity as employees								Ratio of the total amount of A, B, C, D, E, F and G to operating gross profit after tax (Note 10)		Remuneration received from invested companies other than subsidiaries or the parent company (Note 11)
		Remuneration(A) (Note 2)		Pension(B)		Bonus to Directors(C) (Note 3)		Fees for services rendered (D) (Note 4)				Salaries, bonus and special subsidies(E) (Note 5)		Pension(F)		Employee remuneration (G) (Note 6)						
																The Company		All companies included into the financial statement (Note 7)				
		The Company	All companies included in consolidated statements (Note 7)	The Company	All companies included in consolidated statements (Note 7)	he Compar	All companies included into the financial statement (Note 7)	The Company	All companies included into the financial statement (Note 7)	The Company	All companies included into the financial statement (Note 7)	The Company	All companies included into the financial statement (Note 7)	The Company	All companies included in consolidated statements (Note 7)	Cash dividend	Stock dividend	Cash dividend	Stock dividend	The Company	All companies included into the financial statement (Note 7)	
Chairman	Yang Cheng-Li	0	0	0	0	340	340	24	24	364 0.19	364 0.19	2,514	2,514	0	0	0	0	0	0	2,878 1.51	2,878 1.51	0
Director	Chuang Yung-Shun	0	0	0	0	340	340	24	24	364 0.19	364 0.19	0	0	0	0	0	0	0	0	364 0.19	364 0.19	0
Director	Liu Ming-Hsiung	0	0	0	0	340	340	12	12	352 0.18	352 0.18	0	0	0	0	0	0	0	0	352 0.18	352 0.18	0
Director	Kuo Kun-Chang	0	0	0	0	340	340	24	24	364 0.19	364 0.19	0	0	0	0	0	0	0	0	364 0.19	364 0.19	0
Director	Hsieh Yu-Tien	0	0	0	0	340	340	24	24	364 0.19	364 0.19	0	0	0	0	0	0	0	0	364 0.19	364 0.19	0
Director (Corporate shareholde	SHENG BAO INVESTMENT CORP.	0	0	0	0	1,017	1,017	0	0	1,017 0.53	1,017 0.53	0	0	0	0	0	0	0	0	1,017 0.53	1,017 0.53	0
Director (legal representati	Shyu Lih-Hwa	0	0	0	0	0	0	24	24	24 0.01	24 0.01	0	0	0	0	0	0	0	0	24 0.01	24 0.01	0
Director (legal representati	Chen Cheng-Han	0	0	0	0	0	0	24	24	24 0.01	24 0.01	0	0	0	0	0	0	0	0	24 0.01	24 0.01	0
Director (legal representati	Tsai Yuh-Chiang	0	0	0	0	0	0	24	24	24 0.01	24 0.01	0	0	0	0	0	0	0	0	24 0.01	24 0.01	0
Independent Director	Huang Hsu-Nan	0	0	0	0	340	340	24	24	364 0.19	364 0.19	0	0	0	0	0	0	0	0	364 0.19	364 0.19	0
Independent Director	Wang Chia-Ho	0	0	0	0	340	340	24	24	364 0.19	364 0.19	0	0	0	0	0	0	0	0	364 0.19	364 0.19	0
Independent Director	Chan Yun-Hao	0	0	0	0	340	340	24	24	364 0.19	364 0.19	0	0	0	0	0	0	0	0	364 0.19	364 0.19	0

1. The policy, system, standards and structure of remuneration for independent directors should be stated and the amount of remuneration should be justified with an illustration of the person's duty, risk and time devoted: Directors' remuneration shall be determined based on the Company's profit, degree of their involvement in and contribution to the Company's affairs. After a remuneration proposal is brought forth by the Chairman, it will be presented to the Remuneration Committee for review and to the Board of Director for approval.
2. Other than the content revealed in the table above, remuneration received by directors of the Company for their services rendered to the companies specified in the financial statements in the most recent year (such as serving as an external consultant to the parent company, to any company listed in the financial statements or to a invested company): none

Range of Remuneration

<table>
<tr><td rowspan="3">Breakdown of remuneration paid to each director</td><td colspan="4">Name of Directors</td></tr>
<tr><td colspan="2">Total of A, B, C and D</td><td colspan="2">Total of A, B, C, D, E, F and G</td></tr>
<tr><td>The Company (Note 8)</td><td>All companies included in consolidated statements (Note 9) H</td><td>The Company (Note 8)</td><td>All companies included in consolidated statements (Note 9) I</td></tr>
<tr><td>Less than NT$ 1,000,000</td><td>Yang Cheng-Li
Chuang Yung-Shun
Kuo Kun-Chang
Hsieh Yu-Tien
Shyu Lih-Hwa (legal representative)
Chen Cheng-Han (legal representative)
Tsai Yuh-Chiang (legal representative)
Huang Hsu-Nan
Wang Chia-Ho
Liu Ming-Hsiung
Chan Yun-Hao</td><td>Yang Cheng-Li
Chuang Yung-Shun
Kuo Kun-Chang
Hsieh Yu-Tien
Shyu Lih-Hwa (legal representative)
Chen Cheng-Han (legal representative)
Tsai Yuh-Chiang (legal representative)
Huang Hsu-Nan
Wang Chia-Ho
Liu Ming-Hsiung
Chan Yun-Hao</td><td>Chuang Yung-Shun
Kuo Kun-Chang
Hsieh Yu-Tien
Shyu Lih-Hwa (legal representative)
Chen Cheng-Han (legal representative)
Tsai Yuh-Chiang (legal representative)
Huang Hsu-Nan
Wang Chia-Ho
Liu Ming-Hsiung
Chan Yun-Hao</td><td>Chuang Yung-Shun
Kuo Kun-Chang
Hsieh Yu-Tien
Shyu Lih-Hwa (legal representative)
Chen Cheng-Han (legal representative)
Tsai Yuh-Chiang (legal representative)
Huang Hsu-Nan
Wang Chia-Ho
Liu Ming-Hsiung
Chan Yun-Hao</td></tr>
<tr><td>NT$1,000,000 (inclusive) ~ NT$2,000,000 (exclusive)</td><td>None</td><td>None</td><td>None</td><td>None</td></tr>
<tr><td>NT$2,000,000 (inclusive) ~ NT$3,500,000 (exclusive)</td><td>None</td><td>None</td><td>Yang Cheng-Li</td><td>Yang Cheng-Li</td></tr>
<tr><td>Total</td><td>11</td><td>11</td><td>11</td><td>11</td></tr>
</table>

Note 1: Directors' names are presented separately (the names of the corporate shareholders and their representatives are stated separately). General and independent directors are presented separately. All payments are presented in aggregate sums. Any directors who co-headed the General Manager or Vice General Manager positions are disclosed in this table and in tables below.

Note 2: Refers to director's remuneration in 2022 (including salaries, allowances, severance pay, various bonuses and incentives etc.).

Note 3: Represents the amount of directors' remuneration that the Board of Director has approved as part of the earnings appropriation in 2022

Note 4: Refers to compensations for services rendered (including travel, special allowances, various subsidies, accommodation, corporate vehicle and other items) in 2022. Where housing, cars, vehicles, or personal allowances were granted, the nature and cost of assets, the rental rates (calculated based on actual or fair value), cost of petrol and other subsidies are also disclosed. Where personal drivers were allocated, please make a footnote disclosure explaining the amount of salaries made to drivers, but do not count them as part of the remuneration paid to the above beneficiaries.

Note 5: Refers to any salaries, allowances, severance pay, bonuses, incentives, travel allowances, special allowances, subsidies, accommodation, vehicles, etc. which the director has received in 2022 for assuming the role of a company employee (such as General Manager, Vice General Manager, other managerial personnel or employees). Where housing, cars, vehicles, or personal allowances were granted, the nature and cost of assets, the rental rates (calculated based on actual or fair value), cost of petrol and other subsidies are also disclosed. Where personal drivers were allocated, please make a footnote disclosure explaining the amount of salaries made to drivers, but do not count them as part of the remuneration paid to the above beneficiaries. Also, based on the IFRS 2 share-based payment regulation, remuneration should include the employee stock option, restricted stock awards, and private placement for capital increase.

Note 6: Refers to any compensation that the director received (in cash or in shares) in 2022 for assuming the role of an employee (such as General Manager, Vice General Manager, other managerial personnel or employees). The amount of employee compensation proposed by the Board of Director in the last year has been disclosed (where the amount could not be estimated, the actual amount paid in the last year was presented instead). Schedule 1-3 has also been completed for reference.

Note 7: The disclosure includes all companies covered by the consolidated financial statements (including the Company), and represents total amount of remuneration paid by all companies above to the Company's directors.

Note 8: The amount of remuneration paid by the Company to each director has been disclosed in ranges.

Note 9: The details represent the range of remuneration paid by the consolidated entity (including the Company) to each director.

Note 10: Net income refers to the amount of profit shown in the 2022 consolidated and standalone financial reports.

Note 11: a.This field represents all forms of remuneration the director has received from the Company's invested businesses or the parent company other than subsidiaries (please indicate “none” if not applicable).

b. For directors who receive remuneration from invested businesses other than subsidiaries, amounts received from these invested businesses have been added to column J of the Range of Remuneration. In which case, column J will be renamed the Parent Company and All Invested Businesses.

c. Remuneration refers to any returns, compensation (including compensations received as an employee, director and supervisor) and professional service fees which the Bank's directors received for serving as directors, supervisors or managerial personnel in invested businesses or the parent company other than subsidiaries.

* The basis of remuneration disclosed above is different according to the basis of the Income Tax Act; hence the above table has been prepared solely for information disclosure, and not for tax purpose.

2. Supervisors’ remuneration: The Company has built an Audit Committee in place of the supervisor system, so this is inapplicable.

3. Remuneration to the General Manager and Vice General Managers (aggregate disclosure of name and remuneration)

Unit: $NT thousand; thousand shares

Position	Name	Salaries(A) (Note 2)		Retirement pension (B)		Bonus and Special allowance (C) (Note 3)		Remuneration to employees (D) (Note 4)				Ratio of the total amount of A, B, C and D to operating gross profit after tax (%) (Note 8)		With remuneration received from invested companies other than subsidiaries or the parent company (Note 9)
								The Company		All companies included into the financial statement (Note 5)				
		The Company	All companies included into the financial statement (Note 5)	The Company	All companies included into the financial statement (Note 5)	The Company	All companies included into the financial statement (Note 5)	Cash flow Amount	Stock Amount	Cash flow Amount	Stock Amount	The Company	All companies included in consolidated statements (Note 5)	
Chairman	Yang Cheng-Li	8,315	8,315	206	206	0	0	0	1,003	0	1,003	9,524 5.00	9,524 5.00	None
Vice Chairman	Chen Cheng-Han													
General Manager	Tsai Yuh-Chiang													
Vice General Manager	Tseng Tseng-Chuan													

*Disclosure is mandatory for persons who hold positions equivalent to a General Manager or Vice General Manager (e.g. group General Manager, CEO, general manager etc.).

Range of Remuneration

Breakdown of remuneration paid to each general manager and vice General Manager	Name of General Manager and Vice General Manager	
	The Company (Note 6)	All companies included in consolidated statements (Note 7)
NT$1,000,000 thousand (inclusive) ~ NT$2,000,000 (exclusive)	Tseng Tseng-Chuan	Tseng Tseng-Chuan
NT$2,000,000 (inclusive) ~ NT$3,500,000 (exclusive)	Yang Cheng-Li, Chen Cheng-Han, Tsai Yuh-Chiang	Yang Cheng-Li, Chen Cheng-Han, Tsai Yuh-Chiang
Total	4 persons	4 persons

Note 1: The names of General Manager and Vice General Managers are presented separately, whereas the amount of benefits and allowances is presented in aggregate sums. Any Directors who co-headed the General Manager or Vice General Manager positions are disclosed in this table and in above tables.

Note 2: Refers to salaries, allowances, retirement benefits, severance pay made to the General Manager and Vice General Managers in 2022.

Note 3: Refers to other compensations such as bonuses, incentives, travel allowances, special allowances, subsidies, accommodation, corporate vehicle or other in-kind benefits made to the General Manager and Vice General Managers in 2022. Where housing, cars, vehicles, or personal allowances were granted, the nature and cost of assets, the rental rates (calculated based on actual or fair value), cost of petrol and other subsidies are also disclosed. Where personal drivers were allocated, please make a footnote disclosure explaining the amount of salaries made to drivers, but do not count them as part of the remuneration paid to the above beneficiaries. Also, based on the IFRS 2 share-based payment regulation, remuneration should include the employee stock option, restricted stock awards, and private placement for capital increase.

Note 4: Represents the amount of employee remuneration allocated to the General Manager and Vice General Managers (in cash or in shares) in 2022, which the Board of Director has proposed as part of the most recent earnings appropriation (where the amount could not be estimated, a calculation was made based on last year's payout ratio). Schedule 1-3 has been prepared in addition to the above details. Operating gross profit after tax means that in 2022.

Note 5: Remuneration is presented in aggregate of all amounts paid by all companies covered by the consolidated financial statements (including the Company) to the Company's General Manager/Vice General Managers.

Note 6: The amount of remuneration made by the Company to its General Manager/Vice General Managers have been disclosed separately in ranges.

Note 7: The disclosure includes the sum of amounts paid by the consolidated entity (including the Company) to the Company's General Manager/Vice General Managers; the names of General Manager/Vice General Managers have been disclosed separately in ranges. Note 3: The retirement benefits and severance pays, whether provided or contributed, amount to NT$ 206 thousand.

Note 8: Operating gross profit after tax means that indicated in the 2022 financial report. If IFRSs have been adopted, net income shall refer to the amount of after-tax profit shown in the 2022 standalone financial report.

Note 9: a. This field represents all forms of remuneration the General Manager and Vice General Managers have received from the Company's invested businesses or the parent company other than subsidiaries (please indicate “none” if not applicable).

b. For General Manager and Vice General Managers who receive remuneration from invested businesses or the parent company other than subsidiaries, the amount of remuneration from these invested businesses or the parent company have been added to column E of the Range of Remuneration. In this case, column E will be renamed as the parent company and all invested businesses.

c. Remuneration refers to any returns, remuneration (including remunerations received as employees, Directors and Supervisors) and professional service fees which the Company's General Manager and Vice General

Managers received for serving as directors, supervisors, or managerial personnel in invested businesses and the parent company other than subsidiaries.

* The basis of remuneration disclosed above is different according to the basis of the Income Tax Act; hence the above table has been prepared solely for information disclosure, and not for tax purpose.

4. Remuneration to employees paid to managerial personnel, and the status of allocation:

April 15, 2023 Unit: NT$ thousand

	Position (Note 1)	Name (Note 1)	Stock dividend	Cash dividend	Total	The total amount as a percentage of net income (%)
Managerial Personnel	Chairman	Yang Cheng-Li	2,101	0	2,101	1.1
	Vice Chairman	Chen Cheng-Han				
	General Manager	Tsai Yuh-Chiang				
	Vice General Manager of Manufacturing Department	Tseng Tseng-Chuan				
	Senior Director of R&D Department	Huang Yi-Hong				
	Senior Director of Quality Assurance Department	Wu Ping-Hsun				
	Senior Director of Management Department	Lin Yu-Chao				
	Chief Financial Officer and Accounting Officer	Yeh Mei-Ling				

Note 1: Names and titles have been disclosed separately, whereas the amount of remuneration has been disclosed in aggregate.

Note 2: Which indicates the employee remuneration (including shares and cash), distributed to managerial personnel, approved by the Board of Director in 2022. If it was not able to estimated, the ratio of actual distribution amount will apply to propose for the distribution amount of the year. Operating gross profit after tax means that indicated in the 2022 financial report.

Note 3: Managerial personnel are as follows as specified by No. Taiwan-Finance-Securities-III-0920001301 dated March 27, 2003:

(1) General Manager or other positions of equivalent grade
(2) Vice General Manager or other positions of equivalent grade
(3) Senior Director or other positions of equivalent grade
(4) Head of Finance Department
(5) Head of Accounting Department
(6) Any other signatories involved in the Company's administrative affairs.

Note 4: Directors, General Manager and Vice General Managers who receive employee compensations (in cash or in shares) shall have details disclosed in this table in addition to Schedule 1-2.

5. Total remuneration as a percentage of net income stated in the Standalone Financial Reports or Individual Financial Reports, as paid by the Company and by each other company included in the Consolidated Financial Statements during the past 2 fiscal years to Directors, Supervisors, General Managers, and Vice General Managers. Analyze and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure:

Unit: NT$ thousand

<table>
<tr><th rowspan="3">Position</th><th colspan="4">2021</th><th colspan="4">2022</th></tr>
<tr><th colspan="2">Total remuneration (NT$ thousand)</th><th colspan="2">In proportion to profit after tax (%)</th><th colspan="2">Total remuneration (NT$ thousand)</th><th colspan="2">In proportion to profit after tax (%)</th></tr>
<tr><th>The Company</th><th>All companies in the consolidated financial statements</th><th>The Company</th><th>All companies in the consolidated financial statements</th><th>The Company</th><th>All companies in the consolidated financial statements</th><th>The Company</th><th>All companies in the consolidated financial statements</th></tr>
<tr><td>Director</td><td rowspan="2">15,232</td><td rowspan="2">15,232</td><td rowspan="2">18.85</td><td rowspan="2">18.85</td><td rowspan="2">16,027</td><td rowspan="2">16,027</td><td rowspan="2">8.41</td><td rowspan="2">8.41</td></tr>
<tr><td>General Managers and Vice General Managers</td></tr>
</table>

According to its Articles of Incorporation, if the Company makes profit over a year, it shall first appropriate no more than 2% as remuneration for directors and 5% to 10% as employee remuneration, but where the Company suffers cumulative losses, certain amount shall be first retained for recovering such losses. The Company's remuneration proposals for its employees and directors shall be presented by the Remuneration Committee to the Board of Director for approval by resolution. It is proposed that NT$ 3,736,596 (approximately accounting for 1.5% of that year's profit) would be appropriated as remuneration for directors in 2022. The amount of remuneration for directors shall be determined based on the Company's profit, degree of directors' involvement in and contribution to the Company's affairs. In respect of remuneration for directors, the Chairman shall put forward a remuneration proposal, which shall be reviewed by the Remuneration Committee and approved by the Board of Director. All remunerations shall be paid in cash. The remuneration for the Company's General Manager, Vice General Managers and managerial personnel shall be paid by issuing new shares. Remuneration shall be determined according to the Company's business results, degree of contribution to the Company's performance, and the Performance Appraisal Measures of the Board of Director. The overall evaluation items include financial indicators (e.g. achievement ratio of the Company's operating revenue, net income before tax and operating gross profit after tax) and non-financial indicators (e.g. organizational innovation and integration, risk management). Other special contributions or major events are measured. Individuals' degree of contribution to the Company's overall performance is also taken into account as reference for performance appraisal and remuneration payment, in order that an appropriate amount of remuneration will be paid to them. The Company also review its remuneration system from time to time according to its operating conditions and market salary within the industry, for the purpose of striking a balance between the Company's sustainable business operations and risk control.

Salary and remuneration of the Company's employees shall be determined based on their educational attainment, know-how, seniority, experience and individual performance, regardless of their age, gender, race, religion, political standpoint and marital status. In addition, the Company attaches great importance to employees' career development. It makes overall plans based on individual positions and the Company's operational performances. Employees with outstanding performance will be given higher pay or promoted based on their work results, so as to engage excellent talents and drive general positive development of the Company. In 2022, the Company increased overall average salary by 3.62% based on employees' performance appraisal results.

IV. Status of Corporate Governance

(I) Operations of the Board of Director

A total of 5 meetings (A) were held in the last year; below are directors' attendance records:

Position	Name (Note 1)	Actual attendance (B)	Proxy Attendance	Actual attendance rate (Note 2)	Notes
Chairman	Yang Cheng-Li	5	0	100	Re-elected on August 18, 2021
Vice Chairman	SHENG BAO INVESTMENT CORP. Representative: Chen Cheng-Han	5	0	100	Elected at the re-election on August 18, 2021
Director	Chuang Yung-Shun	5	0	100	Re-elected on August 18, 2021
Director	Liu Ming-Hsiung	3	2	60	Elected at the re-election on August 18, 2021
Director	Kuo Kun-Chang	4	1	80	Re-elected on August 18, 2021
Director	Hsieh Yu-Tien	5	0	100	Re-elected on August 18, 2021
Director	SHENG BAO INVESTMENT CORP. Representative: Shyu Lih-Hwa	5	0	100	Re-elected on August 18, 2021
Director	SHENG BAO INVESTMENT CORP. Representative: :Tsai Yuh-Chiang	5	0	100	Re-elected on August 18, 2021
Independent Director	Huang Hsu-Nan	5	0	100	Re-elected on August 18, 2021
Independent Director	Wang Chia-Ho	4	1	80	Re-elected on August 18, 2021
Independent Director	Chan Yun-Hao	5	0	100	Elected at the re-election on August 18, 2021

Other mentionable items:

I. If there are circumstances as follows, the date on which the meetings, sessions, contents of motion, all independent director's opinions and the company's responses should be specified:

(I) Matters that were referred to in Article 14-3 of the Securities Exchange Act.

3rd meeting of the 13th Board of Director (February 21, 2022)

Agenda	Independent directors' opinions	The Company's disposition on independent directors' opinions	Resolution
Proposed presentation of the Company's 2021 "Statement of Internal Control System"	No objection	No objection	Agenda was approved without objection from directors present.
2021 remuneration proposal for employees and directors	No objection	No objection	1. The remuneration proposal for employees and directors and the proposal for issuing new shares have been approved and archived as approved by the 2nd meeting of the 5th Remuneration Committee and the 2nd meeting of the 2nd Audit Committee.

			2. Agenda was approved without objection from directors present.
Motion for amendments to the Company's " Procedure for Acquisition or Disposal of Assets."	No objection	No objection	Agenda was approved without objection from directors present.

4th meeting of the 13th Board of Director (May 9, 2022)

Agenda	Independent directors’ opinions	The Company’s disposition on independent directors’ opinions	Resolution
Determine matters on base date for issuing new shares for increasing employee remuneration	No objection	No objection	Agenda was approved without objection from directors present.

5th meeting of the 13th Board of Director (August 8, 2022)

Agenda	Independent directors’ opinions	The Company’s disposition on independent directors’ opinions	Resolution
Proposed changing the Company’s appointed CPA	No objection	No objection	Agenda was approved without objection from directors present.
Matters resolved at the 3rd meeting of the 5th Remuneration Committee	No objection	No objection	Except that the directors who didn’t take part in the discussion and voting for their interests, the proposal was approved by all other directors present.

6th meeting of the 13th Board of Director (November 8, 2022)

Agenda	Independent directors’ opinions	The Company’s disposition on independent directors’ opinions	Resolution
FY2023 Audit Plan of the Company	No objection	No objection	Agenda was approved without objection from directors present.

7th meeting of the 13th Board of Director (February 20, 2023)

Agenda	Independent directors’ opinions	The Company’s disposition on independent directors’ opinions	Resolution
Proposed presentation of the Company’s 2022 “Statement of Internal Control System”	No objection	No objection	Agenda was approved without objection from directors present.
2022 remuneration proposal for employees and directors	No objection	No objection	1. Approved and archived at the 4th meeting of the 5th Remuneration Committee and the 6th meeting of the 2nd Audit Committee. 2. Agenda was approved without objection from directors present.
Appointment of Audit and Non-Audit Certified Public	No objection	No objection	Agenda was approved without objection from

Accountants and Auditor's Independence Evaluation for FY2023			directors present.

(II) Any other documented objections or qualified opinions raised by independent directors against board resolution in relation to matters other than those described above.

None.

II. The measure for directors' withdrawal from conflict of interest:

5th meeting of the 13th Board of Director (August 8, 2022)

Directors: Chen Cheng-Han, Tsai Yuh-Chiang

Agenda: Matters resolved at the 3rd meeting of the 5th Remuneration Committee.

Reason for avoiding out of interests: The discussion on this proposal involved the stakeholders' interests, so the stakeholders were requested to avoid for interests.

The voting process: Except that the directors who didn't take part in the discussion and voting for their interests, the proposal was approved by the other directors without objection.

III. The information on the frequency, period, scope, method and content of TWSE/TPEx listed company's Board of Director self-evaluation (or peer assessment) shall be disclosed. State the status of the Company's Board evaluation in Schedule 1-1:

The Company has independently evaluated the Board of Director, some directors, the Audit Committee and the Remuneration Committee. Details of the evaluation results re shown in Schedule 1-1. They were presented to the Board of Director on February 20, 2023, and disclosed on the Company's website for investors' reference.

IV. Implementation and Assessment of measures to enhance functionality of the Board (e.g. the foundation of Audit Committee, enhancement of information transparency, etc.)

The Company's Board of Director always exercises its powers according to laws, regulations, Articles of Incorporation and its resolutions. In 2022, the Company purchased liability insurances for all directors, which were presented to the Board of Director on August 8, 2022. Related information was disclosed on the website of the Company (http://www.kingcore.com.tw) for investors' reference. On May 30, 2018, the Company organized re-election and built an audit committee, to improve its governance and management of its Board of Director.

Note 1: If the directors and supervisors are corporations, the names of the corporate shareholders and the names of their representatives should be disclosed.

Note 2: (1) If any director/supervisor resigns prior to the end of the year, please specify the date of resignation in the Remarks section. Actual attendance rate was calculated on the basis of the number of board meetings held during each director's/supervisor's term and the number of meetings actually attended by that director/supervisor.

(2) If any Directors or Supervisors were elected before the end of the year, the names of preceding and succeeding Directors and Supervisors shall be listed, and the date of election or reelection shall also be stated in the "Remarks" column. Actual attendance rate (%) was calculated on the basis of the number of board meetings held during each director's term and the number of meetings actually attended by that director.

Attendance of Independent Directors in Each Board of Directors Meeting in 2022

✓Attend in person; ◇Attend: by proxy; ✕: absent

Frequency / Name	First	Second	Third	Fourth
Huang Hsu-Nan	✓	✓	✓	✓
Wang Chia-Ho	✓	✓	✓	✓
Chan Yun-Hao	✓	✓	✓	✓

(1-1) Review performed by the Board of Director:

Frequency of evaluation (Note 1)	Duration of evaluation (Note 2)	Range of evaluation (Note 3)	Methods of evaluation (Note 4)	Aspects to evaluate (Note 5)
Once every year	January 1, 2022 to December 31, 2022	Individual member of Board of Director	Self-evaluation by each director	The Company's objectives and tasks, directors' awareness of duties, level of participation in the Company's operations, internal relationship management and communication, directors' professional and continuous education, and internal control
		Board of Director, Functional Committee	Board's Internal Self-Evaluation	(1) Performance appraisal of the Board: The Directors' level of participation in the Company's operations, quality improvement of the Board's decision-making, the composition and structure of the Board, the selection and continuous training of Directors, internal control. (2) Performance appraisal of functional committee: The committee members' level of participation in the Company's operations, the committee members' understanding in responsibilities, quality improvement of decision-making of the committee members, the composition of functional committees, the selection of members, and internal control, etc.

Note 1: Frequency of the Board evaluation. e.g., once a year.

Note 2: The period of board evaluation. e.g. the Board's performance from January 1, 2019 to December 31, 2019 is evaluated.

Note 3: The scope covers the evaluation on the performance of the Board, individual Board members and

Functional Committee members.

Note 4: Methods of evaluation include: Evaluation is conducted by board self-evaluation, member self-evaluation, peer evaluation, by external institutes, by professionals, or other appropriate methods.

Note 5: The evaluation shall cover at least the following items.

(1) Performance evaluation of the Board: At least includes the Directors' level of participation in the Company's operations, the quality of the Board's decision-making, the composition and structure of the Board, the selection and continuous training of Directors, internal control, etc.

(2) Performance evaluation of individual Directors: At least includes the Company's objectives and tasks, Directors' understanding in responsibilities, Directors' level of participation in the Company's operations, internal relationship management and communication, professional and continuous education of Directors, internal control, etc.

(3) Performance evaluation of functional committee: The committee members' level of participation in the Company's operations, the committee members' understanding in responsibilities, the quality of decision-making of the committee members, the composition of functional committees, the selection of members, and internal control, etc.

(II) Operation of the Audit Committee or supervisors' participation of the Board operations:

1. Information on functionality of the Audit Committee:

The Company has built an Audit Committee, which is consisted of all Independent Directors. It is for assisting the Board of Director in supervising the quality and integrity of the Company's accounting, audit, financial reporting processes and financial control. Its powers are as follows:

(1) Formulate or amend the internal control system, or procedures for acquiring or disposing of assets, or committing major financial business practices of derivative transactions, and evaluate effectiveness of internal control rules.
(2) Matters involving directors' personal interests.
(3) Material transactions on significant assets or derivative transactions.
(4) Raise, issue or privately place negotiable securities with natures of equity.
(5) Appoint, remove or remunerate certified public accountants; appoint and remove financial, accounting and internal audit officers.
(6) Annual financial reports and quarterly financial reports.
(7) Other issues deemed material by the Company or competent authorities.

※ Members of the Audit Committee are as follows:

Position	Professional Qualification / Name	Professional qualifications and experience
Independent Director (Convener)	Huang Hsu-Nan	With work experience in businesses, public and private universities with titles higher than lecturers. Current independent director of the Company, full-time professor of Ming Chuan University and director of SME Cultivation Center
Independent Director	Wang Chia-Ho	With experience in business work. Current independent director of the Company, Chairman of Huayang International Development Investment Co., Ltd. and Chairman of Xin'an Investment Co., Ltd.
Independent Director	Chan Yun-Hao	With background and work experience on businesses, accounting and financial expertise. Graduated from Missouri State University as a Master of Professional Accounting; current independent director of the Company, Chairman of TSE Technologies Corp. and former employee of the Listing Audit Department of Taipei Exchange.

Annual Work Highlights Summary:

※ Review of financial reports

The Board of Director has prepared the Company's 2022 Business Report, financial statements and earnings distribution proposal. Lin Cheng-Wei and Chen Kuo-Shuai, as CPAs of Ernst & Young, Taiwan, have audited the financial statements and issued an audit report. After reviewing, we believe that the aforementioned business report, financial statements, and earning distribution plan of the Company present fairly in all material matters.

※ Evaluation on effectiveness of the internal control system

The Company annually performs independent evaluation on effectiveness of design and evaluation of internal control rules, and prepares a statement of the internal control system in the given format, which shall be presented to the Board of Director for approval with the consent of the Audit Committee.

※ Appointment of CPA

To ensure independence and competency of the attesting Certified Public Accountants ("CPAs"), the Company evaluates CPAs' independence, professionalism and competence according to Article 47 of the Certified Public Accountant Act and the Bulletin of Norms of Professional Ethics for Certified Public Accountants of the Republic of China No.10, and making reference to relevant information such as audit quality indicators (AQIs). It was approved by the 6th meeting of the 2nd Audit Committee on February 20, 2023 and the 7th meeting of the 13th Board of Directors on February 20, 2023 upon review that Lin Cheng-Wei and Chen Kuo-Shuai, who are certified public accountants of Ernst & Young, Taiwan, conformed to the standard for independence and competency evaluation, and were qualified to act as certified financial and tax accountants of the Company.

A total of 5 (A) Audit Committee meetings (A) were held in the last year; independent directors' attendance records are summarized below:

Position	Name	Actual Attendance (B)	Proxy Attendance	Actual attendance rate (%) (B/A)(Note 1, Note 2)	Notes
Independent Director	Huang Hsu-Nan	5	0	100	Re-elected on August 18, 2021
Independent Director	Wang Chia-Ho	4	1	80	Re-elected on August 18, 2021
Independent Director	Chan Yun-Hao	5	0	100	Elected at the re-election on August 18, 2021

Other mentionable items:

I. The Audit Committee meeting dates, sessions, proposal content, content of any objection, reservation or major suggestions expressed by independent directors, the results of the Audit Committee's resolutions, and the Company's actions in response to the Audit Committees' opinions shall be specified if any of the following has occurred.

(I) Matters that were referred to in Article 14-5 of the Securities Exchange Act.

2nd meeting of the 2nd Audit Committee (February 21, 2022)

Agenda	Resolution of the Committee	The Company's responses to the opinion of the Audit Committee

The Company's 2021 "Statement of Internal Control System"	The proposal was approved by all directors present without objection.	The proposal was approved by all directors present without objection at the 3rd meeting of the 13th Board of Director (February 21, 2022).
2021 proposal for issuing new shares as employee remuneration		
2021 business report and financial statements		
2021 earnings distribution proposal		
Motion for amendments to the Company's " Procedure for Acquisition or Disposal of Assets."		

3rd meeting of the 2nd Audit Committee (May 9, 2022)

Agenda	Resolution of the Committee	The Company's responses to the opinion of the Audit Committee
Determine matters on base date for issuing new shares for increasing employee remuneration	The proposal was approved by all directors present without objection.	The proposal was approved by all directors present without objection at the 4th meeting of the 13th Board of Director on May 9, 2022.

4th meeting of the 2nd Audit Committee (August 8, 2022)

Agenda	Resolution of the Committee	The Company's responses to the opinion of the Audit Committee
Proposed changing the Company's appointed CPA	The proposal was approved by all directors present without objection.	The proposal was approved by all directors present without objection at the 5th meeting of the 13th Board of
Consolidated financial report of Q2, 2022		

		Director on August 8, 2022.

5th meeting of the 2nd Audit Committee (November 8, 2022)

Agenda	Resolution of the Committee	The Company's responses to the opinion of the Audit Committee
FY2023 Audit Plan of the Company	The proposal was approved by all directors present without objection.	The proposal was approved by all directors present without objection at the 6th meeting of the 13th Board of Director on November 8, 2022.

6th meeting of the 2nd Audit Committee (February 20, 2023)

Agenda	Resolution of the Committee	The Company's responses to the opinion of the Audit Committee
The Company's 2022 "Statement of Internal Control System"	The proposal was approved by all directors present without objection.	The proposal was approved by all directors present without objection at the 7th meeting of the 13th Board of Director on February 20, 2023.
2022 proposal for issuing new shares as employee remuneration		
2022 business report and financial statements		
2022 earnings distribution proposal		
Appointment of Audit and Non-Audit Certified Public Accountants and Auditor's Independence Evaluation for FY2023		

(II) Other than the above-mentioned matters, the matters which have not been adopted by the audit committee but resolved with consent of over two-thirds of all members of the board of directors.

None.

II. Avoidance of involvements in interest-conflicting agendas by Independent Directors, including details such as the names of Independent Directors, the agenda, the nature of conflicting interests, and the voting process.

None.

III. The communication between independent directors and director of internal audit as well as the CPAs (aspects such as the company's finance, significant maters, methods, and outcomes regarding business communication should be included).

(1) All audit officers attended meetings of the Board of Director of the Company. Before the meetings were convened, the independent directors and audit officers communicated with each other about their opinions regarding different matters. The independent directors properly communicated about the Company's audit results.

(2) The audit reports prepared by the Audit Department of the Company for the Company and its subsidiaries were presented to all independent directors by the Board of Director, and no major abnormality was detected.

(3) Before the Board of Director reviews annual financial reports, certified public accountants would be first engaged to offer their audit results and their proposed audit opinions. Prior to the meetings, independent directors communicated about related matters.

Executive summary of communications among independent directors, internal audit officers and accountants in 2022:

Date	Attendants	Focused contents	Suggestions and results
2022/2/21	Audit officers, independent directors, accountants	Performance of audit from October to December 2021. Accountants' communications with Corporate Governance Unit (accountants' discussions with independent directors)	No objection
2022/5/9	Audit officers, independent directors	Performance of audit from January to March 2022	No objection
2022/8/8	Audit officers, independent directors, accountants	Performance of audit from April to June 2022 Accountants' communications with Corporate Governance Unit (accountants' discussions with independent directors)	No objection
2022/11/8	Audit officers, independent directors, accountants	Performance of audit from July to September 2022. Accountants' communications with Corporate Governance Unit (accountants' discussions with independent directors)	No objection

Note 1: Where any independent director resigned from duties before the end of the fiscal year, please specify the date of his/her discharge in the 'Remarks" section. His/her actual attendance rate (%) to the Audit Committee meeting shall be calculated on

the basis of the number of meetings called by the Audit Committee and actual number of meetings he/she attended during his/her term of office.

Note 2: If there was an election of new independent directors before the end of the fiscal year, fill in the information on the former and the new independent directors and specify if the independent directors were discharged, newly elected or re-elected, and the date of the election. Actual attendance rate (%) was calculated on the basis of the number of meetings held by the audit committee during each independent director’s term and the number of meetings actually attended by that independent director.

2. Supervisors’ participation in the operation of the Board of Director: The Company has established an Audit Committee to replace the supervisors, so this is not applicable.

(III) Status of corporate governance, and deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof

Evaluation Item	Implementation Status: Yes	Implementation Status: No	Implementation Status: Summary description	Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
I. Does the Company base on the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" to set up and disclose the Company's corporate governance best-practice principles?	✓		To formulate desirable corporate governance rules, the Board of Director has formulated the Corporate Governance Best-Practice Principles, which have been disclosed in the special investor section of the Company's website.	Conformance
II. Shareholding structure & shareholders' right				
(I) Does the Company have internal operating procedures in place to deal with shareholder recommendations, doubts, disputes and litigation matters according to the procedures?	✓		(I) The Company has defined its rules of procedure for shareholders' meeting, and also established the spokesman and deputy spokesman systems as required. The Company appointed dedicated personnel to deal with the investors relation and issues related to shareholders. Handling of relationships with investors may be viewed in the special investor section of the Company's website.	Conformance
(II) Does the Company have a list of the major shareholders who actually control the Company, and the ultimate controllers of the major shareholders?	✓		(II) The Company appoints its service agent to regularly update its shareholders' register and register of main shareholders, to fully list its final equity controllers.	Conformance
(III) Has the Company established and implemented the risk management, control and prevention mechanisms for affiliated companies?	✓		(III) All financial matters of the Company and its affiliates are independent. The Company has formulated operating standards for the parent company's relationship management, Internal Control System and Internal Audit System.	Conformance
(IV) Has the Company established internal regulations that prohibit insiders from using unpublished information in the market to buy and sell securities?	✓		(IV) The Company has formulated Rules, Procedures and Best Practices for Honest Operations, Procedures for Prevention of Insider Trading, to specify that related internal personnel shall observe pertinent laws, regulations and internal procedures. Such personnel shall not utilize known non-public information for insider trading, or disclose such information to others, to prevent others from employing such non-public information for insider trading.	Conformance
III. Composition and Responsibilities of the Board of Directors				
(I) Has the Board of Director formulated a diversity policy and specific management objectives in respect of its members, and implemented them?	✓		(I) Board of Director of the Company are elected according to equal, impartial and open election procedures. They are elected among candidates with appropriate background, industry or related know-how and experience. The candidates with diverse backgrounds who can bring forth diversified opinions are actively considered, in order that the directors can be kept within an appropriate range and balance in terms of skills, experience, knowledge and characters. Members of the Board of Director shall generally demonstrate knowledge, skills and literacy necessary for performing their duties in their positions. To achieve the desired target for corporate governance, the Board of Director collectively shall be equipped with the following capabilities: I. The ability to make judgments about operations.	Conformance

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary description</th></tr>
<tr><td></td><td></td><td></td><td>II. Accounting and financial analysis ability.
III. Business management ability.
IV. Crisis management ability.
V. Knowledge of the industry.
VI. An international market perspective.
VII. Leadership skills.
VIII. Decision-making ability.
As to diversity of members of the Board of Director, the Company’s business architecture, business development trend, future development trend and requirements shall be taken into account. The Company shall also evaluate all diverse orientations, set an objective that directors who currently serve as corporate officers shall not exceed one third of the total number of the Board members, and formulate appropriate diversity policies with respect to the Company’s operation status and needs for future business development, including but not limited to standards for basic components, professional experience, professional knowledge and skills.
The 13th Board of Director of the Company has 11 members, all of whom are Taiwanese. Its components and ratios are as follows: Directors who are employees, females and independent directors account for 18.18%, 9.09% and 27.27% respectively. In terms of age, there is 1 director ranging from 71 to 80 years old, 7 directors who are 61 to 70 years old, and 3 directors whose age ranges between 51 and 60. Diversity of the Company’s members is reflected from the following aspects: (1) All directors master professional abilities in business judgment, operations management, crisis management, industry knowledge, international markets and leadership decision-making. (2) Ten directors with financial backgrounds: Yang Cheng-Li, Liu Ming-Hsiung, Chuang Yung-Shun, Kuo Kun-Chang, Hsieh Yu-Tien, Shyu Lih-Hwa, Wang Chia-Ho, Huang Hsu-Nan and Chan Yun-Hao. (3) Directors concurrently serving as company officers shall not exceed one-third of the total number of the Board members. The Company emphasizes diversity of the Board members, where an appropriate balance is maintained in skills, experience, knowledge and character. In addition, it attaches importance to gender equality among its Board members, among whom, there shall be at least 1 female director. So far, such appointment has been completed. To sum up, members of the Company’s Board of Director shall be diverse. In addition, for details on diversity of members of the Board of Director, refer to Schedule 2, and related details are also disclosed on the Company’s website.</td><td></td></tr>
<tr><td>(II) Has the Company voluntarily set up other functional committees other than the Remuneration Committee and the Audit Committee according to law?</td><td></td><td>✓</td><td></td><td></td></tr>
<tr><td>(III) Does the Company formulate the Board's performance assessment and evaluation method, conduct performance evaluation annually and regularly, and report the results of the performance evaluation to the board of directors, and apply it to individual directors' remuneration and nomination renewal?</td><td>✓</td><td></td><td></td><td></td></tr>
</table>

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary description	
			(II) In the future, the Company will set up other functional committees according to its needs for practical operations.	Appoint more in the future according to needs
(IV) Does the Company regularly evaluate independence of Certified Public Accountants (CPAs)?	✓		(III) The Company has formulated performance appraisal measures for the Board of Director, which have been approved by the Board of Director on 2022. Performance appraisal was performed on the Board of Director, and presented to the Board of Director on February 20, 2023. Apart from evaluating overall operating conditions of the Board of Director, the Company also independently evaluated its directors and functional committees. For the evaluation results, please refer to Schedule 1-1 "Governance and Operating Conditions of the Company" in Section 4 of the annual report, which has been also revealed in the website of the Company. Overall evaluation results of the Company are desirable. Performances of the members of the Board of Director, operations of the Board of Director and functional committees have been fully in line with the Company's needs. In addition, performance appraisal results of the Company are used as references in determining remuneration of, nominating and re-appointing some directors. This is useful for effectively promoting the Company's sustainable operations, performance of social responsibilities, risk management and long-term strategic development. Besides, spirit on corporate governance is practised.	Conformance
			(IV) Once a year, the Finance Department of the Company conducts its own assessment of the independence and suitability of the attesting CPAs and submits the assessment results to the Audit Committee for approval and to the Board of Directors for resolution. In accordance with Article 47 of the Certified Public Accountant Act and the Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China No.10, the Company has established the evaluation items (see Schedule 1) and obtained the Audit Quality Indicators (AQIs) report issued by the auditing firm, which covers 5 major components and 13 major indicators, including profession, quality control, independence, monitoring and innovation (see Schedule 3), to assess the audit quality of the firm as a whole and the competency of the attesting audit team. We hereby confirm that for FY2022, the attesting CPAs Lin Cheng-Wei and Chen Kuo-Shuai of Ernst & Young, Taiwan, had no other financial interest or business relationship apart from certification and taxation fees. Both CPAs meet the Company's standards for independence and suitability to serve as the Company's attesting CPAs, and any rotation of the Company's CPAs is subject to relevant regulations.	Conformance

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary description	
IV. Is the TWSE / TPEX listed company equipped with qualified and appropriate number of corporate governance personnel, and appoint a corporate governance director responsible for corporate governance related matters (including but not limited to providing information needed by directors and supervisors to carry out business, assisting directors and supervisors to comply with laws and regulations, handling matters related to meetings of the Board of Directors and shareholders' meeting in accordance with the law, and producing minutes of board meetings and shareholders' meetings)?	✓		To protect shareholders' rights/interests and enhance functions of the Board of Director, the Board of Directors resolved on February 20, 2023, to appoint Yeh Mei-Ling , the Chief Financial Officer, as the Head of Corporate Governance. Yeh shall be responsible for handling matters related to the Board of Directors and shareholders' meetings in accordance with the law, preparing minutes of the Board of Directors and shareholders' meetings, providing information necessary for directors to perform their duties and assisting directors in complying with laws and regulations, assisting directors in their appointment and continuing education, etc., in order to implement corporate governance rules and protect shareholders as utmost objectives, effectively drive sustainable operations of the Company, and maximize shareholders' interests. Matters on corporate governance were handled as follows: 1. Assisted members of the Board of Director in arranging refresher courses and buying appropriate liability insurances for directors and supervisors. 2. Evaluated the Board of Director, some directors and functional committees according to the Company's Performance Appraisal Measures for the Board of Director. 3. Lawfully handled matters about the Board meetings, kept minutes of such meetings or completed change registration regarding directors' re-election. 4. Drafted agendas of Board meetings and notified the directors seven days prior to the meetings, convened meetings and provided documents for the meetings. If directors' recusal is required for the avoidance of conflicts of interest, the directors would be informed of such matters prior to the meetings. The minutes of the Board meetings should be completed within 20 days after the meetings. 5. Irregularly assisted accountants, independent directors and audit officers in communicating related matters. The communications were smooth and desirable. The Company also announced the communication results on its website for investors' query and reference. 6. Regularly informed members of the Board of Director of laws and regulations about the Company's businesses and governance published by competent authorities.	Conformance
V. Has the Company established communication channels with stakeholders (including but not limited to shareholders, employees, customers and suppliers), set up a special column for stakeholders on the Company's website, and respond appropriately to important corporate social responsibility issues of concern to stakeholders?	✓		(I) Relationships with investors: In addition to the operational or financial information of the Company announced on MOPS in accordance with laws and regulations, the Company has set special investor and stakeholder sections to disclose information and maintain relationships with investors, and increase information transparency of the Company. In addition, a special investor section is set in the Company's website to announce information regarding the Company's governance, financial affairs and business operations as reference.	Conformance

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary description	
			(II) Execution of policies for protecting consumers or customers: The Company actively collects customer responses, analyzes and studies customer requirements. It upgrades service quality, puts forward appropriate solutions, and includes customer satisfaction in ISO for enhancing management, improving efficiency and controlling quality. It also synchronously establishes an audit tracking mechanism. (III) Relationships with suppliers: Continuously promote green procurement, require suppliers of raw materials to provide test reports, ensure that products contain no prohibited substances harmful to environment, and ensure that products comply with the EU's Restriction of Hazardous Substances (RoHS). Implement concepts and environmental protection and embark on green production, to jointly create perpetual business opportunities. (IV) Employee rights and interests: The Company undertakes to create safe and healthy work environment for employees. It annually and regularly carries out activities on all employees' health check and promotion, to protect all employees' health and wellbeing. It also engages resident physicians to analyze health reports, provides information on health education, and assists with operations on maternity protection, evaluation on hazards of violence and risks, hazards of human factors and abnormal load, etc. The Company also acts according to the Labor Standards Act. Concerning measures for employee benefits, and rules on refresher training and retirement, please refer to the section on labor relations in Chapter Five (Business Overview). (V) Communications with stakeholders: The Company has disclosed its stakeholders' phone numbers and email addresses on its website. It has developed channels for communicating with and methods for responding to its employees, shareholders and other stakeholders, to safeguard related rights of its stakeholders. The communications were reported to the Board of Director on February 20, 2023.	
VI. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		The Company has appointed the Taishin Securities stock transfer agency department to handle matters on shareholders' meetings.	Conformance
VII. Information disclosure (I) Does the company have a corporate website to disclose both financial standings and the status of corporate governance? (II) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)? (III) Does the company complete and publicize the annual financial	✓ ✓ ✓		(I) The Company has created a website to regularly update information on its latest financial businesses and governance. (II) The Company formulates its spokesperson rules as specified. It regularly and irregularly declares its financial and business information on MOPS. It regularly discloses the latest news on its website (http://www.kingcore.com.tw).	Conformance Conformance

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary description	
statement within 2 months after the fiscal year ends, then publicize and register the financial statements of the first, second, and third quarters as well as the operation report of each month?			(III) The Company announced and declared its annual financial reports within 2 months after the fiscal year ended. It publicized and registered the financial statements of Q1, Q2 and Q3 as well as operations of the Company in each month.	Conformance
VIII. Is there any other information to facilitate a better understanding of the company's corporate governance practices (e.g. including but not limited to employee rights employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)	✓		(I) Environmental protection The Company sets definite objectives on environmental protection and energy conservation. It formulates measures for environmental management, makes constant improvements and sets management objectives. The Company is expected to attain goals of environment-friendliness such as low pollution, small energy consumption and easy recycling in the course of product development, production, utilization and abandonment. 1. Objectives of carbon emission reduction: Investigate and set greenhouse gas emission baseline according to ISO14064. It sets and announces carbon emission objectives of each year. To continuously promote its emission plans, 2019 was taken as the base year, and every four years are reckoned as a planning period. The objective of reducing carbon emissions by 1% per unit of revenue by 2023. 2. Waste reduction: With the goal of sustainable resource utilization, the Company continuously promotes its measures for waste reduction and recycling for the purpose of waste utilization. The Company plans to reduce its wastes by 3% (with 2019 as base year) per unit of products in 2023. 3. Conservation of water resources: Extreme climate affects water resources. In addition to regularly reviewing consumption of water resources, efforts shall be also made to fully save water from daily lives. In addition, wastewater system shall be imported into the recycling system. Circulating water is used as process water, and water resources available are utilized to bring their benefits into play to a greater extent. Water consumption is planned to be reduced by 2% in 2023 (with 2019 as base year). 4. Responses to climatic changes: Climatic changes are global issues. Climatic disasters (e.g. windstorm disaster, flood) result in decrease or interruption of production capacity. Hence, the Company actively creates green supply chains and promotes production of green products in response to climatic changes. In addition, it annually performs greenhouse gas inventories and sets objectives of carbon emission reduction. It also fosters capacity for responding to disasters, to avoid impacts of climatic changes	Conformance

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary description	
			upon business operations of the Company. (II) Product perspective 1. The Company annually and regularly examines suppliers at random. In 2022, it randomly evaluated 7 manufacturers cooperating with it. 2. The Company has been certified by ISO9001, ISO14001, TS16949 and QC08000. 3. As of the end of 2022, a total number of 28 suppliers had been certified by ISO9001, and 13 suppliers had been certified by ISO14001. (III) Social care The Company makes active responses to greening, beautification, charity sale, invitation of physically disabled street artists for performance in the Company's premise, and charity concertsor , etc., to make certain contributions to social care. (IV) Directors' continuing education in 2022:	

Position	Name	Training date	Organizers	Title of the course	training hours
Director	Yang Cheng-Li	2022.03.03	Taiwan Corporate Governance Association	The Key to Corporate Sustainability - External Innovation	3
Director	Yang Cheng-Li	2022.04.18	Accounting Research and Development Foundation	Creating New Corporate Value with ESG: Business Challenges, Responses, and Deployment	3
Director	Chuang Yung-Shun	2022.03.10	Taiwan Stock Exchange	An Global Perspective on Independent Directors and the 2022 Shareholders' Annual Meeting	1
Director	Chuang Yung-Shun	2022.04.22	Taiwan Institute for Sustainable Energy (TAISE)	Taishin 30 Sustainable Net Zero Summit Forum - Transform to Net Zero 2030	3
Director	Chuang Yung-Shun	2022.05.23	Taiwan Corporate Governance	What Investors Are Thinking -	3

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary description	

			Association	From ESG Investment and Financing to Corporate Sustainability Transformation	
Director	Liu Ming-Hsiung	2022.06.10	Securities & Futures Institute	Promotional meeting on prevention of insider trading in 2022	3
Director	Liu Ming-Hsiung	2022.10.06	Securities & Futures Institute	From Corporate Fraud Prevention to Board of Directors' Functions and the Legality of Cyber Security Management Act under the Threat of Ransomware	3
Director	Liu Ming-Hsiung	2022.10.07	Securities & Futures Institute	Global Risk Awareness - Opportunities and Challenges for the Next Decade	3
Director	Liu Ming-Hsiung	2022.10.25	Taiwan Corporate Governance Association	2022 Key Economic and Global Trade Issues Study and Outlook	3
Director	Liu Ming-Hsiung	2022.11.04	Taiwan Corporate Governance Association	PSA's Growth in Passive Components	3
Director	Kuo Kun-Chang	2022.03.10	Taiwan Stock Exchange	An Global Perspective on Independent Directors and the 2022 Shareholders' Annual Meeting	1
Director	Kuo	2022.10.12	Securities & Futures	2022	3

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<tr><th>Yes</th><th>No</th><th>Summary description</th></tr>
<tr><td></td><td></td><td></td><td>
<table>
<tr><td></td><td>Kun-Chang</td><td></td><td>Institute</td><td>promotional seminar on legal compliance and promotion of insider equity transactions</td><td></td></tr>
<tr><td>Director</td><td>Kuo Kun-Chang</td><td>2022.11.13</td><td>Taiwan Stock Exchange</td><td>2022 Cathy Summit on Sustainable Finance and Climatic Change</td><td>3</td></tr>
<tr><td>Director</td><td>Hsieh Yu-Tien</td><td>2022.06.14</td><td>Taiwan Corporate Governance Association</td><td>Insider Trading from the Perspective of Investigative Units</td><td>3</td></tr>
<tr><td>Director</td><td>Hsieh Yu-Tien</td><td>2022.07.15</td><td>Taiwan Corporate Governance Association</td><td>Legal and Tax Analysis of the Return of Foreign Funds to Taiwan</td><td>3</td></tr>
<tr><td>Representative of corporate director</td><td>Shyu Lih-Hwa</td><td>2022.03.03</td><td>Taiwan Corporate Governance Association</td><td>The Key to Corporate Sustainability - External Innovation</td><td>3</td></tr>
<tr><td>Representative of corporate director</td><td>Shyu Lih-Hwa</td><td>2022.12.22</td><td>Taiwan Corporate Governance Association</td><td>The Group's Corporate Governance</td><td>3</td></tr>
<tr><td>Representative of corporate director</td><td>Chen Cheng-Han</td><td>2022.06.10</td><td>Securities & Futures Institute</td><td>Promotional meeting on prevention of insider trading in 2022</td><td>3</td></tr>
<tr><td>Representative of corporate director</td><td>Chen Cheng-Han</td><td>2022.10.19</td><td>Securities & Futures Institute</td><td>2022 promotional seminar on legal compliance and promotion of insider equity transactions</td><td>3</td></tr>
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Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary description	
			(see table below)	

Representative of corporate director	Tsai Yuh-Chiang	2022.05.20	Securities & Futures Institute	Promotional meeting on prevention of insider trading in 2022	3
Representative of corporate director	Tsai Yuh-Chiang	2022.12.22	Taiwan Corporate Governance Association	The Group's Corporate Governance	3
Independent Director	Huang Hsu-Nan	2022.04.22	Taiwan Institute for Sustainable Energy (TAISE)	Taishin 30 Sustainable Net Zero Summit Forum - Transform to Net Zero 2030	3
Independent Director	Huang Hsu-Nan	2022.10.12	Securities & Futures Institute	2022 promotional seminar on legal compliance and promotion of insider equity transactions	3
Independent Director	Wang Chia-Ho	2022.05.04	Taiwan Stock Exchange	International Twin Summit	2
Independent Director	Wang Chia-Ho	2022.10.12	Securities & Futures Institute	2022 promotional seminar on legal compliance and promotion of insider equity transactions	3
Independent Director	Wang Chia-Ho	2022.10.14	Securities & Futures Institute	Promotional meeting on prevention of insider trading in 2022	3
Independent Director	Chan Yun-Hao	2022.10.14	Securities & Futures Institute	Promotional meeting on prevention of insider trading in 2022	3
Independent Director	Chan Yun-Hao	2022.10.19	Securities & Futures Institute	2022 promotional	3

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<tr><th>Yes</th><th>No</th><th>Summary description</th></tr>
<tr><td></td><td></td><td></td><td><table><tr><td></td><td></td><td></td><td></td><td>seminar on legal compliance and promotion of insider equity transactions</td><td></td></tr></table>
(V) Execution of risk management policies and risk measurement standards: The unit responsible for the Company’s risks is the Board of Director. The department heads and the Audit Office are in charge of executing the policies and standards. They lawfully formulate internal rules, which are evaluated and analyzed by the responsible department. At last, the General Manager’s Office performs risk evaluation before implementation of operation strategies, in order that the Company can realize related operational objectives and create effective management methods for risk control.
(VI) The Company’s purchase of liability insurances for its directors: The Company bought liability insurances for all of its directors, and reported such purchase to the Board of Director on August 8, 2022.</td><td></td></tr>
<tr><td colspan="5">IX. Please offer illustrations improvement on the aspects pointed out by the evaluation of governance by Taiwan Stock Exchange TWSE and explanation for matters and measures as prioritized items to improve. (Companies not included in the assessment are not required to fill in.)
Generally, the evaluation results of the Company’s governance are desirable, but unscored aspects have not been reviewed or evaluated to find out improvement measures for the purpose of strengthening corporate governance and maximizing shareholders’ interests.
(I) Improved parts
1. The risk evaluation and strategies on environmental, social or corporate governance related to business operations of the Company have been disclosed in the annual report.
2. Information safety risk management policies and pertinent management proposals have been disclosed in the annual report. Information safety risk management and protective mechanism are continuously strengthened.
3.The Company has established a corporate governance officer to handle matters related to the Board of Directors and shareholders' meetings in accordance with the law, and to assist directors in complying with laws and regulations and providing information necessary for the performance of duties, etc.
(II) Future improvements
1. In the future, risk management procedures suitable for the Company would be formulated, in order to develop desirable risk management strategies.</td></tr>
</table>

Schedule 1: Evaluation Standard for Accountants' Independence

Evaluation Item	Whether the independence requirement is met.
1. Replacement has been always performed every seven years as of the latest certification.	■Yes □No
2. No material financial interests with the principals	■Yes □No
3. Avoid establishing any inappropriate relationships with the principals.	■Yes □No
4. The accountants shall enable their assistants to be honest, impartial and independent.	■Yes □No
5. The accountants shall not audit and certify financial statements of their employers in the first two years of their employment.	■Yes □No
6. The accountants' names must not be used by others.	■Yes □No
7. Hold no share of the Company or its affiliates.	■Yes □No
8. Lend no money from the Company or its affiliates.	■Yes □No
9. Neither make joint investments nor share benefits with the Company or its affiliates.	■Yes □No
10. Not regularly employed or paid fixed remuneration by the Company or its affiliates.	■Yes □No
11. Not involved in management functions related to decision-making of the Company or its affiliates.	■Yes □No
12. Conduct no other businesses which might cause their loss of independence.	■Yes □No
13. Have no spousal, direct blood tie or blood tie within the second degree of kinship with the Company's management.	■Yes □No
14. Receive no business-related commissions.	■Yes □No
15. Up till now, have never been punished or done anything prejudicial to independence principles.	■Yes □No

Schedule 2: Diversification of the Board of Director

Diversity of Items / Name of Directors	Gender	Age	Judgments about operations	Financial Accounting	Management	Crisis handling	Industry knowledge	International market	Leadership decisions
Yang Cheng-Li	M	61-70 years	✓	✓	✓	✓	✓	✓	✓
Chuang Yung-Shun	M	61-70 years	✓	✓	✓	✓	✓	✓	✓
Liu Ming-Hsiung	M	51-60 years	✓	✓	✓	✓	✓	✓	✓
Kuo Kun-Chang	M	61-70 years	✓	✓	✓	✓	✓	✓	✓
Hsieh Yu-Tien	M	61-70 years	✓	✓	✓	✓	✓	✓	✓
Representative of SHENG BAO INVESTMENT CORP.: Shyu Lih-Hwa	Female	61-70 years	✓	✓	✓	✓	✓	✓	✓
Representative of SHENG BAO INVESTMENT CORP.: Chen Cheng-Han	M	61-70 years	✓		✓	✓	✓	✓	✓
Representative of SHENG BAO INVESTMENT CORP.: Tsai Yuh-Chiang	M	51-60 years	✓		✓	✓	✓	✓	✓

Wang Chia-Ho	M	71-80 years	✓	✓	✓	✓	✓	✓	✓
Huang Hsu-Nan	M	61-70 years	✓	✓	✓	✓	✓	✓	✓
Chan Yun-Hao	M	51-60 years	✓	✓	✓	✓	✓	✓	✓

Schedule 3: AQIs Disclosure Framework - 5 major dimensions, 13 indicators

Scopes	Indicators	Indicator Implications
Professionalism	Auditing Experience	Whether auditors have sufficient audit experience to perform the audit.
	Training Hours	Whether auditors have received adequate education and training to acquire professional knowledge and skills.
	Attrition Rate	Whether the firm maintains sufficient human resources
	Professional Support	Whether the firm is equipped with sufficient experts, including CAAT specialists and financial appraisers.
Quality Control	Workload	Whether partners are loaded with excessive engagements or work overtime.
	Involvement	Whether the involvement of audit team in each audit phase is appropriate.
	Engagement Quality Control Review (EQCR)	Whether EQC reviewers spend sufficient time on engagement.
	Quality Supporting Capacity	Whether the firm has sufficient quality control resources, including risk, management, and audit professional consultants, to support the audit team.
Independence	Percentage of Non Audit Services (NAS)	Whether the proportion of non audit services provided by the firm to individual clients affects independence.
	Familiarity	Whether audit firm tenure affects the firm's independence.
Monitoring	External Inspection Results & Enforcement	Whether the firm's quality control and audit engagement are performed in accordance with the relevant laws and regulations and standards.
	Number of Official Improvement Letters Issued by Competent Authority	
Creativity	Innovative Planning or Initiatives	The firm's commitment to improving audit quality, including the adoption or planning of programs or investments related to the improvement of audit quality.

(IV) Composition, responsibilities, and functionality of the Remuneration Committee:

1. Information Regarding Remuneration Committee members:

April 15, 2023

Position (Note 1)	Name	Professional qualifications and experience (Note 2)	Independence Status (Note 3)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member
Independent Director (Convener)	Huang Hsu-Nan	With work experience in businesses, public and private universities with titles higher than lecturers. Current independent director of the Company, full-time professor of Ming Chuan University and director of SME Cultivation Center	Independence of an independent director shall be stated, which includes but is not limited to stating that the independent director, his spouse, or relative within the second degree of kinship is not a director, supervisor, or employee of the Company or any of its affiliates; he or she doesn’t hold shares of the Company; he or she is not a director, supervisor or employee of any other company which has certain relationships with the Company; amount of compensation received for not being a professional individual who has provided commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company in the past 2 years.	3

Independent Director	Wang Chia-Ho	With experience in business work. Current independent director of the Company, Chairman of Huayang International Development Investment Co., Ltd. and Chairman of Xin'an Investment Co., Ltd.	Independence of an independent director shall be stated, which includes but is not limited to stating that the independent director, his spouse, or relative within the second degree of kinship is not a director, supervisor, or employee of the Company or any of its affiliates; he or she doesn't hold shares of the Company; he or she is not a director, supervisor or employee of any other company which has certain relationships with the Company; amount of compensation received for not being a professional individual who has provided commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company in the past 2 years.	0
Independent Director	Chan Yun-Hao	With background and work experience on businesses, accounting and financial expertise. Graduated from Missouri State University as a Master of Professional Accounting; current independent director of the Company, Chairman of TSE Technologies Corp. and former employee of the Listing Audit Department of Taipei Exchange.	As independent directors, who comply with corresponding independence requirements, including but not limited to the independent director, his spouse, or relative within the second degree of kinship is not a director, supervisor, or employee of the Company or any of its affiliates; he or she doesn't hold shares of the Company; he or she is not a director, supervisor or employee of any other company which has certain relationships with the Company; amount of compensation received for being a professional individual who has provided commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company in the past 2 years is in line with pertinent rules.	1

Note 1: Please indicate seniority, professional qualification, experience and independence of the members of the Remuneration Committee. For what to be indicated in respect of Independent Directors, refer to Directors and Supervisors' information in Schedule 1-1 on Page 00. Please indicate independent directors or others in the identity column (For any member who is a convener, related extra remark

shall be made).

Note 2: Professional qualification and experience: Indicate professional qualification and experience of certain members of the Remuneration Committee.

Note 3: Conformity with independence requirements: Indicate that all members of the Remuneration Committee comply with independence requirements, including but not limited to whether the independent director, his spouse, or relative within the second degree of kinship is a director, supervisor, or employee of the Company or any of its affiliates; the number and percentage of the Company's shares held by the independent director, his or her spouse, relative within second degree of kinship (or held under others' names); whether he or she is a director, supervisor, or employee of a specified company or institution that has a relationship with the Company (referring to Subparagraphs 5-8, Paragraph 1, Article 6 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange); amount of compensation received for being a professional individual who has provided commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company in the past 2 years.

2. Remuneration Committee’s duties:

The Remuneration Committee is responsible for assisting the Board of Director in implementing and evaluating general remuneration policies of the Company as well as remuneration for directors and managerial personnel.

Powers of the Remuneration Committee include:

(1) Regularly stipulating and reviewing the compensation policies, systems, standards and structures, and performance of directors and managerial personnel.

(2) Regularly reviewing and adjusting directors' and managerial personnel's remuneration.

(3) Handle other matters resolved by the Board of Director.

3. Information on functionality of the Remuneration Committee:

(1) There are three members in the Remuneration Committee of the Company.

(2) Term of service: From August 18, 2021 to August 17, 2024. The Remuneration Committee held 3 meetings (A) in the last year; details of members’ eligibility and attendance are as follows:

Position	Name	Actual attendance (B)	Proxy Attendance	Actual attendance rate (%) (B/A)(Note)	Notes
Convener	Huang Hsu-Nan	3	0	100	Re-elected on August 18, 2021 and further appointed by the Board of Director on August 18, 2021
Member	Wang Chia-Ho	2	1	66.66	Re-elected on August 18, 2021 and further appointed by the Board of Director on August 18, 2021
Member	Chan Yun-Hao	3	0	100	Re-elected on August 18, 2021 and appointed by the Board of Director on August 18, 2021
Other mentionable items: I. If the Board of Directors does not adopt or amend the remuneration committee’s suggestions, please specify the meeting date, term, contents of motion, resolution of the Board of Directors, and the company’s handling of the remuneration committee’s opinions: None. II. If there were resolutions of the remuneration committee to which members objected or expressed reservations, and for which there is a record or declaration in writing, the date of the meeting, session, content of the motion, all members’ opinions and the response to members’ opinion shall be specified: None.					

Note 1: Where a committee member may be relieved from duties before the end of the fiscal year, please specify the date of his/her discharge in the ‘Remarks” Section. His/her actual attendance rate (%) to the committee meeting shall be calculated on the basis of the number of meetings called and actual number of meetings he/she attended, during his/her term of office.

Note 2: If there was an election of new members for the Remuneration Committee before the end of the fiscal year, fill in the information on the former and the new members, and specify if the members are newly elected to office or reelected for a second term of office, and the date of election. His/her actual attendance rate (%) to the committee meeting shall be calculated on the basis of the number of meetings called and actual number of meetings he/she attended, during his/her term of office.

4. Discussions and resolutions of the Remuneration Committee in the last year:

2nd meeting of the 5th Remuneration Committee (February 21, 2022)

Agenda	Resolutions of the Remuneration Committee	The Company's handling of the Remuneration Committee members' opinion
2022 proposal for paying remuneration to directors and managerial personnel in 2021	The proposal was approved by all committee members present at the meeting and presented to the Board of Director	The proposal was approved by all directors present without objection at the 3rd meeting of the 13th Board of Director (February 21, 2022).

3rd meeting of the 5th Remuneration Committee (August 8, 2022)

Agenda	Resolutions of the Remuneration Committee	The Company's handling of the Remuneration Committee members' opinion
2022 proposal for mid-year evaluation, adjustment and payment of managerial personnel's remuneration in cash	The proposal was approved by all committee members present at the meeting and presented to the Board of Director	The proposal was approved by all directors present without objection at the 5th meeting of the 13th Board of Director on August 8, 2022.

4th meeting of the 5th Remuneration Committee (February 20, 2023)

Agenda	Resolutions of the Remuneration Committee	The Company's handling of the Remuneration Committee members' opinion
2022 proposal for paying remuneration to directors and managerial personnel in 2023	The proposal was approved by all committee members present at the meeting and presented to the Board of Director	The proposal was approved by all directors present without objection at the 7th meeting of the 13th Board of Director on February 20, 2023.
The Company has established the Corporate Governance Officer		

(V) Implementation status of the Sustainable Development and the deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and its reasons:

Evaluation Item	Status (Note 1)			Deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Summary description (Note 2)	
I. Does the Company establish a governance structure to promote sustainable development, and set up a designated full-time (or part-time) unit to promote Sustainable Development, and the Board of Directors authorizes senior management to handle this and the Board of Directors supervises the situation? (The publicly listed company should report the implementation status, not the compliance or explanation.)	✓		The Company has built a team for promoting honest operations and social responsibilities. This team is affiliated to the Board of Director, where the Chairman shall act as a chairperson. The top department heads shall promote proposal and execution of policies, systems or related management policies for corporate sustainable development and particular promotion plans. The plans executed and corresponding outcomes are annually reported to the Board of Director, mainly including: (1) modifying objectives and policies about sustainability. (2) Supervising implementation of matters on sustainable operations, and assisting with promotion and execution. The Company's Board of Director regularly listen to related reports. The management unit must propose sustainability-related strategies to the Board of Director. The Board of Director must often review strategy progress, and urge the management unit to make adjustments when necessary.	Conformance
II. Does the Company follow the principle of materiality, conduct risk assessments on environmental, social and corporate governance issues related to company operations, and formulate relevant risk management policies or strategies? (Note 2) (The publicly listed company should report the implementation status, not the compliance or explanation.)	✓		The Board of Director shall be responsible for risks of the Company, and risk management shall be performed by the department heads and the Audit Office. The General Manager's Office shall conduct risk evaluation prior to implementation of operations strategies, in order that corporate strategies can realize related operational objectives. In case of material risk management, a report must be immediately made to department heads, the Audit Office, the General Manager, the Chairman and independent directors. Besides, a report shall be prepared for review, and a Board meeting shall be immediately convened. In the future, the Company will formulate risk management policies and procedures dependent upon situation, so as to establish a complete and effective risk management mechanism. In addition, the Company conducts risk evaluation regarding important topics based on significance of corporate social responsibilities. The risk evaluation hereunder covers performance in sustainable development of main strongholds (including important subsidiaries in Mainland China) in 2022. By consolidating related information of departments and subsidiaries, related risk management policies or strategies are formulated as follows based on risks existing after evaluation:	Conformance

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Status (Note 1)</th><th rowspan="2">Deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and causes thereof</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary description (Note 2)</th></tr>
<tr><td></td><td></td><td></td><td><table>
<tr><th>Major issue</th><th>Risk evaluation item</th><th>Risk management policy</th></tr>
<tr><td>Environmental</td><td>Environmental protection and workplace safety</td><td>1. The Company’s environmental quality management is performed based on RoHS, SONYSS-00259 and REACH 73. It has been certified by the ISO14001 environmental management system.
2. The Company annually and regularly performs public safety inspection, training programs on labor safety, in order to create safe and healthy work environmnt.</td></tr>
<tr><td>Social</td><td>Honest operations</td><td>The Company has prepared the Procedures for Ethical Corporate Management Best Practice Principles, which have been approved by the Board of Director. The policies on honest operations are specified in these procedures. The team promoting honest operations and social responsibilities is responsible for formulating and supervising execution of policies for honest operations and preventive proposals, which are regularly reported to the Board of Director once a year.</td></tr>
<tr><td>Company governance</td><td>Legal compliance</td><td>Implement an internal control mechanism for ensuring that all of the Company’s personnel and operations comply with relevant laws, rules and regulations.</td></tr>
</table></td><td></td></tr>
<tr><td>III. Environmental Issues
(I) Has the Company established an appropriate environmental management system based on its industry characteristics?</td><td>✓</td><td></td><td>(I) The Company is a professional manufacturer of special ferrite cores, multilayer chip inductors/ beads for suppressing EMI. Its environmental quality management is performed in compliance with RoHS, SONYSS-00259 and REACH 73. It has been certified by ISO14001 environmental management system. In its raw materials, processes, products and services, it is dedicated to decreasing hazardous chemical substances, creating environment for sustainable operations, and developing products and services to the satisfaction of customers.</td><td>Conformance</td></tr>
<tr><td>(II) Does the Company endeavor to upgrade the efficient use of available resources, and the use of environmental-friendly materials?</td><td>✓</td><td></td><td>(II) The Company has been certified by the management system for QC08000 hazardous substances. It is also dedicated to increasing value of residues remaining in its production processes. It appropriately and separately stores wastes, and entrusts a waste treatment organization recognized by the Environmental Protection Department to clear the wastes. Internally, the Company classifies wastes and recycles resources. It continuously promotes measures for reducing, recycling and reusing wastes, for the purpose of decreasing wastes.</td><td>Conformance</td></tr>
</table>

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<tr><td>(III) Does the company evaluate the present and future potential risks and chances at that climate change brought on the company and take measures accordingly?</td><td>✓</td><td></td><td>(III) The Company actively creates green supply chains and promotes production of green products in response to climatic changes. It sets objections on carbon emission reduction and fosters its abilities to respond and prevent disasters, to protect its business operations against climatic changes.
A list of the Company's risks related to climatic changes is prepared as follows:
<table>
<tr><th>Item</th><th>Orientation</th><th>Impact description</th><th>Responding measures</th></tr>
<tr><td rowspan="3">Climate-related risks</td><td>Increase in energy prices</td><td>Owing to requirements for decreasing greenhouse gases, the Company faces pressure in energy prices and improvement of equipment effectiveness. As a result, cost of energy utilization increases.</td><td>(1) Set annual measures for saving electricity
(2) Promote measures for saving energy and reducing carbon emissions</td></tr>
<tr><td>Energy/environmental laws and regulations</td><td>Increase operating/ manufacturing costs, fines, increased litigation cases, and asset impairment losses caused by policy changes</td><td>(1) Enhance awareness, education and training on laws and regulation
(2) Continuously pay attention to and identify impacts of change trends of laws and regulations</td></tr>
<tr><td>Extreme climate events occur more frequently</td><td>Extreme climate events will cause property and equipment losses. They would even result in interruption of operations</td><td>(1) Implement a mechanism for handling major abnormalities
(2) Continuously supervise suppliers' responsive</td></tr>
</table></td><td>Conformance</td></tr>
</table>

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<tr><td></td><td></td><td></td><td>planning and drills on extreme climate events</td></tr>
<tr><td>Climate-related opportunities</td><td>Market transformation/technology development</td><td>Develop low-carbon products and encourage suppliers to use low-carbon technical processes; create more opportunities for entering related markets</td><td>(1) Evaluate and develop low-carbon products and markets
(2) Encourage suppliers to use low-carbon technologies and production processes</td></tr>
</table></td><td></td></tr>
<tr><td>(IV) Does the Company prepare 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?</td><td>✓</td><td></td><td>(IV) The Company annually performs greenhouse gas inventories of the Taiwan parent company to control total quantity of water and wastes. It announces related inventory results of the past two years on its website. It has started formulating strategies for saving energies, reducing carbon emissions and decreasing greenhouse gases in 2016. For the latest period, 2019 is taken as the base year, and planning is performed every four years. The Company plans to attain the goal of reducing carbon emissions by 1% per unit of operating revenue in 2023 to save electricity in an environment-friendly manner, in order to decrease harms to ecological environment. Compared with those in 2021, the Taiwan parent company’s general carbon emissions increased by 0.96% in 2022. Due to higher production capacity and greater electricity consumption, energies are continuously monitored.
The Company strategically decreases total quantity of wastes and makes wastes resource-oriented. It implements measures for source management like process and technology improvements, so as to attain strategic goals of waste reduction. It plans to reduce wastes per unit of products by 3% (with 2019 as base year) in 2023. Compared with 2021, Taiwan parent company’s general and hazardous wastes increased by 8.01% and 23.8% respectively in 2022 because of greater production needs. It will perform constant monitoring and management of wastes. As to planning of water conservation, it will completely save water from daily lives, import a wastewater system into a recycling system, and utilize circulating water as process water to increase water production. It uses water resources available for creating greater benefits and plans to decrease its water consumption by 2% in 2023 (with 2019 as base year). Compared with 2021, its water consumption increased by 7.9% in 2022, and additional RO recovery system will be reused to save water. In addition, the</td><td>Conformance</td></tr>
</table>

Evaluation Item	Status (Note 1)			Deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Summary description (Note 2)	
			Company has achieved specific promotion outcomes including mounting water-saving toilet devices, gradually replacing power-saving LED tubes, installing variable-frequency drives for air conditioner fans in factories, and amounting solar power generation equipment on factory roofs, in hope of reducing greenhouse gases, decreasing water use and cutting total quantity of wastes.	
IV. Social Issues (I) Has the Company established related policies and procedures in accordance with applicable legal rules and the International Convention on Human Rights?	✓		(I) The Company has formulated work rules and related personnel management rules based on labor rules, so as to protect employees' rights and interests. It also refers to the International Declaration of Human Rights, respects internationally recognized labor and human rights, and develops appropriate management measures, in order not to harm fundamental rights of labor workers. 1. Evaluation of human rights: In striving for sustainable operations, the Company also assumes social responsibilities for employees, consumers and general environment. To keep its commitment for providing safe and healthy workplaces, it sets operations of managerial personnel and occupational safety according to related laws and regulations. It also annually and regularly entrusts professional organizations to perform tests in the factory, and evaluate environmental risks of businesses. 2. Concerns and practices on human rights: (1) Provide safe and healthy work environment: (2) The Company has been reviewed and verified by ISO 14001 (environmental management system). It provides safe work environment for its employees. (3) In addition to providing safe and healthy work environment in accordance with laws and regulations, the Company has also set up a special department in charge of occupational safety and health. It annually and regularly conducts education and training on safety, health and firefighting. It adopts necessary preventive measures to prevent disasters, so as to decrease risks of work environment, please refer to the "Protection Measures for Work Environment and Employee Occupational Safety" on pages 104~105 of the Labor Relations section. 3. Specific measures for protecting human rights: The Company's employment policies have been formulated based on employment laws/regulations as well as laws on gender and employment equality. It never employs children or illegal labor workers and bans sexual harassment. It provides work environment for ensuring employees' equity/human rights and protecting them against discrimination. The Company's "Declaration on Prohibition of Workplace Violence, "Guidelines for the Prevention of Sexual Harassment Complaints and Investigations" have been posted on the Company's bulletin board and website for employees' reference. The Company also follows the "Guidelines for Prevention and Management of Unlawful Infringement in the Performance of Duties" published by the Occupational Safety and Health Administration of the Ministry of Labor to ensure that employees are protected from discrimination and harassment in 2022 occur.	Conformance

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<tr><th>Yes</th><th>No</th><th>Summary description (Note 2)</th></tr>
<tr><td></td><td></td><td></td><td>Statistics on the percentage of female employees in our company in FY2022:
<table><tr><td>Indicators</td><td>Percentage %</td></tr><tr><td>Women as a percentage of total employees (%)</td><td>58.23%</td></tr><tr><td>Percentage of female executives in management positions (%)</td><td>5.22%</td></tr></table>Specific outcomes of the Company are as follows:
(1) Inclusiveness and equal opportunities: No languages, attitudes or behaviors for differential treatment of employees because of their gender, race, social status, age, marital status, family conditions, language, religion, nationality, appearance, sense organs, physical or mental barriers, etc.
(2) Reasonable working hours: In order to ensure that employees are not exposed to the risk of excessively long working hours, the Company specifies the working hours and extended working hours in the “Work Rules for Employees” in accordance with the Labor Standards Act, and regularly tracks and manages the attendance status of employees.
(3) Healthy and safe workplaces: In order that its employees will not be exposed to risks of potential health impacts under their workplace environment, the Company performs health checks for its employees pursuant to related laws/regulations on workplace safety, and plan improvements based on annual health checks.</td><td></td></tr>
<tr><td>(II) Does the company establish and implement reasonable employee compensation policies (including the remuneration, leave policies, and other welfares) and offer incentives according to operational performance or outcome?</td><td>✓</td><td></td><td>(II) The Company’s compensation rules are generally drafted based on employees’ positions, its business operations and market salary level within the industry. It increases salary or promotes those employees who perform well according to their work outcomes. In addition, it attaches great importance to workplace equality between male and female employees. It gives the same pay and promotion opportunities for the same work. Besides, the Company appropriately reviews its compensation rules from time to time, so as to balance its sustainable operations and risk control. For measures related to employee benefits, refresher training and retirement system, please refer to the section on labor relations in Chapter Five (Business Overview).</td><td>Conformance</td></tr>
<tr><td>(III) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?</td><td>✓</td><td></td><td>(III)Before they are fully trained, the new employees must not operate machines, and workplaces are mostly supervised by supervisors on site. Health and safety education programs are quarterly delivered. Professional medical practitioners are invited to provide resident consultations in the factory every two months, to ensure workplace safety. In addition, a health check is regularly performed for employees every year. Besides, special health check is conducted for employees engaged in special operations, to ensure employees’ health. At the same time, fire safety drills are conducted twice a year. In FY2022, 212 employees participated in 2 hours of training</td><td>Conformance</td></tr>
</table>

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	Yes	No	Summary description (Note 2)	
			to strengthen the emergency response capability of employees. The Company also has a management system and a safety and health management system in place that comply with governmental safety and health regulations. Furthermore, the Company makes every effort to prevent and mitigate any obvious impacts that may cause environmental pollution, loss of safety, property damage, personal injury or illness. The Company sets targets for occupational safety and health risk control, energy and resource conservation, industrial waste reduction and risk control, and carries out continuous improvement measures to achieve a zero-hazard work environment for clean production. The frequency of incapacitating injuries was higher in FY2022 than in FY2021, with four occupational accidents involving four employees (1.72% of the total number of employees at the end of FY2022), including traffic injuries, among which the number of traffic injuries increased from 2 in FY2021 to 3 in FY2022. The Company has strengthened the road safety concept for our employees. Another additional workplace accident case involved an operator's personal error during work that resulted in crushing foot injuries sustained. Relevant measures have been enforced to improve the workplace environment. Prevent occupational hazards. The management objectives of occupational hazards are workplace safety and no disaster. Low incidence of work-related injuries is one of key indicators for evaluating employees’ health and safety. Therefore, the departments regularly patrols and audits workplace safety. All deficiencies detected are included in environmental safety and health management and tracking, to ensure improvement and prevent recurrence. The departments have formulated related management rules. Different types of occupational health and safety training is conducted pursuant to practical needs. In 2021, 251 employees received education and training. The total training hours were up to 753. In 2022, 766 employees underwent education and training. The total training hours were 101.5. In 2022, the Company sets automated external defibrillators (AED) to ensure that all employees could obtain necessary emergency rescue within the golden rescue deadline. Education and training programs are also irregularly performed to teach employees how to operate equipment.	
(IV) Has the Company provided effective training in career planning for employees?	✓		(IV) The Company attaches importance to employee training and development. To provide its employees with definite blueprints for their career development, the Company invests sufficient resources in training the employees. The Company plans its employees’ training from their induction. It introduces its corporate policies, concepts for sustainable development and related policies. Subsequently, it provides training programs for the employees according to their functions.	Conformance
(V) Regarding issues such as customer health and safety, customer privacy, and marketing and labeling of products	✓		(V) The Company has disclosed phone number/email address for related complaints as well as related declaration rules on its website. It has developed channels for	Conformance

Evaluation Item	Status (Note 1)			Deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Summary description (Note 2)	
and services, does the Company comply with relevant regulations and international standards, and formulate relevant consumer and customer protection policies and complaint procedures?			protecting consumer rights and interests, to safeguard related people's rights. In addition, the Business Department takes charge of handling customer complaints, and performs annual customer satisfaction survey as basis for continuous improvement.	
(VI) Has the Company formulated supplier management policies, where suppliers are required to follow relevant regulations on issues such as environmental protection, occupational safety and health or labor and their implementation?	✓		(VI) The Company's Management Department has formulated Manufacturer Management Procedures, and adopts standards of the Electronic Industry Citizenship Coalition (EICC). According to the Company's requirements, manufacturers of its supplier chain shall satisfy conditions for environmental protection, safety, health, labor workers' human rights and labor work. All products delivered by the suppliers must conform to RoHS / SS-00259 (ten major hazardous substances) and HSF. Meanwhile, the suppliers shall provide third party certification reports. Only in this way can they become qualified suppliers of the Company, to ensure that the raw materials purchased satisfy the Company's requirements for green products, in order to stabilize quality and services of the Company's incoming materials, delivery quality and environmental management capabilities. The Company is also dedicated to making commitments to suppliers regarding sustainable development and striving to drive sustainable development in environmental protection. In addition, trading objects are evaluated based on if they have any records impacting environment and the society and in combination with international environmental laws and regulations as well as customer requirements as basis for deciding whether to conclude prior transactions for procurement. If any suppliers violate the Company's policies for sustainable development and impose significant impacts upon environment, in performing regular review of its suppliers, the Company will reduce its dealings with these suppliers, look for other suppliers as their substitutes, or directly ban them from making purchases.	Conformance
V. Does the Company refer to the internationally-prepared reporting standards or guidelines, preparation of sustainability reports and other reports that disclose the Company's non-financial information? Is the above-mentioned report assured or certified by a third-party inspector?		✓	The Company has not prepared any sustainability report, but it has strengthened its disclosure of its non-financial information and related data on its website for reference by related stakeholders. In the future, the sustainability reports will be also prepared according to situation.	In the future, the reports will be prepared dependent upon situation

VI. If the Company has its own sustainable development code in accordance with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe the differences between its operation and the Principles:

The Company has formulated the Code of Practice for Sustainable Development, and its business operations don't materially deviate from such code.

VII. Other important information helpful for promoting sustainable development:

1. Environmental protection: Apart from keeping up with design and manufacturing trends, the Company regularly delivers its products to SGS to test concentration of hazardous substances in electrical and electronic equipment under RoHS according to RoHS, customers' and the Company's requirements for HSF, to ensure that its products comply with pertinent international laws/regulations and customer requirements. The Company has been also certified by ISO 9001 quality management system, IECQ QC080000 and ISO 14001 environmental management system. It undertakes to perform environmental protection laws/regulations and environmental protection policies on sustainable green production. It also enforces Waste Disposal Act,

Evaluation Item	Status (Note 1)			Deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and causes thereof
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Water Pollution Control Act, Air Pollution Control Act, other laws and regulations to prevent and control pollution, in order to protect environmental quality. In addition, the Company has actively responded to governments' green energy policies. At the end of 2016, it took advantage of the factory's roof space to mount solar panels and power generation devices on the roofs. From 2017 to 2022, its total power generation was up to 2,764,218KWH. The Company has actually taken actions to support power generation with green energies, in order to make contributions to sustainable environmental development.

2. Community participation, social contribution, social services and social public welfare:
   The Company takes part in educational, public welfare and cultural activities to practice its social responsibilities. The outcomes it achieved in 2021 were as follows:
   Adoption of green spaces: The Company has adopted green spaces with an area of $260m^2$, 7 street trees and related flower shrubs within Pingzhen Industrial Park for years, where the Company's manufacturing plant is located, thus making joint contributions to the greening of the industrial park.
   Consumer rights and interests: While understanding customer satisfaction, the Company ensures that it is favored by existing and potential customers. It improves its competitive strengths with active, swift and effective high-quality services.
   Encourage employees to participate in cultural and creative activities: The Company has signed a special contract with a well-known Taiwanese cultural and creative brand to encourage employees to participate in related activities during their leisure time.
   Support cultural and creative activities: The Company also actively participates in cultural and creative activities by setting up art corridors in public spaces and holding 5 painting exhibitions in FY2022, hoping to drive the development of the overall cultural and creative landscape in order to fulfill our corporate social responsibility.
   Talent recruitment: The Company attracts talented people through multiple recruitment channels, such as job banks and campus/county government recruitment activities. The Company gives priority to local talents in hiring, and our new employees are mainly from the Taoyuan area. The Company also provide a dormitory free of charge to employees who live in faraway places to take care of their living needs.
3. Human rights: All employees of the Company are given equal employment opportunities regardless of their gender, religion and faction. The Company has established Essential Points for Preventing, Complaining about, Investigating and Handling Public Sexual Harassments, to protect employees from discrimination and harassment.
4. Safety and health: The Company complies with governmental laws and regulations on labor workers' safety and health. It appoints labor and health safety managers to carry out safety and health work. Related details are specified in the code of work for labor safety and health.
5. Relationships with investors: The Company has set up "Investors" and "Interested Parties" on its website. It has set a window for contacting investors and disclosed related important information. It has also provided Q&A sets for investors' reference, to enhance investors' understanding of the Company.
6. Relationships with suppliers: The Company is devoted to introducing the concept of "green products". It systematically manages and tracks all raw materials it uses. It annually performs field or regular review of suppliers, to ensure quality of their incoming materials and environmental management capacity.

Note 1: If "yes" is ticked in respect of the execution, please specify adopted important policies, strategies, measures and their execution. In case that "no" is ticked with respect to the execution, please explain the deviation and the cause in the column on "Deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Causes thereof", and indicate the plan for implementing related policies, strategies and measures in the future. However, in relation to Promotion Items 1 and 2, listed companies should describe the governance and supervisory framework for ESG development, including but not limited to the management approach, strategy and goal setting, review measures, etc. Also, describe the Company's risk management policies or strategies on environmental, social and corporate governance issues related to operations, and their evaluation.

Note 2: The principle of materiality refers to the fact where environmental, social and corporate governance issues pose a significant influence on the company's investors and other interested parties.

(VI) Ethical Corporate Management Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary description	
I. Establishment of ethical corporate management policies and programs				
(I) Has the Company specified its policy and method for the implementation of ethical corporate management in its internal rules and regulations and external documents, and have the Board and the management of the Company promised to pursue the policy of ethical corporate management?	✓		(I) The Company's executive management always acts in good faith, and conducts businesses for maximizing benefits of shareholders and employees. The Company has prepared the Procedures for Ethical Corporate Management Best Practice Principles, which have been approved by the Board of Director. The policies on honest operations are specified in these procedures. The team promoting honest operations and social responsibilities is responsible for formulating and supervising execution of policies for honest operations and preventive proposals, which are regularly reported to the Board of Director once a year.	Conformance
(II) Does the Company establish appropriate system to analyze risks of unethical conducts, periodically analyze and evaluate business activities with high potential for unethical conducts and establish prevent measures accordingly, or listed activities stated in Article 7, Paragraph 2 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies?	✓		(II) The Company has formulated Procedures for Ethical Corporate Management Best Practice Principles and Whistle Blowing System. It has designated phone number and email address for the outsiders to file complaints. It is also specified that the Company, its directors, managerial personnel and employees must not offer or receive bribe, or provide illegal political contributions. Besides, the Company regularly reviews relatively risky behaviors, strengthens its preventive actions and reviews effectiveness of its preventive measures within its business scope.	Conformance
(III) Does the Company establish and implement the operational procedures, conduct guidelines, penalty for violation of rules, and complaint mechanism to prevent unethical behaviors and regularly review and amend the existing practice?	✓		(III) The Company has specified its proposal for preventing dishonest acts in the above rules. Its internal control mechanisms and sign-off procedures have covered preventive measures against dishonest behaviors, to ensure effective prevention and discovery of corruption. It also regularly reviews related measures and actively satisfies pertinent requirements for amendment of laws and regulations.	Conformance
II. Fulfill operations integrity policy				
(I) Does the Company assess a trading counterpart's ethical management record and expressly state the ethical management clause in the contract to be signed with the trading counterpart?	✓		(I) Before conducting business practices with its agents, suppliers, customers and other business counterparties, the Company evaluates if these counterparties are lawful and whether any records have been kept in respect of their dishonest bahaviors. It also includes honest operations in its business contracts. Suppliers of the Company shall also respect and comply with the Company's moral standards and cultures. They must sign the Incorruption Commitment of KING CORE ELECTRONICS INC. If any supplier is found to have committed any illegal act, its transaction will be banned immediately, and pertinent necessary measures will be adopted to guarantee equality of transactions.	Conformance
(II) Does the Company establish an exclusively dedicated unit supervised by the Board to be in charge of corporate integrity, and periodically (at least once a year) report to the Board about its integral policy for management, the policy to prevent unethical conducts, and how the implementation is being supervised?	✓		(II) The Company has formulated the Procedures for Ethical Corporate Management Best Practice Principles and designated a group for promoting honest operations and social responsibilities. The Chairman shall act as	Conformance
				Conformance

Evaluation Item	Implementation Status: Yes	Implementation Status: No	Implementation Status: Summary description	Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
(III) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it? (IV) Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis? (V) Does the Company hold education training in ethical corporate management inside and outside the Company on a regular basis?	✓ ✓ ✓		convener. The department personnel on duty shall perform related operations, including modification, execution, consultation, education and training of and about the Ethical Corporate Management Best Practice Principles. The execution results are annually presented to the Board of Director. (III) The Company has formulated the employee codes of conduct to ban its employees from using their powers or seizing chances in their positions or requiring money, articles or other illegitimate benefits, to prevent dishonest conducts. In concluding transactions with stakeholders, the Company shall not offer them any conditions more favorable than other similar objects. The Company also provides smooth communication channels (internal independent complaint mailbox, special line, etc.). Its employees can report via multiple channels or through management and the Personnel Department. (IV) The Company formulates rigorous accounting system and internal control system. It has special Accounting Department and appoints internal auditors. Annual audit is performed according to the annual audit plan to regularly audit execution and implementation. Besides, audit reports are prepared and presented to the Board of Director. (V) To advocate and promote honest acts, the Company conducts irregular education and training on the Code for Honest Operations by way of monthly meetings, announcements or department meetings, etc. Related rules are announced on the Company's website so that they may be looked up by the employees anytime. In 2022, the Company organized internal and external education and training related to ethical management issues (including promotion of laws and regulations, safety and health management, accounting systems, internal controls, and other related courses) in respect of 959 trainees for a total of 156 hours.	Conformance Conformance
III. Operation of the integrity channel (I) Does the company have a specific accusation and reward system, establish a convenient accusation channel, and assign appropriate personnel to the accused person? (II) Has the company established the standard operating procedures for investigation of accused matters, follow-up measures after investigation and the relevant confidentiality mechanism?	✓ ✓		(I) The Company has established a Whistle Blowing System. It has created internal independent whistle blowing mailbox and special line on the corporate and internal websites of the Company. It pays bonuses dependent upon seriousness of the whistle blown circumstances. The employees may handle related matters with special responsible units through multiple channels, or report to the management and the Personnel Department. (II) The Company shall keep the whistleblowers' identity and reports confidential according to the Procedures for Ethical Corporate Management Best Practice Principles and the Whistle Blowing System. The whistleblowers shall at least provide the following information: I. The whistleblowers' addresses, phone numbers and mailboxes can be acquired through their names and ID numbers.	Conformance Conformance

Evaluation Item	Implementation Status: Yes	No	Summary description	Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
(III) Has the Company taken measures to protect whistle-blowers from retaliation due to reporting?	✓		II. The informed party's name or other information sufficient to distinguish its identifying features; III. Specific facts available for investigation. If anything illegal or improper is detected upon investigation of what have been reported, punishments may be inflicted or the cases may be transferred to judicial authorities for investigation in accordance with the Company's personnel management rules. (III) Related personnel of the Company coping with the reported matters shall declare in writing that they will keep the whistleblowers' identity and reports confidential. They shall undertake to protect the whistleblowers from being inappropriately punished for their whistle blowing.	Conformance
IV. Strengthening information disclosure (I) Does the company disclose the content and promotion effect of its ethical corporate management best-practice principles on its website and the MOPS?	✓		(I) To develop corporate cultures for honest operations and achieve sound development, the Company has prepared the Procedures for Ethical Corporate Management Best Practice Principles and disclosed them in the special investor section of its website. In addition, it instantly, publicly and transparently discloses its news on MOPS in time.	Conformance

V. For the companies which have established corporate social responsibility code of conducts in accordance with the "Corporate Governance Best-Practice Principles for TWSE and TPEX Listed Companies", please describe the current practices and any deviations from the code of conduct:

The Company has formulated the Procedures for Ethical Corporate Management Best Practice Principles. Its business operations shall not materially deviate from these principles.

VI. Other important information which helps to understand the implementation of the Company's ethical management: (E.g. the Review and amendment of the Company's Ethical Management Best Practice Principles):

1. Perform the obligation of abiding by laws and regulations towards the Public Service Department: The Company shall comply with the Company Act, Securities Exchange Act, Business Entity Accounting Act, Political Donations Act, Anti-Corruption Statute, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest, TWSE/GTSM listing rules, or other laws or regulations regarding commercial activities, as the underlying basic premise to facilitate ethical corporate management.
2. Perform responsibilities for faithful transactions towards customers and suppliers: The Company has been consistently thanking and respecting the suppliers. All of its business transactions are equally and transparently concluded. All customers or suppliers are granted equal and reasonable interests to create a win-win situation.
3. Perform responsibilities for honest operations towards shareholders: The Company loyally treats its shareholders with care. It instantly and fully disclose correct information, to create the highest value for all shareholders through robust business operations.
4. Prevent directors, managerial personnel or staff from committing acts against good faith: The Company has formulated Management Procedures for Preventing Insider Trading, Rules of Procedure for Board of Directors' meetings, Procedures for Ethical Corporate Management Best Practice Principles, Code of Ethical Conduct, Whistle Blowing System and internal control system. It regularly educates/trains its staff and evaluate them regarding ethical practices, in order that the directors, managerial personnel or staff will loyally conduct businesses, avoid directly or indirectly undertaking to grant, require or receive illegitimate benefits in any form, including rebate, commission, fees for improving relationships, or otherwise prevent them from offering or receiving illegitimate benefits to or from customers, agents, contractors, suppliers, civil servants or other stakeholders.
5. The Company's organization of education and training for preventing insider trading: In 2022, the Company arranged 5 directors to participate in external training and education for preventing insider trading for 15 hours in total. The Company also irregularly sends educational and promotional materials related to insider trading to all directors and managerial personnel of the Company for reference by email.

(VII) If the Company has established corporate governance principles or other relevant guidelines, references to such principles must be disclosed: Please refer to MOPS (http://mops.twse.com.tw/公司治理) or the Company's website (http://www.kingcore.com.tw).

(VIII) Other important information that is sufficient to improve the understanding of corporate governance operations:

The Company has formulated Management Procedures for Preventing Insider Trading, Procedures for Ethical Corporate Management Best Practice Principles, Code of Ethical Conduct, Corporate Governance Best-Practice Principles and Best-Practice Principles for Sustainable Development as criteria which shall be followed by directors, managerial personnel and employees when they act. The laws, regulations and orders, etc. which shall be followed by the Company's directors, managerial personnel and employees in respect of insider trading shall be specified as well.

(IX) Disclosure of internal control system

1. Internal Control Declaration:

KING CORE ELECTRONICS INC.

Internal Control Declaration:

Date: February 20, 2023

The Company hereby states the results of the self-evaluation of the internal control system for 2022 based on the findings of the self-assessment:

I. King Core Electronics Inc. is fully aware that the board of directors and the managerial personnel are responsible for the establishment, implementation, and maintenance of the internal control system and it is established accordingly. The purpose of establishing the internal control system is to reasonably ensure the fulfillment of operation effect and efficiency (including profit, performance, and protection of assets safety), financial report reliability, and compliance.

II. The internal control system is designed with inherent limitations. No matter how perfect the internal control system is, it can only provide a reasonable assurance to the fulfillment of the three objectives referred to above. Moreover, the effectiveness of the internal control system could be affected by the changes of environment and circumstances. The internal control system of King Core Electronics Inc. is designed with a self-monitoring mechanism; therefore, corrective actions will be activated upon identifying any nonconformity.

III. King Core Electronics Inc. has assessed the effectiveness of the internal control system design and implementation in accordance with the criteria provided in the “Regulations Governing Establishment of Internal Control Systems by Public Companies” (referred to as “the Regulations” hereinafter). The criteria defined in “the Regulations” include five elements depending on the management control process: (1) environment control, (2) risk assessment, (3) control process, (4) information and communication, and (5) supervision. Each of the five elements is then divided into a sub-category. Please refer to “the Regulations” for details.

IV. King Core Electronics Inc. has implemented the criteria of the internal control system referred to above to inspect the effectiveness of internal control system design and implementation.

V. Based on the examination results in the preceding paragraph, the Company is of the opinion that, as of December 31, 2022, the internal control system (including the supervision and management of subsidiaries), including design and implementation of the internal control system related to effectiveness and efficiency of operations, reliability, timeliness, and transparency of reporting, and compliance with applicable laws and regulations, is effective and can reasonably assure achievement of the foregoing goals.

VI. The statement of Internal Control System is the main content of the Company’s annual report and published prospectus. Any falsification and concealment of the published content referred to above involves the liability illustrated in Article 20, Article 32, Article 171, and Article 174 of the Securities Exchange Act.

VII. This statement was approved by the Board of Director on February 20, 2023, and out of eleven directors present, none posed objection to it, and all consented to the content expressed in this statement.

King Core Electronics Inc.

Chairman: Yang Cheng-Li

General Manager: Tsai Yuh-Chiang

2. The internal control audit report issued by the CPA commissioned to conduct an internal control audit, if any: None.

(X) If there has been any legal penalty against the Company or its internal personnel, or any disciplinary penalty by the Company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report, where the result of such penalty could have a material effect on shareholders' equity or securities prices, please disclose the penalty, main shortcomings, and condition of improvement: None.

(XI) Resolutions reached in the shareholder's meeting or by the Board of Directors during the most recent year and up to the date of publication of the annual report:

1. Important matters resolved at the 2022 general shareholders' meeting (May 26, 2022):
   (1) Ratification of 2021 Business Report and financial statements.
   (2) Acknowledgment of 2021 earnings distribution proposal.
   (3) Resolution for amending some articles of the Procedures for Acquisition or Disposal of Assets.

2. Implementation of the resolutions of the shareholders' meeting:
   (1) Ratification of 2021 Business Report and financial statements.
   Implementation progress: Passed the resolution.
   (2) Acknowledgment of 2021 earnings distribution proposal.
   Implementation progress: It was resolved that June 29, 2022 should be base date for distribution, and July 15, 2022 should be payment date of cash dividends (NT$ 0.85 per share to be distributed in cash). The distributions have been completed.
   (3) Resolution for amending some articles of the Procedures for Acquisition or Disposal of Assets.
   Implementation progress: A resolution was passed and actions were implemented according to the amended procedures.

3. Important resolved matters of the Board of Director in 2022 and as of publication date of the annual report: The Company held a total of five Board of Directors' meetings in 2022 and as of publication date of the annual report. Important resolutions of the meetings are excerpted as follows:

3rd meeting of the 13th Board of Director (February 21, 2022):
(1)Proposal for presentation of the Company's 2021 "Statement of Internal Control System" was approved by resolution.
(2) 2021 remuneration proposal for employees and directors was approved by resolution.
(3) Proposal on 2021 business report and financial statements was approved by resolution.
(4) 2021 earnings distribution proposal was approved by resolution.
(5)Proposal for amending the Company's Procedure for Acquisition or Disposal of Assets was approved by resolution.
(6)Proposal for amending and renaming partial provisions of the Company's CSR Practice Principles was approved by resolution.
(7) Proposal for convening 2022 general shareholders' meeting was approved by resolution.
(8)Proposal for applying to the First Commercial Bank for extending credit line was approved by resolution.

4th meeting of the 13th Board of Director (May 9, 2022):
(1) Consolidated financial report of Q1, 2022 was approved by resolution.
(2)Determination of base date for issuing new shares for increasing employee remuneration was approved by resolution.

5th meeting of the 13th Board of Director (August 8, 2022):
(1) Proposal for changing the Company's certified public accountants was approved by resolution.

(2) Consolidated financial report of Q2, 2022 was approved by resolution.
(3)Matters resolved at the 3rd meeting of the 5th Remuneration Committee were approved by resolution.

6th meeting of the 13th Board of Director (November 8, 2022):
(1)Proposal for amending some articles of the Company's Rules of Procedure for Board of Directors' meetings was approved by resolution.
(2)Proposal for amending some articles of the Procedures for Prevention of Insider Trading was approved by resolution.
(3) Proposal on the Company's consolidated financial report of Q3, 2022 was approved by resolution.
(4) 2023 audit plan of the Company was approved by resolution.

7th meeting of the 13th Board of Director (February 20, 2023):
(1)Proposal for presentation of the Company's 2022 "Statement of Internal Control System" was approved by resolution.
(2) 2022 remuneration proposal for employees and directors was approved by resolution.
(3) Proposal on 2022 business report and financial statements was approved by resolution.
(4) 2021 earnings distribution proposal was approved by resolution.
(5) Resolved to approve the Company's 2023-year plant expansion plan.
(6) Resolved to approve the establishment of a Corporate Governance Officer for the Company.
(7)Proposal for amending the Company's Procedure for Articles of Incorporation was approved by resolution.
(8)Proposal for amending the Company's Procedure for Rules of Procedure for Shareholders' Meetings was approved by resolution.
(9)Resolved to adopt the proposed general policy for pre-approved non-assurance services of the Company.
(10)Resolved to approve the appointment of auditors and non-audit attesting accountants for FY2023 and the evaluation of independence of the Company.
(11) Proposal for convening 2023 general shareholders' meeting was approved by resolution.
(12)Proposal for applying to the First Commercial Bank for extending credit line was approved by resolution.

(XII) If the directors' or supervisors have raised any objections on important resolutions of the Board of Director which have been documented or stated in writing in the last year and as of the publication and printing date of the annual report, the main content should be reported: None.

(XIII) If any resignation or dismissal of the Company's chairman, general manager, chief accounting officer, chief financial officer, chief internal audit officer, chief corporate governance officer, or chief research and development officer has occurred in the last year and as of the publication and printing date of the annual report, summary of such cases should be made: None.

V. Information on CPA professional fees

Information on CPA professional fees

Units: NT$ thousand

Title of the CPA agency Leader of EY Taiwan	Name of CPA	Audit period	Audit fee	Non-Audit fee	Total	Remark
Ernst & Young, Taiwan	Lin Cheng-Wei Chen Kuo-Shuai	2022	2,220	113	2,333	Internal work adjustment

Please specify services not covered by non-audit fees in detail: (e.g. tax certification, authentication or other financial advisory services):

Services not covered by non-audit fees include business tax auditing and certification, inventory scrapping and overseas stocktaking.

Note: If the Company changes accountants or the accounting firm in the current year, please present the audit period, indicate the reason for change in the remark column, and disclose information on paid audit/non-audit fees in order. For non-audit services, corresponding services shall be indicated in the notes.

(I) The non-audit fees paid to certified public accountants, the firm where such certified public accountants work and its affiliated enterprises account for more than a quarter of the audit fee: None.

(II) The Company changes its accounting firm and the amount of audit fees paid during the year in which the change is made are lower than those for the previous year: None.

(III) The amount of audit fees paid is lower than for the previous year by more than 10%: None.

VI. Replacement of CPA:

(I) Former CPA:

Date of change	Approved at the Board of Director meeting on August 8, 2022		
Reasons for Changing the CPA firms	In FY2022, due to internal job rotations of the audit firm, the attesting CPAs of the Company were changed from Chen Kuo-Shuai and Hong Mao-Yi to Lin Cheng-Wei and Chen Kuo-Shuai.		
Illustration about termination of the term of CPA or declining the appointment	Parties concerned	CPA	Appointer
	Termination of appointment	Not applicable.	Not applicable.
	Declining the extension of the appointment	Not applicable.	Not applicable.
The review report stating opinions other than unqualified opinion and the reasons over the past two years	None		
Any disagreement on the issuers' opinions	Yes		Accounting principle and practice
			Disclosure of financial statement
			Range and steps of auditing measures
			Others
	None	V	
	Illustration		
Disclosure of other matters (Those disclosed under Items 1-4 and 1-7, Subparagraph 6 of Article 10 hereunder)	None		

(II) Succeeding CPA:

Title of the CPA firm	Ernst & Young, Taiwan
Name of CPA	Accountants Lin Cheng-Wei and Chen Kuo-Shuai
Appointment Date	Approved at the Board of Director meeting on August 8, 2022
The suggested item and result about specific accounting methods or accounting principles and the financial statement before the appointment.	None
The document recording the opinions of former CPA that is disagreed by the successive CPA.	None

(III) Former CPA's reply to Point 3, Items 1 and 2, Subparagraph 5, Article 10 hereunder: Not applicable.

VII. Information on Chairman, General Manager, or financial or accounting managerial personnel of the Company who has worked with the CPA firm which conducts the audit of the Company or affiliate to such firm in the past year: None.

VIII. The transfer of equity interests and pledge of or change in equity interests by a director, supervisor, managerial personnel, or shareholder with a stake of more than 10% during the most recent fiscal year or as of the publication date of the annual report

(I) Equity transfer and pledge change of directors, supervisors, managerial personnel, and major shareholders

Unit: shares

Position	Name	2022		As of April 2, 2023	
		Increase (reduction) in the number of shares in possession	Increase (reduction) in the number of pledged stocks	Increase (reduction) in the number of shares in possession	Increase (reduction) in the number of pledged stocks
Chairman	Yang Cheng-Li	0	0	(806,000)	0
Vice Chairman	SHENG BAO INVESTMENT CORP. Legal representative: Chen Cheng-Han	13,608	0	0	0
Director	Chuang Yung-Shun	0	0	0	0
Director	Liu Ming-Hsiung	0	0	0	0
Director	Kuo Kun-Chang	0	0	0	0
Director	Hsieh Yu-Tien	0	0	0	0
Director	SHENG BAO INVESTMENT CORP. Legal representative: Shyu Lih-Hwa	0	0	0	0
Director	SHENG BAO INVESTMENT CORP. Legal representative: Tsai Yuh-Chiang	16,359	0	0	0
Independent Director	Huang Hsu-Nan	0	0	0	0
Independent Director	Wang Chia-Ho	0	0	0	0
Independent Director	Chan Yun-Hao	0	0	0	0
Vice General Manager of Manufacturing Department	Tseng Tseng-Chuan	12,341	0	(11,000)	0
Vice General Manager of Management	Ho Kun-Wei	0	0	Not applicable.	Not applicable.

Position	Name	2022		As of April 2, 2023	
		Increase (reduction) in the number of shares in possession	Increase (reduction) in the number of pledged stocks	Increase (reduction) in the number of shares in possession	Increase (reduction) in the number of pledged stocks
Department(Note)					
Chief Financial Officer and Accounting Officer	Yeh Mei-Ling	6,348	0	(2,000)	0
Senior Director of R&D Department	Huang Yi-Hong	0	0	0	0
Senior Director of Quality Assurance Department	Wu Ping-Hsun	(378)	0	0	0
Senior Director of Management Department	Lin Yu-Chao	5,156	0	0	0

Note: Ho Kun-Wei was removed on June 20, 2022

(II) Information on equity transfer and stakeholders: None.

(III) Information on equity pledge and stakeholders: None.

IX. Relationship information, if among the company's 10 largest Shareholders any one is a related party or a relative within the second degree of kinship of another

April 2, 2023 (book closure date)

Name (Note 1)	Shares in possession of the person		No. of shares held by the spouse and minor children		Shares in possession of the person registered under the name of a third-party		Relationship characterized as spouse or relative of second degree or closer among the top-10 shareholders. (Note 3)		Notes
	Quantity	Shareholding rate (%)	Quantity	Shareholding rate (%)	Quantity	Shareholding rate (%)	Name (or designation)	Relation	
SHENG BAO INVESTMENT CORP	10,459,530	12.00	0	0.00	0	0.00	Yang Cheng-Li	Director of the Company	
Representative of SHENG BAO INVESTMENT CORP.: Shyu Lih-Hwa	48,012	0.06	2,989,391	3.43	0	0.00	Yang Cheng-Li JIN BAO INVESTMENT CORP.	Spouse Director of the Company	
JIN BAO INVESTMENT CORP.	8,230,406	9.44	0	0.00	0	0.00	Yang Cheng-Li Shyu Lih-Hwa	Director of the Company Director of the Company	
Representative of JIN BAO INVESTMENT CORP.: Tsai Yuh-Chiang	818,345	0.94	109,057	0.13	0	0.00	None	None	
Kitagawa Industries Co., Ltd.	4,346,000	4.99	0	0	0	0	None	None	
Yang Cheng-Li	2,989,391	3.43	48,012	0.06	0	0	Shyu Lih-Hwa SHENG BAO INVESTMENT CORP. JIN BAO INVESTMENT CORP.	Spouse Director of the Company Director of the Company	
Kuo Kun-Chang	2,944,353	3.38	0	0.00	0	0.00	None	None	
Chuang Yung-Shun	2,913,305	3.34	41,895	0.05	0	0.00	None	None	
SHENG BAO INVESTMENT CORP. is entrusted by Yang Cheng-Li to manage his special trust property account	2,300,000	2.64	0	0.00	0	0.00	None	None	
JIN BAO INVESTMENT CORP. is entrusted by Shyu Lih-Hwa to manage her special trust	1,900,000	2.18	0	0.00	0	0.00	None	None	

Name (Note 1)	Shares in possession of the person		No. of shares held by the spouse and minor children		Shares in possession of the person registered under the name of a third-party		Relationship characterized as spouse or relative of second degree or closer among the top-10 shareholders. (Note 3)		Notes
	Quantity	Shareholding rate (%)	Quantity	Shareholding rate (%)	Quantity	Shareholding rate (%)	Name (or designation)	Relation	
property account									
SHENG BAO INVESTMENT CORP. is entrusted by Shyu Lih-Hwa to manage her special trust property account	1,600,000	1.84	0	0.00	0	0.00	None	None	
Wang Ta-Jen	1,468,725	1.69	0	0.00	0	0.00	None	None	

Note 1: All top-10 shareholders have been listed. For corporate shareholders, the name of the corporate entity and the name of the representative are shown separately.

Note 2: The shareholding ratio is calculated, respectively, in the name of the shareholders, the shareholder's spouse and minor children, or shareholding of nominees.

Note 3: Relationships among the shareholders presented above, including legal and natural persons, will be disclosed in accordance with the Regulations Governing the Preparation of Financial Reports by Issuers.

X. Investments jointly held by the Company, the Company's directors, supervisors, managerial personnel, and enterprises directly or indirectly controlled by the Company; disclose shareholding in aggregate of the above parties

December 31, 2022 Unit: shares; %

Investments in another company	Company's investment		Held by Directors, Supervisors, Managerial Personnel, and Directly/Indirectly Controlled Businesses		Total Investment	
(Note)	Quantity	Shareholding rate (%)	Quantity	Shareholding rate (%)	Quantity	Shareholding rate (%)
King Core (B.V.I.) Electronics Co., Ltd.	5,600,000	100.00	0	0.00	5,600,000	100.00

Note: Investments of the Company accounted for under the equity method.

Four. Funding Status

I. Capital Stock and Shares

(I) Source of Capital Stock

April 2, 2023 (Unit: Shares; NT$)

Year and Month	Issuance price	Authorized share capital		Paid-in Capital		Notes		
		Shares	Amount	Shares	Amount	Source of share capital	Capital Increased by Assets Other than Cash	Others
1995.02	1,000	85,000	85,000,000	85,000	85,000,000	Capital increase in cash by NT$ 70,000,000	None	-
1997.12	1,000	144,500	144,500,000	144,500	144,500,000	Capital increase out of cash NT$ 59,500,000	None	Note 1
1999.10	10	17,340,000	173,400,000	17,340,000	173,400,000	Capital increase out of earnings NT$ 28,900,000	None	Note 2
2000.08	10	24,000,000	240,000,000	24,000,000	240,000,000	Capital increase out of earnings and employees' bonus NT$ 54,831,000 Capital increase out of cash NT$ 11,769,000	None	Note 3
2001.05	10	38,500,000	385,000,000	32,000,000	320,000,000	Capital increase out of earnings and employees' bonus NT$ 80,000,000	None	Note 4
2002.07	10	67,000,000	670,000,000	37,200,000	372,000,000	Capital increase out of earnings and employees' bonus NT$52,000,000	None	Note 5
2003.07	10	67,000,000	670,000,000	43,230,000	432,300,000	Capital increase out of earnings and employees' bonus NT$ 60,300,000	None	Note 6
2004.01	10	67,000,000	670,000,000	43,261,976	432,619,760	Share capital converted from corporate bonds amounting to NT$ 319,760	None	Note 7
2004.04	10	67,000,000	670,000,000	43,267,789	432,677,890	Share capital converted from corporate bonds amounting to NT$ 58,130	None	Note 8
2004.09	10	67,000,000	670,000,000	50,207,957	502,079,570	Capital increase out of earnings and employees' bonus NT$ 69,401,680	None	Note 9
2005.07	10	100,000,000	1,000,000,000	60,849,548	608,495,480	Capital increase out of earnings and employees' bonus NT$ 106,415,910	None	Note 10
2005.10	10	100,000,000	1,000,000,000	60,898,727	608,987,270	Share capital converted from corporate bonds amounting to NT$ 491,790	None	Note 11
2006.04	10	100,000,000	1,000,000,000	62,361,836	623,618,360	Share capital converted from corporate bonds amounting to NT$ 14,631,090	None	Note 12
2006.09	10	100,000,000	1,000,000,000	66,063,534	660,635,340	Capital increase out of earnings and employees' bonus NT$ 37,016,980	None	Note 13
2007.02	10	100,000,000	1,000,000,000	66,654,832	666,548,320	Share capital converted from corporate bonds amounting to NT$ 5,912,980	None	Note 14
2007.04	10	100,000,000	1,000,000,000	66,741,788	667,417,880	Share capital converted	None	Note 15

Year and Month	Issuance price	Authorized share capital		Paid-in Capital		Notes		
		Shares	Amount	Shares	Amount	Source of share capital	Capital Increased by Assets Other than Cash	Others
						from corporate bonds amounting to NT$ 869,560		
2007.07	10	100,000,000	1,000,000,000	71,576,557	715,765,570	Share capital converted from corporate bonds amounting to NT$ 48,347,690	None	Note 16
2007.08	10	100,000,000	1,000,000,000	72,195,388	721,953,880	Share capital converted from corporate bonds by NT$ 6,188,310	None	Note 17
2007.10	10	100,000,000	1,000,000,000	74,897,641	748,976,410	Capital increase out of earnings and employees’ bonus by NT$ 27,022,530	None	Note 18
2008.09	10	100,000,000	1,000,000,000	77,095,594	770,955,940	Capital increase out of earnings and employees’ bonus by NT$ 21,979,530	None	Note 19
2009.09	10	100,000,000	1,000,000,000	78,378,952	783,789,520	Capital increase out of earnings and employees’ bonus by NT$ 12,833,580	None	Note 20
2010.10	10	100,000,000	1,000,000,000	79,626,686	796,266,860	Capital increase out of earnings and employees’ bonus by NT$ 12,477,340	None	Note 21
2011.09	10	100,000,000	1,000,000,000	80,733,652	807,336,520	Capital increase out of earnings and employees’ bonus by NT$ 11,069,660	None	Note 22
2012.09	10	100,000,000	1,000,000,000	81,779,292	817,792,920	Capital increase out of earnings and employees’ bonus by NT$ 10,456,400	None	Note 23
2013.09	10	100,000,000	1,000,000,000	82,921,604	829,216,040	Capital increase out of earnings and employees’ bonus by NT$ 11,423,120	None	Note 24
2014.09	10	100,000,000	1,000,000,000	83,992,368	839,923,680	Capital increase out of earnings and employees’ bonus by NT$ 10,707,640	None	Note 25
2015.07	10	100,000,000	1,000,000,000	85,096,465	850,964,650	Capital increase out of earnings and employees’ bonus by NT$ 11,040,970	None	Note 26
2016.07	10	100,000,000	1,000,000,000	85,884,163	858,841,630	Capital increase out of earnings and employees’ remuneration by NT$ 7,876,980	None	Note 27
2017.07	10	100,000,000	1,000,000,000	86,168,006	861,680,060	Capital increase out of employee remuneration by NT$ 2,838,430	None	Note 28
2018.08	10	100,000,000	1,000,000,000	86,290,569	862,905,690	Capital increase out of employee remuneration by NT$ 1,225,630	None	Note 29
2019.07	10	100,000,000	1,000,000,000	86,667,589	866,675,890	Capital increase out of employee remuneration: NT$ 3,770,200	None	Note 30
2020.08	10	100,000,000	1,000,000,000	86,842,657	868,426,570	Capital increase out of employee remuneration by NT$ 1,750,680	None	Note 31
2021.10	10	100,000,000	1,000,000,000	86,920,392	869,203,920	Capital increase out of employee remuneration by NT$ 777,350	None	Note 32

Year and Month	Issuance price	Authorized share capital		Paid-in Capital		Notes		
		Shares	Amount	Shares	Amount	Source of share capital	Capital Increased by Assets Other than Cash	Others
2022.07	10	100,000,000	1,000,000,000	87,147,722	871,477,220	Capital increase out of employee remuneration by NT$ 2,273,300	None	Note 33

Note 1: Approved by (86) No.126748 business letter on December 31, 1997.
Note 2: Approved by (088) No.138351 business letter on November 1, 1999.
Note 3: Declaration (89) Tai-Cai-Zheng (1) No.51641 took effect on June 23, 2000.
Note 4: Declaration (90) Tai-Cai-Zheng (1) No.11185 took effect on April 30, 2001.
Note 5: Declaration (91) Tai-Cai-Zheng (1) No.0910136218 took effect on July 2, 2002.
Note 6: Tai-Cai-Zheng-I-Zi No.0920125109 dated June 9, 2003.
Note 7: Approved by Jin-Shou-Zhong-Zi No.09331573780 letter on January 20, 2004.
Note 8: Approved by Jin-Shou-Zhong-Zi No.09332057260 letter on April 30, 2004.
Note 9: Approved by Jin-Shou-Shang-Zi No. 09301173490 letter on September 10, 2004.
Note 10: Approved by Jin-Shou-Shang-Zi No. 09401141760 letter on July 25, 2005.
Note 11: Approved by Jin-Shou-Shang-Zi No. 09401206630 letter on October 26, 2005.
Note 12: Approved by Jin-Shou-Shang-Zi No. 09501069760 letter on April 18, 2006.
Note 13:Approved by Jin-Shou-Shang-Zi No. 09501218120 letter on September 28, 2006.
Note 14: Approved by Jin-Shou-Shang-Zi No.09601024290 letter on February 1, 2007.
Note 15: Approved by Jin-Shou-Shang-Zi No.09601080730 letter on April 17, 2007.
Note 16: Approved by Jin-Shou-Shang-Zi No.09601167960 letter on July 19, 2007.
Note 17: Approved by Jin-Shou-Shang-Zi No.09601214700 letter on August 31, 2007.
Note 18: Approved by Jin-Shou-Shang-Zi No.09601239390 letter on October 2, 2007.
Note 19: Approved by Jin-Shou-Shang-Zi No.09701247270 letter on September 24, 2008.
Note 20: Approved by Jin-Shou-Shang-Zi No.09801216070 letter on September 18, 2009.
Note 21: Approved by Jin-Shou-Shang-Zi No.09901229790 letter on October 13, 2010.
Note 22: Approved by Jin-Shou-Shang-Zi No.10001222790 letter on September 28, 2011.
Note 23: Approved by Jin-Shou-Shang-Zi No.10101201320 letter on September 27, 2012.
Note 24: Approved by Jin-Shou-Shang-Zi No.10201191780 letter on September 14, 2013.
Note 25: Approved by Jin-Shou-Shang-Zi No.10301191080 letter on September 12, 2014.
Note 26: Approved by Jin-Shou-Shang-Zi No.10401153930 letter on July 29, 2015.
Note 27: Approved by Jin-Shou-Shang-Zi No.10501158260 letter on July 18, 2016.
Note 28: Approved by Jin-Shou-Shang-Zi No.10601095840 letter on July 13, 2017.
Note 29: Approved by Jin-Shou-Shang-Zi No.10701090970 letter on August 3, 2018.
Note 30: Approved by Jin-Shou-Shang-Zi No.10801086140 letter on July 19, 2019.
Note 31: Approved by Jin-Shou-Shang-Zi No.10901142530 letter on August 18, 2020.
Note 32: Approved by Jin-Shou-Shang-Zi No.11001180400 letter on October 5, 2021.
Note 33: Approved by Jin-Shou-Shang-Zi No.11101127160 letter on July 7, 2022.

April 2, 2023 Unit: shares

Shares / Types	Authorized share capital			Notes
	Outstanding shares (Note)	Unissued shares	Total	
Common shares	87,147,722	12,852,278	100,000,000	-

Note: Placement and issuance of negotiable securities according to general declaration rules with approval: None.

(II) Composition of shareholders

April 2, 2023 (book closure date)

Composition of Shareholders / Number	Government institutions	Financial organization	Other Corporate shareholders	Foreign Institutions and overseas investors	Individuals	Total
Number	0	3	16	20	7,158	7,197
Number of shares in possession	0	3,988,000	22,351,750	7,481,712	53,326,260	87,147,722
Shareholding rate (%)	0.00	4.58	25.65	8.59	61.19	100.00

Note: All TWSE/TPEX/Emerging Stock Market companies listing for the first time are required to disclose Chinese investors' holding interests. A Chinese investor refers to an individual, corporation, organization, or institution of Mainland origin, or any company owned by the above party in a foreign location, as defined in Article 3 of Regulation Governing Mainland Residents' Investment in Taiwan.

(III) Diversification of equity

April 2, 2023 (book closure date)

Share class	Number of Shareholders	Number of shares in possession	Shareholding rate (%)
1 to 999	1,639	213,821	0.25%
1,000 to 5,000	4,441	9,000,951	10.33%
5,001 to 10,000	579	4,679,857	5.37%
10,001 to 15,000	201	2,570,799	2.95%
15,001 to 20,000	112	2,107,422	2.42%
20,001 to 30,000	69	1,788,737	2.05%
30,001 to 40,000	36	1,318,901	1.51%
40,001 to 50,000	28	1,271,143	1.46%
50,001 to 100,000	35	2,594,055	2.98%
100,001 to 200,000	16	2,083,757	2.39%
200,001 to 400,000	12	3,188,824	3.66%
400,001 to 600,000	5	2,383,761	2.74%
600,001 to 800,000	3	2,177,908	2.50%
800,001 to 1,000,000	2	1,643,952	1.89%
1,000,001 to 999,999,999	19	50,123,834	57.52%
Total	7,197	87,147,722	100.00%

(IV) Roster of Major Shareholders

April 2, 2023 (book closure date)

Shares / Name of Major Shareholders	Number of shares in possession	Shareholding rate (%)
SHENG BAO INVESTMENT CORP.	10,459,530	12.00%
JIN BAO INVESTMENT CORP.	8,230,406	9.44%
Kitagawa Industries Co., Ltd.	4,346,000	4.99%
Yang Cheng-Li	2,989,391	3.43%
Kuo Kun-Chang	2,944,353	3.38%
Chuang Yung-Shun	2,913,305	3.34%
SHENG BAO INVESTMENT CORP. is entrusted by Yang Cheng-Li to manage his special trust property account	2,300,000	2.64%
JIN BAO INVESTMENT CORP. is entrusted by Shyu Lih-Hwa to manage her special trust property account	1,900,000	2.18%
SHENG BAO INVESTMENT CORP. is entrusted by Shyu Lih-Hwa to manage her special trust property account	1,600,000	1.84%
Wang Ta-Jen	1,468,725	1.69%

(V) Information on market value, net value, earnings and dividends per share, etc. in the past two years and as of the publication/printing date of the annual report

Unit: NT$; share

<table>
<tr><th colspan="3">Item / Year</th><th>2021</th><th>2022</th></tr>
<tr><td rowspan="6">Market value per share (Note 1)</td><td rowspan="2">High</td><td>Before retrospective adjustment</td><td>33.45</td><td>27.45</td></tr>
<tr><td>After retrospective adjustment</td><td>32.6</td><td>(Note 8)</td></tr>
<tr><td rowspan="2">Low</td><td>Before retrospective adjustment</td><td>21.2</td><td>19.9</td></tr>
<tr><td>After retrospective adjustment</td><td>20.35</td><td>(Note 8)</td></tr>
<tr><td rowspan="2">Average</td><td>Before retrospective adjustment</td><td>26.07</td><td>23.00</td></tr>
<tr><td>After retrospective adjustment</td><td>25.22</td><td>(Note 8)</td></tr>
<tr><td rowspan="2">Net value per share</td><td colspan="2">Before distribution</td><td>16.36</td><td>17.60</td></tr>
<tr><td colspan="2">After distribution (Note 2)</td><td>15.51</td><td>Undistributed</td></tr>
<tr><td rowspan="3">EPS</td><td colspan="2">Weighted average number of shares (thousand shares)</td><td>86,910</td><td>87,116</td></tr>
<tr><td rowspan="2">EPS</td><td>Before adjustment</td><td>0.93</td><td>2.19</td></tr>
<tr><td>After adjustment (Note 3)</td><td>0.93</td><td>(Note 8)</td></tr>
<tr><td rowspan="4">Dividends per share</td><td colspan="2">Cash dividends</td><td>0.85</td><td>(Note 8)</td></tr>
<tr><td rowspan="2">Stock dividends</td><td>Earnings</td><td>-</td><td>(Note 8)</td></tr>
<tr><td>Capital surplus shares distribution</td><td>-</td><td>(Note 8)</td></tr>
<tr><td colspan="2">Accumulated unpaid dividends (Note 4)</td><td>-</td><td>-</td></tr>
<tr><td rowspan="3">Return analysis</td><td colspan="2">Price-earnings ratio (Note 5)</td><td>28.03</td><td>10.5</td></tr>
<tr><td colspan="2">Price-dividend ratio (Note 6)</td><td>30.67</td><td>(Note 8)</td></tr>
<tr><td colspan="2">Cash dividend yield (Note 7)</td><td>3.26</td><td>(Note 8)</td></tr>
</table>

* If shares are distributed in connection with a capital increase out of earnings or capital reserve, information on market prices and cash dividends retroactively adjusted based on the number of shares after distribution should be disclosed.

Note 1: List the highest and lowest market price of common shares in each year and calculate the annual average market price in accordance with the annual trading value and volume.

Note 2: Please fill in the form based on the number of outstanding shares at the end of the year and the distribution resolved by the Board of Director or resolved by the annual shareholders' meeting of the following year.

Note 3: Where stock dividends were issued, EPS shall be disclosed in amounts before and after retrospective adjustments.

Note 4: If the equity securities issuance is subject to the preconditions of having the dividend not yet paid for the year accumulated to a profitable year, the cumulative unpaid dividends up to the year is to be disclosed separately.

Note 5: Price-earnings ratio=Average closing price per share in current year / EPS.

Note 6: Price-dividend ratio =Average closing price per share in current year / cash dividend per share.

Note 7: Cash dividend yield=Cash dividend per share/average closing price per share in current year.

Note 8: To be finalized after a resolution is passed by the Board of Director.

(VI) Dividend Policy and the Status of Implementation

1. The dividend policy defined by the Articles of Incorporation

If the Company has a profit in the current accounting period, it shall first lawfully pay the taxes, make up any losses from the past years and then make contribution of 10% as the statutory reserve unless the statutory reserve reaches the total amount of the Company paid-in capital.

After special earnings are appropriated or reversed according to the laws, regulations and rules of competent authorities, 10% (including the figure) to 100% of the total amount of undistributed earnings accumulated in the past years and those of the current year shall be appropriated and distributed to shareholders as dividends with the approval of the shareholders' meeting.

At present, the Company is in a mature industry. It shall distribute dividends in cash or by way of stocks. It shall measure its capital demand and capital structure in the next years. Its cash dividends shall not be below 10% of the shareholders' total dividends that year.

2. Proposed dividend distribution in the current year (2022)

The earnings distribution for 2022 was approved by the Board of Director on February 20, 2023, but not approved by 2023 general shareholders' meeting. The earnings distribution by the Board of Director is hereby presented as follows:

Dividend distribution to shareholders: In the current year, it is resolved that NT$ 130,722 thousand will be distributed as cash dividends. In other words, NT$ 1.5 per share will be distributed.

(VII) Impacts of proposed share allotment on the Company's business performance and EPS in the current year (2022)

This is not applicable, because it was proposed at this shareholders'meeting that cash dividends would be fully distributed.

(VIII) Remuneration for employees, directors and supervisors

1. Proportion or scope of remuneration for the employees, directors, and supervisors specified in the Articles of Incorporation:

(1) Remuneration for directors: No more than 2% of that year's profit (namely pre-tax profit before deduction of remuneration for employees and directors) shall be appropriated as remuneration for employees.

(2) Employee remuneration: 5% to 10% of the current year's profit (namely pre-tax profit before deduction of remuneration for employees and directors) shall be appropriated as employee remuneration, but where the Company has accumulated losses, certain amount of the profit shall be retained for loss recovery. The aforementioned employee remuneration shall be determined by the Board of Director based on fulfillment of targets on net operating benefits and performances. It shall be distributed in the form of stocks or in cash. It shall be paid to affiliates' employees who satisfy the conditions specified by the Board of Director or its authorized person.

(3) Remuneration for supervisors: The Company has built an Audit Committee in place of the supervisor system, so this is inapplicable.

2. Basis for estimating amount of remuneration for employees, directors and supervisors, basis for calculating shares to be distributed as employee remuneration, and accounting performed when actual distributed amount differs from the estimate

In case of any difference between actual distributed amount and estimate, it will be accounted as change in accounting estimate, included in profit (loss) of the following year.

3. Remuneration distribution approved by the Board of Director:

(1) Employees' and directors' remuneration paid in cash or stock distribution:

①Employee remuneration: It was resolved by the Board of Director of the Company that NT$ 12,455,320 (5% of the current year's profit) would be paid as employee compensation in 2022 by issuing new shares.

②Directors' remuneration: According to the Articles of Incorporation, the Board of Director of the Company resolved to distribute NT$ 3,736,596 (approximately accounting for 1.5% of the current year's profit) as directors' remuneration in 2022. Directors' remuneration will be paid in cash.

The amount of directors' and employee remuneration distributed in 2022 as resolved by the Company's Board of Director does not differ from the accounting estimate.

(2) The amount of employee remuneration distributed by stocks and its proportion to the total after-tax operating gross profit and total employee remuneration in the parent only financial report for the current period:

The amount of employee remuneration paid by stocks is up to NT$ 12,455,320. It accounts for 6.53% of the net after-tax profit and 100% of total employee remuneration indicated in the 2022 parent only financial report. Calculated based on the closing market price of NT$ 25.35 for issuing new shares on the day before this Board of Director meeting, 491,334 shares are issued in respect of NT$ 12,455,320, and employee remuneration in respect of fractional shares amounting to NT$ 4 will be paid in cash.

4. Actual distribution of remuneration for employees and directors in the preceding year (2021) is as follows:

Item	February 21,2022 Resolved by the Board of Director	Accounted amount in the 2021 financial report	Difference	Cause of variance
Remuneration to Directors	1,616,322	1,616,322	-	-
Employee compensation	5,387,742	5,387,742	-	-

Descriptions on difference: NT$ 5,387,742 was actually appropriated from earnings as employee remuneration in 2021 (Based on the closing market price of NT$ 23.7 on the day before the resolution date of the Board of Director, 227,330 shares were distributed, and employee remuneration in respect of fractional shares amounting to NT$ 21 were paid in cash); directors' remuneration was NT$ 1,616,322. No difference existed between the amount presented in the 2021 financial report and the distributed amount resolved by the Board of Director.

(IX) The Company's repurchase of its shares: None.

II. Disclosure relating to corporate bonds: None.

III. Disclosure relating to preference shares: None.

IV. Disclosure relating to depository receipts: None.

V. Status of employee stock options: None.

VI. Handling of restricted stock awards: None.

VII. M&A or receipt of new shares issued by other companies: None.

VIII. Implementation of capital utilization plan: None.

Chapter V. Business Overview

I. Business Contents

(I) Business activities

1. Businesses of the Company are as follows:

   Manufacturing, processing and trading of soft ferrites, magnetic ferrite cores, flyback converters, convergence coils, delay-line filter, electromagnetic components, particulate coils, common mode choke, other coils, antenna-related products, multilayer chip inductors, chip beads, bead arrays, high frequency ceramic chip inductors, different types of inductors for communication, products related to EMI solutions and converters, etc.

   Import and export of aforementioned products.

   Distribution, bidding and quotation for said products on behalf of domestic and foreign suppliers.

2. Weight of business activities

Ratio of the Company's product businesses in 2022: Unit: %

Item	Key usages	Percentage
Ferrite cores	Automotive electronics, robots, IoT, PC, Notebook, tablets, motherboards, power supply devices, different types of displays, optical disk drives, hard disk drives, scanners, MFP, computer peripherals, modems, GPS, telephone sets, switches, servers, equipment at local communication terminals and user terminals, set-top boxes, LCDTV, sound speakers, air conditioners, refrigerators, sweeping machines and gaming, etc.	66.57%
Chips	Automotive electronics, robots, IoT, PC, Notebook, tablets, motherboards, power supply devices, different types of displays, optical disk drives, hard disk drives, scanners, MFP, computer peripherals, modems, cellphones, GPS, telephone sets, switches, servers, equipment at local communication terminals and user terminals, set-top boxes, LCDTV, sound speakers, air conditioners, refrigerators, sweeping machines and gaming, etc.	21.83%
Coils	Automotive electronics, robots, IoT, PC, Notebook, tablets, motherboards, power supply devices, different types of displays, optical disk drives, hard disk drives, scanners, MFP, computer peripherals, modems, cellphones, GPS, telephone sets, switches, servers, equipment at local communication terminals and user terminals, set-top boxes, LCDTV, sound speakers, air conditioners, refrigerators, sweeping machines and gaming, etc.	5.8%

3. Current goods (services)

   Manufacturing and sales of different flexible ferrite cores, absorber materials.

   Manufacturing and sales of multi-layer chips and bead inductors.

   Manufacturing and sales of wire-wound inductors and choke coils.

   Trading of aforementioned products.

4. New products (services) under planning for development

   Wire-wound common mode choke inductors for communication (resistance to high current) for vehicles and Internet of things

   High-frequency antennas

   Chip inductors resistant to high current

   Iron-based power inductors resistant to high current

   Customized power inductors (high inductance and resistant to high current) for vehicles and Internet of things

   HDMI 2.0/USB3.2 common mode choke for high speed

   HDMI 2.1/USB4.0/5-8K TV common mode choke for high speed

   Composite material filters, multi-layer coils

   SMD-Type Beads (Bead)

   High-frequency and high-impedance multi-layer chip materials

   High-frequency EMI resistant materials

Wireless inductive antennas, wireless inductive charging coils

NFC, magnetic sheet material for wireless charging and high-freq. wave absorption applications

(II) Overview of industry

1. Status quo and development of the industry

Elements of electronic products may be classified into two major categories, including electronic elements with functions for data calculation and operation, which are called active elements, including various IC chips. Other elements which perform no operation of passing current signals or without ability to give commands, but only adjust intensity of current signals, or procure current signals to pass or not to pass are categorized as passive elements, mainly including resistors, capacitors and inductors.

Downstream products of passive elements are used fairly widely. They are indispensable and critical components for manufacturers of electronics, electric appliances, automatic equipment and automotive electronics in their manufacturing processes.

Inductors of passive elements are designed based on electromagnetic inductance principles. They mainly function for preventing interference of electromagnetic waves, filtering current spikes and stabilizing current. There is a great variety of products, which are mainly classified into three categories, namely ferrite cores, coils and chip inductors. In terms of global inductor market share, European Union, Mainland China and Japan are still countries with the biggest production scale. However, in recent years, due to the US-China trade war, geopolitics, China's COVID-19 pandemic control measures, the US's plan to revitalize American manufacturing and the Russia-Ukraine war, the overall Chinese market has slowed down, and downstream assembly operators in the EU, the US and Japan have moved out to lower-cost countries such as Southeast Asia, India, and Central and South America, so the market size has evolved.

Nevertheless, development of smart appliances, wireless communications, Internet of Things, automotive electronics, automated equipment and medical devices have driven development of related system products. As to mainstream trend of product development, people have demands for light, thin, short and small-sized electronic products in the past years, so in response to market and customer needs, it is necessary to improve technologies and actively develop new products in the industry of electronic components, including inductors. The Company has kept up with this trend these years to develop products such as chip inductors and precision coils.

2. Associations among upstream, midstream and downstream of the industry

Vertical division of labor is fairly evident in inductor-related industries. Related upstream manufacturers mainly produce raw materials such as nickel oxide, cupric oxide, ferric oxide, zinc oxide, manganese oxide, magnesium oxide, electrodes and terminal plating materials. After they are made into ferrite cores, multilayer chip inductors/ beads, high frequency multilayer chip inductors and wire-wound inductors in mid-stream, they are ultimately delivered to downstream 3C practitioners of information, communication and consumer electronics, in order that they will be produced into terminal electronic products. The connections among upstream, midstream and downstream of the industry are summarized here below:

Upstream	Mid-stream	Downstream
Nickel oxide Cupric oxide Iron oxide Zinc oxide Manganese oxide Magnesium oxide Silver paste Silver palladium Ceramic powder	Ferrite cores (Nickel zinc, manganese zinc, magnesium zinc series) Wire-wound inductors (Peaking coils, oscillation coils, air core coils, choke coils, etc.) Multilayer chip inductors/ beads High frequency multilayer chip inductors	Digital products PC, Notebooks, tablets, motherboards, power supply devices, various displays, optical disk drives, hard disk drives, scanners, computer peripherals and modems, etc. Communication products Modems, cellphones, GPS, telephone sets, MFP, switches, servers, devices at local communication terminals and user terminals Consumer electronics SETOP BOX, LCDTV, sound speakers, air conditioners, refrigerators, sweeping machines, gaming machines, Internet of things, automotive electronics, automation equipment, automobile safety detection, self-driving automobiles, robots, automation, etc.

3. Development trends of products

(1) Products become exquisite

As digital and electronic products gradually become miniaturized. Upstream electronic parts such as inductors have also tended to be small and high-frequency with saturation flux density. For instance, chip inductors are small mount devices (SMDs) with a volume smaller than conventional inductors. At present, they are widely applied in the automated manufacturing processes in combination with the Surface Mount Technology (SMT). In addition, as current electronic products become increasingly more functional powerful, the requirements for their computing speed have become more rigorous. Therefore, the demands for high frequency inductors are also growing. Besides, with the progressive popularization of digital articles for daily use and mobile communication products, low temperature rise and resistance to high current have become new trends of inductors and beads as well.

(2) Technology improvement

Impacted by rapid emergence of digital/communication products, increasingly lighter, thinner, shorter and smaller products as well as lower gross profit margin, manufacturers of inductor cores must actively strive to make technical breakthroughs. Their products tend to be featured by basic technologies, technological accumulation, differentiated technology development, design stability and high added value, in order to be applied in electronic products subject to more rigorous requirements, including digital and communication products. In addition, practitioners must foster their market sensitivity to understand development trends of the downstream 3C industry. Dependent upon their diverse product lines, short lead time, quick delivery, R&D and technical manufacturing capacity, they appropriately provide customers with technical support and swift services, in order to satisfy customer requirements and keep competitive. In combination with phased task adjustments of production patterns, a small quantity of diverse products are replaced by a large quantity of diverse products. Lower production costs and provide high-quality services. Flexibly respond to market demands dependent upon planned production and marketing strategies, so as to be in line with customer orientations.

(3) International division of labor

There are so many manufacturers of inductors that market competitions are fierce.

Besides, unit prices of products have declined due to pressure from global price competitions of global digital and communication products. In addition, products tend to be miniaturized, and production capacity increases for the purpose of reaching the economic scale. Hence, production strategies are still adopted to produce or assemble labor-intensive products with low added value in areas with relatively low labor costs, in order to ensure high market share dependent upon the competitive advantage in low costs. However, those products with higher unit prices, profits and added value are domestically manufactured.

Viewed from the perspective of overall downstream markets, 3C electronic products are particularly produced in Mainland China, India and Southeast Asia. In addition, 3C products tend to be diverse and cheap. All downstream manufacturers wish to promptly launch new products in the market, in hope of making relatively considerable profits. Hence, great importance is attached to timeliness. Besides, owing to changes in inventory management methods, no customer is willing to have many stocks of parts. Therefore, at present, all manufacturers are actively strengthening their global operational architectures and their capabilities of prompt supply and nearby service provisioning, in hope of getting long-term orders from international customers.

Changes in supply chains have been intensified due to impacts of major international circumstances, including COVID-19, regional conflicts, global warming and giants' competitions. Topics on raw material supply, anti-epidemic management, corporate social responsibilities and sustainable operations have become far more important.

(4) Introduction of HSF (hazardous substance free) manufacturing processes

The European Union has successively promulgated Waste Electrical and Electronic Equipment Directive (WEEE) and Restriction of Hazardous Substances Directive (RoHS), which expressly stipulate that from June 2006, all products entering the market of European Union must not contain six major hazardous substances. Owing to new environmental protection regulations of the European Union, global manufacturers have gotten down to establishing related test standards in conformity with WEEE and RoHS. They have implemented "lead, halogen, hazardous substance free manufacturing processes" and more environment-friendly manufacturing plans. Although the ratio of inductors to all electronic products is a little low, it has been generally recognized that inductors contain no hazardous substance.

4. Product competitions

Domestically, competitions are extremely fierce among manufacturers of inductor cores. The Company faces fierce competitions within the industry. In response to global great demand for electronic products, it not only expands production capacity of its original products and safeguards its high-quality product image, but also actively develops and produces more advanced products in line with customer requirements, in order to gain competitive advantages.

Domestic major competitors and their businesses are hereby listed as follows:

Competitors	Competitors' businesses
TAI-TECH ADVANCED ELECTRONICS CO., LTD.	Manufacturing, processing and trading of chip coils and other coils. Quotation, bidding and distribution of domestic and foreign products as well as import and export trade as agents.
ADVANCED CERAMIC X CORPORATION	Manufacturing of chip inductors, high frequency elements and modules necessary for wireless communications
ABC TAIWAN ELECTRONICS CORP.	Manufacturing, processing and trading of different inductors, chip inductors, filters and transformers Manufacturing, processing and trading of converters, delay lines, convergence coils and various magnetic cores Manufacturing and trading of power supply devices, electric/electronic parts, computers and their peripherals, etc.

SPORTON INTERNATIONAL INC.	EMI test and verification; design and trading of inductors and magnetic elements

(III) Overview of technology and R&D

1. Annual R&D expenses in the past five years: Unit: NT$ thousand

Item \ Year	2018	2019	2020	2021	2022
R&D expenses	18,236	16,853	15,667	15,187	14,320
Consolidated operating revenue	722,186	649,900	606,740	799,566	770,147
Ratio of R&D expenses to consolidated operating revenue	2.53	2.59	2.58	1.9	1.86

Note: Above financial information shall be indicated based on consolidated information specified by International Financial Reporting Standards of R.O.C.

2. Technologies or products developed successfully in the past five years

Year	Technologies or products developed successfully
2018	● Large-size power inductors with high rated current, wire-wound common mode filters with high rated current conforming to vehicle technical specifications
2019	● Iron-based power inductors resistant to high current ● Customized power inductors (high inductance and resistant to high current) for vehicles and Internet of things
2020	● Metal-based and ferrite-based power inductors resistant to high current ● Power and low-freq. high impedance core for automotive-electronics application
2021	● 1G~3GHz high-frequency antennas ● Wire-wound common mode choke inductors for communication (resistance to high current) for vehicles and Internet of things ● Metal-based power inductors resistant to high current
2022	● Bead products to address various current surges (multi-layer, wire-wound and clamp ferrite core.) ● Common mode choke coils to meet the new generation of HDMI/USB protocols

(IV) Long-term and short-term business development plans

1. Short-term development plan

(1) Production strategies

①Improve manufacturing capabilities by additionally purchasing automatic equipment, in order to improve pass yield/production capacity of manufacturing processes, and shorten manufacturing cycles.

②Adjust product mixes and enhance in-depth of product lines with high added value.

③Enhance information systems, increase production efficiency, improve information communications, and shorten lead time with optimal schedules, so as to reinforce responsiveness to orders.

(2) Marketing strategies

①Strengthen expansion of new industries, to decentralize impacts of prospect changes or seasonal cycles of a single industry.

②Enhance export capacity and expand international markets.

③In consideration that 3C products become smaller with more functions and intensity of their PCB SMT, active efforts will be made to improve specifications of miniaturized chip inductors and smaller coil series elements.

④Deepen partnerships with key customers. In addition to closely monitoring the pulse of market demand, the Company also cooperates in the development of new specifications and products, so that our products can be the first to address market demands.

(3) R&D strategies

①Whereas widespread applications in mobile communications lead to higher frequency, high-frequency precision coils and high-frequency high-impedance beads are continuously developed.

②Develop material formulas and create complete production lines to satisfy customers' design requirements.

③Understand development trends of electronic products and create infinite imagination space for wireless transmission and charging.

④Perform development in time and provide corresponding products of related industries, to keep up with development of IoT, automotive electronics and automation.

2. Long-term development trend

(1) Production strategies

①Gradually adjust product mix and production capacity, constantly improve mass production technologies, lower production costs and enhance responsiveness, in response to market demands and changes.

②Set up complete product lines to satisfy customer requirements, especially in respect of products inhibiting EMI and inductors of passive elements.

③Construct a complete information system to understand forecast of terminal customers' requirements, in order that production and sales can be synchronized, to satisfy customer requirements while reducing unnecessary overstocking.

(2) Marketing strategies

①Cultivate international marketing talents and set up marketing strongholds abroad, to attain the goal of internationalization and fully keep informative about international markets.

②Provide customers with complete product lines, especially in respect of products inhibiting EMI and inductors of passive elements, and become a professional company of EMI suppression and magnetic elements.

③Know about industry development and development trends of electronic products from multiple parties as policies for developing new products.

(3) R&D strategies

①Develop new products, especially EMI suppression and inductors of passive elements.

②Develop and design automation equipment; enhance production capacity, increase production flexibility and lower production cost.

③Actively develop key materials and understand autonomy of technologies for key materials.

④Fully take advantage of industry-university cooperation to improve R&D capacity and speed up technology consolidation.

II. Overview of market and production & marketing

(I) Market analysis

1. Regions for selling (providing) main products (services)

Unit: NT$ thousand; %

2022		
Sales territories	Amount	Ratio (%)
China	430,460	55.89
Taiwan	230,998	30.00
Others	108,689	14.11
Total	770,147	100.00

Note: Above financial information shall be indicated based on consolidated information specified by International Financial Reporting Standards of R.O.C.

2. Market share, future market supply/demand and growth

In 2022, due to the COVID-19 pandemic, the U.S.-China trade war, rolling lockdowns in Mainland China, Russia-Ukraine war and other factors, sales demand began to slow down since Q3 2022, with ICT clients seeing a decline in demand for their products. Due to continuing investments in applications and deployments in the smart home appliance market, the overall results before Q3 saw year-on-year growth compared to the same period in 2021. However, the Company saw a year-on-year decline in overall sales in Q4. In response to the ever-changing dynamic market trends and the rapid evolution of electronic products, the Company not only strives to reduce manufacturing costs to increase gross margins, but also actively develops new products to increase ASP and product value. In the field of smart home appliances and automotive electronics, more and more clients and end-product applications are being gained and products delivered. As efforts were made in product sales mix and development of new customer bases, although operating revenue in 2022 slightly decreased by 3.68% compared with 2021, King Core fully understands that only through continuous research and development and innovation to grasp market development trends can the Company develop long-term and sustainable operations, and expect to outperform the growth level of the industry in terms of performance and profitability in the new year.

Taiwan electronics industry has accumulated years of R&D, design and manufacturing capabilities. It has fully consolidated upstream and downstream resources. Under the superior environment under which complete supply chains of industries have been created, related electronic products, including digital consumer electronics, have become key focuses of global production. Hence, with constant increase in domestic delivery of electronic, industrial and vehicle-specific electronic products, favorable space is provided for development of passive elements for being wafer-oriented and micro-sized.

3. Competition niche

(1) Magnetic material technologies

To satisfy the need for suppressing EMI by electronic products, the Company does not only specialize in manufacturing ferrite cores, but also further engages in production of more technologically advanced multilayer chip inductors and wire-wound inductors. As one of very few domestic practitioners in the industry, it is capable of manufacturing nickel zinc ferrite cores, multilayer chip inductors and wire-wound inductors. The former devices are mainly mounted in output (input) terminals or wires of digital products. The latter ones are primarily inside electronic products and make up electronic loops with electronic circuits. With functions for filtration, current resistance and energy storage, they provide solutions prior to EMI. Based on the demands for adjusting internal and external EMI protection and current adjustments for circuits based on electronic products, the Company strives to provide customers with all-round products and services, so as to fully satisfy customer requirements for suppressing electromagnetic interference.

With the vigorous development of automobile electronics, Internet of things, automation and green energy industry, wireless inductive charging technologies have derived in the past years. The Company has taken the lead over its competitors, gotten down to developing related products and technologies, and made considerable progress. Vigorous growth in mobile products have procured electronic elements to be miniaturized and cheap. Furthermore, appreciation of New Taiwan dollars has indirectly weakened competitiveness of Taiwan industry of electronic components in the international market. This is a serious issue which must be overcome by the Company.

(2) Concentrate on technology and research development

Based on the spirit of striving for excellence, the Company is actively engaged in eliminating electromagnetic interference. It develops new technologies and devotes to building a professional image with authoritative inductors for suppressing EMI. Its professional image is directly reflected from its stable product quality, recognition and trust from its customer bases. It actively collects information on material engineering and product applications through its R&D team. Besides, it further conducts cooperation with academic organizations, to keep informative about the latest development trends and technical information. At present, the Company is actively promoting its research plans for products such as high-frequency materials, ultra-thin absorber materials, wireless inductive coils and thick-film RF common mode filters, in order to provide customers with services in respect of complete series of EMI, RFI and inductors.

(3) Set up production bases and channels in Mainland China, to provide customers with nearby services

In consideration that Mainland China has sufficient market, large domestic electronics plants have built bases in different areas of Mainland China, and all nickel zinc EMI cores and coils supplied by the Company are applied in electronic, IoT, automation, green energy and automobile products, the Company has built a wholly-owned plant in Suzhou and set up a point-of-sale in Guanlan, Guangdong Province.

4. Favorable/unfavorable factors of development visions and countermeasures

(1) Favorable factors of future development

①Portable electronic products, Internet of things, automotive electronics and industrial automation exhibit infinite market potential.

Inductors are basic elements indispensable for circuits. As downstream consumer electronics, digital and communication products tend to be miniaturized, digitalized and high-frequency, there has been greater demand for high-precision chip inductors and coil elements with high added value. In addition, Taiwan manufacturers have become key areas for developing global mobile devices, digital products, WLAN and set top boxes. Hence, future growth of inductor market is promising.

②Still with low market share, domestic inductors show great potential for future growth.

According to monthly report of its customs, import and export statistics, the Republic of China annually has to import numerous special materials or high-precision inductors from America, Japan and other countries. Hence, with the prosperous development of domestic electronics industry, the manufacturers improve their materials and production technologies to satisfy customer requirements, thus creating sufficient space for growth of the inductor industry.

③The demand for proposal for EMI suppression is increasing day by day.

With swift changes in technologies, electronic products are extensively applied in everyday lives. It would happen anytime that electromagnetic radiation and interference occur between electronic instruments, thus impacting human health. For instance, advanced countries such as America, Japan and Europe attach great importance to increasingly more serious problems with electromagnetic radiation. They have successively established stringent standards for electromagnetic tests. Hence, in the future, all electronic products must pass electromagnetic radiation tests under the harshest conditions, so the demand for inductors is increasing day by day.

(2) Unfavorable factors of future development and response strategies:

①Domestic shortage of grassroots labor workers cause higher production and operating costs.

In the past years, factors like economic restructuring cause shortage of labor workers in production lines, and salary has tended to increase.

Response strategies:

In addition to strengthening on-the-job training of employees, improving quality of human resources and increasing productivity, the Company is also dedicated to decreasing ratio of labor costs and transferring products with higher labor costs or lower production levels to areas where production costs are low for production, for the purpose of industrial upgrading.

② Epidemic Lockdowns, Trade War, "Decoupling from China"

In 2022, the demand for parts and components saw a drastic reversal of demand. Interrelated factors such as the impact of the COVID-19 pandemic, strict lockdown measures in Mainland China, the war between Russia and Ukraine, geopolitics, decoupling from China, and climate change will continue to transform the global supply chain and the market demand will fluctuate significantly. Information and communications technology (ICT) industry clients responded to the increase in inventory levels by cutting down on orders. On the other hand, under the long-term deployment and efforts of King Core, the smart home appliances, tools and equipment, and automotive electronics customer sectors saw increased demand, while the power supply and green energy customer groups remained stable.

Response strategies:

In response to the dynamic changes in the general market environment, King Core shall continue to invest in Taiwan and will expand its investments in Taiwan. In 2023, the Company will set up a production line for a new type of powder used in magnetic core materials in its Taoyuan Pingzhen plant, which will not only increase the production capacity but also mitigate external uncertainties of material supply and production. This ensures that King Core's material supply and production in Taiwan remains stable and secure for customers' peace of mind and satisfaction, and enhance and deepen customers' trust and cooperation relationship with King Core.

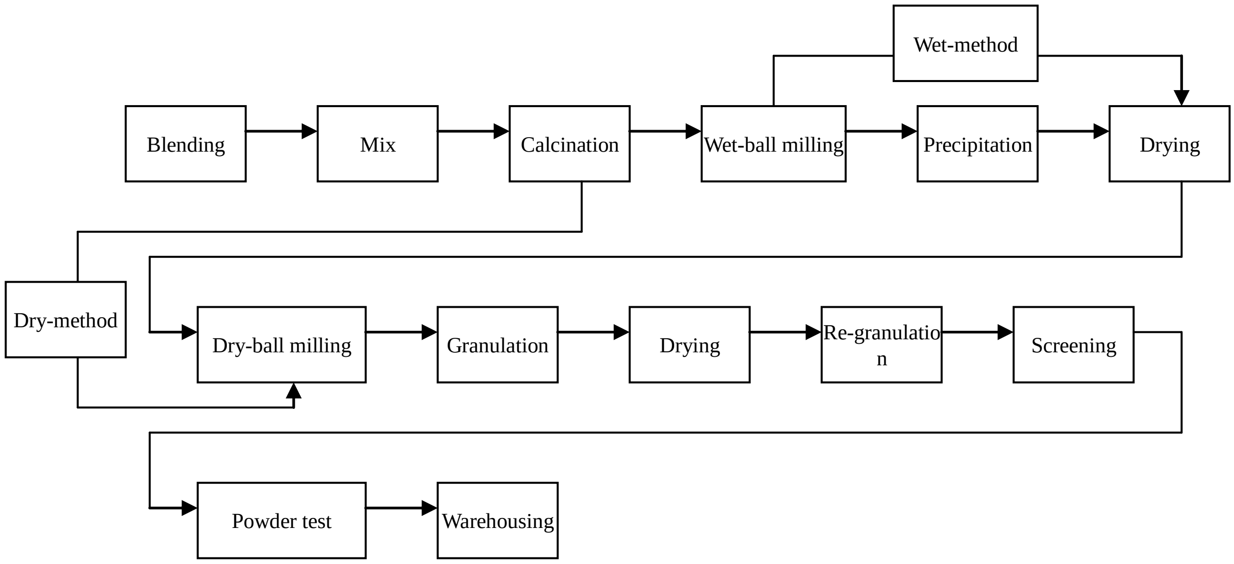
(II) Important purposes and manufacturing processes of main products

1. Important application of the main products

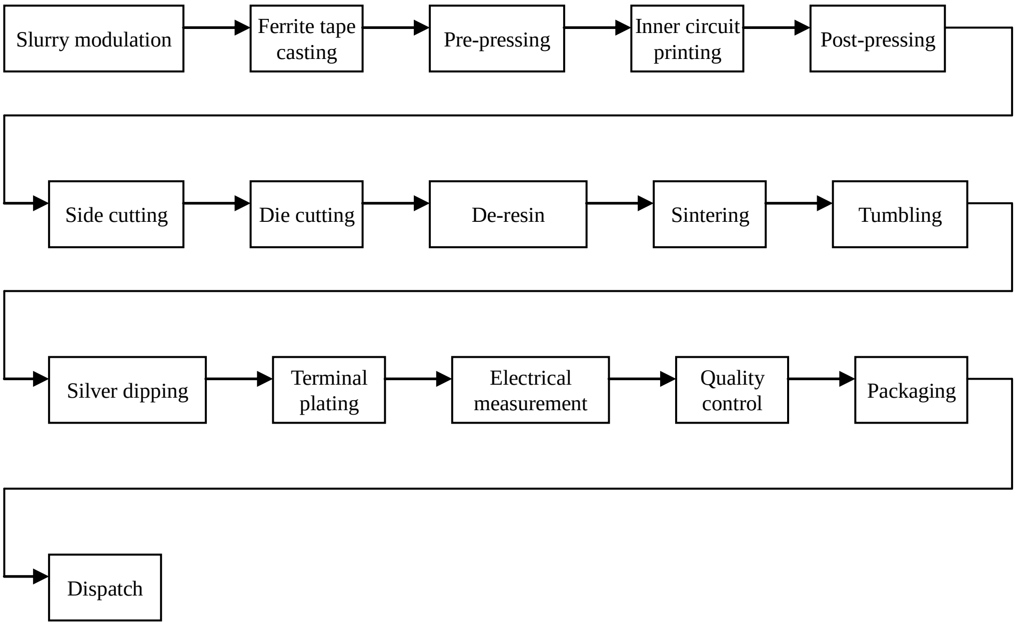
Main products of the Company include ferrite cores, multilayer chip inductors/ beads and precision coils, which are mainly utilized for filtering waves, suppressing EMI and adjusting current. The products are mostly applied in various consumer electronics, digital and communication products.

2. Production processes of main products

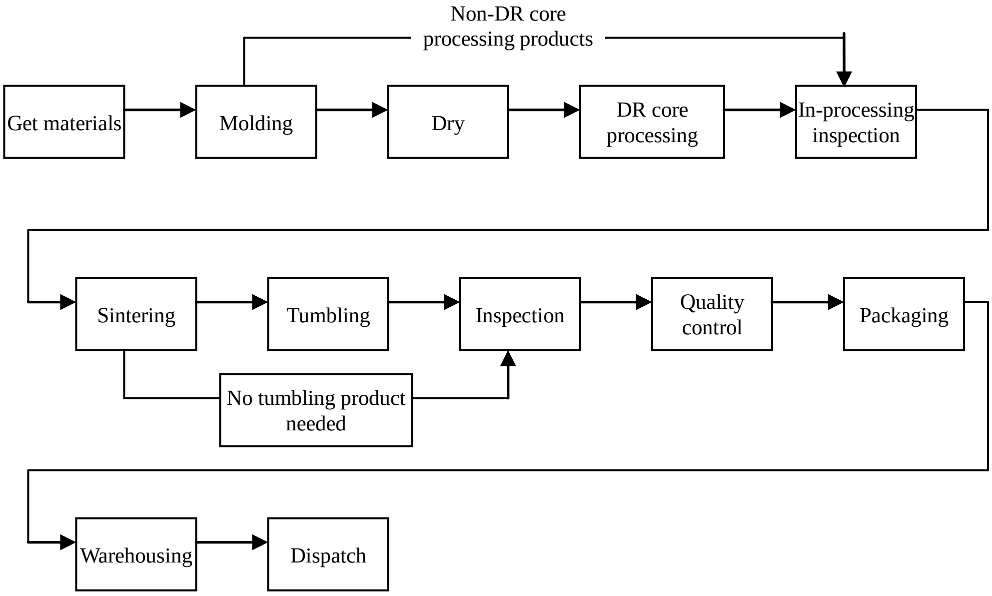
(1) Main production processes of powder materials



(2) Main production processes of chip inductors/thick-film common mode choke

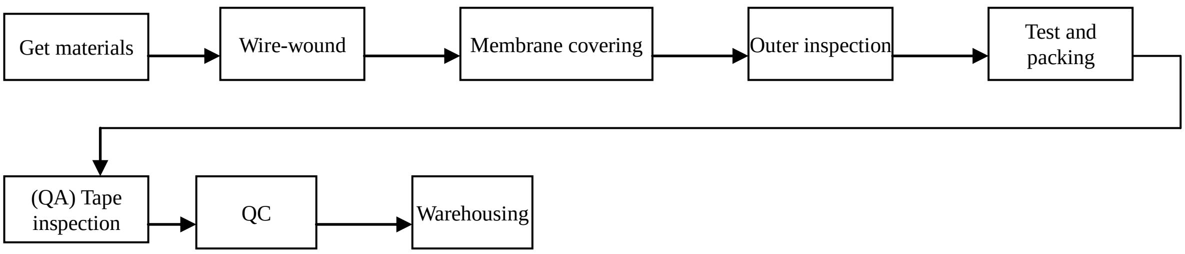


(3) Main production processes of ferrite cores

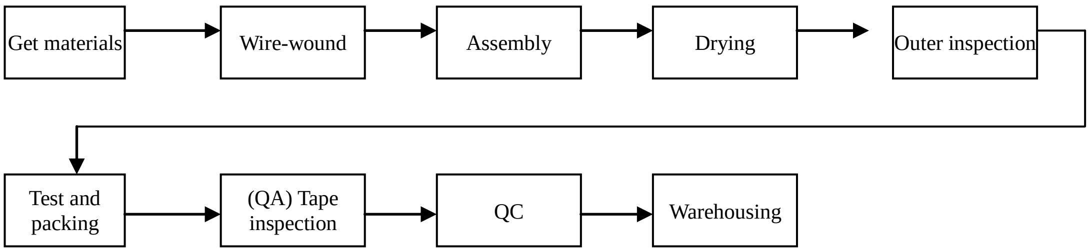


(4) Production processes of Coil Manufacturing Department

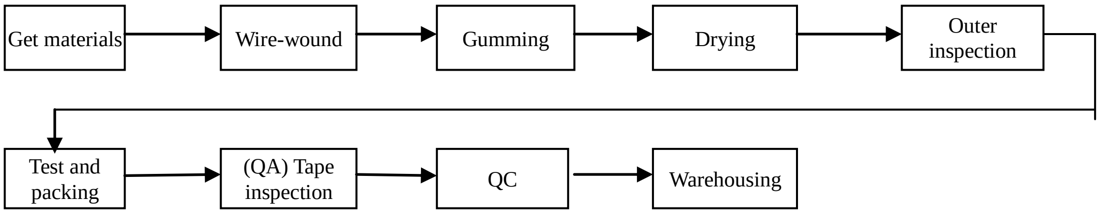
①HLC/FLC series



②COMMONMODE series



③Power Inductor series



(III). Supply of the important materials

Raw materials necessary for the Company's production of cores, chips and coils, etc. are ferric oxide, nickel oxide, zinc oxide, cupric oxide, inner electrode, external electrode, silver palladium, uranium plated magnetic rods, white magnetic rods, ferrite core powder and other raw materials with stable and sufficient sources. The Company maintains good relationships with its suppliers.

(IV) Names of customers who have accounted for over 10% of total (sales) purchase amount in either year of the past two years

1. Information on major suppliers in the past 2 years

Unit: NT$ thousand

Item	2021				2022			
	Name	Amount	As a % of the annual net purchase amount	Relation with the Company	Name	Amount	As a % of the annual net purchase amount	Relation with the Company
1	B	44,316	18.07	Non-related party	A	54,233	20.11	Non-related party
2	C	37,132	15.14	Non-related party	C	50,015	18.54	Non-related party
3	A	36,230	14.77	Non-related party	D	30,715	11.39	Non-related party
					E	30,342	11.25	Non-related party
					B	30,322	11.24	Non-related party
	Others	127,591	52.02		Others	74,114	27.47	
	Purchase Net amount	245,269	100		Purchase Net amount	269,741	100	

Note: Net purchase amount means that indicated in the recent year's consolidated financial report.

2. Information on major customers in the past 2 years

Unit: NT$ thousand

Item	2021				2022			
	Name	Amount	As a % of the annual net sales	Relation with the Company	Name	Amount	As a % of the annual net sales	Relation with the Company
1	A	179,683	22.47	Non-related	A	243,047	31.56	Non-related

				party				party
	Others	619,883	77.53		Others	527,100	68.44	
	Net sales	799,566	100.00		Net sales	770,147	100.00	

Note: Net sales means that indicated in the recent year's consolidated financial report.

(V) Production in the past two years

Unit: KPCS; NT$

Year / Production value / Main products	2021			2022		
	Production capacity	Yield	Value of output	Production capacity	Yield	Value of output
Cores	500,000	444,371	405,013	500,000	351,046	457,953
Chip inductors	900,000	928,632	110,642	900,000	598,271	91,299
Precision coils	200,000	119,324	85,697	200,000	74,703	52,547
Total	1,600,000	1,492,327	601,352	1,600,000	1,024,020	601,799

(VI) Sales in the past two years

Unit: thousand pcs; NT$

Year / Sales / Main Products	2021				2022			
	Domestic sales		Export		Domestic sales		Export	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Cores	89,516	233,471	351,174	241,439	82,674	283,956	106,516	122,653
Chip inductors	102,744	24,618	801,370	155,854	78,365	2,063	543,581	110,118
Precision coils	32,486	34,195	56,185	58,947	9,942	15,155	71,535	63,245
Trading	4,323	13,991	9,460	37,051	3,357	12,066	11,264	47,239
Total	229,069	306,275	1,218,189	493,291	174,338	313,240	732,896	343,255

III. The number of employees, their average years of service, average age and academic background in the past 2 years and as of the publication date of this annual report

April 15, 2023

Year		2021	2022	As of April 15, 2023
Number of Employees	Direct labour	179	149	149
	Indirect labor	38	36	34
	General employee	67	65	65
	Total(Note)	284	250	248
Average Age		42.4	43.79	43.9
Average Year of Service		9.89	11.6	11.88
Academic distribution ratio (%)	Ph.D.	0.35	0.4	0.4
	Masters	2.11	2.4	2.42
	College	33.46	34.4	34.67
	Senior High School	43.66	44.8	43.96
	Under Senior High School	20.42	18	18.55

Note: Statistics on number of employees exclude foreign labor workers and students receiving cooperative education

IV. Environment protection expenditure information

(I) The Company mainly produces products for suppressing EMI, which are applied in notebooks, motherboards, servers, digital cameras, computer-related products, communication products and consumer electronics. It has become the best partner of customers who provides EMI solutions. In addition, the Company makes every effort to protect environment and perform social responsibilities. In terms of its environmental policies, it conscientiously protects environment and takes accountability for the society.

As to fixed pollution sources, the Company has applied for and obtained incorporation and operation licenses. It has appointed full-time personnel for preventing and controlling air pollution. In respect of wastewater, it has applied for connection to the sewage system of the industrial park and its application has been approved. It has appointed full-time personnel for wastewater treatment. Furthermore, the Company has declared its fees for preventing and controlling air pollution on time. It pays for wastewater treatment on time.

To implement policies for energy conservation and carbon emission reduction, the Company takes actual actions to support power generation with green energy. In, 2016, it mounted solar panels and power generation equipment on roofs of its factory buildings, which covered an area of 2,358.39m^2. In 2022, its total power generation was up to 463,793KWH and its cumulative power generation reached 2,764,218KWH. Such power generation was equivalent to planting of 4,819,538 trees and reduction of carbon emissions by 1,451,064t. The profit that the Company gained from solar power generation amounted to NT$ 15,636 thousand. It reduced CO2 emissions, to mitigate greenhouse gas effects and make certain contributions to natural environment.

(II) In the most recent year and as of the publication date of the annual report, losses due to environmental pollution (specifying compensation and environmental protection audit results that violate environmental protection regulations, sanction date, sanction code, regulatory provisions that were violated, details of the regulatory violation, and sanction details) and disclosure of current and future estimated amounts and possible measures. If it cannot be reasonably estimated, the fact that it cannot be reasonably estimated shall be stated:None.

V. Labor relations

(I) The availability and implementation of employee welfare, training, education, retirement regulations, employer-employee agreements and the protection of employees' rights.

The Company has consistently treated its employees as its important assets. To fully take care of its employees and guarantee their living conditions, the Company has formulated the following welfare measures:

1. Employee welfare measures

(1) Employee remuneration.
(2) Group insurance.
(3) Festival gifts.
(4) Benefits and subsidies: Subsidies for marriage, childbirth, death, critical illnesses, cataclysm and major accidents.
(5) Employee education and training.
(6) Employee travel, cash gift for birthday, cash gifts (gifts) for May Day, Dragon Boat Festival and Mid-Autumn Day, etc. organized and arranged by the Staff Welfare Committee.
(7) Annual regular health checkup.
(8) Lactation room for employees.

2. Information on continuing education and training

To cultivate its employees in terms of professional knowledge, skills and concepts for the purpose of improving their quality and work efficiency, in order to achieve synchronous growth with its employees, the Company has formulated education and training procedures. It organizes new employee training, professional training, on-the-job education and training, co-training and external training, etc.

(1) New employee education and training
Assist new employees in knowing about their work environment, the Company's management rules and histories. Pay attention to training about work safety, organization, department businesses, quality concepts, materials for environmental management, professional work styles and requirements, labor laws, labor safety and health, so as to enhance new employees' understanding and appraisal of environment and policies, and become talents accommodating needs of the Company.

(2) Professional training
Annually designate employees to take part in related professional courses according to professional needs, to improve the Company's technologies and professional skills.

(3) Vocational training
Annually teach and re-educate employees about knowledge and skills necessary for performance of their duties or professional training according to the training plan, and review qualification of employees who have to hold work permits, in order that employees will be competent for their work.

(4) Co-training
Facilitate employees' constant self-growth dependent upon complete education and training systems, particularly based on employees' co-occupation, in order to promote general development of the Company.

(5) External training
Department heads and employees have to be recommended to take part in related external courses pursuant to their work needs, so as to increase their training benefits and enable employees to finish the most complete learning.

Related education and training results in 2022 are shown as follows:

Unit: NT Dollars

Item		Number of class	Total number of trainees	Total hours	Total fees
Orientation training		27	68	13.5	0
On-the-job education and training	Professional training	4	51	3.5	0
	Vocational training	28	204	59	0
	Co-training	47	1538	64	86,520
	External training	23	27	134	37,620
Total		129	1,888	274	124,140

Note: Education and training statistics exclude foreign workers.

3. Holding of related permits specified by competent authorities among personnel related to transparency of financial information: In 2022, no related personnel got related permits.

4. Retirement system

The Company has formulated the employee retirement policy to maintain employees' stable lives after their retirement. According to the Labor Standards Act, 2% of the total paid salary is appropriated as retirement reserve, which is deposited in and withdrawn from the special account of the Supervisory Committee for Workers' Retirement Reserve. As approved by the competent authority on April 3, 2002, 3% of the total paid salary was appropriated as workers' retirement reserve. 4.5% of the total paid salary was appropriated as such reserve with the approval of the competent authority on January 6, 2004.

The Labor Pension Act was enforced from July 1, 2005, and defined contribution system was adopted. After its enforcement, related pension rules of the Labor Standards Act or the pension rules hereunder should apply to the employees. The seniority before enforcement of the act should be maintained. For those employees to whom these regulations apply, the Company shall appropriate no less than 6% of their monthly salary as their pension.

The Company's retirement policy is as follows:

(1) Workers who have one of the following circumstances may request their retirement:

①Workers who attains the age of 55 and have worked in the Company for more than 15 consecutive years.

②Workers who attains the age of 60 and have worked in the Company for more than 10 consecutive years.

③Workers who have worked in the Company for more than 25 consecutive years.

④The workers whose seniority for retirement exceeds 15 years (including the figure) and who attain the age of 50 have to apply for earlier retirement.

(2) The employer mustn't force any of the following workers to retire:

①Over 65 years of age.

②Mentally or physically disabled and unable to perform the duty required.

The business entity may request the central competent authority to adjust the age prescribed in Subparagraph 1 of the preceding paragraph if the specific job entails risk, requires substantial physical strength or otherwise of a special nature. However, the age shall not be reduced below 55.

Procedures for workers to apply for retirement and pension standards are as follows:

(1) To apply for retirement, the employees shall complete an application form for retirement one month in advance. Only after their application is approved can they retire, and this is also the case for notices of mandatory retirement.

(2) Payment standard for employees' pension:

①Baseline pension means the average salary of one month when retirement is approved.

②Pension shall be checked and paid based on years of employment. Twice the baseline pension will be paid as pension for one year of employment, but for more than 15 years of employment (thirty times the baseline pension), baseline pension will be paid for each year of employment, and less than half a year's employment will be reckoned as half a year's employment, while over half a year's but less than one year's employment shall be regarded as one year of employment.

③For any workers who suffer from lipophrenia or who are physically disabled for performance of their duties that they are incompetent for work, apart from the baseline specified by the Labor Standards Act, 20% shall be additionally paid.

In 2022, 1 worker applied for retirement. The Labor Standards Act and the Company's retirement policy were followed so that the employees' lives could be guaranteed after their retirement, in order to safeguard employees' rights and interests.

5. Information on labor agreements

To coordinate labor relationships and protect the rights/interests therein, the Company is dedicated to strengthening harmonious labor relationships, quarterly convening meetings on labor relationships and communicating with employees to solve related problems. Hence, no material and pending labor dispute has occurred in the Company.

6. Information on measures for safeguarding employees' rights and interests

The Company has formulated work rules for employees and truly carried out related work to protect employees' rights and interests.

7. Codes of conduct and ethics for employees

To make rules available for obeying, improve organization and management, and increase work efficiency and productive efficiency, the Company has specially formulated work rules in accordance with the Labor Standards Act and related government regulations. Its rules and regulations on employee services are as follows:

(1) The employees shall abide by the following rules:

①Respect each other's personality, humbly follow etiquette, help each other and get along well with each other.

②Value reputation and credit of the Company and colleagues, Never speak or act inappropriately.

③Don't take advantage of powers, opportunities or methods in positions to illegally receive money or articles or commit any acts for swindling the Company or disclosing secrets.

④Don't do any other work or businesses prejudicing rights and interests of the Company without the Company's permission.

⑤Don't abuse powers or commit arbitrary acts beyond powers. When anything urgent happens, appropriate actions shall be taken and a report shall be immediately made to the immediate supervisor.

⑥Don't violate or instigate violation of these regulations.

(2) The employees shall obey the following rules and faithfully discharge their duties, to improve their operation efficiency:

①Cooperatively follow supervisors' instructions on work assignment, overtime work, job transfer, form completion, education and training, etc. Don't reject or delay with any excuse.

②Don't be absent without leave or negligent at work during working hours without the supervisors' permission.

(3) The employees shall observe the following rules and jointly maintain internal order of the Company:

①They shall not commit such acts as violence, coercion, harm, insult, theft, drinking, gambling, incendiary, destruction of public property, carrying of weapons, disruption of order, interference with work, disruption of public security and other improper behaviors in the Company.

②Don't instigate strike, sabotage or anything else hindering production.

③To take photos of or depict buildings, machines, appliances or molds inside the Company or lead others to visit the Company, corresponding supervisor shall firstly report to the General Manager in advance. Only after approval is obtained from the General Manager will such acts be committed.

④Don't enter the premise without permission, and non-related personnel are banned from access without permission.

⑤To smoke in work sites, they shall do that in specified areas.

⑥To meet with customers according to specified procedures during working hours, they shall do that in specified areas.

⑦They shall not look over files, correspondences or accounts beyond their duties. Personnel who are responsible for managing the aforementioned information shall not disclose such information to anyone else without permission.

⑧Keep meeting rooms, reception rooms and work sites orderly and clean.

⑨Before getting off work, the employees shall complete their own tasks and put up their tools.

(4) The employees shall abide by the following rules, take good care of corporate articles and keep them well:

①Properly use raw materials, power, tools, fuel and consumables to avoid waste.

②Repair, maintain and put machines, appliances, molds, tools, products, and other property of the Company in order. Malfunction, damage or loss must be immediately reported to corresponding supervisor if any.

③Keep all money-making appliances and articles in place before and after use.

④They shall not deliberately damage, privately use, hide or move any public property out of the Company.

(5) The employees' routine services and tasks shall be determined as specified in the job descriptions or assigned by their supervisors.

8. Measures for protecting work environment and employees' personal safety

(1) The Company is located in Pingzhen Industrial Park, where traffic is convenient, area is spacious, environment is elegant, and there are multiple recreational facilities (e.g. billiard rooms) for employees of the Company to entertain themselves for fun at leisure or carry out get-together activities.

(2) To protect employees' safety, the Company buys labor, health, group and other insurances for its employees.

(3) It organizes a regular health checkup for its employees and special physical examination for special operators once per year, to ensure its employees' health.

(4) It builds a Labor Safety and Health Committee, lawfully appoints labor and health managers in its workplaces, formulates labor safety and health rules, and quarterly convenes a meeting on labor safety and health.

(5) The Company's clothing rules specified in its labor safety and health rules are as follows:

①The employees must be properly and neatly dressed. They absolutely must not wear slippers or shoes without covering their toes, or work barebacked or barefooted. They shall wear safety shoes if required under their work environment.

②The employees have to wear hair buns or hats if they operate rotary machines, exposed to the risk of being entangled by the machines.

③They shall wear safety helmets when they get to and off work by motorcycle.

④The employees have to wear safety protection equipment in enter the premise if instructed so.

⑤The employees must not put sharp drill, ragged cloth with oil stain or anything easily caught by fire in pockets of clothes.

⑥They must not wear uniforms with oil stain, which are not only unsanitary, but also easily cause fire.

(6) A regular inspection of fire safety, building safety and utilities shall be performed once per year, to ensure safety of work environment.

(7) Conduct safety and health education and training on new employees. Organize on-the-job safety and health education and training, lectures and practical training about fire safety for supervisors of special operations; conduct on-the-job training on labor safety and health for general employees.

(8) Supervise professional disaster investigation and handling; perform statistical analysis of professional disasters.

9. Rules on work safety review

The Labor Safety Department of the Company has also formulated Safety and Health Work Rules. Its personnel review work safety of different units. The units are also required to independently review their own work safety. The Company appraises performances in work safety and environmental protection. It teaches personnel at varying levels about safety concepts and safety observation programs and projects, in order to fully promote safety practices, in hope of providing a mechanism for continuous improvements and improving performances in work safety. To keep informative about accidents, emergency response plans and other specifications are formulated. Then, the business units establish appropriate organizations and countermeasures for crisis and emergency handling based on their own operations and environmental conditions. Regular drills are organized to make employees familiar with response steps, in hope of mitigating aggravation of disasters, personnel and equipment loss in case of any accident.

10. Equipment safety management

The Company has formulated complete procedures for equipment safety management to inspect dangerous equipment relatively thoroughly, in order to ensure safe equipment operation. During operation, the operators must perform automatic and key inspections, and in operation sites. Inside equipment areas, safety management measures for safety of people, things, places and materials shall be controlled according to standard operating procedures. For instance, the Company formulates access , logout/tagout management procedures for personnel in machine operation areas. These safety work rules are greatly associated with factory personnel's safety and equipment operation. Hence, these safety work rules must be formulated inside the factory of the Company.

11. Fire drills

Apart from implementing declaration procedures for regular overhaul of fire safety equipment in different places according to fire control laws, the Company also formulates fire management measures and other pertinent rules, in order that all fire equipment will be regularly inspected once a year and readily kept available anytime.

12. Building inspection inside the factory

Professional organization or personnel must be annually engaged to inspect, certify and confirm the buildings inside the factory with respect to structure and equipment safety. For this, a declaration must be made to the competent building authority, to ensure public security of buildings.

(II) List any losses suffered by the company in the most recent fiscal years and up to the annual report publication date due to labor disputes (including labor inspection results that violate the Labor Standards Act, sanction date, sanction code, regulatory provisions that were violated, details of the regulatory violation, and sanction details), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided.

As of the publication date of annual report, the Company has not suffered any loss for labor dispute, and it is expected that such loss would not occur to the Company in the future.

VI. Information security management:

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

1. Information security risk management framework system

(1) Purpose:

As to matters on security protection of information systems and crisis handling, a security control mechanism shall be established for computer network systems.

(2) Scope:

Applicable to construction, operation, maintenance and control of the Company's information security system and covering the following fields:

①Internal/external networks

②Operating systems

③Storage media management

(3) Rights and duties:

①Unit in charge of computer information systems: Management Department

②Internally, the Company appoints full-time personnel and builds an information security group to protect security of related information systems and handle crisis. It regularly reviews policy effectiveness and reports to the General Manager.

(4) Security monitoring architecture:

①Internally, the Company appoints full-time personnel to protect security of related information systems and handle crises, to prevent risks and crises of computer networks and protect security of information systems.

②Construct a security control mechanism for computer network systems, to ensure security of materials transferred via networks, protect networking and prevent unauthorized access to systems, to avoid disclosure of confidential data.

③For computer network systems of multinational companies, it is necessary to specially strengthen network security management. Internally, anti-virus software shall be installed, and externally, network firewalls must be set, to prevent invasion of computer viruses and aggressive malicious software, or else the Company's network system will paralyze.

(5) Control over file security

①Prevent unrelated personnel's access to system information.

②Personnel with the highest privileges shall separately set users' accounts and privileges according to their business scope, powers and duties. The users must not privately exchange their accounts and privileges. Once any users leave their original posts, their accounts and privileges shall be immediately canceled.

③In respect of their accounts, users shall avoid using passwords which are easy to identify and guess. They shall regularly change their passwords.

2. Information security policy:

(1)Educate employees to correctly use lawful software, procure employees to correctly understand threats of computer viruses, and further increase employees' awareness of information security.

(2) Announce instant information on information security through an email system.

(3)The employees involved in operation of information systems shall sign the Affidavit on Application Safety of Networks and Copyright Software. Any employees who violate the Company's information security policy, operating specifications on computer software and related rules shall solely assume criminal responsibilities as stipulated by related national laws in addition to receiving punishments of the Company and being subject to related personnel rules of the Company.

3. Specific management proposal:

Data backup and maintenance methods:

①Regular backups of important archives and data shall be daily created for data of network systems for use from time to time.

②Servers of personal computers and network systems shall be equipped with computer virus scanning tools. It is necessary to regularly and automatically scan computer viruses and update virus patterns.

③Administrators of network systems shall draft network safety rules, set and operate network management tools, check internal/external network traffic of firewalls, and review related log files, to ensure safety and integrity of systems and materials.

4. Propaganda of information security:

(1) Related users shall sign affidavits on application safety of network/copyright software.

(2) Announce instant information on information security through an email system.

(3)Annually and regularly convene a monthly meeting for education, training and propaganda among all employees of the factory. In 2022, the Company organized 1 hour of education and training on the Company's issues about information security, and 1 employee took part in the training.

5. Resources invested for information security management:

Information security team of Chunghwa Telecom (intrusion detection and protection system), firewall, anti-virus software.

(II) List any losses suffered by the Company in the most recent fiscal year and up to the publication date of annual report due to significant cyber security incidents, the possible impacts therefrom, and measures being taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided.

The Company hasn't been involved in this circumstance as of the publication date of annual report.

VII. Important contracts: none

Six. Overview of finance

I. Condensed balance sheet and statement of income in the past five years

1. Condensed balance sheet

Condensed balance sheet - consolidated information — Unit: NT$ thousand

Item \ Year		Financial information in the most recent 5 years (Note 1)				
		2018	2019	2020	2021	2022
Current Assets		1,574,439	1,445,471	1,838,129	2,225,529	1,591,427
Property, plant, and equipment (Note 2)		347,756	320,987	289,709	307,831	305,702
Intangible assets		195	57	0	43	205
Other assets (Note 2)		380,950	393,390	423,233	433,350	436,623
Total assets		2,303,340	2,159,905	2,551,071	2,966,753	2,333,957
Current liabilities	Before distribution	864,250	684,198	1,107,083	1,506,892	779,621
	After distribution	950,541	774,332	1,172,215	1,580,775	Undistributed
Non-current liabilities		39,958	37,795	28,554	37,723	20,200
Total liabilities	Before distribution	904,208	721,993	1,135,637	1,544,615	799,821
	After distribution	990,499	812,127	1,200,769	1,618,498	Undistributed
Equity attributable to the parent company		1,399,132	1,437,912	1,415,434	1,422,138	1,534,136
Capital stock		862,906	866,676	868,427	869,204	871,477
Capital surplus		188,872	199,124	196,753	198,157	200,654
Retained earnings	Before distribution	400,472	394,697	342,298	359,673	477,841
	After distribution	314,181	304,563	277,166	285,790	Undistributed
Other equities		(53,118)	(22,585)	7,956	(4,896)	(15,836)
Treasury stock		-	-	-	-	-
Non-controlling equity		-	-	-	-	-
Total equity	Before distribution	1,399,132	1,437,912	1,415,434	1,422,138	1,534,136
	After distribution	1,312,841	1,347,778	1,350,302	1,348,255	Undistributed

* If the Company has compiled unconsolidated financial statements, the condensed balance sheet and comprehensive income statements of the last five years should be compiled also.

* If the Company adopted IFRS for less than 5 years, the following statements should be compiled as well (2) financial information prepared in accordance with Generally Accepted Enterprise Accounting Principles of the Republic of China.

Note 1: The above financial information is certified by CPAs.

Note 2: If the assets are revalued in this accounting year, the revaluation date and re-estimated added value shall be indicated: None.

Note 3: As of the publication date of annual report, the company which has been listed or of which the stocks have been traded in securities business premises shall disclose its financial data which has been lately audited and certified or reviewed by CPAs.

Note 4: The aforementioned post-distribution figures shall be indicated based on the resolutions passed at the Board of Director meeting or the annual shareholders' meeting of the following year.

Note 5: The financial data which shall be independently corrected or recompiled as notified by a competent authority shall be assigned corrected or new numbers. Corresponding circumstance and reason shall be indicated: None.

Condensed balance sheet - parent only information

Unit: NT$ Thousand

Item \ Year		Financial information in the most recent 5 years (Note 1)				
		2018	2019	2020	2021	2022
Current Assets		1,333,777	1,246,541	1,617,597	1,952,802	1,385,539
Property, plant, and equipment (Note 2)		319,233	291,892	262,586	279,009	278,898
Intangible assets		7	57	0	43	205
Other assets (Note 2)		618,562	594,264	632,853	691,003	655,653
Total assets		2,271,579	2,132,754	2,513,036	2,922,857	2,320,295
Current liabilities	Before distribution	833,211	657,484	1,069,762	1,463,333	766,634
	After distribution	919,502	747,618	1,134,894	1,537,216	Undistributed
Non-current liabilities		39,236	37,358	27,840	37,386	19,525
Total liabilities	Before distribution	872,447	694,842	1,097,602	1,500,719	786,159
	After distribution	958,738	784,976	1,162,734	1,574,602	Undistributed
Equity attributable to the parent company		1,399,132	1,437,912	1,415,434	1,422,138	1,534,136
Capital stock		862,906	866,676	868,427	869,204	871,477
Capital surplus		188,872	199,124	196,753	198,157	200,654
Retained earnings	Before distribution	400,472	394,697	342,298	359,673	477,841
	After distribution	314,181	304,563	277,166	285,790	Undistributed
Other equities		(53,118)	(22,585)	7,956	(4,896)	(15,836)
Treasury stock		-	-	-	-	-
Non-controlling equity		-	-	-	-	-
Total equity	Before distribution	1,399,132	1,437,912	1,415,434	1,422,138	1,534,136
	After distribution	1,312,841	1,347,778	1,350,302	1,348,255	Undistributed

* If the Company has compiled unconsolidated financial statements, the condensed balance sheet and comprehensive income statements of the last five years should be compiled also.

* If the Company adopted IFRS for less than 5 years, the following statements should be compiled as well (2) financial information prepared in accordance with Generally Accepted Enterprise Accounting Principles of the Republic of China.

Note 1: The above financial information is certified by CPAs.

Note 2: If the assets are revalued in this accounting year, the revaluation date and re-estimated added value shall be indicated: None.

Note 3: As of the publication date of annual report, the company which has been listed or of which the stocks have been traded in securities business premises shall disclose its financial data which has been lately audited and certified or reviewed by CPAs.

Note 4: The aforementioned post-distribution figures shall be indicated based on the resolutions passed at the annual shareholders' meeting of the following year.

Note 5: The financial data which shall be independently corrected or recompiled as notified by a competent authority shall be assigned corrected or new numbers. Corresponding circumstance and reason shall be indicated: None.

2. Condensed comprehensive income statement

Condensed comprehensive income statement - consolidated information

Unit: NT$ Thousand (except for EPS)

Year / Item	Financial information in the most recent 5 years (Note 1)				
	2018	2019	2020	2021	2022
Operating revenue	722,186	649,900	606,740	799,566	770,147
Operating gross profit	200,491	163,313	153,991	250,667	205,014
Operating profit or loss	75,143	48,084	42,494	127,648	70,117
Non-operating revenue and expense	83,459	48,352	(2,335)	(19,875)	163,334
Net income before tax	158,602	96,436	40,159	107,773	233,451
Net income for current period of continuing department	127,497	80,341	34,073	80,798	190,616
Loss of discontinued department	-	-	-	-	-
Net income for current period (loss)	127,497	80,341	34,073	80,798	190,616
Current term other comprehensive profit/loss (net amount after tax)	(53,342)	30,708	34,203	(11,143)	(7,271)
Total comprehensive income	74,155	111,049	68,276	69,655	183,345
Operating gross profit (loss) attributable to parent company	127,497	80,341	34,073	80,798	190,616
Operating gross profit (loss) attributable to non-controlling equity	-	-	-	-	-
Total comprehensive income attributable to parent company	74,155	111,049	68,276	69,655	183,345
Total comprehensive profit attributable to non-controlling interests	-	-	-	-	-
EPS	1.48	0.93	0.39	0.93	2.19

* If the Company has compiled unconsolidated financial statements, the condensed balance sheet and comprehensive income statements of the last five years should be compiled also.

* If the Company adopted IFRS for less than 5 years, the following statements should be compiled as well (2) financial information prepared in accordance with Generally

Accepted Enterprise Accounting Principles of the Republic of China.

Note 1: The above financial information is certified by CPAs.

Note 2: As of the publication date of annual report, the company which has been listed or of which the stocks have been traded in securities business premises shall disclose its financial data which has been lately audited and certified or reviewed by CPAs.

Note 3: The loss of the defunct company shall be presented net of taxes.

Note4:The financial data which shall be independently corrected or recompiled as notified by a competent authority shall be assigned corrected or new numbers. Corresponding circumstance and reason shall be indicated: None.

Condensed comprehensive income statement - parent only information

Unit: NT$ Thousand (except for EPS)

Year / Item	Financial information in the most recent 5 years (Note 1)				
	2018	2019	2020	2021	2022
Operating revenue	611,865	538,299	506,558	642,179	656,496
Operating gross profit	173,035	126,652	94,381	160,042	180,134
Operating profit or loss	80,306	38,227	10,497	69,692	75,866
Non-operating revenue and expense	73,743	52,620	26,717	31,059	157,048
Net income before tax	154,049	90,847	37,214	100,751	232,914
Net income for current period of continuing department	127,497	80,341	34,073	80,798	190,616
Loss of discontinued department	-	-	-	-	-
Net income for current period (loss)	127,497	80,341	34,073	80,798	190,616
Current term other comprehensive profit/loss (net amount after tax)	(53,342)	30,708	34,203	(11,143)	(7,271)
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Operating gross profit (loss) attributable to parent company	74,155	111,049	34,073	80,798	190,616
Operating gross profit (loss) attributable to non-controlling equity	-	-	-	-	-
Total comprehensive income attributable to parent company	74,155	111,049	68,276	69,655	183,345
Total comprehensive profit attributable to non-controlling interests	-	-	-	-	-
EPS	1.48	0.93	0.39	0.93	2.19

* If the Company has compiled unconsolidated financial statements, the condensed balance sheet and comprehensive income statements of the last five years should be compiled also.
* If the Company adopted IFRS for less than 5 years, the following statements should be compiled as well (2) financial information prepared in accordance with Generally Accepted Enterprise Accounting Principles of the Republic of China.

Note 1: The above financial information is certified by CPAs.

Note 2: As of the publication date of annual report, the company which has been listed or of which the stocks have been traded in securities business premises shall disclose its financial data which has been lately audited and certified or reviewed by CPAs.

Note 3: The loss of the defunct company shall be presented net of taxes.

Note 4: The financial data which shall be independently corrected or recompiled as notified by a competent authority shall be assigned corrected or new numbers. Corresponding circumstance and reason shall be indicated: None.

3. Names of auditors and audit opinions for the latest 5 years

Year	Title of the CPA agency (note)	CPA's name (note)	Audit Opinion
2018	Ernst & Young, Taiwan	Lo Hsiao-Chin, Cheng Ching-Piao	Unqualified opinion plus other matter
2019	Ernst & Young, Taiwan	Lo Hsiao-Chin, Cheng Ching-Piao	Unqualified opinion plus other matter
2020	Ernst & Young, Taiwan	Lo Hsiao-Chin, Cheng Ching-Piao	Unqualified opinion plus other matter
2021	Ernst & Young, Taiwan	Chen Kuo-Shuai, Hong Mao-Yi	Unqualified opinion plus other matter
2022	Ernst & Young, Taiwan	Lin Cheng-Wei, Chen Kuo-Shuai	Unqualified opinion plus other matter

Note: The CPAs were changed for internal position adjustment of Ernst & Young, Taiwan.

II. Financial analysis in the most recent five years

Financial analysis for the last five years - consolidated information

Analytical items (Note 3) / Year (Note 1)		Financial Analysis for the last 5 years				
		2018	2019	2020	2021	2022
Financial structure (%)	Liabilities to total assets	39.26	33.43	44.52	52.06	34.27
	Long-term fund to property, plant and equipment	413.82	459.74	498.43	474.24	508.45
Solvency(%)	Current ratio	182.17	211.27	166.03	147.69	204.13
	Quick ratio	160.05	190.6	151.33	133.44	175.83
	Times interest earned	24.66	16.21	7.74	14.63	31.35
Operation capacity	Receivables turnover (time)	3.2	2.95	2.78	3.44	3.36
	Average number of days receivables outstanding	114.06	123.72	131.29	106.10	108.63
	Inventory turnover (time)	2.63	2.52	2.48	2.52	2.27
	Payables turnover (time)	6.36	6.38	6.09	6.23	6.34
	Average number of days of sales	139	144.84	147.17	144.84	160.79
	Property, plant and equipment turnover (time)	2.03	1.94	1.99	2.68	2.51
	Total assets turnover (time)	0.32	0.29	0.26	0.29	0.29
Profitability	Return on assets (%)	5.94	3.83	1.65	3.16	7.42
	Equity return ratio (%)	9.24	5.66	2.39	5.69	12.9
	Pre-tax income to paid-in capital ratio (%) (Note 7)	18.38	11.13	4.62	12.40	26.79
	Operating gross profit margin (%)	17.65	12.36	5.62	10.11	24.75
	EPS (NT$)	1.48	0.93	0.39	0.93	2.19
Cash flow	Cash flow ratio (%)	19.38	19.35	6.89	5.99	37.55
	Cash flow adequacy ratio (%)	112.34	113.9	99.93	83.37	124.64
	Cash flow reinvestment ratio (%)	7.25	2.54	(0.76)	1.41	11.93
Leverage	Operating leverage	4.18	5.57	5.7	2.73	4.24
	Financial leverage	1.10	1.15	1.16	1.07	1.12

Specify the reasons that caused the changes in the financial ratios in the last two years.
The changes in financial ratios exceeding 20% in 2022 and 2021 are analyzed as follows:

1. Liabilities to total assets decreased by 34.17%, mainly due to the sale of U.S. dollars to repay short-term loans due to the strong U.S. dollar in FY2022.
2. Current Ratio increased by 38.22%, mainly due to the decrease in current liabilities in FY2022.
3. Quick Ratio increased by 31.77%, mainly due to the decrease in current liabilities in FY2022.
4. Times interest earned increased by 114.29%, mainly due to the increase in net income before tax in FY2022.
5. Return on Assets Ratio increased by 134.81%, mainly due to the increase in net income after tax in FY2022.
6. Equity return ratio increased by 126.71%, mainly due to the increase in net income after tax in FY2022.
7. Pre-tax income to paid-in capital ratio increased by 116.05%, mainly due to the increase in net income before tax in FY2022.
8. Operating gross profit margin increased by 144.81%, mainly due to the increase in net income after tax in FY2022.
9. Earnings per share increased by 135.48%, mainly due to the increase in profit or loss attributable to the owners of the parent company in FY2022.
10. Cash Flow Ratio increased by 526.88%, mainly due to the increase in net cash flow from operating activities and decrease in current liabilities in FY2022.
11. Cash Flow Adequacy Ratio increased by 49.5% mainly due to the increase in net cash flow from operating activities over the last five years.
12. Cash flow reinvestment ratio increased by 746.1%, mainly due to the increase in net cash flow from operating activities in FY2022.
13. Operating leverage increased by 55.31%, mainly due to the decrease in operating income in FY2022.

＊ If unconsolidated financial statements are compiled by the Company, the unconsolidated financial analysis should be presented separately.

＊ If the company adopted IFRS for less than 5 years, the following statements should be compiled as well (2) financial information prepared in accordance with Generally Accepted Enterprise Accounting Principles of the Republic of China.

Financial analysis for the last five years - parent only information

Analytical items (Note 3) \ Year (Note 1)		Financial Analysis for the last 5 years				
		2018	2019	2020	2021	2022
Financial structure (%)	Liabilities to total assets	38.41	32.58	43.68	51.34	33.88
	Long-term fund to property, plant and equipment	450.57	505.42	549.64	523.11	557.07
Solvency (%)	Current ratio	160.08	189.59	151.21	133.45	180.73
	Quick ratio	144.7	176	141.05	123.98	158.40
	Times Interest Earned	23.98	15.33	7.25	13.78	31.31
Operation capacity	Receivables turnover (time)	3.1	2.82	3.05	4.14	4.27
	Average number of days receivables outstanding	117.74	129.43	119.67	88.16	85.48
	Inventory turnover (time)	3.37	3.31	3.55	3.40	2.76
	Payables turnover (time)	6.18	6.24	6.25	6.16	5.21
	Average number of days of sales	108.3	110.27	102.81	107.35	132.25
	Property, plant and equipment turnover (time)	1.88	1.76	1.83	2.37	2.35
	Total assets turnover (time)	0.28	0.24	0.22	0.24	0.25
Profitability	Return on assets (%)	6.01	3.88	1.67	3.20	7.51
	Equity return ratio (%)	9.24	5.66	2.39	5.69	12.9
	Pre-tax Income to Paid-in Capital Ratio (%) (Note 7)	17.85	10.48	4.29	11.59	26.73
	Operating gross profit margin (%)	20.84	14.92	6.73	12.58	29.04
	EPS (NT$)	1.48	0.93	0.39	0.93	2.19
Cash flow	Cash flow ratio (%)	21.78	24.77	6.57	6.41	40.94
	Cash flow adequacy ratio (%)	134.79	133.05	116.1	102.94	138.8
	Cash flow reinvestment ratio (%)	8.71	4.55	(1.18)	1.74	14.26
Leverage	Operating leverage	3.5	5.88	17.43	3.67	3.51
	Financial leverage	1.09	1.20	2.31	1.13	1.11

Specify the reasons that caused the changes in the financial ratios in the last two years.
The changes in financial ratios exceeding 20% in 2022 and 2021 are analyzed as follows:

1. Liabilities to total assets decreased by 34.01%, mainly due to the sale of U.S. dollars to repay short-term loans due to the strong U.S. dollar in FY2022.
2. Current Ratio increased by 35.43%, mainly due to the decrease in current liabilities in FY2022.
3. Quick Ratio increased by 27.76%, mainly due to the decrease in current liabilities in FY2022.
4. Times interest earned increased by 127.21%, mainly due to the increase in net income before tax in FY2022.
5. increase of 23.2% in average number of days of sales was mainly due to the increase in inventory in FY2022.
6. Return on assets increased by 134.69%, mainly due to the increase in net income after tax in FY2022.
7. Equity return ratio increased by 126.71%, mainly due to the increase in net income after tax in FY2022.
8. Pre-tax income to Paid-in Capital ratio increased by 130.63%, mainly due to the increase in net income before tax in FY2022.
9. Operating gross profit margin increased by 130.84%, mainly due to the increase in net income after tax in FY2022.
10. EPS increased by 135.48%, mainly due to the increase in profit or loss attributable to the owners of the parent company in FY2022.
11. Cash flow ratio increased by 538.69%, mainly due to the increase in net cash flow from operating activities and decrease in current liabilities in FY2022.
12. Cash flow adequacy ratio increased by 34.84% mainly due to the increase in net cash flow from operating activities over the last five years.
13. Cash flow reinvestment ratio increased by 719.54%, mainly due to the increase in net cash flow from operating activities in FY2022.

Note 1: All of the above financial information has been certified by CPAs.

Note 2: As of the publication date of annual report, the company which has been listed or of which the stocks have been traded in securities business premises shall analyze its financial data which has been lately audited and certified or reviewed by CPAs.

Note 3: the calculation formula below should be presented at the end of the annual financial report

1. Financial structure
   (1) Liabilities to total assets =Total liabilities/total assets.
   (2) Long-term fund to property, plant and equipment=(total equity+non-current liabilities)/property, plant and equipment, net
2. Solvency
   (1) Current ratio=current assets/current liabilities
   (2) Quick ratio= (current assets-inventory-prepayment)/current liabilities
   (3) Times Interest Earned = earnings before interest and tax/interest expenses in the current period
3. Operational capacity
   (1) Receivables turnover ratio (including accounts receivable and notes receivable resulting from operation) = Net sales / average balance of accounts receivable (including accounts receivable and notes receivable arising from sales) for the period.
   (2) Average cash collection days = 365 / receivables turnover ratio.
   (3) Inventory turnover rations = Cost of goods sale/Average inventory.
   (4) Payables (including accounts payable and notes payable arising from sales) turnover ratio = Cost of goods sold / average balance of accounts payable (including accounts payable and notes payable arising from sales) for the period.
   (5) Average sales days = 365 / inventory turnover ratio.
   (6) Immovable property, plant and equipment turnover ratio = Net sales / average net immovable property, plant and equipment.
   (7) Total asset turnover ratio = Net sales / average total assets.
4. Profitability
   (1) Return on Asset = [Profit and loss after tax + Interest expense × (1- tax rate)] / average total assets.
   (2) ROE = Profit and loss after tax / average net equity.
   (3) Profit margin = Income after tax/net sales
   (4) EPS = (income attributable to parent company – dividends from preferred shares)/weighed average quantity of outstanding shares
5. Cash flow
   (1) Cash flow ratio=Net cash flow from operating activities/current liabilities
   (2) Net cash flow adequacy ratio= Net cash flow from operating activities in the most recent five years/ (capital spending + increase in inventory + cash dividends) in the most recent five years
   (3) Cash reinvestment ratio= (Net cash flow from operating activities-cash dividends) /(gross of property, plant and equipment+ long-term investment+ other non-current assets+ working capital)
6. Leverage:
   (1) Operating leverage= (Net operating revenue-variable operating costs and expenses)/operating profit
   (2) Financial leverage = Operating profit / (operating profit-interest expenses).

Note 4: The following shall be considered in assessing the equation EPS as aforementioned:

1. Weighted average quantity of shares is on the basis of common stock, not the outstanding shares as of the end of the year.
2. If there is a cash capital increase or treasury transaction, the outstanding period should be considered for weighted-average stock calculation.
3. If any additional shares were issued against retained earnings or capital surplus, the full year or half-year EPS must be adjusted proportionally and retroactively, regardless of when the additional stocks were issued.
4. If the preferred stock is unconvertible cumulative preferred stock, the dividend for the year (whether the dividend is paid or not) should be deducted from the net income or added to the net loss. If preference shares were non-cumulative, the preference shares dividends must be deducted from after tax operating gross profit; no adjustment is required from after tax net loss.

Note 5: The following shall be considered in assessing cash flow analysis:

1. Net cash flow from operating activities refers to net cash inflow from operating activities as stated in the Statement of Cash Flow.
2. Capital expenditure refers to the cash outflow for annual capital investments.
3. The increase in inventory is included only when the balance at the ending is greater than that at beginning. If the inventory decreases at the end of the year, it shall be calculated as “zero."
4. Cash dividend includes cash dividend for common stock and preferred stock.
5. Gross property, plant and equipment refers to the total property, plant and equipment before subtracting by accumulated depreciation.

Note 6: The issuer shall distinguish the operating costs and operating expenses as fixed and floating ones by nature. If any estimation or judgment is involved, please note the reasonableness and consistency.

Note 7: In the case of shares issued by the Company with no par value or a par value other than NT$10 per share, said calculation about the ratio of the paid-in capital shall be replaced by the equity attributable to the parent company identified in the balance sheet.

III. Audit Committee's report on the review of the latest financial report

KING CORE ELECTRONICS INC.
Audit Committee's Review Report

Authorized

The Board of Director has prepared the Company's 2022 Business Report, financial statements and earnings distribution proposal. Lin Cheng-Wei and Chen Kuo-Shuai, as CPAs of Ernst & Young, Taiwan, have audited the financial statements and issued an audit report. The abovementioned business report, financial statements and earnings distribution proposal have been examined and approved by the Audit Committee and there was no discrepancy found. The Review Report is therefore issued in accordance with the Securities Exchange Act and the Company Act; please review and verify.

Best regards

2023 General Shareholders' Meeting of the Company

KING CORE ELECTRONICS INC.
Convener of Audit Committee: Huang Hsu-Nan

February 20, 2023

IV. The latest financial statements.

<u>English Translation of Financial Statements and a Report Originally Issued in Chinese</u>

MANAGEMENT REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of King Core Electronics Inc. As of December 31, 2022 and for the year then ended under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard No. 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, King Core Electronics Inc. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

King Core Electronics Inc.

By

Yang, Cheng-Li

Chairman

February 20th, 2023

English Translation of Financial Statements and a Report Originally Issued in Chinese

INDEPENDENT AUDITORS' REPORT

To: The Board of Directors and Shareholders of
King Core Electronics Inc.

Opinion

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

In our opinion, based on the results of our audits and the report of other auditor (please refer to the Other Matter－Making Reference to the Audit of a Component Auditor section of our report), the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2022 and 2021, and its consolidated financial performance and cash flows for the years then ended, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by 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 Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of other auditors, 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 2022 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters..

<u>Revenue Recognition</u>

We determine that revenue recognition is one of the key audit matters. The Company's consolidated revenue amounting to NT$770,147 thousand for the year ended December 31, 2022 is a significant account to the Company's consolidated financial statements. The Company has conducted these sale activities in multi-marketplace, including Taiwan, China, and Europe, etc. Among these locations, the Company has established hub-warehouse for certain foreign customers' convenience. Furthermore, the timing of fulfilling performance obligation needs to be determined based on varieties of sale terms and conditions enacted in the main sale contracts or sale orders. We therefore conclude that there are significant risks with respect to the topic of revenue recognition. Our audit procedures therefore include, but not limit to, evaluating the properness of accounting policy for revenue recognition, assessing and testing the effectiveness of relevant internal controls related to revenue recognition, sampling-test of details, including checking the revenue recognition from foreign warehouses, obtaining major sale orders or agreements to inspect the terms and conditions, checking the consistency of the fulfillment timing, and performance obligation for revenue recognition with sale agreement or orders, performing analytical review procedures on monthly sale revenues, executing sale cut-off tests, etc. We have also evaluated the appropriateness of the related disclosure in Notes 4 and 6 to the consolidated financial statements.

Other Matter – Making Reference to the Audit of a Component Auditor

We did not audit the financial statements of Allied Biotech Corp., an invested associate accounted for under the equity method by the Group. The financial statements of Allied Biotech Corp as of December 31, 2022 and 2021, and for the years then ended were audited by other auditor, whose report thereon has been furnished to us. Our audit, insofar as it related to the investment in the associate accounted for under the equity method amounting to NT$258,238 thousand and NT$239,112 thousand as of December 31, 2022 and 2021 representing 11.07% and 8.06% of the consolidated's total assets, the related shares of income before tax from the associate under the equity method for the years then ended amounting to NT$27,660 thousand and NT$2,468 thousand representing 11.85% and 2.29% of the Group's income before tax, and the related shares of other comprehensive income from the associate under the equity method for the years then ended amounting to NT$417 thousand and NT$(753) thousand representing (5.74)% and 6.76% of the other comprehensive income, respectively.

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 requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by 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 ability to continue as a going concern of the Company and its subsidiaries, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee or supervisors, are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 internal control of the Company and its subsidiaries.

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 ability to continue as a going concern of the Company and its subsidiaries. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and its subsidiaries 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 2022 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's 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.

Others

We have audited and expressed an unqualified opinion including an Other Matter Pargraph on the parent-company-only financial statements of the Company as of December 31, 2022 and 2021, and for the years then ended.

Lin, Cheng-Wei

Chen, Kuo-Shuai

Ernst & Young, Taiwan, R.O.C
February 20 th, 2023

Notice to Readers

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

Accordingly, the accompanying consolidated financial statements and report of independent auditors are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

King Core Electronics Inc. and Subsidiaries

Consolidated Balance Sheets

As at December 31, 2022 and 2021

(Amounts Expressed in Thousands of New Taiwan Dollars)

Assets			As at Dec.31, 2022		As at Dec.31, 2021	
Code	Accounts	Notes	Amount	%	Amount	%
	Current assets					
1100	Cash and cash equivalents	4, 6(1)	$568,347	24	$706,206	24
1110	Financial assets at fair value through profit or loss	4, 6(2)	46,767	2	57,210	2
1120	Financial assets at fair value through other comprehensive income	4, 6(3)	56,219	3	45,541	2
1136	Financial assets measured at amortized cost	4, 6(4), 8	505,033	22	949,386	32
1150	Notes receivable, net	4, 6(5)	8,557	-	11,617	-
1170	Accounts receivable, net	4, 6(6)	183,073	8	218,513	7
1180	Accounts receivable-related parties, net	4, 6(6), 7	-	-	5,462	-
1200	Other receivables		2,632	-	16,664	1
1310	Inventories, net	4, 6(7)	211,623	9	202,890	7
1410	Prepayments		8,970	-	11,828	-
1470	Other current assets		206	-	212	-
11xx	Total current assets		1,591,427	68	2,225,529	75
	Non-current assets					
1510	Financial assets at fair value through profit or loss	4, 6(2)	13,881	1	17,558	1
1517	Financial assets at fair value through other comprehensive income	4, 6(3)	105,805	5	130,864	4
1550	Investments accounted for under equity method	4, 6(8)	291,828	13	261,116	9
1600	Property, plant and equipment, net	4, 6(9), 8	305,702	13	307,831	10
1755	Right-of-use assets	4, 6(20)	5,734	-	6,295	-
1780	Intangible assets, net	4, 6(10)	205	-	43	-
1840	Deferred tax assets	4, 6(24)	8,691	-	17,344	1
1900	Other non-current assets	4, 6(11)	10,684	-	173	-
15xx	Total non-current assets		742,530	32	741,224	25
1xxx	Total Assets		$2,333,957	100	$2,966,753	100

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

King Core Electronics Inc. and Subsidiaries

Consolidated Balance Sheets (Continued)

As at December 31, 2022 and 2021

(Amounts Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity			As at Dec.31, 2022		As at Dec.31, 2021	
Code	Accounts	Notes	Amount	%	Amount	%
	Current liabilities					
2100	Short-term loans	6(12),8	$582,000	25	$1,319,000	45
2120	Financial liabilities at fair value through profit or loss		433	-	170	-
2130	Contract liabilities	4, 6(13)	564	-	1,117	-
2150	Notes payable, net	4, 6(18)	404	-	546	-
2170	Accounts payable		76,768	3	100,428	3
2200	Other payables	6(14)	78,001	3	70,301	2
2230	Current income tax liabilities	4, 6(24)	36,974	2	10,554	-
2280	Lease liabilities	4, 6(20)	-	-	460	-
2300	Other current liabilities		4,477	-	4,316	-
21xx	Total current liabilities		779,621	33	1,506,892	50
	Non-current liabilities					
2570	Deferred tax liabilities	4, 6(24)	9,133	-	21,993	1
2600	Other non-current liabilities	6(15), 6(16)	11,067	1	15,730	1
25xx	Total non-current liabilities		20,200	1	37,723	2
2xxx	Total liabilities		799,821	34	1,544,615	52
31xx	Equity attributable to shareholders of the parent					
3100	Capital	6(17)				
3110	Common stock		871,477	37	869,204	29
3200	Capital surplus	6(17)	200,654	9	198,157	7
3300	Retained earnings	6(17)				
3310	Legal reserve		274,507	12	266,256	9
3320	Special reserve		6,584	-	6,584	-
3350	Unappropriated earnings		196,750	9	86,833	3
3400	Other components of equity		(15,836)	(1)	(4,896)	-
3xxx	Total equity		1,534,136	66	1,422,138	48
	Total liabilities and equity		$2,333,957	100	$2,966,753	100

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

King Core Electronics Inc. and Subsidiaries

Consolidated Statements Of Comprehensive Income

For the Years Ended December 31, 2022 and 2021

(Amounts Expressed in Thousands of New Taiwan Dollars, Except Earnings Per Share)

Code	Accounts	Notes	2022 Amount	2022 %	2021 Amount	2021 %
4000	Operating revenues	4, 6(18), 7	$770,147	100	$799,566	100
5000	Operating costs	6(7)	(565,133)	(73)	(548,899)	(69)
5900	Gross profit		205,014	27	250,667	31
6000	Operating expenses					
6100	Sales and marketing		(52,224)	(7)	(50,590)	(6)
6200	General and administrative		(68,353)	(9)	(57,208)	(7)
6300	Research and development		(14,320)	(2)	(15,187)	(2)
6450	Expected credit impairment losses	6(19)	-	-	(34)	-
	Total operating expenses		(134,897)	(18)	(123,019)	(15)
6900	Operating income		70,117	9	127,648	16
7000	Non-operating income and expenses					
7100	Interest income	6(22)	15,196	2	5,835	-
7010	Other income		17,819	2	31,389	4
7020	Other gains and losses		119,328	16	(47,262)	(6)
7050	Finance costs		(7,692)	(1)	(7,908)	(1)
7060	Share of profit or loss of associates and joint ventures		18,683	2	(1,929)	-
	Total non-operating income and expenses		163,334	21	(19,875)	(3)
7900	Income before income tax		233,451	30	107,773	13
7950	Income tax expense	4, 6(24)	(42,835)	(5)	(26,975)	(3)
8200	Net income		190,616	25	80,798	10
8300	Other comprehensive income (loss)	6(23)				
8310	Item that will not be reclassified subsequently to profit or loss					
8311	Remeasurements of defined benefit plans		3,062	-	1,577	-
8316	Unrealized gains or losses from equity instruments investments measured at fair value through other comprehensive income		(17,457)	(2)	(11,293)	(1)
8321	Remeasurements of defined benefit plans associates and joint ventures		607	-	132	-
8326	Unrealized gains or losses from equity instruments investments measured at fair value through other comprehensive income of associates and joint ventures		(352)	-	(607)	-
8360	Items that may be reclassified subsequently to profit or loss					
8361	Exchange differences on translation of foreign operations		7,605	1	(915)	-
8371	Exchange differences on translation of foreign operations of associates and joint ventures		(736)	-	(37)	-
	Total other comprehensive income (loss), net of tax		(7,271)	(1)	(11,143)	(1)
8500	Total comprehensive income (loss)		$183,345	24	$69,655	9
9750	Earnings per share - basic (in NTD)	6(25)	$2.19		$0.93	
9850	Earnings per share - diluted (in NTD)	6(25)	$2.17		$0.93	

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

King Core Electronics Inc. and Subsidiaries

Consolidated Statements of Change in Equity

For the Years Ended December 31, 2022 and 2021

(Amounts Expressed in Thousands of New Taiwan Dollars)

		Equity attributable to owners of the parent							
				Retained Earnings			Other Components of equity		
Code	Items	Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange differences arising on translation of foreign operations	Unrealized gains of losses on financial assets at fair value through comprehensive income	Total Equity
		3100	3200	3310	3320	3350	3410	3420	3XXX
A1	Balance as at January 1, 2021	$868,427	$196,753	$262,482	$22,585	$57,231	$(23,459)	$31,415	$1,415,434
	Appropriation and distribution of 2020 earnings:								
B1	Legal reserve			3,774		(3,774)			-
B3	Special reserve				(16,001)	16,001			-
B5	Cash dividends - common shares					(65,132)			(65,132)
C7	Share of changes in net assets of associates and joint ventures accounted for using equity method		191						191
D1	Net income for 2021					80,798			80,798
D3	Other comprehensive income (loss) for 2021					1,709	(952)	(11,900)	(11,143)
D5	Total comprehensive income (loss)	-	-	-	-	82,507	(952)	(11,900)	69,655
N1	Issuance of common stock from compensation of employees	777	1,213						1,990
Z1	Balance as at December 31, 2021	$869,204	$198,157	$266,256	$6,584	$86,833	$(24,411)	$19,515	$1,422,138
A1	Balance as at January 1, 2022	$869,204	$198,157	$266,256	$6,584	$86,833	$(24,411)	$19,515	$1,422,138
	Appropriation and distribution of 2021 retained earnings:								
B1	Legal reserve			8,251		(8,251)			-
B5	Cash dividends-common shares					(73,883)			(73,883)
C7	Share of changes in net assets of associates and joint ventures accounted for using equity method		(618)			(2,234)			(2,852)
D1	Net income for 2022					190,616			190,616
D3	Other comprehensive income (loss) for 2022					3,669	6,869	(17,809)	(7,271)
D5	Total comprehensive income (loss)	-	-	-	-	194,285	6,869	(17,809)	183,345
N1	Issuance of common stock from compensation of employees	2,273	3,115						5,388
Z1	Balance as at December 31, 2022	$871,477	$200,654	$274,507	$6,584	$196,750	$(17,542)	$1,706	$1,534,136

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

King Core Electronics Inc. and Subsidiaries

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2022 and 2021

(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Items	2022	2021	Code	Items	2022	2021
AAAA	Cash flows from operating activities:			BBBB	Cash flows from investing activities:		
A10000	Net income before tax	$233,451	$107,773	B00010	Acquisition of financial assets measured at fair value through other comprehensive income	(3,076)	-
A20000	Adjustments:			B00040	Acquisition of financial assets measured at amortised cost	-	(305,508)
A20010	Profit or loss not effecting cash flows:			B00050	Proceeds from disposal of financial assets measured at amortised cost	444,353	-
A20100	Depreciation expenses and other losses	36,622	36,746	B01800	Acquisition of investments accounted for using equity method	(24,350)	(5,000)
A20200	Amortization	292	54	B02700	Acquisition of property, plant and equipment	(44,117)	(53,659)
A20400	Net loss (gain) of financial assets at fair value through profit or loss	9,120	640	B02800	Proceeds from disposal of property, plant and equipment	733	-
A20400	Net loss (gain) of financial liabilities at fair value through profit or loss	(390)	(3,626)	B03700	Decrease (increase) in refundable deposits	129	1
A20900	Interest expense	7,692	7,908	B04500	Acquisition of intangible assets	(454)	(97)
A21200	Interest income	(15,196)	(5,835)	B05350	Proceeds from right-of-use assets	-	17,654
A21300	Dividend income	(8,780)	(6,657)	BBBB	Net cash provided by (used in) investing activities	373,218	(346,609)
A22300	Share of profit or loss of associates and joint ventures	(18,683)	1,929				
A23100	Gain on disposal of investments	(543)	(4,400)	CCCC	Cash flows from financing activities:		
A29900	Other income	688	(17,370)	C00100	Increase in (repayment of) short-term loans	(737,000)	361,000
A30000	Changes in operating assets and liabilities:			C03100	Increase (decrease) in deposits received	442	(12)
A31115	Financial assets at fair value through profit or loss	-	19,797	C04020	Cash payments for principal portion of the lease liability	(478)	(469)
A31130	Notes receivable	4,312	(1,428)	C04500	Cash dividends paid	(73,883)	(65,132)
A31150	Accounts receivable	3,060	(30,400)	C09900	Employee bonus paid	(10)	(66)
A31160	Accounts receivable-related parties	35,415	(5,462)	CCCC	Net cash used in financing activities	(810,929)	295,321
A31180	Other receivables	5,462	(3,508)				
A31200	Inventories	3,111	(46,603)	DDDD	Effect of exchange rate changes	7,093	(787)
A31230	Prepayment	(8,733)	(5,302)				
A31240	Other current assets	2,858	1				
A32110	Financial liabilities at fair value through profit or loss	6	285				
A32125	Contract liabilities	653	28				
A32130	Notes payable	(553)	97				
A32150	Accounts payable	(142)	25,769	EEEE	Net increase (decrease) in cash and cash equivalents	(137,859)	38,182
A32160	Accounts payable-related parties	(23,660)	-	E00100	Cash and cash equivalents at beginning of period	706,206	668,024
A32180	Other payables	13,345	7,781	E00200	Cash and cash equivalents at end of period	$568,347	$706,206
A32230	Other current liabilities	171	516				
A32240	Net defined benefit liability	(2,043)	(2,492)				
A33000	Cash generated from(used in)operations	277,535	76,241				
A33100	Interest received	14,256	5,875				
A33200	Dividend received	17,768	21,039				
A33300	Interest paid	(7,941)	(7,521)				
A33500	Income tax paid	(8,859)	(5,377)				
AAAA	Net cash provided by(used in)operating activities	292,759	90,257				

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

1. HISTORY AND ORGANIZATION

King Core Electronics Inc. (referred to as "the Company") was established on November 29, 1986. Its main business activities include the manufacture of soft ferrites, magnetic core Flyback converters, convergence coil, delay-line filtering, electromagnetic component, micro coil, common mode choke, other coil, multilayer chip inductors, bead core/ chip bead, bead array, high frequency ceramic chip inductor, telecommunications inductor and electromagnetic interference (EMI), converters and sales of the previously mentioned products.

The Company's stocks have been governmentally approved on October 9, 2001 to be listed and traded in Taiwan Over-The-Counter Securities Exchanges starting March 1, 2002 and have been traded in Taiwan Stock Exchange starting on August 18, 2006. The registered business premise and main operation address are both at No. 269, Nanfeng Rd., Pingzhen Dist., Taoyuan City.

2. DATE AND PROCEDURE OF AUTHORIZATION FOR FINANCIAL STATEMENTS ISSUANCE

The consolidated financial statements of the Company and its subsidiaries ("the Group") were authorized for issue by the Board of Directors' on February 20th, 2023

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

(1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after January 1, 2022. The new standards and amendments had no material impact on the Group.

(2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are endorsed by FSC, but not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	1 January 2023
b	Definition of Accounting Estimates – Amendments to IAS 8	1 January 2023
c	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	1 January 2023

(A) Disclosure Initiative – Accounting Policies – Amendments to IAS 1

The amendments improve accounting policy disclosures that to provide more useful information to investors and other primary users of the financial statements.

(B) Definition of Accounting Estimates – Amendments to IAS 8

The amendments introduce the definition of accounting estimates and included other amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to help companies distinguish changes in accounting estimates from changes in accounting policies.

(C) Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual period beginning on or after January 1, 2023. The Group assesses all standards and interpretations have no material impact on the Group.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(3)Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" – Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 "Insurance Contracts"	January 1, 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2024
d	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	January 1, 2024
e	Non-current Liabilities with Covenants – Amendments to IAS 1	January 1, 2024

(A)IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" – Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

(B)IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in June 2020. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after January 1, 2023 (from the original effective date of January 1, 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after January 1, 2023.

(C)Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

(D) Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

The amendments add seller-lessees additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent application of the standard.

(E) Non-current Liabilities with Covenants – Amendments to IAS 1

The amendments improved the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The Group assesses all standards and interpretations have no material impact on the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

The consolidated financial statements of the Group for the years ended December 31, 2022 and 2021 were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by the FSC.

(2) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are presented in thousands of New Taiwan Dollars ("NT$") unless otherwise specified.

(3) Basis of consolidation

Preparation principle of consolidated financial statements

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has:

(a)Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
(b)Exposure, or rights, to variable returns from its involvement with the investee, and
(c)The ability to use its power over the investee to affect its returns

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a)The contractual arrangement with the other vote holders of the investee
(b)Rights arising from other contractual arrangements
(c)The Company's voting rights and potential voting rights

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the NCIs even if this results in a deficit balance of the NCIs.

If the Company loses control of a subsidiary, it:

(a) Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
(b) Derecognizes the carrying amount of any non-controlling interest;
(c) Recognizes the fair value of the consideration received;
(d) Recognizes the fair value of any investment retained;
(e) Recognizes any surplus or deficit in profit or loss; and
(f) Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

The consolidated entities are listed as follows:

			Percentage of Ownership (%), As at December 31,	
Investor	Subsidiary	Main business	2022	2021
The Company	King Core (B.V.I.) Electronics Co., Ltd.	Sales business of operating soft iron core and yoke iron except for rare earth group magnets	100.00%	100.00%
King Core (B.V.I.) Electronics Co., Ltd.	King Core Electronics (Suzhou)Co., Ltd.	Manufacturing and sales business of operating soft iron core and yoke iron except for rare earth group magnets	100.00%	100.00%
King Core Electronics (Suzhou) Co., Ltd	Shenzhen Zhen King Electronics Components Co.,Ltd.	Sales business of operating soft iron core and yoke iron except for rare earth group magnets	100.00%	100.00%

(4) Foreign currency transactions

The Group's consolidated financial statements are presented in New Taiwan Dollar, which is the parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. At the reporting date, monetary items denominated in foreign currencies are retranslated at the prevailing functional currency closing rate of exchange; non-monetary items measured at fair value in a foreign currency are retranslated using the exchange rates at the date when the fair value is determined; and non-monetary items measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising from the settlement or translation of monetary items are taken to profit or loss in the period in which they arise, except for the following:

(a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.

(b) Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instruments.

(c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(5) Foreign currency transactions and translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into New Taiwan dollar at the closing rate of exchange prevailing at the balance sheet date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income under exchange differences on translation of foreign operations. On disposal of the foreign operation, cumulative amount of the exchange differences recognized in other comprehensive income under separate component of equity is reclassified from equity to profit or loss when recognizing the disposal gain/loss.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the NCIs in that foreign operation, instead of recognized in profit or loss. In partial disposal of an associate or jointly controlled entity that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(6) Current and non-current distinction for assets and liabilities

An asset is classified as current when:

(a) The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
(b) The Group holds the asset primarily for the purpose of trading
(c) The Group expects to realize the asset within twelve months after the reporting period
(d) The asset is cash or cash equivalent, unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

(a) The Group expects to settle the liability in its normal operating cycle
(b) The Group holds the liability primarily for the purpose of trading
(c) The liability is due to be settled within twelve months after the reporting period
(d) The Group does not have an unconditional right to defer settlement of the liability for at least twelve 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.

All other liabilities are classified as non-current.

(7) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (including fixed-term deposits that have maturities equal to or less than six months from the date of acquisition).

(8) Financial instruments

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

Financial assets and financial liabilities within the scope of IFRS 9 Financial Instruments are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

(a) Financial assets: Recognition and Measurement

The Group accounts for regular way purchase or sales of financial assets on the trade date.

The Group classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

A. The Group's business model for managing the financial assets and
B. The contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

A. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
B. 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.

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

A. Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

B. Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

A. The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
B. 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.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

A. A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.

B. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

C. Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

(i) Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

(ii) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, at initial recognition, the Group make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies. Amounts presented in other comprehensive income are not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and should recorded as financial assets measured at fair value through other comprehensive income on balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were measured at amortized cost or measured at fair value through other comprehensive income only if they met particular conditions. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

(b) Impairment of financial assets

The Group is recognized a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the statement of financial position.

The Group measures expected credit losses of a financial instrument in a way that reflects:

A. An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
B. The time value of money; and
C. Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measures as follows:

A. At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance for a financial asset at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that condition is no longer met.

B. At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.

C. For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

D. For lease receivables arising from transactions within the scope of IFRS 16, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Group needs to assess whether the credit risk on a financial asset has been increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

(c) Derecognition of financial assets

A financial asset is derecognized when:

A. The rights to receive cash flows from the asset have expired
B. The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred
C. The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

(d) Financial liabilities and equity

Classification between liabilities or equity

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

Financial liabilities within the scope of IFRS 9 Financial Instruments are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss. A financial liability is classified as held for trading if:

A. It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
B. On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
C. It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

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

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(e) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(9) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(a) In the principal market for the asset or liability, or
(b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(10) Inventories

Inventories are valued at lower of cost or net realizable value item by item.

Costs incurred in bringing each inventory to its present location and conditions are accounted for as follows:

Raw materials - At actual purchase cost, using weighted average method
Finished goods and work in progress - Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity, excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(11) Investments accounted for using the equity method

The Group's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Group has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

Under the equity method, the investment in the associate or an investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the Group's related interest in the associate or joint venture.

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affects the Group's percentage of ownership interests in the associate or joint venture, the Group recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a prorata basis.

When the associate or joint venture issues new stock, and the Group's interest in an associate or a joint venture is reduced or increased as the Group fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in Additional Paid in Capital and Investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Group disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 Investments in Associates and Joint Ventures. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 Impairment of Assets. In determining the value in use of the investment, the Group estimates:

(a) Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
(b) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 Impairment of Assets.

Upon loss of significant influence over the associate or joint venture, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, 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 entity continues to apply the equity method and does not remeasure the retained interest.

(12) Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 “Property, plant and equipment”. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	3~20 years
Machinery and equipment	3~10 years
Transportation equipment	5~10 years
Office equipment	2~5 years
Other equipment	2~20 years

An item of property, plant and equipment or any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The property, plant and equipment’s residual values, useful lives and methods of depreciation are reviewed at each financial year. If the expected values differ from the estimates, the differences are recorded as a change in accounting estimate.

(13) Leases

The Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, has both of the following:

(a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
(b) the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Group for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximising the use of observable information.

Group as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Group recognizes right-of-use asset and lease liability for all leases which the Group is the lessee of those lease contracts.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments discount using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses it's incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(a)fixed payments (including in-substance fixed payments), less any lease incentives receivable;
(b)variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
(c)amounts expected to be payable by the lessee under residual value guarantees;
(d)the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
(e)payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Group measures the lease liability on an amortised cost basis, which is increasing the carrying amount to reflect interest on the lease liability by using an effective interest method; and reducing the carrying amount to reflect the lease payments made.

At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

(a)the amount of the initial measurement of the lease liability;
(b)any lease payments made at or before the commencement date, less any lease incentives received;
(c)any initial direct costs incurred by the lessee; and
(d)an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Group measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Group measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for leases that meet and elect short-term leases or leases of low-value assets, the Group presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements’ comprehensive income.

For short-term leases or leases of low-value assets, the Group elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

Group as a lessor

At inception of a contract , the Group classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an inder9lying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Group recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that lease components and non-lease components, the Group allocates the consideration in the contract IFRS 15.

The Group recognized lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Varuable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

(14) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, not meeting the recognition criteria, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are recognized in profit or loss.

The Group’s accounting policies for intangible assets are as follows:

	Computer Software
Useful economic life	1 year
Amortization method	Amortized on a straight-line basis over the estimated useful life
Internally generated or acquired externally	Acquired externally

(15) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 Impairment of Assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the recoverable amount of the asset or CGU. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(16) Revenue recognition

The Group's revenue arising from contracts with customers are primarily related to sale of goods. The accounting policies for the Group's types of revenue are explained as follow:

Sale of goods

The Group mainly manufactures and sells of its products. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Group is Passive Component and revenue is recognized based on the consideration stated in the contract. The remaining sales transactions are usually accompanied by volume discounts (based on the accumulated total sales amount for a specified period). Therefore, revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method. Revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. During the period specified in the contract, refund liability is recognized for the products expected to be returned.

The credit period of the Group's sale of goods is from 30 to 150 days. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The period between the time when the Group transfers the goods to customers and when the customers pay for that goods is usually short and have no significant financing component to the contract. In the case that the Group has the right to transfer the goods to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. Besides, in accordance with IFRS 9, the Group measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

(17) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(18) Post-employment benefits

All regular employees of the Company are entitled to pension plans that are managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company. Therefore, fund assets are not included in the Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations and the contribution is expensed as incurred.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

(a) the date of the plan amendment or curtailment, and
(b) the date that the Company recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(19) Income tax

Income tax expense (benefit) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings of the Company and its subsidiaries is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred income tax

Deferred income tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

(a) Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit (loss);

(b) In respect of taxable temporary differences associated with investments in subsidiaries, and associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, any unused tax losses and carry forward of unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

(a) Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
(b) In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and liabilities 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. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed and recognized at each reporting date.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

(1) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that would have a significant risk for a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are discussed below.

A.Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including income approach (for example, the discounted cash flows model) or the market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

B.Accounts receivables - estimation of impairment loss

The Group estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

C.Post-employment benefits

The cost of post-employment benefit pension plan and the present value of the defined benefit obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions, including the change in the discount rate and expected salary level. The assumptions used for measuring pension cost and defined benefit obligation are disclosed in Note 6.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

D.Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1)Cash and cash equivalents

	As at December 31,	
	2022	2021
Cash on hand	$850	$835
Checking accounts and demand deposits	92,781	194,530
Time deposits	474,716	510,841
Total	$568,347	$706,206

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(2)Financial assets at fair value through profit or loss

	As at December 31,	
	2022	2021
a. Mandatorily measured at fair value through profit or loss - current:		
Non-derivative financial assets		
Listed companies stocks	$9,522	$9,522
Fund	41,020	46,020
Subtotal	50,542	55,542
Valuation adjustments of financial assets as measued by fair value through profit or loss	(3,775)	1,668
Total	$46,767	$57,210
b. Mandatorily measured at fair value through profit or loss - non-current:		
Non-derivative financial assets		
Listed companies stocks	$5,949	$5,949
Valuation adjustments of financial assets as measued by fair value through profit or loss	7,932	11,609
Total	$13,881	$17,558

Financial assets at fair value through profit or loss were not pledged.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(3)Financial assets at fair value through other comprehensive income

	As at December 31,	
	2022	2021
Equity instrument investments measured at fair value through other comprehensive income - current:		
Listed companies stocks	$15,520	$15,520
Valuation adjustment of financial assets as measured by fair value through other comprehensive income or loss	40,699	30,021
Total	$56,219	$45,541
Equity instruments investments measured at fair value through other comprehensive income - non-current:		
Listed companies stocks	$91,954	$88,851
Unlisted companies stocks	51,886	51,913
Subtotal	143,840	140,764
Valuation adjustment of financial assets as measured by fair value through other comprehensive income or loss	(38,035)	(9,900)
Total	$105,805	$130,864

The Group's dividend income related to equity instrument investments measured at fair value through other comprehensive income for the year ended December 31 2022 and 2021 were NT$7,140 thousand and NT$5,236 thousand, respectively.

Financial assets at fair value through other comprehensive income were not pledged.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(4)Financial assets measured at amortized cost

	As at December 31,	
	2022	2021
Restricted deposits	$469,098	$899,356
Time deposits	35,935	50,030
Total	$505,033	$949,386
Current	$505,033	$949,386
Non-current	-	-
Total	$505,033	$949,386

The Group classified certain of its financial assets as financial assets at financial assets measured at amortized cost. Please refer to Note 8 for more details on financial assets at financial assets measured at amortized cost under pledge.

(5)Notes receivable

	As at December 31,	
	2022	2021
Notes receivables	$8,557	$11,617
Less: loss allowance	-	-
Total	$8,557	$11,617

Notes receivable were not pledged.

The Group follows the requirement of IFRS9 to assess the impairment. Please refer to Note 6(19) for more details on loss allowance and Note 12 for details on credit risk.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(6)Accounts receivable

	As at December 31,	
	2022	2021
Accounts receivable, gross	$198,700	$234,115
Less: loss allowance	(15,627)	(15,602)
Net of allowances	183,073	218,513
Accounts receivable - related parties, gross	-	5,462
Less: loss allowance	-	-
Net of allowances	-	5,462
Total accounts receivable, net	$183,073	$223,975

Accounts receivable were not pledged.

Accounts receivable are generally on 30-150 day terms. The total carrying amount is NT$198,700 thousand and NT$239,577 thousand as at Dacember 2022 and 2021, respectively. Please refer to Note 6(19) for more details on loss allowance of accounts receivable for the years ended December 31, 2022 and 2021. Please refer to Note 12 for more details on credit risk management.

(7)Inventory

	As at December 31,	
	2022	2021
Raw material	$60,462	$47,321
Supplies	135	171
Work in process	56,580	45,700
Finished goods	82,886	87,492
Merchandises	11,560	22,206
Total	$211,623	$202,890

For the years ended December 31, 2022 and 2021, the Group recognized NT$565,133 thousand and NT$548,899 thousand under the caption of costs of sale, respectively. The following items were also included in cost.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Item	For the year ended December 31, 2022	2021
Loss from inventory market decline	$7,151	$-
Loss from physical count	7,856	8,319
Loss from inventory write-off obsolescence	-	3,767
Unallocated fixed manufacturing overheads	10,049	8,071
Total	$25,056	$20,157

The inventories were not pledged.

(8)Investments accounted for under the equity method

Investee	As at December 31, 2022 Carrying amount	2022 Percentage of ownership (%)	2021 Carrying amount	2021 Percentage of ownership (%)
Investment in associates:				
Allied Biolotech Corp.	$258,283	18.85%	$239,112	18.85%
CSX Material Co., Ltd.	33,545	28.39%	22,004	26.47%
Total	$291,828		$261,116	

A. Investments in associates

Information about affiliated companies that are material to the Group is as follows:

a. Business name : Allied Biolotech Corp.

b. Business location (Registered country) : Taiwan

c. Fair value of open market quotation measurement：

d. Allied Biolotech Corp. is a listed entity on the emerging market of Taipei Exchange. The fair value of the investment in Allied Biolotech Corp. was NT$252,213 thousand and NT$274,145 thousand, as at December 31 2022, and 2021, respectively.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Allied Biolotech Corp. transactd employees' compensation in September, 2021, the Group’s shareholding reduce capital from 18.89% to 18.85%, the Group did not purchase the new share according to its ownership ratio recognized additional paid-in capital NT$187 thousand.

For the year ended December 31, 2021, Allied Biolotech Corp. exercised the right of disgorgement arises generated additional paid-in capital NT$22 thousand, according to the ownership ratio recognized additional paid-in capital NT$4 thousand.

For the year ended December 31, 2022, Allied Biolotech Corp. due to unrecipient dividend increase additional paid-in capital NT$315 thousand, according to the ownership ratio recognized additional paid-in capital NT$59 thousand.

As at August, 2022, Allied Biolotech Corp. transactd employees' compensation. The company shareholding percentage was still 18.85%, according to the ownership ratio recognized additional paid-in capital NT$23 thousand.

The Company accounts for its investment in Allied Biolotech Corp. as an associate given the fact that the Company obtained the ability to exercise significant influence over Allied Biolotech Corp. through representation on its Board of Directors.

e. Reconciliation of the associate’s summarized financial information presented to the carrying amount of the Company interest in the associate：

	As at December 31,	
	2022	2021
Current assets	$1,510,057	$1,785,528
Non-current assets	654,757	655,862
Current liabilities	(876,863)	(1,346,741)
Non-current liabilities	(104,339)	(13,139)
Equity	1,183,612	1,081,510
Percentage of ownership	18.85%	18.85%
Subtotal	223,070	203,899
Premium on acquisition	35,213	35,213
Carrying amount of investment	$258,283	$239,112

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	For the year ended December 31,	
	2022	2021
Operating income	$669,229	$676,757
Profit or loss from continuing operations	146,741	13,042
Other comprehensive income	2,216	(3,991)
Total comprehensive income	148,957	9,051

For the year ended December 31, 2022, due to surplus earnings distribution proposal, according to the ownership ratio reduced investments accounted for under the equity method NT$8,988 thousand.

Information about affiliated companies that are not material to the Group is as follows:

The Group purchased other shareholder shareholding percentage, increase investment capital NT$5,000, acquisition 500 thousand shares. Therefore, shareholding increase capital from 23.53% to 26.47%

The Group involved CSX Material Co., Ltd. in cash capital increase, and the Group increase investment capital NT$24,350, acquisition 2,029 thousand shares. Therefore, shareholding increase capital from 26.47% to 28.39%, the Group did not purchase the new share according to its ownership ratio recongized additional paid-in capital NT$(2,934) thousand.

The aggregate carrying amounts of the Group's interests in CSX Material Co., Ltd. were NT$33,545 thousand and NT$22,004 thousand as at December 31, 2022 and 2021, respectively. The aggregate financial information of the Group's investments in associates is as follows:

	For the year ended December 31,	
	2022	2021
Profit or loss from continuing operations	$(8,977)	$(4,397)
Other comprehensive income (after-tax)	(899)	241
Total comprehensive income	$(9,876)	$(4,156)

B. The associates had no contingent liabilities or capital commitments and were not pledged as collateral as at December 31, 2022 and 2021, respectively.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(9)Property, plant and equipment

	Land	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Other Equipment	Construction in progress and equipment awaiting examination	Total
Cost:								
As at 1 Jan. 2022	$144,000	$108,384	$301,877	$5,522	$3,186	$70,533	$17,321	$650,823
Additions	-	1,830	10,736	7,900	315	3,261	9,435	33,477
Disposals	-	(3,383)	(72,579)	(2,061)	(32)	(8,362)	-	(86,417)
Exchange differences	-	726	2,285	26	41	15	10	3,103
Transfer	-	-	19,456	-	-	-	(19,456)	-
As at 31 Dec. 2022	$144,000	$107,557	$261,775	$11,387	$3,510	$65,447	$7,310	$600,986
As at 1 Jan. 2021	$144,000	$111,462	$339,805	$8,284	$2,874	$79,111	$486	$686,022
Additions	-	1,430	9,632	-	464	6,947	35,816	54,289
Disposals	-	(5,695)	(64,761)	(2,757)	(144)	(15,522)	-	(88,879)
Exchange differences	-	(137)	(453)	(5)	(8)	(3)	(3)	(609)
Transfer	-	1,324	17,654	-	-	-	(18,978)	-
As at 1 Jan. 2021	$144,000	$108,384	$301,877	$5,522	$3,186	$70,533	$17,321	$650,823
Depreciation and impairment:								
As at 1 Jan. 2022	$-	$72,691	$224,240	$3,571	$2,341	$40,149	$-	$342,992
Depreciation	-	4,271	23,939	1,283	289	6,163	-	35,945
Disposals	-	(3,383)	(72,579)	(1,871)	(32)	(8,362)	-	(86,227)
Exchange differences	-	532	1,970	22	37	13	-	2,574
Transfer	-	-	-	-	-	-	-	-
As at 31 Dec. 2022	$-	$74,111	$177,570	$3,005	$2,635	$37,963	$-	$295,284

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	Land	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Other Equipment	Construction in progress and equipment awaiting examination	Total
As at 1 Jan. 2021	$-	$73,939	$264,721	$5,468	$2,324	$49,861	$-	$396,313
Depreciation	-	4,553	24,674	864	168	5,813	-	36,072
Disposals	-	(5,695)	(64,761)	(2,757)	(144)	(15,522)	-	(88,879)
Exchange differences	-	(106)	(394)	(4)	(7)	(3)	-	(514)
Transfer	-	-	-	-	-	-	-	-
As at 31 Dec. 2021	$-	$72,691	$224,240	$3,571	$2,341	$40,149	$-	$342,992
Net carrying amount as at:								
31 Dec. 2022	$144,000	$33,446	$84,205	$8,382	$875	$27,484	$7,310	$305,702
31 Dec. 2021	$144,000	$35,693	$77,637	$1,951	$845	$30,384	$17,321	$307,831

Significant component of building that have different useful lives are main building structure, and facility equipment, which are depreciated over 20 years and 3 to 10 years, respectively.

Please refer to Note 8 for more details on property, plant and equipment under pledge.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(10) Intangible assets

	Computer software
Cost:	
As at January 1, 2022	$47
Additions – acquired separately	454
Write-off	(97)
Effect of exchange rate changes	-
As at December 31, 2022	$404
As at January 1, 2021	$-
Additions – acquired separately	97
Write-off	(50)
Effect of exchange rate changes	-
As at December 31, 2021	$47
Amortization and Impairment:	
As at January 1, 2022	$4
Amortization	292
Write-off	(97)
Effect of exchange rate changes	-
As at December 31, 2022	$199
As at January 1, 2021	$-
Amortization	54
Write-off	(50)
Effect of exchange rate changes	-
As at December 31, 2021	$4
Net carrying amount as at:	
December 31, 2022	$205
December 31, 2021	$43

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The amortization amounts of intangible assets were as follows:

	For the year ended December 31,	
	2022	2021
Operating costs	$48	$4
Administrative expenses	244	50
Total	$292	$54

(11) Other non-current assets

	As at December 31,	
	2022	2021
Prepayment in equipment	$10,640	$-
Refundable deposits	44	173
Total	$10,684	$173

(12) Short-term loans

		As at December 31,	
	Interest Rate (%)	2022	2021
Secured bank loans	0.34%~1.51%	$582,000	$1,024,000
Unsecured bank loans	0.52%~0.80%	-	295,000
Total		$582,000	$1,319,000

The Group's unused short-term lines of credits amount to NT$188,000 thousand and NT$265,000 thousand, as at 31 December 2022, and 2021, respectively.

Please refer to Note 8 for more details on property, plant and equipment and financial assets measured at amortized cost pledged as secured bank loans.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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

	As at December 31,	
	2022	2021
Held for trading-current：		
Foreign Exchange Swaps	$-	$-
Foreign currency option	1,051	398
Adjustments for change in value of financial liabilities	(618)	(228)
Total	$433	$170

(14)Other payables

	As at December 31,	
	2022	2021
Accrued expense	$77,863	$69,914
Accrued interest payable	138	387
Total	$78,001	$70,301

(15)Other non-current liabilities

	As at December 31,	
	2022	2021
Defined benefit liability	$10,613	$15,718
Deposits received	454	12
Total	$11,067	$15,730

(16)Post-employment benefits

Defined contribution plan

The Company adopts a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company has made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Expenses under the defined contribution plan for the years ended December 31, 2022 and 2021 were NT$5,640 thousand and NT$5,880 thousand, respectively.

Defined benefits plan

The Company adopts a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company contributes an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandation, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute NT$2,445 thousand to its defined benefit plan during the 12 months beginning after December 31 2022.

As at December 31, 2022 and 2021, the maturities of the company's defined benefits plan are in 2029.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Pension costs recognized in profit or loss were as follows.

	For the year ended December 31,	
	2022	2021
Current period service costs	$294	$346
Net interest of defined benefit liability (asset)	109	63
Total	$403	$409

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	As at		
	Dec. 31, 2022	Dec. 31, 2021	Jan. 1, 2021
Defined benefit obligation	$52,096	$52,213	$52,815
Plan assets at fair value	(41,483)	(36,495)	(33,028)
Other non-current liabilities – net defined benefit liability	$10,613	$15,718	$19,787

Reconciliation of liability (asset) of the defined benefit liability is as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability(asset)
As at January 1, 2021	$52,815	$(33,028)	$19,787
Current service costs	346	-	346
Interest expense (income)	169	(106)	63
Past service cost and settlement	-	-	-
Total	515	(106)	409
Re-measurement on defined benefit liability/assets:			
Actuarial gains and losses arising from changes in demographic assumptions	226	-	226
Actuarial gains and losses arising from changes in financial assumptions	(1,764)	-	(1,764)
Experience adjustments	421	-	421

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability(asset)
Re-measurement on defined benefit assets	-	(460)	(460)
Total	(1,117)	(460)	(1,577)
Payments from the plan	-	-	-
Contributions by employer	-	(2,901)	(2,901)
Effect of exchange rate	-	-	-
As at December 31, 2021	52,213	(36,495)	15,718
Current period service costs	294	-	294
Interest expense (income)	361	(252)	109
Pasts service cost and settlement	-	-	-
Total	655	(252)	403
Re-measurement of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	290	-	290
Actuarial gains and losses arising from changes in financial assumptions	(202)	-	(202)
Experience adjustments	(481)	-	(481)
Re-measurement on defined benefit assets	-	(2,669)	(2,669)
Total	(393)	(2,669)	(3,062)
Payments from the plan	(379)	379	-
Contributions by employer	-	(2,446)	(2,446)
Effect of changes in foreign exchange rates	-	-	-
As at December 31, 2022	$52,096	$(41,483)	$10,613

The following assumptions are used to determine the present value of the defined benefit plan:

	As at December 31,	
	2022	2021
Discount rate	1.23%	0.69%
Expected rate of salary increases	2.00%	1.50%

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Sensitivity analysis

	For the year ended December 31,			
	2022		2021	
	Increase in defined benefit	Decrease in defined benefit	Increase in defined benefit	Decrease in defined benefit
Discount rate increased by 0.5%	$-	$(1,692)	$-	$(1,958)
Discount rate decreased by 0.5%	2,095	-	2,421	-
Expected salary level increased by 0.5%	2,068	-	2,389	-
Expected salary level decreased by 0.5%	-	(1,690)	-	(1,905)

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(17)Equity

A. Common stock

As at December 31, 2022 and 2021, the Company's authorized capital were both NT$1,000,000 thousand, each share at par of NT$10. The Company's paid-in capital were NT$871,477 thousand and NT$869,204 thousand, respevtively, divided into 87,148 thousand shares and 86,920 thousand shares, respectively.

On February 19, 2021 the company was resolved by the board of directors issued NT$1,990 thousand(77,735 shares) by stock to the employee remuneration in 2020, and the capital increase was based on September 17 at the same year. After the capital increase, the rated share capital is NT$ 1,000,000 thousand and the issued share capital is NT$ 869,204 thousand, with a par value of NT$10 per share, divided into 86,920 thousand shares.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

On February 21, 2022 the company was resolved by the board of directors issued NT$5,388 thousand(277,330 shares) by stock to the employee remuneration in 2021, and the capital increase was based on June 29 at the same year. After the capital increase, the rated share capital is NT$ 1,000,000 thousand and the issued share capital is NT$ 871,477 thousand, with a par value of NT$10 per share, divided into 87,148 thousand shares.

B. Capital surplus

	As at December 31,	
	2022	2021
Additional paid-in capital	$72,613	$69,498
Conversion premium of convertible corporate bonds	128,041	128,041
Changes in equity of investment accounted for using the equity method	-	618
Total	$200,654	$198,157

According to the Taiwan Company Act, the capital surplus shall not be used except for making good the deficit of the Company. When a company incurs no loss, it may distribute the capital surplus related to the income derived from the issuance of new shares at a premium or income from endowments received by the company up to a certain percentage of paid-in capital. The said capital surplus could be distributed in cash to its shareholders in proportion to the number of shares being held by each of them.

C. Appropriation of earnings and dividend policies

(a) Earning distribution

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

a. Payment of all taxes and dues;
b. Offset prior years' operation losses;
c. Set aside 10% of the remaining amount as legal reserve. There is no requirement to further make such reserve when legal reserve reaches the capital amount.
d. Set aside or reverse special reserve in accordance with law and regulations; and
e. The adjustment amount of prior period's undistributed earnings and current period's undistributed earnings, shall be proposed by the Board of Directors to allocate 10% to 100%;
f. Recommended by the Board of Directors and resolved in the shareholders' meeting, then distribute the dividends to shareholders.

(b) Dividend policies

The Company is in an industry with versatile environment. For long-term finance planning requirements and to meet the shareholders' demand for cash, the Company's dividend policy aims for steadiness and balancing. Cash dividends distributed each year cannot be less than 10% of the gross amount of dividends.

(c) Legal reserve

According to the Company Act, legal reserve shall be set aside until such amount equal total authorized capital. Legal reserve can be used to offset deficits. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(d) Special reserve

When the Company distributing distributable earnings, it shall set aside to special reserve, an amount equal to "other net deductions from shareholders" equity for the current fiscal year, provided that if the Company has already set aside special reserve according to the requirements for the adoption of IFRS, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed from the special reserve.

The FSC issued Order No. Financial-Supervisory-Securities-Corporate-1090150022 on March 31, 2021, which sets out the following provisions for compliance:

On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside special reserve. For any subsequent use, disposal or reclassification of related assets, the company can reverse the special reserve by proportion and transfer to retained earnings.

As at December 31, 2022 and 2021, the Company increase NT$6,584 thousand special reserve upon the first-time adoption of T-IFRS.

(e) The appropriations of earnings for the Years 2022 and 2021 were approved through the Board of Directors' meetings and shareholders' meeting held on February 20, 2023 and May 26, 2022, respectively. The details of the distribution are as follows:

	Appropriation of earnings		Dividend per share (in NT$)	
	2022	2021	2022	2021
Legal reserve	$19,205	$8,251		
Special reserve	9,252	-		
Cash dividend	130,722	73,883	$1.5	$0.85
Total	$159,179	$82,134		

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Please refer to Note 6(21) for details on employees' compensation and remuneration to directors.

(18)Operating revenue

	For the year ended December 31,	
	2022	2021
Revenue from customer contracts		
Sales of goods	$770,147	$779,566

Analysis of revenue from contracts with customers during the year ended December 31, 2022 and 2021 are as follows:

A. Disaggregation of revenue

	For the year ended December 31,	
	2022	2021
Sales of goods	$770,147	$799,566
Timing of revenue recognition:		
At a point in time	$770,147	$799,566

B. Contract balances

(a) Contract liabilities – current

	As at		
	31 Dec. 2022	31 Dec. 2021	1 Jan. 2021
Sales of goods	$564	$1,117	$1,089

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The changes in the Group's balances of contract liabilities for the years ended December 31, 2022 and 2021 are as follows:

	For the year ended December 31,	
	2022	2021
The opening balance transferred to revenue	$(1,117)	$(999)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	564	1,027

(19)Expected credit losses/(gains)

	For the year ended December 31,	
	2022	2021
Operating expenses – Expected credit losses/(gains)		
Account receivables	$-	$(34)

Please refer to Note 12 for more details on credit risk.

The Group measures the loss allowance of its trade receivables (including note receivables and account receivables) at an amount equal to lifetime expected credit losses. The assessment of the Group's loss allowance as at 31 December 2022 and 2021 are as follows:

A. The Group considers the grouping of trade receivables by counterparties' credit rating, by geographical region and by industry sector and its loss allowance is measured by using a provision matrix. Details are as follows.

As at 31 December 2022

		Overdue					
	Not yet Due (Note)	<=30 days	31-60 days	61-90 days	91-120 days	>=121 days	Total
Gross carrying amount	$180,217	$9,579	$2,411	$430	$8	$14,612	$207,257
Loss ratio	-%	1%	19.95%	100%	100%	100%	
Lifetime expected credit losses	-	(96)	(481)	(430)	(8)	(14,612)	(15,627)
Carrying amount of accounts receivable	$180,217	$9,483	$1,930	$-	$-	$-	$191,630

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

As at 31 December 2021

		Overdue					
	Not yet Due (Note)	<=30 days	31-60 days	61-90 days	91-120 days	>=121 days	Total
Gross carrying amount	$221,034	$13,888	$1,506	$115	$37	$14,614	$251,194
Loss ratio	-%	1%	46.28%	100%	100%	100%	
Lifetime expected credit losses	-	(139)	(697)	(115)	(37)	(14,614)	(15,602)
Carrying amount of accounts receivable	$221,034	$13,749	$809	$-	$-	$-	$235,592

Note: The Group's notes receivable are not overdue.

B. The movement in the provision for impairment of notes receivable and accounts receivable during the years ended December 31, 2022 and 2021 are as follows:

	Notes receivable	Accounts receivable
Beginning balance as at January 1, 2022	$-	$15,602
Addition/(reversal) for the current period	-	-
Exchange influence	-	25
Ending balance as at December 31, 2022	$-	$15,627
Beginning balance as at January 1, 2021	$-	$15,574
Addition/(reversal) for the current period	-	34
Exchange influence	-	(6)
Ending balance as at December 31, 2021	$-	$15,602

(20) Leases

A. Group as a lessee

The Group leases various properties, including real estate such as land and buildings. The lease terms range from 2 to 50 years. The Group is not allowed to loan, sublease or sell without obtaining the consent from the lessors.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The Group’s leases effect on the financial position, financial performance and cash flows are as follow:

(a) Amounts recognized in the balance sheet

I. Right-of-use assets

	As at December 31,	
	2022	2021
Land	$5,734	$5,843
Buildings	-	452
Total	$5,734	$6,295

II. Lease liability

	As at December 31,	
	2022	2021
Lease liabilities	$-	$460
Current	$-	$460
Non-current	-	-
Total	$-	$460

Please refer to Note 6(22)(d) for the interest on lease liabilities recognized during the year ended December 31, 2022 and 2021 refer to Note12(5) Liquidity Risk Management for the maturity analysis for lease liabilities as at December 31, 2022 and 2021.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(b) Amounts recognized in the statement of comprehensive income

Depreciation charge for right-of-use assets

	For the year ended December 31,	
	2022	2021
Land	$216	$222
Buildings	461	452
Total	$677	$674

(c) Income and costs relating to leasing activities

	For the year ended December 31,	
	2022	2021
The expense relating to short-term leases (rent expenses)	$539	$679
The expense relating to leases of low-value assets (not included the expense relating to short-term leases of low-value assets)	2	2

(d) Cash outflow relating to leasing activities

During the year ended December 31, 2022 and 2021, the Group's total cash outflows for leases amounting to NT$1,027 thousand and NT$1,176 thousand, respectively.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(21) Summary statement of employee benefits, depreciation and amortization by function is as follows:

Function / Nature	For the year ended 31 December					
	2022			2021		
	Cost of goods sold	Operating expense	Total	Cost of goods sold	Operating expense	Total
Employee benefit						
Salaries & wages	$110,940	$50,657	$161,597	$112,630	$45,168	$157,798
Labor and health insurance	10,644	3,212	13,856	11,100	3,202	14,302
Pension	4,595	1,448	6,043	4,813	1,476	6,289
Directors' remuneration	-	3,989	3,989	-	1,973	1,973
Other employee benefit	4,363	781	5,144	4,543	850	5,393
Depreciation	26,460	10,162	36,622	26,999	9,747	36,746
Amortization	48	244	292	4	50	54

The Articles of Association of the Company stipulate that if the Company makes profits in the current year, it shall set aside 5-10% as employees' compensation and no more than 2% as the remuneration for directors. However, if the Company has accumulated losses, it shall reserve the amount to make up for them firstly. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on profit, the Company estimated the amounts of the employees' compensation and remuneration to directors for the year ended December 31, 2022 amounted to NT$12,455 thousand and NT$3,737 thousand, respectively. The employees' compensation and remuneration to directors for the year ended December 31, 2021 amounted to NT$5,388 thousand and NT$1,616 thousand, respectively, recognized as employee benefits expense.

The Company's Board of Directors has determined the employees' compensation in stock, to be NT$12,455 thousand and directors' remuneration in cash, to be NT$3,737 thousand, respectively, in a meeting held on February 20, 2023.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The Company's Board of Directors' meeting has determined the employees' compensation in stocks the amount of NT$5,388 thousand, in a meeting held on February 21, 2022. If the board of directors resolved to distribute employees' compensation in the form of stocks, then the number of stocks distributed as employees' compensation was calculated based on the closing price one day earlier than the date of resolution. The directors' remuneration cash the amount of NT$1,616 thousand. No material differences exist between the estimated amount and the actual distribution of the employee compensation and remuneration to directors for the year ended December 31, 2021.

(22) Non-operating incomes and expenses

A. Interest incomes

	For the year ended December 31,	
	2022	2021
Financial assets measured at amortized cost	$15,196	$5,835

B. Other incomes

	For the year ended December 31,	
	2022	2021
Rental income	$1,594	$310
Dividend income	8,780	6,657
Other income – others	7,445	24,422
Total	$17,819	$31,389

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

C. Other gains and losses

	For the year ended December 31,	
	2022	2021
Gains (losses) on disposal of investments	$(688)	$4,400
Foreign exchange gain (loss), net	129,507	(54,643)
Gains (losses) on financial assets at fair value through profit or loss	(9,120)	(640)
Gains (losses) on financial liabilities at fair value through profit or loss	390	3,626
Gain or loss on disposal of property, plant and equipment	543	-
Other losses	(1,304)	(5)
Total	$119,328	$(47,262)

D. Finance costs

	For the year ended December 31	
	2022	2021
Interest on bank loans	$7,684	$7,882
Interests on lease liabilities	8	26
Total	$7,692	$7,908

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(23) Components of other comprehensive income (OCI)

For the year ended December 31, 2022

	Arising during the period	Reclassification during the period	Subtotal	Income tax benefit (expense)	OCI, net of tax
Not reclassified to profit or loss:					
Actuarial gains or losses on defined benefit plans	$3,062	$-	$3,062	$-	$3,062
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	(17,457)	-	(17,457)	-	(17,457)
Remeasurements of the defined benefit plan for associates and joint ventures	607	-	607	-	607
Unrealized gains (losses) from equity instruments measured at fair value through other comprehensive income for associates and joint ventures	(352)	-	(352)	-	(352)

	Arising during the period	Reclassification during the period	Subtotal	Income tax benefit (expense)	OCI, net of tax
Items that may subsequently be reclassified to profit or loss:					
Exchange differences arising on translation of foreign operations	7,605	-	7,605	-	7,605
Exchange differences on translation of foreign operations for associates and joint ventures	(736)	-	(736)	-	(736)
Total OCI	$(7,271)	$-	$(7,271)	$-	$(7, 271)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

For the year ended December 31, 2021

	Arising during the period	Reclassification during the period	Subtotal	Income tax benefit (expense)	OCI, net of tax
Not reclassified to profit or loss:					
Actuarial gains or losses on defined benefit plans	$1,577	$-	$1,577	$-	$1,577
Unrealized gain (losses) from equity instruments investments measured at fair value through other comprehensive income	(11,293)	-	(11,293)	-	(11,293)
Remeasurements of the defined benefit plan for associates and joint ventures	132	-	132	-	132
Unrealized gain (losses) from equity instruments measured at fair value through other comprehensive income for associates and joint ventures	(607)	-	(607)	-	(607)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	Arising during the period	Reclassification during the period	Subtotal	Income tax benefit (expense)	OCI, net of tax
Items that may subsequently be reclassified to profit or loss:					
Exchange differences arising on translation of foreign operations	(915)	-	(915)	-	(915)
Exchange differences on translation of foreign operations for associates and joint ventures	(37)	-	(37)	-	(37)
Total	$(11,143)	$-	$(11,143)	$-	$(11,143)

(24) Income tax

A. The major components of income tax expense (income) are as follows:

Income tax expense (benefit) recognized in profit or loss

	For the year ended December 31	
	2022	2021
Current income tax expense (benefit):		
Current income tax expense	$43,943	$15,311
Adjustments in respect of current income tax of prior periods	3,099	1,514
Deferred tax expense (benefit):		
Deferred tax expense (benefit) relating to origination and reversal of temporary differences	(339)	10,150
Tax expense (income) recognized in the period for previously unrecognized tax loss, tax credit or temporary difference of prior periods	(3,868)	-
Total income tax expense	$42,835	$26,975

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

B. A reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the year ended December 31,	
	2022	2021
Accounting profit before tax from continuing operations	$233,451	$107,773
Tax payable at the enacted tax rates	$46,859	$31,265
Tax effect of revenue tax-exempted	(5,152)	(6,180)
Tax effect of deferred tax assets / liabilties	1,897	376
Adjustment in respect of current income tax of prior periods	3,099	1,514
Adjustment in respect of deferred tax of prior periods	(3,868)	-
Total income tax expense recognized in profit or loss	$42,835	$26,975

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

C. Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2022

	Beginning balance as at January 1, 2022	Deferred tax income (expense) recognized in profit or loss	Ending balance as at December 31, 2022
Temporary differences			
Unrealized loss on inventory valuation	$4,665	$(104)	$4,561
Bad debt expenses	2,514	44	2,558
Unrealized gain or loss on financial assets	(45)	(79)	(124)
Unrealized profits and losses	44	98	142
Unrealized profits and losses of subsidiaries	(337)	104	(233)
Outward processing	180	314	494
Past due payables transfer revenue	1	-	1
Pay in unused vacation payroll	935	-	935
Investment income	(21,611)	13,175	(8,436)
Unrealized exchange loss (gain)	9,005	(9,345)	(340)
Deferred tax(expense)/ income		$4,207	
Net deferred tax assets/(liabilities)	$(4,649)		$(442)
Reflected in balance sheet as follows:			
Deferred tax assets	$17,344		$8,691
Deferred tax liabilities	$(21,993)		$(9,133)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

For the year ended December 31, 2021

	Beginning balance as at January 1, 2021	Deferred tax income (expense) recognized in profit or loss	Ending balance as at December 31, 2021
Temporary differences			
Unrealized loss on inventory valuation	$5,042	$(377)	$4,665
Bad debt expenses	2,553	(39)	2,514
Unrealized gain or loss on financial assets	680	(725)	(45)
Unrealized profits and losses	23	21	44
Unrealized profits and losses of subsidiaries	(714)	377	(337)
Outward processing	118	62	180
Past due payables transfer revenue	1	-	1
Pay in unused vacation payroll	1,014	(79)	935
Investment income	(8,029)	(13,582)	(21,611)
Unrealized exchange loss (gain)	4,813	4,192	9,005
Deferred tax(expense)/ income		$(10,150)	
Net deferred tax assets/(liabilities)	$5,501		$(4,649)
Reflected in balance sheet as follows:			
Deferred tax assets	$14,244		$17,344
Deferred tax liabilities	$(8,743)		$(21,993)

D. Unrecognized deferred tax assets

As at 31 December 2022 and 2021, deferred tax assets have not been recognized in respect of unused tax losses, unused tax credits and deductible temporary differences amounting to $6,049 thousand and $4,082 thousand, respectively, as the future taxable profit may not be available.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

E. The approval of income tax returns

As at 31 December 2022, the Company's income tax return is approved until 2020.

(25) Earnings per share

Basic earnings per share is calculated by dividing net profit for the year attributable to the common shareholders of the parent entity by the weighted average number of common shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity (after adjusting any influences)by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

A. Basic earnings per share

	For the year ended December 31,	
	2022	2021
Net income attributable to common shareholders of the parent	$190,616	$80,978
Weighted average number of common shares outstanding (in thousand shares)	87,116	86,910
Basic earnings per share (in NT$)	$2.19	$0.93

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

B. Diluted earnings per share

Net income attributable to common shareholders of the parent	$190,616	$80,798
Net income attributable to common shareholders of the parent after dilution	$190,616	$80,798
Weighted average number of common shares outstanding (in thousand shares)	87,116	86,910
Effect of dilution:		
Employee compensation – stock (in thousand shares)	543	229
Weighted average number of common shares outstanding after dilution (in thousand shares)	87,659	87,139
Diluted earnings per share (in NT$)	$2.17	$0.93

There have been no other transations involving common shares or potential common shares between the reporting date and the date the finincial statements were authorized for issue.

7. RELATED PARTY TRANSACTIONS

Information of the related parties that had transactions with the Company during the financial reporting period is as follows:

Name and nature of relationship of the related parties

Related parties	Relationship
Jinhu Coolingworks Electronics Co.,LTD	Associate

Significant transactions with related parties

A. Sales

	For the year ended December 31,	
	2022	2021
Jinhu Coolingworks Electronics Co.,LTD	$-	$15,410

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The transaction prices of the goods sold by the Group to associates cannot be compared because they are not sold to other customers with the same products；The collection terms for related parties were 210 days after monthly closing while 30~150 days after monthly closing for third parties.

B. Accounts receivable-related parties

	As at	
	Dec. 31, 2022	Dec. 31, 2021
Jinhu Coolingworks Electronics Co.,LTD	$-	$5,462

C. Salaries and rewards to key management of the Group

	For the year ended December 31,	
	2022	2021
Short-term employee benefits	$13,961	$14,587
Post-employee benefits	548	635
Total	$14,509	$15,222

8. PLEDGED ASSETS

The following assets of the Group are pledged as collaterals:

	Carrying amount as at December 31,		
Items	2022	2021	Secured liabilities
Property, plant and equipment-land (Cost)	$144,000	$144,000	Short-term secured loans
Property, plant and equipment-buildings (Carrying value)	23,387	25,117	Short-term secured loans
Financial assets measured at amortized cost-non-current	469,098	899,356	Short-term secured loans
Total	$636,485	$1,068,473	

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

9. Significant contingencies and unrecognized contractual commitments

As at December 31, 2022, the Group issued NT$500 thousand guaranteed bill for the duty and commodity tax bookkeeping guarantee, which is not included in the financial statements due to the nature of contingent liabilities.

10. Significant disaster loss

None

11. Significant subsequent events

Considering the changes of the global market, stable supply, and increased magnets production capacity, the Company planned to expand the plant and production line of magnetic material powder in Pingzhen district, Taoyuan city in 2023. It is expected to have a capital expenditure of approximately NT$250 million.

12. Other

(1) Categories of financial instruments

Financial assets

	As at December 31,	
	2022	2021
Financial assets at fair value through profit or loss:		
Measured at fair value through profit or loss	$60,648	$74,768
Financial assets at fair value through other comprehensive income	162,024	176,405
Financial assets measured at amortized cost (Note)	1,266,792	1,907,013
Total	$1,489,464	$2,158,186

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Financial liabilities

	As at December 31,	
	2022	2021
Financial liabilities at amortized cost:		
Short-term loans	$582,000	$1,319,000
Accounts payable	155,173	171,275
Financial liabilities at fair value through profit or loss:		
Financial liability held for trading	433	170
Total	$737,606	$1,490,445

Note: Including cash and cash equivalents, fnancial assets measured at amortized cost, notes receivable, accounts receivable (included related parties) and other receivables.

(2) Financial risk management objectives and policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activates. The Group identifies, measures, and manages the aforementioned risks based on its policy and risk appetite.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market risk comprises currency risk, interest rate risk and other price risk (e.g. equity instruments).

In practice, it is rarely the case that a single risk variable will change independently from other risk variables. There are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Group's exposure to foreign currency risk relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign operations.

The Group has certain foreign currency receivables denominated in the same foreign currency as certain foreign currency payables, therefore natural hedge is achieved. Thus, hedge accounting is not adopted.

Foreign currency sensitivity analysis of possible change in foreign exchange rates on the Group's profit/loss and equity is performed on significant monetary items denominated in foreign currencies as of the reporting period-end. The Group's foreign currency risk is mainly related to volatility in the exchange rates of US dollars. It is stated as follows:

If NT dollars appreciates/depreciates against US dollars by 1%, the net income (loss) for the years ended December 31, 2022 and 2021 would decrease/increase by NT$7,800 thousand and NT$14,738 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt instrument investments at variable interest rates, bank borrowings with fixed interest rates and variable interest rates.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period and presumed to be held for one accounting year, including investments and bank borrowing with variable interest rates. If interest rate increases/decreases by 1%, the net income (loss) for the years ended December 31, 2022 and 2021 would increase/decrease by NT$518 thousand and NT$1,695 thousand, respectively.

Equity price risk

The fair value of the Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group's listed and unlisted equity securities are classified under financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

At the reporting date, a change of 1% in the price of the listed equity securities measured at fair value through profit or loss could increase/decrease the Group's profit for the years ended December 31, 2022 and 2021 by NT$334 thousand and NT$337 thousand, respectively.

At the reporting date, a change of 1% in the price of the listed companies stocks classified as equity instruments investments measured at fair value through other comprehensive income could have an impact of NT$1,558 thousand and NT$1,684 thousand on the equity attributable to the Group for the years ended December 31, 2022 and 2021, respectively.

(4) Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract and result in a financial loss. The Group is exposed to credit risk from operating activities (primarily for accounts and notes receivable) and from its financing activities including bank deposits and other financial instruments.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit risk of all customers are assessed based on a comprehensive review of the customers' financial status, credit ratings from credit institutions, past transactions, current economic conditions and the Group's internal credit ratings. The Group also employs some credit enhancement instruments (e.g. prepayment or insurance) to reduce certain customers' credit risk.

As at December 31, 2022 and 2021, receivables from the top ten customers were accounted for 45% and 46% of the Group's total accounts receivable, respectively. The concentration of credit risk is relatively insignificant for the other remaining receivables.

Credit risk from balances with banks, fixed-income securities and other financial instruments is managed by the Group's finance division in accordance with the Group's policy. The counterparties that the Group transacts with are determined by internal control procedures. They are banks with fine credit ratings and financial institutions, corporate and government agencies with investment-grade credit ratings. Consequently, there is no significant credit risk for these counter parties.

The Group adopted IFRS 9 to assess the expected credit losses. Except for trade receivables, the remaining debt instrument investments which are not measured at fair value through profit or loss, low credit risk for these investments is a prerequisite upon acquisition and by using their credit risk as a basis for the distinction of categories.

Financial assets are written off when there is no realistic prospect of future recovery (the issuer or the debtor is in financial difficulties or bankruptcy).

(5) Liquidity risk management

The Group maintains financial flexibility using cash and cash equivalents, highly-liquid marketable securities, bank loans, etc. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted interest payment relating to borrowings with variable interest rates is extrapolated based on the estimated yield curve as of the end of the reporting period.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Non-derivative financial instruments

	Less than 1 year
As at December 31, 2022	
Loans	$582,355
Payables	155,173
As at December 31, 2021	
Loans	$1,320,822
Payables	171,275
Lease Liabilities	469

(6) Movement schedule of liabilities arising from financing activities

Movement schedule of liabilities for year ended December 31, 2022:

	Short-term borrowings	Deposits received	Lease liabilities	Bonus payable	Total liabilities from financing activities
As at January 1, 2022	$1,319,000	$12	$460	$242	$1,319,714
Cash flows	(737,000)	442	(478)	(10)	(737,046)
Non-cash changes	-	-	8	-	8
Foreign exchange movement	-	-	10	-	10
As at December 31, 2022	$582,000	$454	$-	$232	$582,686

Movement schedule of liabilities for the year ended December 31, 2021:

	Short-term borrowings	Deposits received	Lease liabilities	Bonus payable	Total liabilities from financing activities
As at January 1, 2021	$958,000	$24	$-	$308	$958,332
Cash flows	361,000	(12)	(469)	(66)	360,453
Non-cash changes	-	-	929	-	929
Foreign exchange movement	-	-	-	-	-
As at December 31, 2021	$1,319,000	$12	$460	$242	$1,319,714

(7) Fair values of financial instruments

A. The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

(a) The carrying amount of cash and cash equivalents, receivables, payables and other current liabilities approximate their fair value due to their short maturity terms.

(b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (e.g. listed stocks and bonds) at the report date.

(c) Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

(d) Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the GreTai Securities Market, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(e) The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

B. Fair value of financial instruments measured at amortized cost

The carrying amount of the Group's financial assets and liabilities measure at amortized cost approximates their fair value.

C. Fair value measurement hierarchy for financial instruments

Please refer to Note 12(9) for fair value measurement hierarchy for financial instruments of the Group.

(8) Derivative financial instruments

As at December 31, 2022 and December 31, 2021, the relevant information of the Company's holdings of derivatives including Foreign Exchange Swaps and foreign currency options that did not meet the requirements of hedging accounting and have not yet expired are as follows:

Foreign Exchange Swaps

Foreign Exchange Swaps, not designated as a hedging tool：

Item	Contract Amount	Term
As at December 31, 2022		
Foreign Exchange Swaps	Sold USD1,590	2022.12.09-2023.06.27
As at December 31, 2021		
None		

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Foreign currency options

As at December 31, 2022 Unwrite off Foreign Exchange Options:

Bank	Foreign currency	Vlue date	Settle condition
First Commercial Bank	USD/TWD	FX≧31.5	Performance obliganting sale USD 990 thousands
First Commercial Bank	USD/TWD	FX≧31.5	Performance obliganting sale USD 990 thousands
First Commercial Bank	USD/TWD	FX≧31.5	Performance obliganting sale USD 990 thousands
First Commercial Bank	USD/TWD	FX≧31.7	Performance obliganting sale USD 990 thousands
First Commercial Bank	USD/TWD	FX≧32.5	Performance obliganting sale USD 990 thousands
First Commercial Bank	USD/TWD	FX≧33.0	Performance obliganting sale USD 990 thousands
First Commercial Bank	USD/TWD	FX≧33.5	Performance obliganting sale USD 990 thousands

As at December 31, 2021 Unwrite off Foreign Exchange Options:

Bank	Foreign currency	Vlue date	Settle condition
First bank	USD/TWD	FX≧28.6	Performance obliganting sale USD 950 thousands
First bank	USD/TWD	FX≧28.6	Performance obliganting sale USD 950 thousands
First bank	USD/TWD	FX≧29	Performance obliganting sale USD 950 thousands

(9) Fair value measurement hierarchy

A. Fair value measurement hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

B. Fair value measurement hierarchy of the Group's assets and liabilities

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group's assets and liabilities measured at fair value on a recurring basis is as follows:

As at December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets value:				
Financial assets fair value through profit or loss				
Funds	$27,270	$-	$-	$27,270
Stock	33,378	-	-	33,378
Measured at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	155,816	-	6,208	162,024
Financial liabilities:				
Measured at fair value through profit or loss				
Foreign Exchange Swaps	-	229	-	229
Foreign currency option	-	204	-	204

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

As at December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets fair value through profit or loss				
Funds	$41,102	$-	$-	$41,102
Stock	33,666	-	-	33,666
Measured at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	168,381	-	8,024	176,405
Liability measured at fair value:				
Measured at fair value through profit or loss				
Foreign currency option	-	170	-	170

Transfers between Level 1 and Level 2 during the period

For the years ended December 31, 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value measurements.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

	Assets
	Financial assets at fair value through other comprehensive income
	Stock
As at January 1, 2022	$8,024
Amount recognized in OCI (presented in "Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	(1,789)
Disposals	(27)
As at December 31, 2022	$6,208

	Assets
	Financial assets at fair value through other comprehensive income
	Stock
As at January 1, 2021	$8,024
Disposals	-
As at December 31, 2021	$8,024

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As at December 31, 2022

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
At fair value through other comprehensive income					
Stocks	Market approach	Discount for lack of marketability	20%	The higher the lack of liquidity reduction, the lower the fair value of the stocks	5% increase (decrease) in the discount for lack of marketability would result in decrease (increase) in the Group's equity by NT$248 thousand

As at December 31, 2021

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
At fair value through other comprehensive income					
Stocks	Market approach	Discount for lack of marketability	10%~20%	The higher the lack of liquidity reduction, the lower the fair value of the stocks	5% increase (decrease) in the discount for lack of marketability would result in decrease (increase) in the Group's equity by NT$361 thousand

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(10) Significant financial assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	As at					
	31 December 2022			31 December 2021		
	Foreign Currencies	Exchange Rate	NTD	Foreign Currencies	Exchange Rate	NTD
Financial assets						
Monetary items:						
USD	$25,661	30.66	$786,758	$53,519	27.63	$1,478,807
CNY	$34,809	4.42	$153,770	$39,491	4.34	$171,358
Euro	$6,539	32.52	$212,662			

The above information is disclosed based on the carrying amount of foreign currency (after being converted to functional currency).

The Group has foreign operations which have different functional currencies. They could not be disclosured the foreign exchange gains or losses on monetary financial assets and financial liabilities for each currency with its significant influence. The foreign exchange gains or losses of the Group amounted to NT$129,507 thousand and NT$(54,643) thousand for the years ended December 31, 2022 and 2021, respectively.

(11) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximize shareholder value. The Group manages and adjusts its capital structure considering changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. Additional disclosures

(1) Information on significant transactions

A. Financing provided to others: None.

B. Endorsement/Guarantee provided to others: None.

C. Marketable securities held as of December 31, 2022 (excluding investments in subsidiaries, associates and joint ventures): Please refer to attachment 1.

D. Individual securities acquired or disposed of with accumulated amount of at least NT$ 300 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.

E. Acquisition of individual real estate with amount of at least NT$300 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.

F. Disposal of individual real estate with amount of at least NT$100 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.

G. Related party transactions with purchase or sales amount of at least NT$100 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.

H. Receivables from related parties of at least NT$100 million or 20 percent of the paid-in capital as of December 31, 2022: None.

I. Derivative instrument transactions: Please refer to Note 12(8).

J. Intercompany relationships and significant intercompany transactions: Please refer to attachment 3.

(2) Information on investees

A. Investees over whom the Company exercises significant influence or control (excluding investees in Mainland China): Please refer to attachment 2.

B. Investees over which the Company exercises control shall be disclosed of information under Note 13(1):

(a) Financing provided to others: None.

(b) Endorsement/Guarantee provided to others: None.

(c) Marketable securities held as of December 31, 2022 (excluding investments in subsidiaries, associates and joint ventures): None.

(d) Individual securities acquired or disposed of with accumulated amount of at least NT$300 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.

(e) Acquisition of individual real estate with amount of at least NT$300 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.

(f) Disposal of individual real estate with amount of at least NT$300 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.

(g) Related party transactions with purchase or sales amount of at least NT$100 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.

(h) Receivables from related parties of at least NT$100 million or 20 percent of the paid-in capital as of December 31, 2022: None.

(i) Derivative instrument transactions: None.

(3) Information on investments in Mainland China:

A. Name of investee in China, main business, paid-in capital, method of investment, investment flows, percentage of ownership, investment gain or loss, carrying amount at the end of reporting period, inward remittance of earning or loss and the upper limit on investment in China:

(In Thousands of New Taiwan Dollars)

Name of Investee in China	Main Business	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of Jan. 1, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of Dec. 31, 2022	Profit/ Loss of Investee	Percentage of Ownership (Direct or Indirect Investment)	Share of Profit/Loss	Carrying Amount as of Dec. 31, 2022	Accumulated Inward Remittance of Earnings as of Dec. 31, 2022
					Outflow	Inflow						
King Core Electronics Factory, Dab Lane, Guanlan district, Bao' an district.	Manufacturing and sales business of operating soft iron core and yoke iron expect for earth group magnets.	$- (Note 2)	Reinvest through a third-region company.	$-	$-	$-	$-	$-	-%	$- (Note 2)	$- (Note 2)	$-

King Core Electronics Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Name of Investee in China	Main Business	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of Jan. 1, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of Dec. 31, 2022	Profit/ Loss of Investee	Percentage of Ownership (Direct or Indirect Investment)	Share of Profit/Loss	Carrying Amount as of Dec. 31, 2022	Accumulated Inward Remittance of Earnings as of Dec. 31, 2022
					Outflow	Inflow						
King Core Electronics (Suzhou) Co., Ltd	Manufacturing and sales business of operating soft iron core and yoke iron expect for rare earth group magnets.	$170,441 (Note 4)	(Note 3)	$170,441 (Note 4)	$-	$-	$170,441 (Note 4)	$(6,414) (Note 4 and 6)	100%	$(6,414) (Note 4、6 and 7)	$223,442 (Note 4、6 And 7)	$119,575

King Core Electronics Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Name of Investee in China	Main Business	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of Jan. 1, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of Dec. 31, 2022	Profit/ Loss of Investee	Percentage of Ownership (Direct or Indirect Investment)	Share of Profit/Loss	Carrying Amount as of Dec. 31, 2022	Accumulated Inward Remittance of Earnings as of Dec. 31, 2022
					Outflow	Inflow						
Shenzhen Zhen King Electronics Components Co.,Ltd.	Sales business of operating soft iron core and yoke iron expect for rare earth group magnets.	$2,209 (Note 4 and 5)	(Note 3)	$-	$-	$-	$-	$6,981 (Note 4 and 6)	100%	$6,981 (Note 4、6 and 7)	$31,468 (Note 4、6 and 7)	$-

Accumulated Outflow of Investment from Taiwan to Mainland China as at Dec. 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment in China by Investment Commission, MOEA
$171,976	$171,976	$920,482

Note 1: King Core (B.V.I.) Electronics Co., Ltd. 100% Shares of subsidiary owned by King Core Electronics Factory , Dab Lane, Guanlan district, Bao'an district, established as a processing plant in mainland, therefore, not applicable.

Note 2: Paid-in capital was written off during 2013.

Note 3: Reinvest in mainland China through a third-region company.

Note 4: Amounts in foreign currencies are translated into New Taiwan dollars using the exchange rates on the balance sheet date.

Note 5: 100% Shares of Shenzhen Zhen King Electronics Components Co.,Ltd. owned and directly invested by King Core Electronics (Suzhou) Co., Ltd.

Note 6: Gain/loss on investment is recognized based on the financial statements which were audited by the independent auditors of the parent company in Taiwan.

Note 7: Transactions are eliminated upon preparation of consolidated financial statements.

B. Significant transactions with investees in China:

(a) Purchase and balances of related accounts payable as of December 31, 2022: Please refer to attachment 3 for details.

(b) Sale and balance of related accounts receivable as of December 31, 2022: Please refer to attachment 3 for details.

(c) Property transaction amounts and resulting gain or loss: None.

(d) Ending balance of endorsements/guarantees or collateral provided and the purposes: None.

(e) Maximum balance, ending balance, interest rate range and total interest for current period from financing provided to others: None.

(f) Transactions that have significant impact on profit or loss of current period or the financial position, such as services provided or rendered: Please refer to attachment 3 for details.

(g) Above transactions are eliminated upon preparation of consolidated financial statements. Please refer to attachment 3 for details.

(4) Information on major shareholders:

Ownership of shares / Name	Number of shares held (shares)	Ownership ratio
Sheng Bao Investment Corp.	10,459,530	12.00%
Jin Bao Investment Corp.	8,230,406	9.44%

14. OPERATING SEGMENT

(1)The revenue of companies in the Group mainly comes from the manufacturing and trading of iron cores and chips. The chief operating decision maker reviewed the overall operating results to make decision about resources to be allocated to and evaluated the overall performance. Therefore, the Group was aggregated into a single segment and adopted the same accounting.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(2)Geographical information

Revenues from external customers

	For the year ended December 31,	
	2022	2021
China	$430,460	$404,864
Taiwan	230,998	306,206
Other countries	108,689	86,496
Total	$770,147	$799,566

The revenue information above is based on the location of the customers.

Non-current assets

	As at December 31,	
	2022	2021
Taiwan	$289,743	$279,052
China	32,582	35,290
Total	$322,325	$314,342

(3)Information about major customers

Individual customer’s sale accounted for at least 10% of consolidated net sale:

	For the year ended December 31,	
Name of customers	2022	2021
Customer A	$243,047	$179,683

English Translation of Consolidated Financial Statements Originally Issued in Chinese

King Core Electronics Inc. and Subsidiaries

Marketable Securities Held (Excluding Investments in Subsidiaries, Associates and Joint Ventures)

As at December 31, 2022

Attachment 1

(In Thousands of New Taiwan Dollars)

Name of Held Company	Type and Name of Marketable Securities (Note1)	Relationship with the Issuer	Financial Statement Account	As of December 31, 2021 Shares / Units	Carrying Amount	Shareholding %	Fair Value	Note
	Financial assets at fair value through profit or loss - current							
KING CORE ELECTRONICS INC.	Equity Funds－Shin Kong China Growth Fund USD	NA	Financial assets at fair value through profit or loss - current	1,495,005	$21,020		$10,091	
KING CORE ELECTRONICS INC.	Asset Securitization Funds－FSITC Global REITs	NA	Financial assets at fair value through profit or loss - current	2,000,320	20,000		17,179	
KING CORE ELECTRONICS INC.	Listed stock－Planet Technology Corporation	NA	Financial assets at fair value through profit or loss - current	204,277	7,200	0.32%	18,344	
KING CORE ELECTRONICS INC.	Listed stock－Darwin Precisions Corporation	NA	Financial assets at fair value through profit or loss - current	130,900	2,322	0.02%	1,153	
	Subtotal				50,542		$46,767	
	Add: Valuation adjustments of financial assets at fair value through profit or loss- current				(3,775)			
	Total				$46,767			
	Financial assets at fair value through other comprehensive income - current							
KING CORE ELECTRONICS INC.	Listed stock－Johnson Health Tech .Co., Ltd.	NA	Financial assets at fair value through other comprehensive income - current	808,904	$15,520	0.27%	$56,219	
	Add: Valuation adjustments of financial assets at fair value through other comprehensive income- current				40,699			
	Total				$56,219			
	Financial assets at fair value through profit or loss - non-current							
KING CORE ELECTRONICS INC.	Shin Kong Financial Holding Co., Ltd.	NA	Financial assets at fair value through profit or loss - non-current	556,163	$5,173	-%	$5,120	
KING CORE ELECTRONICS INC.	Thinking Electronic Industrial Co., Ltd.	NA	Financial assets at fair value through profit or loss - non-current	70,653	776	0.06%	8,761	
	Subtotal				5,949		$13,881	
	Add: Valuation adjustments of financial assets at fair value through profit or loss				7,932			
	Total				$13,881			
	Financial assets at fair value through other comprehensive income - non-current							
KING CORE ELECTRONICS INC.	Everlight Electronics Co., Ltd.	The company is their director The chairman of the Company is juristic person of this company The chairman of their Company is director of the company	Financial assets at fair value through other comprehensive income - non-current	1,924,354	$72,466	0.43%	$71,105	
KING CORE ELECTRONICS INC.	Mutto Optronics Coroporation	NA	Financial assets at fair value through other comprehensive income - non-current	115,000	2,185	0.25%	2,461	
KING CORE ELECTRONICS INC.	ATECH OEM INC.	The chairman of their Company is director of the company	Financial assets at fair value through other comprehensive income - non-current	1,723,903	17,303	2.60%	26,031	
KING CORE ELECTRONICS INC.	5V TECHNOLOGIES, TAIWAN LTD.	NA	Financial assets at fair value through other comprehensive income - non-current	471	16,201	0.03%	27	
KING CORE ELECTRONICS INC.	SUNENGINE CORPORATION LTD.	NA	Financial assets at fair value through other comprehensive income - non-current	149,033	27,715	2.61%	-	
KING CORE ELECTRONICS INC.	TYFONE INC.	NA	Financial assets at fair value through other comprehensive income - non-current	186,598	6,181	1.06%	6,181	
KING CORE ELECTRONICS INC.	ICASHE INC.	NA	Financial assets at fair value through other comprehensive income - non-current	18,438	611	1.32%	-	
KING CORE ELECTRONICS INC.	AUSPINEN LLC.	NA	Financial assets at fair value through other comprehensive income - non-current	35,580	1,178	0.23%	-	
	Subtotal				143,840		$105,805	
	Add: Valuation adjustments of financial assets at fair value through other comprehensive income- non-current				(38,035)			
	Total				$105,805			

Note1：The marketable securities mentioned in attachment refer to stock, bonds, beneficiary certificates and securities derived from abovmetioned item within in the scope of IFRS 9 Financial Instruments.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

King Core Electronics Inc. and Subsidiaries

The Company exercise significant influence or control (excluding investees in mainland china) as at December 31, 2022

Attachment 2

(In Thousands of New Taiwan Dollars)

Investor	Investee	Business Location	Main Business and Product	Original Investment Amount		Balance as of December 31, 2022			Net Income (Loss) of the Investee	Share of Income (Loss) of the Investee
				As of December 31, 2022	As of December 31, 2021	Shares	%	Carrying Value		
King Core Electronics Co., Ltd.	King Core (B.V.I.) Electronics Co., Ltd.	British Virgin Islands	Operating soft core and yoke iron except for rare earth group magnets	USD 5,600	USD 5,600	5,600,000	100.00%	$225,041	$(8,957)	$(8,957)
King Core Electronics Co., Ltd.	Allied Biotech Corporation	Da-an District, Taipei	Research, manufacturing and development of carotenoid products and otherss	$235,617	$235,617	17,976,721	18.85%	$258,283	$146,741	$27,660
King Core Electronics Co., Ltd.	CSX Material Co., Ltd.	Da-an District, Taipei	Operating electronic parts and components manufacturing	$73,251	$43,900	6,529,200	28.39%	$33,545	$(33,010)	$(8,977)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

King Core Electronics Inc. and Subsidiaries

Intercompany relationships and significant intercompany transactions for the year ended December 31, 2022

Attachment 3

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Company Name	Counter-Party	Nature of Relationship (Note 2)	Intercompany Transaction: Financial Statement Account	Intercompany Transaction: Amount (Note 4、5)	Intercompany Transaction: Terms	Intercompany Transaction: Percentage to Consolidated Net Revenue or Total Assets (Note 3)
	2022.01.01~2022.12.31						
0	King Core Electronics Co., Ltd.	KING CORE ELECTRONICS (SUZHOU) CO., LTD	1	Sales revenue	$42,491	Offset the credit-debt	5.52%
			1	Processing expenses	39,811	Offset the credit-debt	5.17%
			1	Other income	2,663	Offset the credit-debt	0.35%
			1	Accounts Payable	22,627	Offset the credit-debt	0.97%
0	King Core Electronics Co., Ltd.	Shenzhen Zhen King Electronics Components Co.,Ltd.	1	Sales revenue	70,211	Monthly payment in 90 days	9.12%
			1	Accounts Receivable	5,696	Monthly payment in 90 days	0.24%
1	King Core (B.V.I.) Electronics Co., Ltd.	KING CORE ELECTRONICS (SUZHOU) CO., LTD	1	Sales revenue	17,761	Monthly payment in 90 days	2.31%
2	KING CORE ELECTRONICS (SUZHOU) CO., LTD	Shenzhen Zhen King Electronics Components Co.,Ltd.	1	Sales revenue	19,236	Monthly payment in 90 days	2.50%
			1	Accounts Receivable	4,821	Monthly payment in 90 days	0.21%

Note 1: Transaction information between Parent company and its subsidiaries should be disclosed by codes below:

(1) Parent company is coded "0".

(2) The subsidiaries are coded from "1" in the order presented in the table above.

Note 2: Relationship are divided into the following three types and the types are required to be indicated:

(1) From the parent company to a subsidiary.

(2) From a subsidiary to the parent company.

(3) Between subsidiaries.

Note 3: Regarding the percentage of transaction amount to consolidated operating revenues or total assets, it is computed based on the ending balance to consolidated total assets for balance sheet items; and based on interim accumulated amount to consolidated net revenue for income statement items.

Note 4: The Company may decide to disclose or not to disclose transaction details in this table based on the Materiality Principle.

Note 5: Amounts in foregin currencies are translated into New Taiwan dollars using the exchange rates on the balance sheet date.

V. Latest audited individual financial statements.

English Translation of Financial Statements and a Report Originally Issued in Chinese

INDEPENDENT AUDITORS' REPORT

To The Board of Directors and Shareholders of King Core Electronics Inc.：

Opinion

We have audited the accompanying parent-company-only balance sheets of King Core Electronics Inc. (the "Company") as of December 31, 2022 and 2021, and the related parent-company-only statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent-company-only financial statements, including the summary of significant accounting policies (together referred as "the parent-company-only financial statements").

In our opinion, based on the results of our audits and the report of other auditors (please refer to the Other Matter－Making Reference to the Audit of a Component Auditor section of our report), the parent-company-only financial statements referred to above present fairly, in all material respects, the parent-company-only financial position of the Company as of December 31, 2022 and 2021, and their parent-company-only financial performance and cash flows for the years then ended, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent-Company-Only Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of other auditors, 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 the most significance in our audit of 2022 parent-company-only financial statements. These matters were addressed in the context of our audit of the parent-company-only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition

We determine that revenue recognition is one of the key audit matters. The Company's revenue amounting to NT$656,496 thousand for the year ended December 31, 2022 is a significant account to the Company's financial statements. The Company has conducted these sale activities in multi-marketplace, including Taiwan, China, Europe, etc. Among these locations, the Company has established hub-warehouse for certain foreign customers' convenience. Furthermore, the timing of fulfilling performance obligation needs to be determined based on varieties of sale terms and conditions enacted in the main sale contracts or sale orders. We therefore conclude that there are significant risks with respect to the topic of revenue recognition.

Our audit procedures therefore include, but not limit to, evaluating the properness of accounting policy for revenue recognition, assessing and testing the effectiveness of relevant internal controls related to revenue recognition, sampling-test of details, including checking the revenue recognition from foreign warehouses , obtaining major sale orders or agreements to inspect the terms and conditions, checking the consistency of the fulfillment timing, performing analytical review procedures on monthly sale revenues, and executing sale cut-off tests, etc. We have also evaluated the appropriateness of the related disclosure in Note 4 and 6 to the financial statements.

Other Matter – Making Reference to the Audit of a Component Auditor

We did not audit the financial statements of Allied Biolotech Corp., an invested associate accounted for under the equity method by the Company. The financial statements of Allied Biolotech Corp. as at December 31, 2022 and 2021, and for the years then ended were audited by other auditors, whose reports thereon have been furnished to us. Our audit, insofar as it related to the investment in the associate accounted for under the equity method amounting to NT$258,283 thousand and NT$239,112 thousand as of December 31, 2022 and 2021 representing 11.13% and 8.18% of the Company's total assets, the related shares of income before tax from the associate under the equity method for the years then ended amounting to NT$27,660 thousand and NT$2,468 thousand representing 11.88% and 2.45% of the Company's income before tax, and the related shares of other comprehensive income from the associate under the equity method for the years then ended amounting to NT$417 thousand and NT$(753) thousand, representing (5.74)% and 6.76% of the other comprehensive income, respectively.

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

Management is responsible for the preparation and fair presentation of the parent-company-only financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of parent-company-only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent-company-only financial statements, management is responsible for assessing the ability to continue as a going concern of the Company, 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 audit committee, are responsible for overseeing the financial reporting process of the Company.

Auditor's Responsibilities for the Audit of the Parent-Company-Only Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the parent-company-only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than 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 internal control of the Company.

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 ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent-company-only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's 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 parent-company-only financial statements, including the accompanying notes, and whether the parent-company-only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent-company-only financial statements. We are responsible for the direction, supervision and performance of the company 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 2022 parent-company-only financial statements and are therefore the key audit matters. We describe these matters in our auditor's 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.

Lin, Cheng-Wei

Chen, Kuo-Shuai

Ernst & Young
Taiwan, R.O.C.
February 20th, 2023

Notice to Readers

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

Accordingly, the accompanying parent-company-only financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

King Core Electronics Inc.

Parent-Company-Only Balance Sheets

As at December 31, 2022 and 2021

(Amounts Expressed In Thousands of New Taiwan Dollars)

Assets			As at December 31, 2022		As at December 31, 2021	
Code	Accounts	Notes	Amount	%	Amount	%
	Current assets					
1100	Cash and cash equivalents	4, 6(1)	$504,760	22	$640,933	22
1110	Financial assets at fair value through profit or loss	4, 6(2)	46,767	2	57,210	2
1120	Financial assets at fair value through other comprehensive income	4, 6(3)	56,219	3	45,541	2
1136	Financial assets measured at amortized cost	4, 6(4), 8	474,960	21	906,863	31
1150	Notes receivable, net	4, 6(5)	2,507	-	3,874	-
1170	Accounts receivable, net	4, 6(6)	120,649	5	135,386	5
1180	Accounts receivable-related parties, net	4, 6(6), 7	5,696	-	11,259	-
1200	Other receivables		2,594	-	12,996	-
1310	Inventories, net	4, 6(7)	166,445	7	134,956	5
1410	Prepayments		4,736	-	3,572	-
1470	Other current assets		206	-	212	-
11xx	Total current assets		1,385,539	60	1,952,802	67
	Non-current assets					
1510	Financial assets at fair value through profit or loss	4, 6(2)	13,881	1	17,558	1
1517	Financial assets at fair value through other comprehensive income	4, 6(3)	105,805	5	130,864	4
1550	Investment accounted for under equity method	4, 6(8)	516,869	22	525,574	18
1600	Property, plant and equipment, net	4, 6(9), 8	278,898	12	279,009	9
1780	Intangible assets, net	4, 6(10)	205	-	43	-
1840	Deferred tax assets	4, 6(24)	8,458	-	17,007	1
1900	Other non-current assets	4, 6(11)	10,640	-	-	-
15xx	Total non-current assets		934,756	40	970,055	33
1xxx	Total Assets		$2,320,295	100	$2,922,857	100

(The accompanying notes are an integral part of the parent-company-only financial statements.)

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

King Core Electronics Inc.

Parent-Company-Only Balance Sheets (Continued)

As at December 31, 2022 and 2021

(Amounts Expressed In Thousands of New Taiwan Dollars)

Liabilities and Equity			As at December 31, 2022		As at December 31, 2021	
Code	Accounts	Notes	Amount	%	Amount	%
	Current liabilities					
2100	Short-term loans	6(12), 8	$582,000	25	$1,319,000	45
2120	Financial liability at fair value through profit or loss	4, 6(13)	433	-	170	-
2130	Contract liabilities	4, 6(18)	185	-	245	-
2150	Notes payable		404	-	546	-
2170	Accounts payable		69,578	3	89,651	3
2180	Accounts payable-related parties	7	22,627	1	-	-
2200	Other payables	6(14)	52,847	2	44,416	2
2230	Current income tax liabilities	4, 6(24)	34,459	2	5,478	-
2300	Other current liabilities		4,101	-	3,827	-
21xx	Total current liabilities		766,634	33	1,463,333	50
	Non-current liabilities					
2570	Deferred tax liabilities	4, 6(24)	8,900	-	21,656	1
2600	Other non-current liabilities	6(15), 6(16)	10,625	1	15,730	-
25xx	Total non-current liabilities		19,525	1	37,386	1
2xxx	Total liabilities		786,159	34	1,500,719	51
31xx	Equity attributable to shareholders of the parent					
3100	Capital	6(17)				
3110	Common stock		871,477	38	869,204	30
3200	Capital surplus	6(17)	200,654	9	198,157	7
3300	Retained earnings	6(17)				
3310	Legal reserve		274,507	12	266,256	9
3320	Special reserve		6,584	-	6,584	-
3350	Unappropriated earnings		196,750	8	86,833	3
3400	Other components of equity		(15,836)	(1)	(4,896)	-
3xxx	Total equity		1,534,136	66	1,422,138	49
	Total liabilities and equity		$2,320,295	100	$2,922,857	100

(The accompanying notes are an integral part of the parent-company-only financial statements.)

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

King Core Electronics Inc.

Parent-Company-Only Statements of Comprehenstve Income

For the Years Ended December 31, 2022 and 2021

(Amounts Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

Code	Items	Notes	2022 Amount	2022 %	2021 Amount	2021 %
4000	Operating revenues	4, 6(18), 7	$656,496	100	$642,179	100
5000	Operating costs	6(7), 7	(476,362)	(73)	(482,137)	(75)
5900	Gross profit		180,134	27	160,042	25
5920	Unrealized gross (profit) loss from sales		(487)	-	(105)	-
5950	Gross profit		179,647	27	159,937	25
6000	Operating expenses	7				
6100	Sales and marketing		(31,615)	(5)	(29,301)	(6)
6200	General and administrative		(57,846)	(9)	(45,758)	(7)
6300	Research and development		(14,320)	(2)	(15,186)	(2)
	Total operating expenses		(103,781)	(16)	(90,245)	(15)
6900	Operating income		75,866	11	69,692	10
7000	Non-operating income and expenses	6(22), 7				
7100	Interest income		13,726	2	4,398	1
7010	Other income		18,652	3	16,226	3
7020	Other gains or losses		122,628	19	(47,665)	(7)
7050	Finance costs		(7,684)	(1)	(7,882)	(1)
7070	Share of profit or loss of subsidiaries, associates and joint ventures		9,726	1	65,982	10
	Total non-operating incomes and expenses		157,048	24	31,059	6
7900	Income from continuing operations before income tax		232,914	35	100,751	16
7950	Income tax expense	4, 6(24)	(42,298)	(6)	(19,953)	(3)
8200	Net income		190,616	29	80,798	13
8300	Other comprehensive income (loss)	6(23)				
8310	Item that will not be reclassified subsequently to profit or loss					
8311	Remeasurements of defined benefit plans		3,062	1	1,577	-
8316	Unrealized loss on equity instrument investment at fair value through other comprehensive income		(17,457)	(3)	(11,293)	(2)
8331	Remeasurements of defined benefit plans of subsidiaries, associates and joint ventures		607	-	132	-
8336	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income of subsidiaries, associates and joint ventures		(352)	-	(607)	-
8360	Items that may be reclassified subsequently to profit or loss					
8381	Exchange differences on translation of foreign operations		6,869	1	(952)	-
	Total comprehensive income (loss), net of tax		(7,271)	(1)	(11,143)	(2)
8500	Total comprehensive income		$183,345	28	$69,655	11
9750	Earnings per share-basic (in NTD)	6(25)	$2.19		$0.93	
9850	Earnings per share-diluted (in NTD)	6(25)	$2.17		$0.93	

(The accompanying notes are an integral part of the parent-company-only financial statements.)

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

King Core Electronics Inc.

Parent-Company-Only Statements of Changes in Equity

For the Years Ended December 31, 2022 and 2021

(Amounts Expressed In Thousands of New Taiwan Dollars)

		Equity Attributable to Shareholders of the Parent							
				Retained Earnings			Other components of equity		
Code	Items	Capital	Capital Surplus	Legal Reserve	Special reserve	Unappropriated Earnings	Exchange differences arising on translation of foreign operations	Unrealized gains or losses on financial assets at fair value through other comprehensive income	Total Equity
		3100	3200	3310	3320	3350	3410	3420	3XXX
A1	Balance as of January 1, 2021	$868,427	$196,753	$262,482	$22,585	$57,231	$(23,459)	$31,415	$1,415,434
	Appropriation and distribution of 2020 retained earnings								
B1	Legal reserve			3,774		(3,774)			-
B3	Special reserve				(16,001)	16,001			-
B5	Cash dividends-common shares					(65,132)			(65,132)
C7	Share of changes in net assets of associates and joint ventures accounted for using equity method		191						191
D1	Net income for 2021					80,798			80,798
D3	Other comprehensive income (loss), for 2021					1,709	(952)	(11,900)	(11,143)
D5	Total comprehensive income (loss)	-	-	-	-	82,507	(952)	(11,900)	69,655
N1	Issuance of common stock from compensation of employees	777	1,213						1,990
Z1	Balance as of December 31, 2021	$869,204	$198,157	$266,256	$6,584	$86,833	$(24,411)	$19,515	$1,422,138
A1	Balance as of January 1, 2022	$869,204	$198,157	$266,256	$6,584	$86,833	$(24,411)	$19,515	$1,422,138
	Appropriation and distribution of 2021 retained earnings								
B1	Legal reserve			8,251		(8,251)			-
B5	Cash dividends-common shares					(73,883)			(73,883)
C7	Changes in subsidiaries, associates, and joint ventures accounted for under equity method		(618)			(2,234)			(2,852)
D1	Net income for 2022					190,616			190,616
D3	Other comprehensive income (loss), for 2022					3,669	6,869	(17,809)	(7,271)
D5	Total comprehensive income (loss)	-	-	-	-	194,285	6,869	(17,809)	183,345
N1	Issuance of common stock from compensation of employees	2,273	3,115						5,388
Z1	Balance as of December 31, 2022	$871,477	$200,654	$274,507	$6,584	$196,750	$(17,542)	$1,706	$1,534,136

(The accompanying notes are an integral part of the parent-company-only financial statements.)

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese
King Core Electronics Inc.
Parent-Company-Only Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021
(Amounts Expressed In Thousands of New Taiwan Dollars)

Code	Items	2022 Amount	2021 Amount
AAAA	Cash flows from operating activities:		
A10000	Income before income tax	$232,914	$100,751
A20000	Adjustments:		
A20010	Profit or loss not effecting cash flows:		
A20100	Depreciation	33,163	33,782
A20200	Amortization	292	54
A20400	Net loss (gain) of financial assets at fair value through profit or loss	9,120	640
A20400	Net loss (gain) of financial liabilities at fair value through profit or loss	(390)	(3,626)
A20900	Interest expense	7,684	7,882
A21200	Interest income	(13,726)	(4,398)
A21300	Dividend income	(8,780)	(6,657)
A22300	Share of profit or loss of subsidiaries, associates and joint ventures	(9,726)	(65,982)
A22500	Gain on disposal of property,plant and equipment	(543)	-
A24000	Unrealized (realized) profit from sale	487	105
A23100	Loss (gain) on disposal of investments	688	(4,400)
A30000	Changes in operating assets and liabilities:		
A31115	Financial assets at fair value through profit or loss	4,312	19,797
A31130	Notes receivable	1,367	(626)
A31150	Accounts receivable	14,737	(30,896)
A31160	Accounts receivable-related parties	5,563	12,041
A31180	Other receivables	(518)	-
A31200	Inventories	(31,489)	(29,604)
A31230	Prepayment	(1,164)	(225)
A31240	Other current assets	6	1
A32110	Financial liability at fair value through profit or loss	653	285
A32125	Contract liabilities	(60)	191
A32130	Notes payable	(142)	97
A32150	Accounts payable	(20,073)	23,663
A32160	Accounts payable-related parties	22,627	-
A32180	Other payables	14,068	8,561
A32230	Other current liabilities	284	336
A32240	Net defined benefit liability	(2,043)	(2,492)
A33000	Cash generated from operations	259,311	59,280
A33100	Interest received	12,785	4,438
A33200	Dividend received	55,346	40,377
A33300	Interest paid	(7,933)	(7,495)
A33500	Income tax paid	(5,663)	(2,824)
AAAA	Net cash provided by (used in) operating activities	313,846	93,776

Code	Items	2022 Amount	2021 Amount
BBBB	Cash flows from investing activities:		
B00010	Acquisition of financial assets at fair value through other comprehensive income	(3,076)	-
B00040	Acquisition of financial assets measured at amortized cost	431,903	(320,548)
B01800	Acquisition of investments accounted for using equity method	(24,350)	(5,000)
B02700	Acquisition of property, plant and equipment	(43,883)	(49,575)
B02800	Proceeds from disposal of property, plant and equipment	734	-
B04500	Acquisition of intangible assets	(454)	(97)
BBBB	Net cash provided by (used in) investing activities	360,874	(375,220)
CCCC	Cash flows from financing activities:		
C00100	Increase in (repayment of) short-term borrowings	(737,000)	361,000
C03100	Decrease in paid deposits received	-	(12)
C04500	Cash dividends	(73,883)	(65,132)
C09900	Employee bonus paid	(10)	(66)
CCCC	Net cash provided by (used in) investing activities	(810,893)	295,790
EEEE	Increase (decrease) in cash and cash equivalents	(136,173)	14,346
E00100	Cash and cash equivalents at beginning of period	640,933	626,587
E00200	Cash and cash equivalents at end of period	$504,760	$640,933

(The accompanying notes are an integral part of the parent-company-only financial statements.)

1. HISTORY AND ORGANIZATION

King Core Electronics Inc. (referred to as "the Company") was established on November 29, 1986.Its main business activities include the manufacture of soft ferrites, magnetic core flyback converters, convergence coil, delay-line filtering, electromagnetic component, micro coil, common mode choke, other coil, multilayer chip inductors, bead core/ chip bead, bead array, high frequency ceramic chip inductor, telecommunications inductor and electromagnetic Interference (EMI), converters and sales of the previously mentioned products.

The Company's stocks have been governmentally approved on October 9, 2001 to be listed and traded in Taiwan Over-The-Counter Securities Exchanges starting March 1, 2002, and have been traded in Taiwan Stock Exchange starting on August 18, 2006. The registered business premise and main operation address are both at No. 269, Nanfeng Rd., Pingzhen Dist., Taoyuan City.

2. DATE AND PROCEDURE OF AUTHORIZATION FOR FINANCIAL STATEMENTS ISSUANCE

The Parent-Company-Only financial statements of the Company for the year ended December 31, 2022 and 2021 were authorized for issue by the Board of Directors on February 20, 2023.

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

(1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after January 1, 2022. The new standards and amendments had no material impact on the Company.

(2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are endorsed by FSC, and not yet adopted by the Company as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	1 January 2023
b	Definition of Accounting Estimates – Amendments to IAS 8	1 January 2023
c	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	1 January 2023

(a)Disclosure Initiative - Accounting Policies – Amendments to IAS 1

The amendments improve accounting policy disclosures that to provide more useful information to investors and other primary users of the financial statements.

(b)Definition of Accounting Estimates – Amendments to IAS 8

The amendments introduce the definition of accounting estimates and included other amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to help companies distinguish changes in accounting estimates from changes in accounting policies.

(c)Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2023. The Company assesses all standards and interpretations have no material impact on the Company.

3. Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Company as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" – Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 "Insurance Contracts"	January 1, 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2024
d	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	January 1, 2024
e	Non-current Liabilities with Covenants – Amendments to IAS 1	January 1, 2024

(a)IFRS 10"Consolidated Financial Statements" and IAS 28"Investments in Associates and Joint Ventures" — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

(b)IFRS 17 "Insurance Contracts"

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in 2020 and 2021. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after January 1 , 2023 (from the original effective date of January 1 , 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after January 1 , 2023.

(c)Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

(d)Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

The amendments add seller-lessees additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent application of the standard.

(e)Non-current Liabilities with Covenants – Amendments to IAS 1

The amendments improved the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Company's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The Company assesses all standards and interpretations have no material impact on the Company.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

The parent-company-only financial statements of the Company for the years ended December 31, 2022 and 2021 were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations").

(2) Basis of preparation

The Company prepared parent-company-only financial statements in accordance with Article 21 of the Regulations, which provided that the profit or loss and other comprehensive income for the period presented in the parent-company-only financial statements shall be the same as the profit or loss and other comprehensive income attributable to stockholders of the parent presented in the consolidated financial statements for the period, and the total equity presented in the parent-company-only financial statements shall be the same as the equity attributable to the parent company presented in the consolidated financial statements. Therefore, the Company accounted for its investments in subsidiaries using equity method and, accordingly, made necessary adjustments.

The parent-company-only financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The parent-company-only financial statements are expressed in thousands of New Taiwan Dollars ("NT$") unless otherwise stated.

(3) Foreign currency transactions

The Company's parent-company-only financial statements are presented in its functional currency, New Taiwan Dollars (NTD). Items included in the parent-company-only financial statements are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Company at functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following.

(a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.

(b) Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instrument.

(c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(4) Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NTD at the closing rate of exchange prevailing at the reporting date and the income and expenses are translated at an average exchange rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following are accounted for as disposals even if an interest in the foreign operation is retained by the Company: the loss of control over a foreign operation, the loss of significant influence over a foreign operation, or the loss of joint control over a foreign operation.

On partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or jointly controlled entity that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(5) Current and non-current distinction

An asset is classified as current when:

(a) The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.
(b) The Company holds the asset primarily for the purpose of trading.
(c) The Company expects to realize the asset within twelve months after the reporting period.
(d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

(a) The Company expects to settle the liability in its normal operating cycle.
(b) The Company holds the liability primarily for the purpose of trading.
(c) The liability is due to be settled within twelve months after the reporting period.
(d) The Company does not have an unconditional right to defer settlement of the liability for at least twelve 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.

All other liabilities are classified as non-current.

(6) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (include fixed-term deposits that have matures equal to or less than six months from the date of acquisition).

(7) Financial instruments

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

The Company determines the classification of its financial assets at initial recognition. In accordance with IFRS 9 and the Regulations, financial assets of the Company are classified as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial assets measured at amortized cost and notes, accounts and other receivables. All financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable costs. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement.

(A) Financial assets: Recognition and Measurement

Purchase or sale of financial assets is recognized using trade date accounting.

The Company classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both:

(a) The Company's business model for managing the financial assets and
(b) The contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

(a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
(b) 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.

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognise the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

(a) Purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

(b) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

(a) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
(b) 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

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

(a) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.

(b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

(c) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

    (i) Purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

    (ii) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, at initial recognition, the Company make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies. Amounts presented in other comprehensive income are not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and should recorded as financial assets measured at fair value through other comprehensive income on balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were measured at amortized cost or measured at fair value through other comprehensive income only if they met particular conditions. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss and trade receivable.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

(B) Impairment of financial assets

The Company is recognized a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the statement of financial position.

The Company measures expected credit losses of a financial instrument in a way that reflects:

(a) An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
(b) The time value of money; and
(c) Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measures as follows:

(a) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance for a financial asset at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that condition is no longer met.

(b) At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.

(c) For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Company needs to assess whether the credit risk on a financial asset has been increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

(C) Derecognition of financial assets

A financial asset is derecognized when:

(a) The rights to receive cash flows from the asset have expired
(b) The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred
(c) The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

(D) Financial liabilities and equity

Classification between liabilities or equity

The Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

Financial liabilities within the scope of IFRS 9 Financial Instruments are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss. A financial liability is classified as held for trading if:

(a) It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
(b) On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
(c) It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

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

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(E) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(8) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(a) In the principal market for the asset or liability, or
(b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(9) Inventories

Inventories are valued at lower of cost or net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows.

Raw materials - At actual purchase cost, using weighted average method
Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity, excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(10) Investments accounted for using the equity method

The Company accounted for its investments in subsidiaries using equity method and made necessary adjustments in accordance with Article 21 of the Regulations. Such adjustments were made after the Company considered the different accounting treatments to account for its investments in subsidiaries in the consolidated financial statements under IFRS 10 “Consolidated Financial Statements” and the different IFRSs adopted from different reporting entity’s perspectives, and the Company recorded such adjustments by crediting or debiting to investments accounted for under the equity method, share of profit or loss of subsidiaries, associates and joint ventures and share of other comprehensive income of subsidiaries, associates and joint ventures.

The Company’s investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Company has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

Under the equity method, the investment in the associate or investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Company’s share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Company and the associate or joint venture are eliminated to the extent of the Company’s related interest in the associate or joint venture.

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affects the Company’s percentage of ownership interests in the associate or joint venture, the Company recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a pro rata basis.

When the associate or joint venture issues new stock, and the Company’s interest in an associate or a joint venture is reduced or increased as the Company fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in Additional Paid in Capital and Investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Company disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 Investments in Associates and Joint Ventures. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the ‘share of profit or loss of an associate’ in the statement of comprehensive income in accordance with IAS 36 Impairment of Assets. In determining the value in use of the investment, the Company estimates:

(a) Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
(b) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 Impairment of Assets.

Upon loss of significant influence over the associate or joint venture, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, 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 entity continues to apply the equity method and does not remeasure the retained interest.

(11) Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 “Property, plant and equipment”. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	3 to 20 years
Machinery	3 to 10 years
Transportation	5 years
Office equipment	2 to 5 years
Other equipment	2 to 20 years

An item of property, plant and equipment or any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The property, plant and equipment's residual values, useful lives and methods of depreciation are reviewed at each financial year. If the expected values differ from the estimates, the differences are recorded as a change in accounting estimate.

(12) Leases

The Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether, throughout the period of use, has both of the following:

(a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
(b) the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Company for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Company estimates the stand-alone price, maximising the use of observable information.

Company as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Company recognizes right-of-use asset and lease liability for all leases which the Company is the lessee of those lease contracts.

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments discount using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses it's incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(a)fixed payments (including in-substance fixed payments), less any lease incentives receivable;
(b)variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
(c)amounts expected to be payable by the lessee under residual value guarantees;
(d)the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
(e)payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Company measures the lease liability on an amortised cost basis, which is increasing the carrying amount to reflect interest on the lease liability by using an effective interest method; and reducing the carrying amount to reflect the lease payments made.

At the commencement date, the Company measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

(a)the amount of the initial measurement of the lease liability;
(b)any lease payments made at or before the commencement date, less any lease incentives received;
(c)any initial direct costs incurred by the lessee; and
(d)an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Company measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for leases that meet and elect short-term leases or leases of low-value assets, the Company presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements comprehensive income.

For short-term leases or leases of low-value assets, the Company elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

(13) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, not meeting the recognition criteria, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit (CGU) level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are recognized in profit or loss.

The Company's accounting policies for intangible assets are as follows:

	Cost of Computer Software
Useful economic life	1 year
Amortization method	Straight-line method during the contract term
Internally generated or acquired externally	Acquired externally

(14) Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 “Impairment of Assets” may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company would conduct impairment tests at individual or CGU level. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired. An asset’s recoverable amount is the higher of an asset’s net fair value or its value in use.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the recoverable amount of the asset or CGU. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or companys of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (company of units), then to the other assets of the unit (company of units) pro rata on the basis of the carrying amount of each asset in the unit (company of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

Impairment loss or reversals of continuing operations are recognized in profit or loss.

(15) Revenue recognition

The Company's revenue arising from contracts with customers are primarily related to sale of goods. The accounting policies for the Company's types of revenue are explained as follow:

Sale of goods

The Company mainly manufactures and sells of its products. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Company is Passive Component and revenue is recognized based on the consideration stated in the contract. The remaining sales transactions are usually accompanied by volume discounts (based on the accumulated total sales amount for a specified period). Therefore, revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method. Revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. During the period specified in the contract, refund liability is recognized for the products expected to be returned.

The credit period of the Company's sale of goods is from 30 to 150 days. For most of the contracts, when the Company transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The period between the time when the Company transfers the goods to customers and when the customers pay for that goods is usually short and have no significant financing component to the contract. In the case that the Company has the right to transfer the goods to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. Besides, in accordance with IFRS 9, the Company measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

(16) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(17) Post-employment benefits

All regular employees of the Company are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company. Therefore, fund assets are not included in the Company's parent-company-only financial statements.

For the defined contribution plan, the Company will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations and the contribution is expensed as incurred.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

(a) the date of the plan amendment or curtailment, and
(b) the date that the Company recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(18) Income tax

Income tax expense (benefit) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings of the Company is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred income tax

Deferred income tax is a temporary difference between the tax bases of assets and liabilities and their carrying amounts in balance sheet at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

(a) Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit (loss);

(b) In respect of taxable temporary differences associated with investments in subsidiaries, and associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, any unused tax losses and carry forward of unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

(a) Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

(b) In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and liabilities 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. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed and recognized at each reporting date.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that would have a significant risk for a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are discussed below.

(a) Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including income approach (for example, the discounted cash flows model) or the market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

(b) Accounts receivables – estimation of impairment loss

The Company estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

(c) Post-employment benefits

The cost of post-employment benefit pension plan and the present value of the defined benefit obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions, including the change in the discount rate and expected salary level. The assumptions used for measuring pension cost and defined benefit obligation are disclosed in Note 6.

(d) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company’s domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1)Cash and cash equivalents

	As at December 31,	
	2022	2021
Cash and petty cash	$585	$574
Checking accounts and demand deposits	67,453	172,638
Time deposit	436,722	467,721
Total	$504,760	$640,933

(2)Financial assets at fair value through profit or loss

	As at December 31,	
	2022	2021
a. Mandatorily measured at fair value through profit or loss - current:		
Non-derivative financial assets		
Listed companies stocks	$9,522	$9,522
Fund	41,020	46,020
Subtotal	50,542	55,542
Valuation adjustments of financial assets as measured by fair value through profit or loss	(3,775)	1,668
Total	$46,767	$57,210
b. Mandatorily measured at fair value through profit or loss - non-current:		
Non-derivative financial assets		
Listed companies stocks	$5,949	$5,949
Valuation adjustments of financial assets as measured by fair value through profit or loss	7,932	11,609
Total	$13,881	$17,558

Financial assets at fair value through profit or loss were not pledged.

(3)Financial assets at fair value through other comprehensive income

	As at December 31,	
	2022	2021
Equity instruments investments measured at fair value through other comprehensive income - current:		
Listed companies stocks	$15,520	$15,520
Valuation adjustment of financial assets as measured by fair value through other comprehensive income or loss	40,699	30,021
Total	$56,219	$45,541
Equity instruments investments measured at fair value through other comprehensive income - non-current:		
Listed companies stocks	$91,954	$88,851
Unlisted companies stocks	51,886	51,913
Subtotal	143,840	140,764
Valuation adjustment of financial assets as measured by fair value through other comprehensive income or loss	(38,035)	(9,900)
Total	$105,805	$130,864

The Company's dividend income related to equity instrument investments measured at fair value through other comprehensive income for the year ended December 31, 2022 and 2021 were NT$7,140 thousand and NT$5,236 thousand, respectively.

Financial assets at fair value through other comprehensive income were not pledged.

(4)Financial assets measured at amortized cost

	As at December 31,	
	2022	2021
Restricted deposits	$469,098	$899,356
Time deposits	5,862	7,507
Total	$474,960	$906,863
Current	$474,960	$906,863
Non-current	-	-
Total	$474,960	$906,863

The Company classified certain of its financial assets as financial assetes measured at amortized cost. Please refer to Note 8 for more details on financial assets measured at amortized cost under pledge.

(5)Notes receivable

	As at December 31,	
	2022	2021
Notes receivable – from operations	$2,507	$3,874
Less: loss allowance	-	-
Net	$2,507	$3,874

Notes receivable were not pledged.

The Company follows the requirement of IFRS 9 to assess impairment. Please refer to Note 6 (19) for more details on loss allowance and Note 12 for more details on credit risk management.

(6)Accounts receivable and accounts receivable - related parties, net

	As at December 31,	
	2022	2021
Accounts receivable, gross	$134,868	$149,605
Less: loss allowance	(14,219)	(14,219)
Net of allowances	120,649	135,386
Accounts receivable - related parties, gross	5,696	11,259
Less: loss allowance	-	-
Net of allowances	5,696	11,259
Total accounts receivable, net	$126,345	$146,645

Account receivables were not pledged.

Accounts receivable are generally on 30-150 day terms. The total carrying amount is NT$140,564 thousand and NT$160,864 thousand, as at December 31, 2022 and 2021, respectively. Please refer to Note 6 (19) for more details on loss allowance of accounts receivable for the year ended December 31, 2022 and 2021. Please refer to Note 12 for more details on credit risk management.

(7)Inventory

A.Details of inventory:

	As at December 31,	
	2022	2021
Raw material	$46,538	$38,073
Work in process	48,807	35,288
Finished goods	61,992	53,859
Merchandises	9,108	7,736
Total	$166,445	$134,956

B.For the year ended December 31, 2022 and 2021, the Company recognized NT$476,362 thousand and NT$482,137 thousand under the caption of costs of sale, respectively. The following items were also included in cost:

	For the year ended December 31,	
	2022	2021
Loss from physical count	$7,856	$8,319
Loss from inventory write-off obsolescence	-	3,767
Unallocated fixed manufacturing overheads	10,049	8,071
Total	$17,905	$20,157

C.The inventories were not pledged.

(8)Investments accounted for under the equity method

	As at December 31,			
	2022		2021	
Investee companies	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
Investments in subsidiaries:				
King Core (B.V.I.) Electronics Co., Ltd.	$225,041	100.00%	$264,458	100.00%
Investments in associates:				
Allied Biolotech Corp.	258,283	18.85%	239,112	18.85%
CSX Material Co., Ltd.	33,545	28.39%	22,004	26.47%
Total	$516,869		$525,574	

A.Investments in subsidiaries were present in the parent-company-only financial statements under the caption of investments accounted for under equity method.Valuation adjustment is made if deemed necessary.

B.Investments in associates

Information about affiliated companies that are material to the Company is as follows:

a.Business name : Allied Biolotech Corp.

b.Business location (Registered country) : Taiwan

c.Fair value of open market quotation measurement：

Allied Biolotech Corp. is a listed entity on the emerging market of Taipei Exchange. The fair value of the investment in Allied Biolotech Corp. was NT$252,213 thousand and NT$274,145 thousand, as at December 31 2022, and 2021, respectively.

d.Allied Biolotech Corp. transactd employees' compensation in September, 2021, the Company’s shareholding reduce capital from 18.89% to 18.85%, the company did not purchase the new share according to its ownership ratio recognized additional paid-in capital NT$187 thousand.

For the year ended December 31, 2021, Allied Biolotech Corp. exercised the right of attribution arises generated additional paid-in capital NT$22 thousand, according to the ownership ratio recognized additional paid-in capital NT$4 thousand.

For the year ended December 31, 2022, Allied Biolotech Corp. due to unrecipient dividend increase additional paid-in capital NT$315 thousand, according to the ownership ratio recognized additional paid-in capital NT$59 thousand.

As at August, 2022, Allied Biolotech Corp. transactd employees' compensation. The company shareholding percentage was still 18.85%, according to the ownership ratio recognized additional paid-in capital NT$23 thousand.

The Company accounts for its investment in Allied Biolotech Corp. as an associate given the fact that the Company obtained the ability to exercise significant influence over Allied Biolotech Corp. through representation on its Board of Directors.

e.Reconciliation of the associate’s summarized financial information presented to the carrying amount of the Company interest in the associate：

	As at December 31,	
	2022	2021
Current assets	$1,510,057	$1,785,528
Non-current assets	654,757	655,862
Current liabilities	(876,863)	(1,346,741)
Non-current liabilities	(104,339)	(13,139)
Equity	1,183,612	1,081,510
Percentage of ownership	18.85%	18.85%
Subtotal	223,070	203,899
Premium on acquisition	35,213	35,213
Carrying amount of investment	$258,283	$239,112

	For the year ended December 31,	
	2022	2021
Operating income	$669,229	$676,757
Profit or loss from continuing operations	146,741	13,042
Other comprehensive income	2,216	(3,991)
Total comprehensive income	148,957	9,051

For the year ended December 31, 2022, due to surplus earnings distribution proposal, according to the ownership ratio reduced investments accounted for under the equity method NT$8,988 thousand.

Information about affiliated companies that are not material to the Company is as follows:

The Company purchased other shareholder shareholding percentage, increased investment capital NT$5,000, acquisition 500 thousand shares. Therefore, shareholding increase capital from 23.53% to 26.47%.

The Company involved CSX Material Co., Ltd. in cash capital increased, and the Company increased investment capital NT$24,350, acquisition 2,029 thousand shares. Therefore, shareholding increased capital from 26.47% to 28.39%, the Company did not purchase the new share according to its ownership ratio recognized additional paid-in capital NT$(2,934) thousand.

The aggregate carrying amounts of the Company's interests in CSX Material Co., Ltd. were NT$33,545 thousand and NT$22,004 thousand as at December 31, 2022 and 2021, respectively. The aggregate financial information of the Company's investments in associates is as follows:

	For the year ended December 31,	
	2022	2021
Profit or loss from continuing operations	$(8,977)	$(4,397)
Other comprehensive income (after-tax)	(899)	241
Total comprehensive income	$(9,876)	$(4,156)

C.The associates had no contingent liabilities or capital commitments and were not pledged as collateral as at December 31, 2022 and 2021, respectively.

(9)Property, plant and equipment

	Land	Buildings	Machinery	Transportation	Office Equipment	Other Equipment	Construction in progress and equipment awaiting inspection	Total
Cost:								
As at 1 Jan. 2022	$144,000	$68,425	$176,049	$4,060	$917	$69,710	$16,757	$479,918
Additions	-	1,830	10,736	7,900	315	3,261	9,201	33,243
Disposals	-	(3,382)	(72,579)	(2,062)	(32)	(8,363)	-	(86,418)
Transfers	-	-	19,140	-	-	-	(19,140)	-
As at 31 Dec. 2022	$144,000	$66,873	$133,346	$9,898	$1,200	$64,608	$6,818	$426,743
As at 1 Jan. 2021	$144,000	$73,755	$215,076	$6,817	$597	$78,347	$-	$518,592
Additions	-	365	9,484	-	464	6,885	33,007	50,205
Disposals	-	(5,695)	(64,761)	(2,757)	(144)	(15,522)	-	(88,879)
Transfers	-	-	16,250	-	-	-	(16,250)	-
As at 31 Dec. 2021	$144,000	$68,425	$176,049	$4,060	$917	$69,710	$16,757	$479,918
Depreciation and impairment:								
As at 1 Jan. 2022	$-	$43,308	$115,491	$2,342	$303	$39,465	$-	$200,909
Depreciation	-	3,560	21,895	1,267	289	6,152	-	33,163
Disposals	-	(3,382)	(72,579)	(1,871)	(32)	(8,363)	-	(86,227)
Transfers	-	-	-	-	-	-	-	-
As at 31 Dec. 2022	$-	$43,486	$64,807	$1,738	$560	$37,254	$-	$147,845
As at 1 Jan. 2021	$-	$45,000	$157,301	$4,251	$279	$49,175	$-	$256,006
Depreciation	-	4,003	22,951	848	168	5,812	-	33,782
Disposals	-	(5,695)	(64,761)	(2,757)	(144)	(15,522)	-	(88,879)
Transfers	-	-	-	-	-	-	-	-
As at 31 Dec. 2022	$-	$43,308	$115,491	$2,342	$303	$39,465	$-	$200,909
Net carrying amount:								
As at 12/31/2022	$144,000	$23,387	$68,539	$8,160	$640	$27,354	$6,818	$278,898
As at 12/31/2021	$144,000	$25,117	$60,558	$1,718	$614	$30,245	$16,757	$279,009

Significant components of buildings that have different useful lives are main building structure and the facilities which are depreciated 20 years and 3 to 10 years, respectively.

Please refer to Note 8 for more details on property, plant and equipment under pledge.

(10) Intangible assets

	Computer software
Cost:	
As at January 1, 2022	$47
Additions – acquired separately	454
Write-off	(97)
As at December 31, 2022	$404
As at January 1, 2021	$-
Additions – acquired separately	97
Write-off	(50)
As at December 31, 2021	$47
Amortization and Impairment:	
As at January 1, 2022	$4
Amortization	292
Write-off	(97)
As at December 31, 2022	$199
As at January 1, 2021	$-
Amortization	54
Write-off	(50)
As at December 31, 2021	$4
Carrying amount, net:	
As at December 31, 2022	$205
As at December 31, 2021	$43

Amortization expense of intangible assets were as follows:

	For the year ended December 31,	
	2022	2021
Manufacturing expense	$48	$4
Administrative expense	244	50
Total	$292	$54

(11) Other non-current assets

	As at December 31,	
	2022	2021
Prepayment for equipment	$10,640	$-

(12) Short-term loans

		As at December 31,	
	Interest interval(%)	2022	2021
Secured bank loans	0.34%~1.51%	$582,000	$1,024,000
Unsecured bank loans	0.52%~0.80%	-	295,000
Total		$582,000	$1,319,000

The Company's unused short-term lines of credits amount to NT$188,000 thousand and NT$265,000 thousand as at 31 December 2022, and 2021, respectively.

Please refer to Note 8 for more details on property, plant and equipment and financial assets measured at amortized cost pledged as secured bank loans.

(13) Financial Liabilities at Fair Value Through Profit or Loss

	As at December 31,	
	2022	2021
Held for trading-current：		
Foreign Exchange Swaps	$-	$-
Foreign Currency Option	1,051	398
Adjustments for change in value of financial liabilities	(618)	(228)
Total	$433	$170

(14) Other payable

	As at December 31,	
	2022	2021
Accrued expense	$52,709	$44,029
Accrued interest payable	138	387
Total	$52,847	$44,416

(15) Other non-current liabilities

	As at December 31,	
	2022	2021
Defined benefit liability	$10,613	$15,718
Deposits received	12	12
Total	$10,625	$15,730

(16) Post-employment benefits

Defined contribution plan

The Company adopts a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company has made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Expenses under the defined contribution plan for the years ended December 31, 2022 and 2021 were NT$5,640 thousand and NT$5,880 thousand, respectively.

Defined benefits plan

The Company adopts a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company contributes an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandate, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute NT$2,445 thousand to its defined benefit plan during the 12 months beginning after December 31, 2022.

As at December 31, 2022 and 2021, the maturities of the Company's defined benefit plan are in 2029.

Pension costs recognized in profit or loss are as follows:

	For the year ended December 31,	
	2022	2021
Current period service costs	$294	$346
Net interest of defined benefit liability (asset)	109	63
Total	$403	$409

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	As at		
	Dec. 31, 2022	Dec. 31, 2021	Jan. 1, 2021
Defined benefit obligation	$52,096	$52,213	$52,815
Plan assets at fair value	(41,483)	(36,495)	(33,028)
Other non-current liabilities – net defined benefit liability	$10,613	$15,718	$19,787

Reconciliation of liability (asset) of the defined benefit liability is as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability(asset)
As at January 1, 2021	$52,815	$(33,028)	$19,787
Current service cost	346	-	346
Interest expense (income)	169	(106)	63
Past service cost and settlement	-	-	-
Total	515	(106)	409
Re-measurement on defined benefit liability/assets:			
Actuarial gains and losses arising from changes in demographic assumptions	226	-	226
Actuarial gain/loss due to change in financial assumptions	(1,764)	-	(1,764)
Experience adjustments	421	-	421
Re-measurement on defined benefit assets	-	(460)	(460)
Total	(1,117)	(460)	(1,577)
Payments from the plan	-	-	-
Contributions by employer	-	(2,901)	(2,901)
Effect of exchange rate	-	-	-
As at December 31, 2021	52,213	(36,495)	15,718
Current service cost	294	-	294

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability(asset)
Interest expense (income)	361	(252)	109
Pasts service cost and settlement	-	-	-
Total	655	(252)	403
Re-measurement of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	290	-	290
Actuarial gains and losses arising from changes in financial assumptions	(202)	-	(202)
Experience adjustments	(481)	-	(481)
Re-measurement on defined benefit assets	-	(2,669)	(2,669)
Total	(393)	(2,669)	(3,062)
Payments from the plan	(379)	379	-
Contributions by employer	-	(2,446)	(2,446)
Effect of exchange rate	-	-	-
As at December 31, 2022	$52,096	$(41,483)	$10,613

The following assumptions are used to determine the present value of the defined benefit plan:

	As at December 31,	
	2022	2021
Discount rate	1.23%	0.69%
Expected rate of salary increases	2.00%	1.50%

Sensitivity analysis

	For the year ended December 31,			
	2022		2021	
	Increase in defined benefit	Decrease in defined benefit	Increase in defined benefit	Decrease in defined benefit
Discount rate increased by 0.5%	$-	$(1,692)	$-	$(1,958)
Discount rate decreased by 0.5%	2,095	-	2,421	-
Expected salary level increased by 0.5%	2,068	-	2,389	-
Expected salary level decreased by 0.5%	-	(1,690)	-	(1,905)

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(17) Equity

A. Common stock

As at December 31, 2022 and 2021, the Company’s authorized capital were both NT$1,000,000 thousand, each share at par of NT$10.The Company’s paid-in capital were NT$871,477 thousand and NT$869,204 thousand, respevtively, divided into 87,148 thousand shares and 86,920 thousand shares, respectively.

On February 19, 2021 the company was resolved by the board of directors issued NT$1,990 thousand (77,735 shares) by stock to the employee remuneration in 2020, and the capital increase was based on September 17 at the same year. After the capital increase, the rated share capital is NT$ 1,000,000 thousand, and the issued share capital is NT$ 869,204 thousand, with a par value of NT$10 per share, divided into 86,920 thousand shares.

On February 21, 2022 the company was resolved by the board of directors issued NT$5,388 thousand(277,330 shares) by stock to the employee remuneration in 2021, and the capital increase was based on June 29 at the same year. After the capital increase, the rated share capital is NT$ 1,000,000 thousand, and the issued share capital is NT$ 871,477 thousand, with a par value of NT$10 per share, divided into 87,148 thousand shares.

B. Capital surplus

	As at December 31,	
	2022	2021
Additional paid-in capital	$72,613	$69,498
Conversion premium of convertible corporate bonds	128,041	128,041
Changes in equity of investment accounted for using the equity method	-	618
Total	$200,654	$198,157

According to Taiwan Company Act, the capital surplus shall not be used except for making good the deficit of the Company. When a company incurs no loss, it may distribute the capital surplus related to the income derived from the issuance of new shares at a premium or income from endowments received by the company up to a certain percentage of paid-in capital. The said capital surplus could be distributed in cash to its shareholders in proportion to the number of shares being held by each of them.

C. Appropriation of earnings and dividend policies

(a) Earning distribution

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

a. Payment of all taxes and dues;
b. Offset prior years' operation losses;
c. Set aside 10% of the remaining amount as legal reserve. There is no requirement to further make such reserve when legal reserve reaches the capital amount.
d. Set aside or reverse special reserve in accordance with law and regulations; and
e. The adjustment amount of prior period's undistributed earnings and current period's undistributed earnings, shall be proposed by the Board of Directors to allocate 10% to 100%;
f. Recommended by the Board of Directors and resolved in the shareholders' meeting, then distribute the dividends to shareholders.

(b) Dividend policies

The Company is in an industry with versatile environment. For long-term finance planning requirements and to meet the shareholders' demand for cash, the Company's dividend policy aims for steadiness and balancing. Cash dividends distributed each year cannot be less than 10% of the gross amount of dividends.

(c) Legal reserve

According to the Company Act, legal reserve shall be set aside until such amount equal total authorized capital. Legal reserve can be used to offset deficits. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

(d) Special reserve

When the Company distributing distributable earnings, it shall set aside to special reserve, an amount equal to “other net deductions from shareholders” equity for the current fiscal year, provided that if the Company has already set aside special reserve according to the requirements for the adoption of IFRS, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders’ equity. For any subsequent reversal of other net deductions from shareholders’ equity, the amount reversed may be distributed from the special reserve.

The FSC issued Order No. Financial-Supervisory-Securities-Corporate-1090150022 on March 31, 2021, which sets out the following provisions for compliance:

On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders’ equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside special reserve. For any subsequent use, disposal or reclassification of related assets, the company can reverse the special reserve by proportion and transfer to retained earnings.

As at December 31, 2022 and 2021, the Company increase NT$6,584 thousand special reserve upon the first-time adoption of T-IFRS.

(e) The appropriations of earnings for the Years 2022 and 2021 were approved through the Board of Directors’ meetings and shareholders’ meeting held on February 20, 2023 and May 26, 2022, respectively. The details of the distribution are as follows:

	Appropriation of earnings		Dividend per share (in NT$)	
	2022	2021	2022	2021
Legal reserve	$19,205	$8,251		
Special reserve	9,252	-		
Cash dividend	130,722	73,883	$1.5	$0.85
Total	$159,179	$82,134		

Please refer to Note 6(21) for details on employees' compensation and remuneration to directors.

(18) Operating revenue

	For the year ended December 31,	
	2022	2021
Revenue from customer contracts		
Sales of goods	$656,496	$642,179

Analysis of revenue from contracts with customers for the year ended December 31, 2022 and 2021 are as follows:

A. Disaggregation of revenue

	For the year ended December 31,	
	2022	2021
	Passive Component	Passive Component
Sales of goods	$656,496	$642,179
The timing for revenue recognition:		
At a point in time	$656,496	$642,179

B. Contract balances

(a) Contract liabilities – current

	As at,	
	Dec. 31, 2022	Dec. 31, 2021
Sales of goods	$185	$245

The changes in the Company’s balances of contract liabilities for the years ended December 31, 2022 and 2021 are as follows:

	For the year ended December 31,	
	2022	2021
The opening balance transferred to revenue	$(245)	$(54)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	185	245

(19) Expected credit losses (gains)

	For the year ended December 31,	
	2022	2021
Operating expenses – Expected credit losses / (gains)		
Accounts receivable	$-	$-

Please refer to Note 12 for more details on credit risk.

The Company measures the loss allowance of its trade receivables (including notes receivable and Accounts receivable) at an amount equal to lifetime expected credit losses. The assessment of the Company's loss allowance as at 31 December 2022 and 2021 are as follows:

A. The Company considers the grouping of trade receivables by counterparties' credit rating, by geographical region and by industry sector and its loss allowance is measured by using a provision matrix. Details are as follow:

As at 12/31/2022	Not past due	Overdue					
	(Note)	<=30 days	31-60 days	61-90 days	91-120 days	>=121days	Total
Gross carrying amount	$125,442	$3,056	$1,348	$36	$-	$13,189	$143,071
Loss ratio	-%	-%	74%	100%	-%	100%	
Lifetime expected credit losses	-	-	(994)	(36)	-	(13,189)	(14,219)
Carrying amount of accounts receivable	$125,442	$3,056	$354	$-	$-	$-	$128,852

As at 12/31/2021	Not past due	Overdue					
	(Note)	<=30 days	31-60 days	61-90 days	91-120 days	>=121days	Total
Gross carrying amount	$148,354	$2,466	$541	$114	$38	$13,225	$164,738
Loss ratio	-%	12%	100%	100%	100%	100%	
Lifetime expected credit losses	-	(301)	(541)	(114)	(38)	(13,225)	(14,219)
Carrying amount of accounts receivable	$148,354	$2,165	$-	$-	$-	$-	$150,519

Note: The Company's Notes receivable are not overdue.

B. The movement in the provision for impairment of notes receivable, and accounts receivable during the years ended December 31, 2022 and 2021 are as follows:

	Notes receivable	Accounts receivable
Beginning balance as at January 1, 2022	$-	$14,219
Addition/(reversal) for the current period	-	-
Ending balance as at December 31, 2022	$-	$14,219
Beginning balance As at January 1, 2021	$-	$14,219
Addition/(reversal) for the current period	-	-
Ending balance As at December 31, 2021	$-	$14,219

(20) Leases

A. Company as a lessee

The Company's leases effect on the financial position, financial performance and cash flows are as follows:

(a) Income and costs relating to leasing activities

	For the year ended December 31,	
	2022	2021
The expense relating to short-term leases (rent expenses)	$503	$596
The expense relating to leases of low-value assets (not included the expense relating to short-term leases of low-value assets)	2	2

(b) Cash outflow relating to leasing activities

During the year ended December 31, 2022 and 2021, the Company's total cash outflow for leases amounting to NT$505 thousand and NT$598 thousand, respectively.

(21) Summary statement of employee benefits, depreciation and amortization by function is as follows:

Function / Nature	2022			2021		
	Cost of goods sold	Operating expense	Total	Cost of goods sold	Operating expense	Total
Employee benefit						
Salaries & wages	$93,079	$44,185	$137,264	$96,408	$38,097	$134,505
Labor and health insurance	10,644	3,212	13,856	11,100	3,202	14,302
Pension	4,595	1,448	6,043	4,813	1,476	6,289
Directors' remuneration	-	3,989	3,989	-	1,973	1,973
Other employee benefit	4,338	753	5,091	4,586	696	5,282
Depreciation	23,778	9,385	33,163	24,741	9,041	33,782
Amortization	48	244	292	4	50	54

Note 1 :The headcounts of the Company amounted to 249 and 262, respectively, as at December 31, 2022 and 2021. Among the Company's directors, there were both 9 who were not the employees.

Note 2：Companies who have been listed on Taiwan Stock Exchange or Taipei Exchange should disclose the following information:

(1) Average employee benefits of 2022 and 2021 are NT$676 thousand and NT$632 thousand, respectively.
(2) Average salaries of 2022 and 2021 are NT$572 thousand and NT$530 thousand, respectively.
(3) Change in average salaries are 8%
(4) In accordance with the regulations, the Company has established an audit committee to replace the supervisor, so the supervisor's remuneration has not been recognized.

(5) The salary and remuneration policy of the Company:

Employee remuneration is based on individual position, company operating performance and same market salary level, also depand on operating results and individual contribution. According to internal operating regulations, the assessment is carried out twice a year, In addition to the basic salaries, employees' annual salaries are also adjusted based on the Company's performance to motivate and retain outstanding employees. In accordance with the regulations, the compensation committee will make recommendations on directors' remuneration and the salaries of managers, then submit to the Board of Directors for approval.

According to the resolution, 5%-10% of profit of the current year is distributable as employees' compensation and no higher than 2% of profit of the current year is distributable as remuneration to directors and supervisors. However, the Company's accumulated losses shall have been covered.

The Articles of Association of the Company stipulate that if the Company makes profits in the current year, it shall set aside 5-10% as employees' compensation and no more than 2% as the remuneration for directors. However, if the Company has accumulated losses, it shall reserve the amount to make up for them firstly. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on profit, the Company estimated the amounts of the employees' compensation and remuneration to directors for the year ended December 31, 2022 amounted to NT$12,455 thousand and NT$3,737 thousand, respectively. The employees' compensation and remuneration to directors for the year ended December 31, 2021 amounted to NT$5,388 thousand and NT$1,616 thousand, respectively, recognized as employee benefits expense.

The Company's Board of Directors has determined the employees' compensation in stock, to be NT$12,455 thousand and directors' remuneration in cash, to be NT$3,737 thousand, respectively, in a meeting held on February 20, 2023.

The Company's Board of Directors' meeting has determined the employees' compensation in stocks the amount of NT$5,388 thousand, in a meeting held on February 21, 2022. If the board of directors resolved to distribute employees' compensation in the form of stocks, then the number of stocks distributed as employees' compensation was calculated based on the closing price one day earlier than the date of resolution. The directors' remuneration cash the amount of NT$1,616 thousand. No material differences exist between the estimated amount and the actual distribution of the employee compensation and remuneration to directors for the year ended December 31, 2021.

(22) Non-operating incomes and expenses

A. Interest incomes

	For the year ended December 31,	
	2022	2021
Financial assets measured at amortized cost	$13,726	$4,398

B. Other incomes

	For the year ended December 31,	
	2022	2021
Dividend income	$8,780	$6,657
Other income – others	9,872	9,569
Total	$18,652	$16,226

C. Other gains and losses

	For the year ended December 31,	
	2022	2021
Gains (losses) on disposal of investments	$(688)	$4,400
Foreign exchange gain (loss), net	131,503	(55,051)
Gains (losses) on financial assets at fair value through profit or loss	(9,120)	(640)
Gains (losses) on financial liabilities at fair value through profit or loss	390	3,626
Gains (losses) from disposal of property, plant and equipment	543	-
Total	$122,628	$(47,665)

D. Finance costs

	For the year ended December 31,	
	2022	2021
Interests on bank loans	$7,684	$7,882

(23) Components of other comprehensive income (OCI)

For the year ended December 31, 2022

	Arising during the period	Reclassification during the period	Subtotal	Income tax benefit (expense)	OCI, Net of tax
Not reclassified to profit or loss:					
Actuarial gains or losses on defined benefits plan	$3,062	$-	$3,062	$-	$3,062
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	(17,457)	-	(17,457)	-	(17,457)
Actuarial gains or losses on defined benefits plan of subsidiaries, associates and joint ventures	607	-	607	-	607
Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income of subsidiaries, associates and joint ventures	(352)	-	(352)	-	(352)

	Arising during the period	Reclassification during the period	Subtotal	Income tax benefit (expense)	OCI, Net of tax
Items that may subsequently be reclassified to profit or loss in subsequent period:					
Exchange differences on translation of foreign operations for subsidiaries, associates, and joint ventures	6,869	-	6,869	-	6,869
Total OCI	$(7,271)	$-	$(7,271)	$-	$(7,271)

For the year ended December 31, 2021

	Arising during the period	Reclassification during the period	Subtotal	Income tax benefit (expense)	OCI, Net of tax
To be reclassified to profit or loss:					
Actuarial gains or losses on defined benefits plan	$1,577	$-	$1,577	$-	$1,577
Unrealized gain (losses) from equity instruments investments measured at fair value through other comprehensive income	(11,293)	-	(11,293)	-	(11,293)
Remeasurements of the defined benefit plan for subsidiaries, associates and joint ventures	132	-	132	-	132
Unrealized gain (losses)	(607)	-	(607)	-	(607)

	Arising during the period	Reclassification during the period	Subtotal	Income tax benefit (expense)	OCI, Net of tax
from equity instruments investments measured at fair value through other comprehensive income for subsidiaries, associates, and joint ventures					
Items that may subsequently be reclassified to profit or loss in subsequent period:					
Exchange differences on translation of foreign operations for subsidiaries, associates, and joint ventures	(952)	-	(952)	-	(952)
Total OCI	$(11,143)	$-	$(11,143)	$-	$(11,143)

(24) Income tax

A. The major components of income tax expense (income) are as follows:

Income tax expense (benefit) recognized in profit or loss

	For the year ended December 31,	
	2022	2021
Current income tax expense (benefit):		
Current income tax expense	$43,391	$8,303
Adjustments in respect of current income tax of prior periods	3,114	1,500
Deferred tax expense (benefit):		
Deferred tax expense (benefit) relating to origination and reversal of temporary differences	(339)	10,150
Tax expense (income) recognized in the period for previously unrecognized tax loss, tax credit or temporary difference of prior periods	(3,868)	-
Total income tax expense	$42,298	$19,953

B. A reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the year ended December 31,	
	2022	2021
Accounting profit before tax from continuing operations	$232,914	$100,751
Tax payable at the enacted tax rates	$46,583	$20,150
Tax effect of revenue tax-exempted	(3,531)	(1,697)
Adjustments in respect of current income tax of prior periods	3,114	1,500
Adjustments in respect of deferred tax of prior periods	(3,868)	-
Total income tax recognized in profit or loss	$42,298	$19,953

C. Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2022

	Beginning balance as at January 1, 2022	Deferred tax income (expense) recognized in profit or loss	Ending balance as at December 31, 2022
Temporary differences			
Unrealized loss on inventory valuation	$4,328	$-	$4,328
Bad debt expenses	2,514	44	2,558
Unrealized profits and losses	44	98	142
Outward processing	180	314	494
Past due payables transfer revenue	1	-	1
Pay in unused vacation payroll	935	-	935
Investment income	(21,611)	13,175	(8,436)
Unrealized exchange loss (gain)	9,005	(9,345)	(340)
Unrealized gain or loss on financial assets	(45)	(79)	(124)
Deferred tax income/ (expense)		$4,207	
Net deferred tax assets/(liabilities)	$(4,649)		$(442)
Reflected in balance sheet as follows:			
Deferred tax assets	$17,007		$8,458
Deferred tax liabilities	$(21,656)		$(8,900)

For the year ended December 31, 2021

	Beginning balance as at January 1, 2022	Deferred tax income (expense) recognized in profit or loss	Ending balance as at December 31, 2022
Temporary differences			
Unrealized loss on inventory valuation	$4,328	$-	$4,328
Bad debt expenses	2,553	(39)	2,514
Unrealized profits and losses	23	21	44
Outward processing	118	62	180
Past due payables transfer revenue	1	-	1
Pay in unused vacation payroll	1,014	(79)	935
Investment income	(8,029)	(13,582)	(21,611)
Unrealized exchange loss (gain)	4,813	4,192	9,005
Unrealized gain or loss on financial assets	680	(725)	(45)
Deferred tax income/ (expense)		$(10,150)	
Net deferred tax assets/(liabilities)	$5,501		$(4,649)
Reflected in balance sheet as follows:			
Deferred tax assets	$13,530		$17,007
Deferred tax liabilities	$(8,029)		$(21,656)

D. Unrecognized deferred tax assets

As of December 31, 2022 and 2021, deferred tax assets that have not been recognized were both of NT$0.

E. The approval of income tax returns

As at 31 December 2022, the Company's income tax return is approved until 2020.

(25) Earnings per share

Basic earnings per share is calculated by dividing net profit for the year attributable to the common shareholders of the parent entity by the weighted average number of common shares outstanding during the year.

Diluted earnings per share are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity (after adjusting any influences) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

Diluted earnings per share are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity (after adjusting any influences) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

A. Basic earnings per share

	For the year ended December 31,	
	2022	2021
Net income available to common shareholders of the parent	$190,616	$80,798
Weighted average number of common shares outstanding (in thousand shares)	87,116	86,910
Basic earnings per share (in NT$)	$2.19	$0.93

B. Diluted earnings per share

	For the year ended December 31,	
	2022	2021
Net income available to common shareholders of the parent	$190,616	$80,798
Net income available to common shareholders of the parent after dilution	$190,616	$80,798
Weighted average number of common shares outstanding (in thousand shares)	87,116	86,910
Effect of dilution:		
Employee bonus (compensation) – stock (in thousand shares)	543	229
Weighted average number of common shares outstanding after dilution (in thousand shares)	87,659	87,139
Diluted earnings per share (in NT$)	$2.17	$0.93

There have been no other transations involving common shares or potential common shares between the reporting date and the date the finincial statements were authorized for issue.

7. RELATED PARTY TRANSACTIONS

(1)Deal with related parties As at the end of the reporting period

Related parties and Relationship

Related parties	Relationship
King Core (B.V.I) Electronics Co., Ltd.	Subsidiary
King Core Electronics (Suzhou) Co., Ltd	Subsidiary
Shenzhen Zhen King Electronics Components Co.,Ltd.	Subsidiary

(2)Significant transactions with related parties

A.Sales

	For the year ended December 31,	
	2022	2021
King Core (B.V.I) Electronics Co., Ltd.	$-	$54,389
King Core Electronics (Suzhou) Co., Ltd	42,291	-
Shenzhen Zhen King Electronics Components Co.,Ltd.	70,211	85,473
Total	$112,502	$139,862

Selling prices to subsidiaries are similar to those to other customers for the year ended December 31, 2022 and 2021;the selling prices of work in process to subsidiary cannot be compared because they are not sold to other customers with same products.

The collection terms for subsidiaries were offset the credit-debt and 90 days after monthly closing while 30 to 150 days after monthly closing for other customers.

B.Accounts receivable - related parties

	As at December 31,	
	2022	2021
King Core (B.V.I) Electronics Co., Ltd.	$-	$2,442
Shenzhen Zhen King Electronics Components Co.,Ltd.	5,696	8,817
Less: loss allowance	-	-
Net	$5,696	$11,259

C.Accounts payable - related parties

	As at December 31,	
	2022	2021
King Core Electronics (Suzhou) Co., Ltd	$22,627	$-

D.The Company recognized conversion expenses amounting to NT$0 and NT$36,689 thousand, respectively, for the year ended December 31, 2022 and 2021, due to delegating its subsidiaries for conversion.The payment was based on the amount agreed by both parties.

E.The Company recognized conversion expenses amounting to NT$39,811 thousand and NT$0, respectively, for the year ended December 31, 2022 and 2021, due to delegating its third-tier subsidiary for conversion. The payment was based on the amount agreed by both parties.

F.The Company charged its subsidiaries for providing service support in amount of NT$2,523 thousand, recorded under the management service incomes, for the year ended December 31, 2021.

G.The Company charged its third-tier subsidiaries for providing service support in amount of NT$2,663 thousand, recorded under the management service incomes, for the year ended December 31, 2022.

H.Salaries and rewards to key management of the Company

	For the year ended December 31,	
	2022	2021
Short-term employee benefits	$13,961	$14,587
Post-employee benefits	548	635
Total	$14,509	$15,222

8. PLEDGED ASSETS

Items	Carrying amount as at December 31, 2022	Carrying amount as at December 31, 2021	Secured liabilities
Property, plant and equipment - land (cost)	$144,000	$144,000	Short-term secured loans
Property, plant and equipment - bulidings (carrying amount)	23,387	25,117	Short-term secured loans
Financial assets measured at amortized cost	469,098	899,356	Short-term secured loans
Total	$636,485	$1,068,473	

9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

As at December 31, 2022, the Company issued NT$500 thousand guaranteed bill for the duty and commodity tax bookkeeping guarantee, which is not included in the financial statements due to the nature of contingent liabilities.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENT

Considering the changes of the global market, stable supply, and increased magnets production capacity, the Company planned to expand the plant and production line of magetic material powder in Pingzhen district, Taoyuan city in 2023. It is expected to have a capital expenditure of approximately NT$250 million.

12. OTHERS

(1) Categories of financial instruments

Financial assets

	As at December 31,	
	2022	2021
Financial assets at fair value through profit or loss:		
Mandatorily measured at fair value through profit or loss	$60,648	$74,768
Financial assets at fair value through other comprehensive income	162,024	176,405
Financial assets measured at amortized cost (Note)	1,110,581	1,710,737
Total	$1,333,253	$1,961,910

Financial liabilities

	As at December 31,	
	2022	2021
Financial liabilities measured at amortized cost:		
Short-term loans	$582,000	$1,319,000
Payables	145,456	134,613
Financial liabilities at fair value through profit or loss:		
Financial liability held for trading	433	170
Total	$727,889	$1,453,783

Note:Including cash and cash equivalents, fnancial assets measured at amortized cost, notes receivable, accounts receivable (included related parties) and other receivables.

(2) Financial risk management objectives and policies

The Company's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activates. The Company identifies, measures, and manages the aforementioned risks based on its policy and risk preferences.

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Company complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market risk comprises currency risk, interest rate risk and other price risk (e.g. equity instruments).

In practice, it is rarely the case that a single risk variable will change independently from other risk variables. There are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Company's exposure to foreign currency risk relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign operations.

The Company has certain foreign currency receivables to be denominated in the same foreign currency as certain foreign currency payables, therefore natural hedge is achieved. Therefore, hedge accounting is not adopted.Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Company.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit/loss and equity is performed on significant monetary items denominated in foreign currencies As at the reporting period-end. The Company's foreign currency risk is mainly related to volatility in the exchange rates of US dollars. It is stated as follows:

If NT dollars appreciates/depreciates against US dollars by 1%, the net income (loss) for the years ended December 31, 2022 and 2021 would decrease/increase by NT$7,469 thousand and NT$14,465 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk relates primarily to the Company's investments with variable interest rates and loans with fixed and variable interest rates, which are all categorized as loans and receivables.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period and presumed to be held for one accounting year, including investments and bank borrowing with variable interest rates. If interest rate increases/decreases by 1%, the net income (loss) for the years ended December 31, 2022 and 2021 would increase/decrease by NT$424 thousand and NT$1,587 thousand, respectively.

Equity price risk

The fair value of the Company's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company's listed and unlisted equity securities are classified under financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income.The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity porfolio are submitted to the Company's senior management on a regular basis.The Company's Board of Directors reviews and approves all equity investment decisions.

At the reporting date, a change of 1% in the price of the listed equity stocks classified as equity instruments investments measured at fair value mandatorily through profit and loss could have an impact of NT$334 thousand and NT$337 thousand on the equity attributable to the Company for the year ended December 31, 2022 and 2021, respectively.

At the reporting date, a change of 1% in the price of the listed companies stocks classified as equity instruments investments measured at fair value through other comprehensive income could have an impact of NT$1,558 thousand and NT$1,684 thousand on the equity attributable to the Company for the year ended December 31, 2022 and 2021, respectively.

(4) Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract and result in a financial loss. The Company is exposed to credit risk from operating activities (primarily for accounts and notes receivable) and financing activities (primarily for bank deposits and other financial instruments).

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit risk of all customers are assessed based on a comprehensive review of the customers' financial status, credit ratings from credit institutions, past transactions, current economic conditions and the Company's internal credit ratings. The Company also employs some credit enhancement instruments (e.g. prepayment or insurance) to reduce certain customers' credit risk.

As at December 31, 2022 and 2021, receivables from the top ten customers were accounted for 66% and 60% of the Company's total accounts receivable, respectively. The concentration of credit risk is relatively not significant for the other remaining receivables.

Credit risk from balances with banks, fixed-income securities and other financial instruments is managed by the Company's finance division in accordance with the Company's policy. The counterparties that the Company transacts with are determined by internal control procedures. They are banks with fine credit ratings and financial institutions, corporate and government agencies with investment-grade credit ratings. Consequently, there is no significant credit risk for these counter parties.

The Company adopted IFRS 9 to assess the expected credit losses. Except for trade receivables, the remaining debt instrument investments which are not measured at fair value through profit or loss, low credit risk for these investments is a prerequisite upon acquisition and by using their credit risk as a basis for the distinction of categories.

Financial assets are written off when there is no realistic prospect of future recovery (the issuer or the debtor is in financial difficulties or bankruptcy).

(5) Liquidity risk management

The Company maintains financial flexibility through the use of cash and cash equivalents, highly-liquid marketable securities, bank loans, etc. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted interest payment relating to borrowings with variable interest rates is extrapolated based on the estimated yield curve As at the end of the reporting period.

Non-derivative financial instruments

	Less than 1 year
As at December 31, 2022	
Loans	$582,355
Payables	145,456
As at December 31, 2021	
Loans	$1,320,822
Payables	134,613

(6) Movement schedule of liabilities arising from financing activities

Movement schedule of liabilities for the year ended December 31, 2022:

	Short-term borrowings	Deposits received	Bonus payable	Total liabilities from financing activities
As at January 1, 2022	$1,319,000	$12	$242	$1,319,254
Cash flows	(737,000)	-	(10)	(737,010)
As at December 31, 2022	$582,000	$12	$232	$582,244

Movement schedule of liabilities for the year ended December 31, 2021:

	Short-term borrowings	Deposits received	Bonus payable	Total liabilities from financing activities
As at January 1, 2021	$958,000	$24	$308	$958,332
Cash flows	361,000	(12)	(66)	360,922
As at December 31, 2021	$1,319,000	$12	$242	$1,319,254

(7) Fair values of financial instruments

A. The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell a financial asset or paid to transfer a liability in an orderly transaction between willing market participants at the measurement date. The following methods and assumptions are used by the Company to measure or disclose the fair values of financial assets and liabilities:

(a) The carrying amount of cash and cash equivalents, receivables, payables and other current liabilities approximate their fair value due to their short maturity terms.

(b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (e.g. listed stocks and bonds).

(c) Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

(d) Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the GreTai Securities Market, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

(e) The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

B. Fair value of financial instruments measured at amortized cost

The carrying amount of the Company’s financial assets and liabilities measure at amortized cost approximates their fair value.

C. Fair value measurement hierarchy for financial instruments

Please refer to Note 12(9) for Fair value measurement hierarchy for financial instruments of the Company.

(8) Derivative financial instruments

As at December 31, 2022 and December 31, 2021, the relevant information of the Company's holdings of derivatives including Foreign Exchange Swaps and foreign currency options that did not meet the requirements of hedging accounting and have not yet expired are as follows:

Foreign Exchange Swaps

Foreign Exchange Swaps, not designated as a hedging tool：

Item	Contract Amount	Term
As at December 31, 2022		
Foreign Exchange Swaps	Sold USD1,590	2022.12.09-2023.06.27
As at December 31, 2021		
None		

Foreign currency options

As at December 31, 2022 Unwrite off Foreign Exchange Options：

Bank	Foreign currency	Vlue date	Settle condition
First Commercial Bank	USD/TWD	FX≧31.5	Performance obliganting sale USD 990 thousands
First Commercial Bank	USD/TWD	FX≧31.5	Performance obliganting sale USD 990 thousands
First Commercial Bank	USD/TWD	FX≧31.5	Performance obliganting sale USD 990 thousands
First Commercial Bank	USD/TWD	FX≧31.7	Performance obliganting sale USD 990 thousands
First Commercial Bank	USD/TWD	FX≧32.5	Performance obliganting sale USD 990 thousands
First Commercial Bank	USD/TWD	FX≧33.0	Performance obliganting sale USD 990 thousands
First Commercial Bank	USD/TWD	FX≧33.5	Performance obliganting sale USD 990 thousands

As at December 31, 2021 Unwrite off Foreign Exchange Options：

Bank	Foreign currency	Vlue date	Settle condition
First Commercial Bank	USD/TWD	FX≧28.6	Performance obliganting sale USD 950 thousands
First Commercial Bank	USD/TWD	FX≧28.6	Performance obliganting sale USD 950 thousands
First Commercial Bank	USD/TWD	FX≧29	Performance obliganting sale USD 950 thousands

(9) Fair value measurement hierarchy

A. Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

B. Fair value measurement hierarchy of the Company's assets and liabilities

The Company does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Company's assets and liabilities measured at fair value on a recurring basis is as follows.

As at December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Funds	$27,270	$-	$-	$27,270
Stocks	33,378	-	-	33,378
Measured at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	155,816	-	6,208	162,024
Financial liabilities:				
Measured at fair value through profit or loss				
Foreign Exchange Swaps	-	229	-	229
Foreign currency option	-	204	-	204

As at December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Funds	$41,102	$-	$-	$41,102
Stocks	33,666	-	-	33,666
Measured at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	168,381	-	8,024	176,405
Financial liabilities:				
Measured at fair value through profit or loss				
Foreign currency option	-	170	-	170

Transfers between Level 1 and Level 2 during the period

For the year ended December 31, 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value hierarchy.

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

	Assets
	Financial assets at fair value through other comprehensive income
	Stock
As at January 1, 2022	$8,024
Amount recognized in OCI (presented in "Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	(1,789)
Disposals	(27)
As at December 31, 2022	$6,208

	Assets
	Financial assets at fair value through other comprehensive income
	Stock
As at January 1, 2021	$8,024
Total gains and losses recognized for the year ended December 31, 2021	-
As at December 31, 2021	$8,024

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As at December 31, 2022

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets at fair value through other comprehensive income					
Stocks	Market approach	Discount for lack of marketability	20%	The higher the discount for lack of marketability, the lower the fair value of the stocks	5% increase (decrease) in the discount for lack of marketability would result in decrease (increase) in the Company’s equity by NT$248 thousand

As at December 31, 2021

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets at fair value through other comprehensive income					
Stocks	Market approach	Discount for lack of marketability	10%~ 20%	The higher the discount for lack of marketability, the lower the fair value of the stocks	5% increase (decrease) in the discount for lack of marketability would result in decrease (increase) in the Company's equity by NT$361 thousand

(10)Significant financial assets and liabilities denominated in foreign currencies

Information regarding the Company's significant financial assets and liabilities denominated in foreign currencies was listed below: (In Thousands)

	As at					
	Dec. 31, 2022			Dec. 31, 2021		
	Foreign Currencies	Exchange Rate	NTD	Foreign Currencies	Exchange Rate	NTD
Financial assets						
Monetary items:						
USD	$25,539	30.66	$783,009	$52,533	27.63	$1,451,485
EUR	6,539	32.52	$212,662			
Non-monetary item:						
USD	$7,351	30.61	$225,041	$9,562	27.66	$264,458

The above information is disclosed based on the carrying amount of foreign currency (after being converted to functional currency).

Foreign exchange gain/loss on monetary financial assets and liabilities is shown as below.

Foreign currency resulting in exchange gain or loss	For the year ended December 31, 2022	2021
USD	$94,721	$(33,510)
Others	36,782	(21,541)

(11)Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages and adjusts its capital structure considering changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. ADDITIONAL DISCLOSURES

(1) Information on significant transactions

A. Financing provided to others: None.

B. Endorsement/Guarantee provided to others: None.

C. Marketable securities held As at December 31, 2022 (excluding investments in subsidiaries, associates and joint ventures): Please refer to attachment 1.

D. Individual securities acquired or disposed of with accumulated amount of at least NT$300 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.

E. Acquisition of individual real estate with amount of at least NT$300 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.

F. Disposal of individual real estate with amount of at least NT$300 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.

G. Related party transactions with purchase or sales amount of at least NT$100 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.

H. Receivables from related parties of at least NT$100 million or 20 percent of the paid-in capital as at December 31, 2022: None.

I. Derivative instrument transactions: Please refer to Note 12(8).

(2) Information on investees

A. Investees over whom the Company exercises significant influence or control (excluding investees in Mainland China): Please refer to attachment 2.

B. Investees over which the Company exercises control shall be disclosed of information under Note 13(1):

(a) Financing provided to others: None.

(b) Endorsement/Guarantee provided to others: None.

(c) Marketable securities held As at December 31, 2022 (excluding investments in subsidiaries, associates and joint ventures): None.

(d) Individual securities acquired or disposed of with accumulated amount of at least NT$300 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None

(e) Acquisition of individual real estate with amount of at least NT$300 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.

(f) Disposal of individual real estate with amount of at least NT$300 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.

(g) Related party transactions with purchase or sales amount of at least NT$100 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.

(h) Receivables from related parties of at least NT$100 million or 20 percent of the paid-in capital As at December 31, 2022: None.

(i) Derivative instrument transactions: None.

(3) Information on investments in Mainland China:

A. Name of investee in China, main business, paid-in capital, method of investment, investment flows, percentage of ownership, investment gain or loss, carrying amount at the end of reporting period, inward remittance of earning or loss and the upper limit on investment in China:

(In Thousands of New Taiwan Dollars)

Name of Investee in China	Main Business	Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as at January 1, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as at December 31, 2022	Profit/Loss of Investee	Percentage of Ownership (Direct or Indirect Investment	Share of Profit/Loss	Carrying Amount as at December 31, 2022	Accumulated Inward Remittance of Earnings as at December 31, 2022
					Outflow	Inflow						
King Core Electronics Factory Dab Lane, Guanlan district, Bao’ an district.	Manufacturing and sales business of operating soft iron core and yoke iron expect for rare earth group magnets.	$- (Note 2)	Reinvest through a third-region company.	$-	$-	$-	$-	$-	-%	$- (Note 2)	$- (Note 2)	$-

Name of Investee in China	Main Business	Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as at January 1, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as at December 31, 2022	Profit/Loss of Investee	Percentage of Ownership (Direct or Indirect Investment	Share of Profit/Loss	Carrying Amount as at December 31, 2022	Accumulated Inward Remittance of Earnings as at December 31, 2022
					Outflow	Inflow						
King Core Electronics (Suzhou) Co., Ltd	Manufacturing and sales business of operating soft iron core and yoke iron expect for rare earth group magnets.	$170,441 (Note 4)	(Note 3)	$170,441 (Note 4)	$-	$-	$170,441 (Note 4)	$(6,414) (Note 4 and 6)	100%	$(6,414) (Note 4 and 6)	$223,442 (Note 4 and 6)	$119,575

Name of Investee in China	Main Business	Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as at January 1, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as at December 31, 2022	Profit/Loss of Investee	Percentage of Ownership (Direct or Indirect Investment	Share of Profit/Loss	Carrying Amount as at December 31, 2022	Accumulated Inward Remittance of Earnings as at December 31, 2022
					Outflow	Inflow						
Shenzhen Zhen King Electronics Components Co.,Ltd.	Sales business of operating soft iron core and yoke iron expect for rare earth group magnets.	$2,209 (Note 4 and Note 5)	(Note 3)	$-	$-	$-	$-	$6,981 (Note 4 and 6)	100%	$6,981 (Note 4 and 6)	$31,468 (Note 4 and 6)	$-

Accumulated investment in Mainland China as at Decembeer 30, 2022	Investment amounts authorized by Investment Commission, MOEA	Upper Limit on Investment in China by Investment Commission, MOEA
$171,976	$171,976	$920,482

Note 1：King Core (B.V.I.) Electronics Co., Ltd. 100% Shares of subsidiary owned by King Cove Electronics Factory , Dab Lane, Guanlan district, Bao'an district, established as a processing plant in mainland, therefore, not applicable.

Note 2：Paid-in capital was written off during 2013. .

Note 3：Reinvest in mainland China through a third-region company.

Note 4：Amounts in foreign currencies are translated into New Taiwan dollars using the exchange rates on the balance sheet date.

Note 5：100% Shares of Shenzhen Zhen King Electronics Components Co.,Ltd. owned and directly invested by King Core Electronics (Suzhou) Co., Ltd.

Note 6：Gain/loss on investment is recognized based on the financial statements which were audited by the independent auditors of the parent company in Taiwan.

B. Significant transactions with investees in China.

(a) Purchase and balances of related accounts payable as at December 31, 2022: None.

(b) Sale and balance of related accounts receivable as at December 31, 2022:

	Sales		Accounts Receivable	
	Amount	% to Net Sales	Amount	% to Account Balance
Sales of Company to King Core Electronics (Suzhou) Co., Ltd	$42,291	6.44%	$-	-%
Sales of Company to Shenzhen Zhen King Electronics Components Co.,Ltd.	$70,211	10.69%	$5,696	4.42%

The product price is similar to other customers. Payment term for King Core Electronics (Suzhou) Co., Ltd and Shenzhen Zhen King Electronics Components Co.,Ltd. are 60 to 90 days and offset the credir-debt. The payment terms for other customers are 30 to 150 days from the end of delivery month.

(c) Property transaction amounts and resulting gain or loss: None.

(d) Ending balance of endorsements/guarantees or collateral provided and the purposes: None.

(e) Maximum balance, ending balance, interest rate range and total interest for current period from financing provided to others: None.

(f) Transactions that have significant impact on profit or loss of current period or the financial position, such as services provided or rendered:

a.The Company recognized conversion expenses King Core Electronics (Suzhou) Co., Ltd conversion expenses amounting to NT$39,811 thousand, for the year ended December 31, 2022.

As at December 31, 2022, recognized accounts payables King Core Electronics (Suzhou) Co., Ltd amounting to NT$22,627 thousand.

b.The Company charged King Core Electronics (Suzhou) Co., Ltd providing service support in amount of NT$2,663 thousand for the year ended December 31, 2022. ◦

(4) Information on major shareholders:

Ownership of shares / Name	Number of shares held (shares)	Ownership ratio
Sheng Bao Investment Corp.	10,459,530	12.00%
Jin Bao Investment Corp.	8,230,406	9.44%

14. OPERATING SEGMENT INFORMATION

The Company has provided the operating segment disclosure in the consolidated financial statements.

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

King Core Electronics Inc.

Marketable Securities Held (Excluding Investments in Subsidiaries, Associates and Joint Ventures)

As at December 31, 2022

Attachment 1

(In Thousands of New Taiwan Dollars)

Name of Held Company	Type and Name of Marketable Securities (Note1)	Relationship with the Issuer	Financial Statement Account	As of December 31, 2021 Shares / Units	Carrying Amount	Shareholding %	Fair Value	Note
	Financial assets at fair value through profit or loss - current							
KING CORE ELECTRONICS INC.	Equity Funds－Shin Kong China Growth Fund USD	NA	Financial assets at fair value through profit or loss - current	1,495,005	$21,020		$10,091	
KING CORE ELECTRONICS INC.	Asset Securitization Funds－FSITC Global REITs	NA	Financial assets at fair value through profit or loss - current	2,000,320	20,000		17,179	
KING CORE ELECTRONICS INC.	Listed stock－Planet Technology Corporation	NA	Financial assets at fair value through profit or loss - current	204,277	7,200	0.32%	18,344	
KING CORE ELECTRONICS INC.	Listed stock－Darwin Precisions Corporation	NA	Financial assets at fair value through profit or loss - current	130,900	2,322	0.02%	1,153	
	Subtotal				50,542		$46,767	
	Add: Valuation adjustments of financial assets at fair value through profit or loss- current				(3,775)			
	Total				$46,767			
	Financial assets at fair value through other comprehensive income - current							
KING CORE ELECTRONICS INC.	Listed stock－Johnson Health Tech .Co., Ltd.	NA	Financial assets at fair value through other comprehensive income - current	808,904	$15,520	0.27%	$56,219	
	Add: Valuation adjustments of financial assets at fair value through other comprehensive income- current				40,699			
	Total				$56,219			
	Financial assets at fair value through profit or loss - non-current							
KING CORE ELECTRONICS INC.	Shin Kong Financial Holding Co., Ltd.	NA	Financial assets at fair value through profit or loss - non-current	556,163	$5,173	-%	$5,120	
KING CORE ELECTRONICS INC.	Thinking Electronic Industrial Co., Ltd.	NA	Financial assets at fair value through profit or loss - non-current	70,653	776	0.06%	8,761	
	Subtotal				5,949		$13,881	
	Add: Valuation adjustments of financial assets at fair value through profit or loss				7,932			
	Total				$13,881			
	Financial assets at fair value through other comprehensive income - non-current							
KING CORE ELECTRONICS INC.	Everlight Electronics Co., Ltd.	The company is their director The chairman of the Company is juristic person of this company The chairman of their Company is director of the company	Financial assets at fair value through other comprehensive income - non-current	1,924,354	$72,466	0.43%	$71,105	
KING CORE ELECTRONICS INC.	Mutto Optronics Coroporation	NA	Financial assets at fair value through other comprehensive income - non-current	115,000	2,185	0.25%	2,461	
KING CORE ELECTRONICS INC.	ATECH OEM INC.	The chairman of their Company is director of the company	Financial assets at fair value through other comprehensive income - non-current	1,723,903	17,303	2.60%	26,031	
KING CORE ELECTRONICS INC.	5V TECHNOLOGIES, TAIWAN LTD.	NA	Financial assets at fair value through other comprehensive income - non-current	471	16,201	0.03%	27	
KING CORE ELECTRONICS INC.	SUNENGINE CORPORATION LTD.	NA	Financial assets at fair value through other comprehensive income - non-current	149,033	27,715	2.61%	-	
KING CORE ELECTRONICS INC.	TYFONE INC.	NA	Financial assets at fair value through other comprehensive income - non-current	186,598	6,181	1.06%	6,181	
KING CORE ELECTRONICS INC.	ICASHE INC.	NA	Financial assets at fair value through other comprehensive income - non-current	18,438	611	1.32%	-	
KING CORE ELECTRONICS INC.	AUSPINEN LLC.	NA	Financial assets at fair value through other comprehensive income - non-current	35,580	1,178	0.23%	-	
	Subtotal				143,840		$105,805	
	Add: Valuation adjustments of financial assets at fair value through other comprehensive income- non-current				(38,035)			
	Total				$105,805			

Note1：The marketable securities mentioned in attachment refer to stock, bonds, beneficiary certificates and securities derived from abovmetioned item within in the scope of IFRS 9 Financial Instruments.

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

King Core Electronics Inc.

The Company exercise significant influence or control (excluding investees in mainland china) as at December 31, 2022

Attachment 2

(In Thousands of New Taiwan Dollars)

Investor	Investee	Business Location	Main Business and Product	Original Investment Amount		Balance as of December 31, 2022			Net Income (Loss) of the Investee	Share of Income (Loss) of the Investee
				As of December 31, 2022	As of December 31, 2021	Shares	%	Carrying Value		
King Core Electronics Co., Ltd.	King Core (B.V.I.) Electronics Co., Ltd.	British Virgin Islands	Operating soft core and yoke iron except for rare earth group magnets	USD 5,600	USD 5,600	5,600,000	100.00%	$225,041	$(8,957)	$(8,957)
King Core Electronics Co., Ltd.	Allied Biotech Corporation	Da-an District, Taipei	Research, manufacturing and development of carotenoid products and otherss	$235,617	$235,617	17,976,721	18.85%	$258,283	$146,741	$27,660
King Core Electronics Co., Ltd.	CSX Material Co., Ltd.	Da-an District, Taipei	Operating electronic parts and components manufacturing	$73,251	$43,900	6,529,200	28.39%	$33,545	$(33,010)	$(8,977)

VI. Financial difficulties encountered by the Company and affiliates in the last year and as of the date of this annual report: None.

Seven. Review and Analysis of Overview of Finance Status and Performance, and Risk Management

I. Financial status

Comparative Analysis of Financial Conditions

Unit: NTD thousand

Item \ Year	2022	2021	Difference	
			Amount	Variance ratio (%)
Current Assets	1,591,427	2,225,529	(634,102)	(28.49)
Property, plant and equipment	305,702	307,831	(2,129)	(0.69)
Intangible assets	205	43	162	376.74
Other assets	436,623	433,350	3,273	0.76
Total assets	2,333,957	2,966,753	(632,796)	(21.33)
Current liabilities	779,621	1,506,892	(727,271)	(48.26)
Non-current liabilities	20,200	37,723	(17,523)	(46.45)
Total liabilities	799,821	1,544,615	(744,794)	(48.22)
Capital stock	871,477	869,204	2,273	0.26
Capital surplus	200,654	198,157	2,497	1.26
Retained earnings	477,841	359,673	118,168	32.85
Other equities	(15,836)	(4,896)	(10,940)	223.45
Total shareholders' equity	1,534,136	1,422,138	111,998	7.88

Description:

1. Decrease in current assets: mainly due to the sale of U.S. dollars to pay off short-term liabilities due to the strong U.S. dollar.
2. Intangible assets increased: mainly due to the purchase of computer software.
3. Decrease in total assets: mainly due to the decrease in current assets.
4. Decrease in current liabilities: mainly due to the decrease in short-term borrowings.
5. Decrease in non-current liabilities: mainly due to the decrease in deferred income tax liabilities.
6. Decrease in total liabilities: mainly due to the decrease in current liabilities.
7. Increase in retained earnings: mainly due to the increase in unappropriated earnings.
8. Increase in other equity: mainly due to the increase in the valuation of unrealized losses on financial assets measured at fair value through other comprehensive income.

Note: Above financial information shall be indicated based on consolidated information specified by International Financial Reporting Standards.

II. Financial performance

(I) Comparative analysis of financial performance

Unit: NTD thousand

Year / Item	2022	2021	Amount Variance	Ratio Variance (%)
Net operating revenue	770,147	799,566	(29,419)	(3.68)
Operating cost	565,133	548,899	16,234	2.96
Net operating gross profit	205,014	250,667	(45,653)	(18.21)
Operating expenses	134,897	123,019	11,878	9.66
Operating profit	70,117	127,648	(57,531)	(45.07)
Non-operating revenue and expense	163,334	(19,875)	183,209	921.81
Net income before tax	233,451	107,773	125,678	116.61
Income tax expense	42,835	26,975	15,860	58.80
Net income for current period	190,616	80,798	109,818	135.92

Analysis and explanation of major variations in ratios (by 20%) in the recent two years:

1. Decrease in operating profit: mainly due to the increase in operating costs and operating expenses for the period.
2. Increase in non-operating revenue and expenses: Mainly due to the increase in foreign currency exchange gain or loss.
3. Increase in net income before tax: Mainly due to the increase in foreign currency exchange gain or loss.
4. Increase in income tax expense: mainly due to the increase in net income before tax for the period.
5. Increase in net income for current period: mainly due to the increase in net income before tax for the period.

Note: Above financial information shall be indicated based on consolidated information specified by International Financial Reporting Standards.

(II) Data on expected sales quantity and basis

Please refer to To Shareholders on Pages 1~5.

(III) Effect upon financial operations as well as measures to be taken in response

The capital expenditure and working capital necessary for finance of the Company increased with the growth of aforementioned businesses. The Company will strictly control its cash flow, keep informative of capital use and measure whether to borrow money from the outside in response.

III. Cash flow

(I) Analysis of the recent year's change in cash flow and plan for improving liquidity

Unit: NT$ thousand

Opening cash balance	Net cash flow from operating activities for the whole year	Estimated net cash inflow and outflow of investment and financing activities throughout the year	Effect of exchange rate fluctuation on cash and cash equivalents	Amount of surplus (shortage) of cash.	Remedies for cash deficit	
					Investment plan	Financial plan
706,206	292,759	(437,711)	7,093	568,347	—	—

1. Analysis of changes in cash flows in current period:

(1) Operating activities: The net cash inflow from operating activities was NT$292,759 thousand in FY2022 and NT$90,257 thousand in FY2021, mainly due to the increase in net income before tax.

(2) Investing activities: The net cash inflow from investing activities was NT$373,218 thousand in FY2022 and the net cash outflow from investing activities was NT$346,609 thousand in FY2021, mainly due to the disposal of financial assets measured at amortized cost during the period.

(3) Financing activities: The net cash outflow from financing activities was NT$810,929 thousand in FY2022 and the net cash inflow from financing activities of NT$295,321 thousand in FY2021, mainly due to the decrease in short-term borrowings.

2. Remedy for cash shortage and liquidity analysis: Not applicable.

(II) Analysis of the liquidity of cash for the future year:

Unit: NT$ thousand

Opening cash balance	Expected net cash flow from operating activities for the whole year	Expected cash outflow for the whole year	Estimated amount of surplus (shortage) of cash	Expected remedies for cash deficit	
				Investment plans	Financial plan
568,347	232,215	(319,537)	481,025	—	—

1. Analysis of changes in cash flows in current period:

(1) Operating activities: Mainly refer to cash inflow from expected operations.

(2) Investing activities: Cash outflows from the expected acquisition of property, plant and equipment.

(3) Fund-raising activities: Cash outflows from expected cash dividends.

2. Remedy for projected cash shortage and liquidity analysis: Not applicable.

IV. Effect Upon Financial Operations of Any Major Capital Expenditures During the Most Recent Fiscal Year: None.

V. The Company's Policy for the Most Recent Fiscal Year on Investments in Other Companies, the Main Reasons for Profits/Losses Resulting therefrom, Plans for Improvement, and Investment Plans for the Coming Fiscal Year.

(I) The main reasons and improvements plans for the reinvestment policies, gains or losses of the most recent fiscal year:

Unit: NT$ thousand

Item / Reinvested companies	Amount	Policies	Main causes of profit or loss	Improvement plan	Other upcoming investment plans
KING CORE ELECTRONICS (SUZHOU) CO., LTD	(6,414)	Sales of ferrite cores, coils and chip inductors	The loss is mainly attributed to the impact of COVID-19, which resulted in a decline in revenue and an increase in operating expenses.	Revenue and profitability expected to increase in the post-pandemic era.	None
Shenzhen Zhen king Electronics Components Co.,Ltd.	6,981	Sell ferrite cores, coils and chip inductors	Revenue declined and operating costs increased slightly due to the impact of COVID-19, but the Company was able to maintain profitability.	Not applicable.	None

(II) Investment plan for the following year: currently no major investment plan.

VI. Risk Analysis and Assessment

(I) Impact of interest and exchange rate fluctuations and inflation on the profit and loss of the Company, and the future responding measures:

1. Impact of interest rate fluctuations upon profit and loss of the Company and future responding measures: The Company's interest income and interest expenses amounted to NT$ 15,196 thousand and NT$ 7,692 thousand respectively in 2022. They accounted for 2.97% of the consolidated net operating profit. The Company collects information on interest rate fluctuations from time to time, maintains close connections with banks, fully keeps informative about markets, and implements appropriate responding measures at the right time.
2. Impact of exchange rate fluctuation upon profit and loss of the Company and future responding measures: In 2022, the Company's net external exchange profit amounted to NT$ 129,507 thousand, which approximately accounted for 16.82% of the consolidated net operating revenue. The Company will pay close attention to fluctuation trend of exchange rate, adjust assets in US dollars at the right time, and perform appropriate operations for avoiding risks, in order to mitigate impact of exchange rate fluctuation.
3. Impact of inflation upon the Company's profit and loss and future responding measures: In the past years, economic growth was achieved in emerging markets and the demand for raw materials increased. As a result, international inflation was caused. To prevent prices of international raw materials from rising in the future and causing higher pressure from cost increase, the Company will mitigate the pressure from inflation by actively improving the manufacturing process and increasing selling prices of products to project the cost increase.

(II) Policy on high-risk, high-leverage investments, loaning of funds, endorsements and guarantees as well as transactions of financial derivatives, major causes for profits or losses and future responding measures.

Maintaining stable growth, the Company has been concentrating on its own businesses. It is financially sound, without making any high-risk and high-leverage investments. As of the issue date of annual report, the Company hadn't lent money to others or endorsed or guaranteed for others. If the Company lends money to others or offers any endorsement or guarantee, it will definitely act according to the policies and related measures specified in the Lending, Endorsement and Guarantee Measures. All of its business operations on derivative products are for avoiding exchange risks caused by its business operations. In the future, the Company will strictly comply with its Procedures for Acquisition or Disposal of Assets, the Operating Procedures for Trading Derivative Commodities, and other measures, in order to maximize rights and interests of the Company.

(III) Future R&D plan and expected investment in R&D

Industries of automotive electronics, 5G applications and IoT have prospered. In the automotive fields, customers tend to have demand for components which can work under harsher conditions, including higher power, resistance to high current, resistance to peak current and high temperature. 5G products have been utilized more and more frequently. Thus, how advanced material and manufacturing technologies are directly reflects stability of product quality. With advanced material and manufacturing technologies, a company can gain recognition and trust from its customers. Increasing Cpk of product manufacturing to satisfy the requirements for automotive fields is also a major development orientation. In addition to improving product design, the Company also actively assists the Manufacturing Department in increasing manufacturing precision. It aims to make all products satisfy customers' quality requirements as specified in IATF16949 and AEC-Q200.

As applications of automotive electronics were expanded, the industry of 5G communications was rapidly commercialized, Taiwan's position in the global science/technology industry was improved and the demand was expanded, more active efforts will be made to enhance the capacity for providing customers with diverse services. The R&D team specializes in material engineering, actively collects information about product application, design and manufacturing, and expands product development. It is dedicated to developing materials for magnetic cores of inductors, designing and developing manufacturing technologies. In addition to power inductors, it is also continuously developing common mode filters for communications over different frequency bands in line with the demand for Internet of vehicles, In addition, in response to the demand for new protocols for various USB/HDMI high-speed communication interfaces, we utilize our existing expertise in ferrite cores, chips and coils, and actively recruit ICT technical talents and new equipment and technologies, and integrate new materials and wire-wound technologies from our existing developments to design to meet the ever-evolving needs of our customers.

It is forecast that in 2023, a total amount of NT$ 20,131 thousand would be further reinvested in R&D, which approximately accounts for 2.3% of consolidated revenue. The major factors impacting success of R&D or mass production mainly include understanding of actual market demand and procedure for cooperating with customers in terms of their design.

(IV) Impact on the Company's finance and business due to changes in domestic or foreign policies and laws, and corresponding responding measures

In response to amendments to important policies and pertinent laws promulgated by competent authorities such as corporate governance act, company act and securities exchange act, the Company has cooperatively implemented corresponding measures. The management of the Company pays close attention to domestic and foreign policies and legal changes. It also appropriately puts forward responding measures. Hence, no significant impact is imposed upon the Company’s financial businesses.

(V) The impact of technological changes (including information security risks) and industrial changes on the Company's financial business and corresponding responding measures:

Products of the Company are mainly used for suppressing electromagnetic interference. With changes of sciences and technologies in the past years, the requirements for suppressing electromagnetic interference with electronic products have become increasingly more stringent. Owing to such trend, more business opportunities have been created, and more challenges are faced. To face up to these challenges, the Company has built a stronger operations management team, in an attempt to improve its performances in R&D, manufacturing, sales, management, finance and all other aspects. It also strengthens its information security to reduce risks. Believe that the Company will seize more opportunities for business growth.

(VI) Impacts of corporate image change upon corporate crisis management and responding measures

The Company has consistently maintaining a good image. Since its listing, its visibility, image, internal control, management and sustainable operations have been positively impacted. In the future, the Company will be dedicated to consolidating its domestic market and actively developing international businesses, to maximize its profits with optimal operating efficiency and share its business outcomes with all of its shareholders and employees.

(VII) Expected benefits and possible risks associated with M&A and responding measures: At present, the Company has no plan for M&A with any other company.

(VIII) Expected benefits and possible risks of factory expansion and responding measures:

In view of the changes in the global market, to stabilize the supply and to increase the production capacity of magnetic materials, the Company plans to expand its magnetic material powder plant and production line at its current site in Pingzhen, Taoyuan in 2023. The expansion plan is expected to cost approximately NT$250 million and has been approved by the Board of Directors.

(IX) Risks of centralized purchase or sales and responding measures

Main raw materials of the Company include nickel oxide, iron oxide, cupric oxide, zinc oxide, external and internal electrodes. In terms of procurement strategy, the Company comprehensively considers factors such as supplier quality, price, lead time and degree of cooperation to choose appropriate suppliers. Whereas suppliers of these raw materials are exclusively irreplaceable, it may make quotations to more than two suppliers of the same raw materials. Its supply sources are sufficient, so the Company is not exposed to risks of over centralized procurement.

The Company mainly sells its products to global well-known brands of magnetic materials and famous OEMs of electronics. Its orders and revenues are relatively stable. In addition, the Company has developed and maintained relatively deep cooperation. It actively develops new products and constantly develops new customers. It can also retain its existing domestic and foreign customers. Therefore, it is exposed to lower risk of centralized product sales.

(X) Impact, possible risks and countermeasures of the substantial transfer or replacement of shares by directors, supervisors or major shareholders holding more than 10% of the shares of the Company

SHENG BAO INVESTMENT CORP. is a substantial shareholder of the Company holding more than 10% shares in the Company. Declarations are always made to competent authorities as specified, so no adverse impact is imposed upon businesses or finance of the Company.

(XI) Impact and risks of the change of management right of the Company and responding measures.

In the recent year and as of publication date of its annual report, the Company’s management right hadn’t changed. Besides, the Company has established a system for professional managerial personnel to take charge of the Company’s business operations. Hence, the Company is not expected to be subject to significant adverse impacts of such change.

(XII) Litigious and non-litigious matters. List major litigious, non-litigious or administrative disputes that involve the Company and/or any of its director and supervisor, the general manager, responsible person in fact, any major shareholder holding a stake of greater than 10% of the Company, and/or any company or companies controlled by the Company; and have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the Company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of printing of the annual report: None.

(XIII) Other Material Risks and Responsive Measures: None.

VII. Other important disclosures: N/A.

Eight. Special Records

I. Affiliated companies

(I) Consolidated business report of affiliates

(1) Organization chart of affiliates

KING CORE ELECTRONICS INC.

↓

King Core(B.V. I.) Electronics Co. Ltd.
1. Relationship with the Company: subsidiary
2. Shareholding rate: 100%
3. Actual amount of investment: USD 5,600 thousand

↓

KING CORE ELECTRONICS (SUZHOU) CO., LTD
1. Relationship with the Company: subsidiary of the Company's subsidiary
2. Shareholding rate: 100%
3. Actual amount of investment: USD 5,550 thousand

↓

Shenzhen Zhen king Electronics Components Co.,Ltd.
1. Relationship with the Company: subsidiary of the subsidiary's subsidiary of the Company
2. Shareholding rate: 100%
3. Actual amount of investment: RMB 500 thousand

(2) Basic information of affiliates

Unit: NT$ thousand

Company name	Date of Establishment: (Republic of China)	Address	Paid-in capital	Principal business or production lines
King Core (B.V.I.) Electronics Co., Ltd.	1998.12.1	P.O.Box3340,RoadTown,Tortola,BritishVirginIslands	$171,976	Production and marketing of cores, coils and chip inductors
KING CORE ELECTRONICS (SUZHOU) CO., LTD	1999.5.21	988 Jiangling East Road, Yundong Subdistrict, Economic & Technological Development Zone, Wujiang District, Suzhou, Jiangsu Province	$170,441	Production and marketing of cores, coils and chip inductors
Shenzhen Zhen King Electronics Components Co.,Ltd.	2014.12.31	Rm. 602, 6F., Deliang Building, 66 Xindong Street, Cuilan Community, Guanlan Street, Longhua New District, Shenzhen	$2,209	Marketing of electronic elements, domestic trade, import and export of goods and technologies

(3) Entities presumed in parent-subsidiary relations according to Article 369-3 of the Company Act: None.

(4) Industries covered by affiliates' businesses: For details, refer to the aforementioned Basic Information on Affiliates.

(5) Information on Directors, Supervisors and General Managers of the Company's affiliates:

Company name	Position	Name	Representative	Number of shares in possession	Shareholding rate (%)
King Core (B.V.I.) Electronics Co., Ltd.	Director	KING CORE ELECTRONICS INC.	Yang Cheng-Li	5,600,000	100.00
KING CORE ELECTRONICS (SUZHOU) CO., LTD	Chairman Director/General Manager Director Supervisor	King Core (B.V.I.) Electronics Co., Ltd. King Core (B.V.I.) Electronics Co., Ltd. King Core (B.V.I.) Electronics Co., Ltd. King Core (B.V.I.) Electronics Co., Ltd.	Yang Cheng-Li Tsai Yuh-Chiang Chen Cheng-Han Kuo Kun-Chang	-	100.00
Shenzhen Zhen King Electronics Components Co.,Ltd.	Chairman Supervisor General Manager	KING CORE ELECTRONICS (SUZHOU) CO., LTD KING CORE ELECTRONICS (SUZHOU) CO., LTD KING CORE ELECTRONICS (SUZHOU) CO., LTD	Kuo Kun-Chang Liao Chen-Pang Tsai Chiu-Yun	-	100.00

(6) Overview of affiliates' business operations:

Unit: NT$ thousand, December 31, 2022

Company name	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating profit	Current net income (after tax)	EPS (after-tax)
KING CORE ELECTRONICS INC.	871,477	2,320,295	786,159	1,534,136	656,496	75,866	190,616	2.19

King Core (B.V.I.) Electronics Co., Ltd.	171,976	225,747	0	225,747	21,412	(2,662)	(8,957)	-1.60
KING CORE ELECTRONICS (SUZHOU) CO., LTD	170,441	243,788	20,346	223,442	170,332	(13,973)	(6,414)	None
Shenzhen Zhen King Electronics Components Co.,Ltd.	2,209	57,359	25,891	31,468	114,867	8,223	6,981	None

Note: Above financial information shall be indicated based on parent only information specified by International Financial Reporting Standards.

(II) Consolidated financial statements of affiliates: For details, refer to Page 120~225.

(III) Affiliation Reports: Not applicable.

II. Private placement of securities, fund application in such private placement and plan execution progress during the latest year up till the publication date of this annual report: None.

III. Holding or disposal of the Company's shares by subsidiaries in the last financial year, up till the publication date of this annual report: None.

IV. Other necessary supplementary explanations: None.

V. Any significant events materially affecting Shareholders' equity or the price of securities as defined in Paragraph 2, Subparagraph 2 of Article 36 of the Securities Exchange Act in the most recent year and up to the publication date of the Annual Report: None.

KING CORE ELECTRONICS INC.

Chairman Yang Cheng-Li