Stock code : 6275

Y.S. TECH

YEN SUN TECHNOLOGY CORP.
2022 Annual Report

Printed Date: Aril 28, 2023

Market Observation Post System: http://mops.twse.com.tw

Company Website: http//www.ystech.com.tw

Notice to readers

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

A. Name, title, phone number and email of spokesperson and acting spokesperson

Spokesperson：Hsien-Wen, Liu
Title：General Manager
Tel.：886-7-3713588
Email：robert@ystech.com.tw

B. Acting spokesperson: Hsiang-Yi, Liang

Title：Department of Operation Management, Vice President
Tel.：886-7-3713588
Email：joyce_liang@ystech.com.tw

C. Location and phone number of Headquarter, branch offices and factories

Headquarter:
No.329, Fengren Rd., Renwu Dist., Kaohsiung City 81449, Taiwan (R.O.C.)
Tel.：886-7-3713588

Guantian factory:
No.421, Guantian, Guantian Dist., Tainan City 72047, Taiwan (R.O.C.)
Tel.：886-6-6903988

Taipei Office:
2F., No. 98, Hougang St., Shilin Dist., Taipei City 11170, Taiwan (R.O.C.)
Tel.：886-2-28833896

Taichung Office:
No. 209, Sec. 2, Jinma Rd., Changhua City, Changhua County 500044, Taiwan (R.O.C.)
Tel.：886-4-7352968

D. Name, location, website and phone of share-transferring institution

Name：Grand Fortunes Securities Co., Ltd Transfer Agency Department
Address:：6F., No. 6, Section 1, Zhongxiao West Road., Zhongzheng District., Taipei City 100405, Taiwan (R.O.C.)
Tel.：886-2-23711658
Website：http://www.gfortune.com.tw/

E. Name of the certified public accountant who duly audited the annual financial report for the most recent fiscal year, and the name, location, website and telephone number of said person's accounting firm.

Name of the accountant: Chen-Lung, Hsu, and Yung-Hsiang, Chen.
Name of the accounting firm: KPMG Certified Public Accountants
Address：12F.-6, No. 211, Zhongzheng 4th Rd., Qianjin Dist., Kaohsiung City 801006, Taiwan (R.O.C.)
Tel.：886-7-2130888
Website：http://www.kpmg.com.tw/

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

G. Company website：<u>www.ystech.com.tw</u>

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1. Letter to Shareholders

(1) 2022 Business Report

Founded in 1987, YEN SUN TECHNOLOGY CORP. has been a leading manufacturer of a variety of household and commercial appliances, notably DC brushless cooling fans, thermal modules, RO water purifiers, air purifiers, dehumidifier, water generators, and tap machines. The company has made its brand: "Y.S. Tech" resonate internationally as a well-known professional manufacturer thanks to the continuous effort and achievement by the R&D team. Moreover, the recent successful integration of the company's six core technology, including "hydrodynamic", "thermodynamic analysis and heat dissipation solutions", "psychoacoustics and vibration analysis", "environmental purification and comfort", "phase change heat transfer technology" and "IoT and BLDC smart motor control technology", has brought fruitful results in strategizing differentiated products to consumers in a competitive market.

In terms of the outlook of its ventilation & thermal solution business, the company continues to be a pioneer in global automotive electronics and also an outstanding tier-one provider for major car manufacturers, to jointly develop a series of automotive comfort technology, power/power management and automotive information system cooling fans and thermal modules. In addition, the Company also simultaneously growth in high-end computing fields (e-sports, industrial computers), industrial equipment and the medical industry.

In terms of the development of intelligent living technology system, the company is actively deploying in three directions:

(1) In private brand, with "quality water purification life" as the core, it actively develops water purifier machine and drinking machine system with the nature of "purification, convenience, and life". Take technology and aesthetic life as the connotation to enhance the product and market value. (2) In the ODM/OEM business, by integration of core technologies to enhance the value and transformation of cooperative products as the main axis. On this main axis, not only cooperate with well-known Japanese brands that have deepened the relationship for many years, it also expanded the customers and projects of international living technology commercial systems. (3) Implement the M2C strategy, actively expand the cooperation energy between new media and international marketing. Based on the existing basis, let brand image, technology, and products be directly promoted by manufacturing to international consumers.

In 2022, the company has simultaneously promoted digital transformation and net-zero carbon emission program; introduced AIoT modules in high-end household technology systems, and introduced digital transformation strategies in business models, products and manufacturing at the same time. In addition, cooperate with the digital transformation to improve the information security mechanism in ESG work promotion, The company also launched the organization and products carbon footprint verification, obtain certification of ISO 14064-1for factory in Taiwan, and supported global customers to implement net-zero carbon emissions actions (for example: the implementation of marine recycling material plans, tree planting project, etc.).To align with the goal of operation and sustainable development, the company has strictly required the certification of IATF16949, ISO9001, ISO14001, and ISO45001 by German TUV Rheinland to make sure quality, environmental protection, occupational safety and health, information security management is in line with international quality and social responsibility requirements. Moreover, the company is also committed to legal compliance in corporate governance and internal management, and continuous improvement in investor relationship management, so as to lay a stable foundation for a sound and sustainable development of the company.

In terms of the operating performance in 2022, the net revenue was NT$3,640,000 thousand - an annual decrease of 7%. Thermal solution products accounted for 78%, whereas living technology products accounted for 22%. Growth momentum mainly comes from 3 fields: automotive electronics, high-end computing, and industrial equipment. Living technology products have undergone product line realignment and focused on water purification and air purification product since 2021. The main operating results are as follows:

A. **Operating results of 2022**:

Unit: NT $ in Thousands

Item	2022	2021	Increase(decrease) amount	Increase(decrease) percent
Operating Revenue	3,641,619	3,933,781	(292,162)	(7)
Net Profit	173,190	229,098	(55,908)	(24)
Total	194,421	197,066	(2,645)	(1)

B. **Budget**:

The company’s net revenue for 2022 was NT$3,641,620 thousand and the budget was NT$4,278,330 thousand, with an achievement rate was 85.12%

C. **Profitability analysis**:

Item	2022	2021
ROA (%)	6.80	7.25
ROE (%)	15.65	17.29
Pretax Income/Capital (%)	35.02	34.95
Net Profit Margin (%)	5.34	5.01
EPS (NT$)	2.80	2.86

Looking forward to the future, the company will continue its strategy of specialization, globalization and servitization based on operating results of 2022, continue to integrate the company’s internal and external resources, and kept focused on 6 major markets: automotive electronics, high-end computing, industrial equipment, medical equipment, high-quality water purification, and commercial living technology systems and continue to generate revenue, increase profits, and accumulate momentum for global competition and sustainable development.

(2) Status of Reserch & Development

The company's core technology areas cover "hydrodynamic", "thermodynamic analysis and heat dissipation solutions", "psychoacoustics and vibration analysis", "environmental purification and comfort", "phase change heat exchange technology" and "IoT and BLDC smart motor control technology". In recent years, the company has integrated core technologies in various fields, and focusing on research and development in 6 major markets: automotive electronics, high-end computing, industrial equipment, medical equipment, high-quality water purification, and commercial living technology systems. The specific results are as follows:

In automotive electronics, high-end computing and industrial equipment, DC brushless cooling fans are particularly focused on high performance, high reliability and high electromagnetic compatibility. The company has conducted in-depth research in the direction of vibration reduction, noise reduction and smart control technology, and has kept developing and mass-producing "noise reduction/vibration reduction asymmetric dynamic and static impellers", "mechanical active noise suppression", "vibration reduction fan", "vibration reduction composite overlapping high-performance fan", "LIN/CAM controlled smart cooling fan" and "low electromagnetic interfere control cooling fan". At the same time, the company also has patents in major economic regions around the world to enhance the competition threshold. Internally, we have successfully developed a smart automated process that meets the flexible production pattern to improve the quality and enhance the soft power of competition by improving the basic operations and technology.

In the application of living technology products, special emphasis is placed on the research, development and integration of energy efficiency, system ID, water and air quality filtration, heating and cooling, liquid volume control, smart interface and IoT control. In the development of private brand business, the company integrates the existing drinking machine market and products with smart interfaces such as water filtration, heating and cooling, and liquid volume control; by new ID, to innovatively launch a series of RO drinking machine systems and water purifier machine products that meet energy efficiency standards and have the properties of "purification, convenience, and good life". In ODM/OEM business, the company has integrated system ID and air quality technologies such as filtration, smart interface and IOT control to develop high-end air filtration equipment for Japanese customers, and also actively integrate water and air quality filtration, heating and cooling, liquid volume control, smart interface and IOT control to develop commercial equipment for international commercial system customers. Under the continuous development and active integration of core technologies, the company's living technology business is actively adjusting to the direction of high prices and high added value, with a view of laying a good foundation for global competition.

(3) The implementation and the result of management guidelines

A. Business operation

(a) Automotive electronics:

In 2022, the revenue of automotive electronics accounted for 44%, of which in-vehicle electronics accounted for about 70%. The development of the electric vehicle market is mainly based on fast-growing China market, and the joint development with international car manufacturers' demands. In the future, the company will continuously cooperate with global automobile brands and their supply chain to develope in-car electronics, car body electronics and smart driving.

(b) High-end computing

The high-end computing includes e-sports, industrial computers and high-end personal computers. In 2022, the field of high-end computing was impacted by the tightening of the IT industry, the revenue fell sharply, accounting for 30% of the overall revenue. However, in the development of high-end computing market, specialization and servitization will be continued to be the core value of the Company. Cooling fans will focus on high-performance, noise and vibration suppression; for thermal modules, developing heat dissipation, precision machining and surface treatment & integrating with phase change heat transfer technology to develop a higher-end gaming cooling module will be the focus.

(c) Living technology:

Starting from the second half of 2020, the living technology business realigned product lines and manufacturing processes, the revenue accounted for 22%. In the future, the development of own brand will focus on drinking machine and water purifier machine. In the ODM/OEM business, the company will enhance cooperation with well-known Japanese brands to develope a series of products.

B. Operating of factory:

(a) Current status of investment in the new plant:
In 2018, the Company has invested in Guantian, Tainan and Tagang, Dongguan, China. The products produced by the Guantian factory include living technology products and BLDC cooling fans. After the adjustment of the production line and produce strategy of living technology products, the efficiency has gradually improved. The Tagang factory is the new generation smart manufacturing planning plant of the company, providing a production capacity of 1.2 million units for cooling fans and cooling module systems monthly. It has successfully obtained TUV certification ISO9001, IATF16949 quality system certification, and China and European car manufacturers certification; production and shipment are started. Currently, the capacity utilization rate is about 50%, the break-even point has been exceeded. Not only contributing profit for business development but also provides sufficient growth space for future development.

(b) Other factories including Kaohsiung factory, Dongguan Darson factory and Dongguan Jiaoshe factory continue to introduce new generation smart manufacturing equipment to improve production capacity and process capability.

(c) The Shanghai factory has been leased out; the income is mainly the monthly rental.

C. Operation risk management of the post-epidemic:

Since the second half of 2022, the restrictions on the COVID-19 epidemic have gradually lifted; China itself has fully reopened after 2023, accelerating the exchange of business, traffic of people and logistics, and economic growth, which has gradually affected the world economy to a certain extent. The Company has taken following measures to respond to the impact of factory safety and international economic risks:

(a) Continuously update international and local epidemic information and government decrees, continue the control measures and deploy epidemic prevention materials according to the development of the local epidemic situation and local government decrees where each factory is located at.

(b) Monitor the operating environment risks caused by fluctuations in raw materials and inflation. Maintain communication with the supply chain and customers to have a grip on field operation information, to ensure normal operation, financial status, and material supply status, in order to adjust the company's internal operations and various production resources.

(c) Regularly update the future demand of customers, formulate long-term procurement strategies and lock prices for some materials, so as to reduce the shortage of materials and the rising costs due to the impact of the epidemic.

As above, report to all shareholders the overview of YEN SUN TECHNOLOGY CORP’s 2022 operating results and the direction of development. On behalf of all colleagues, we sincerely thank all shareholders for your encouragement, and present our best wishes.

Chairman： *CHEN, GUAN-HONG*

2. Company Profile

(1) Date of Establishment:

March 10, 1987

(2) Company History

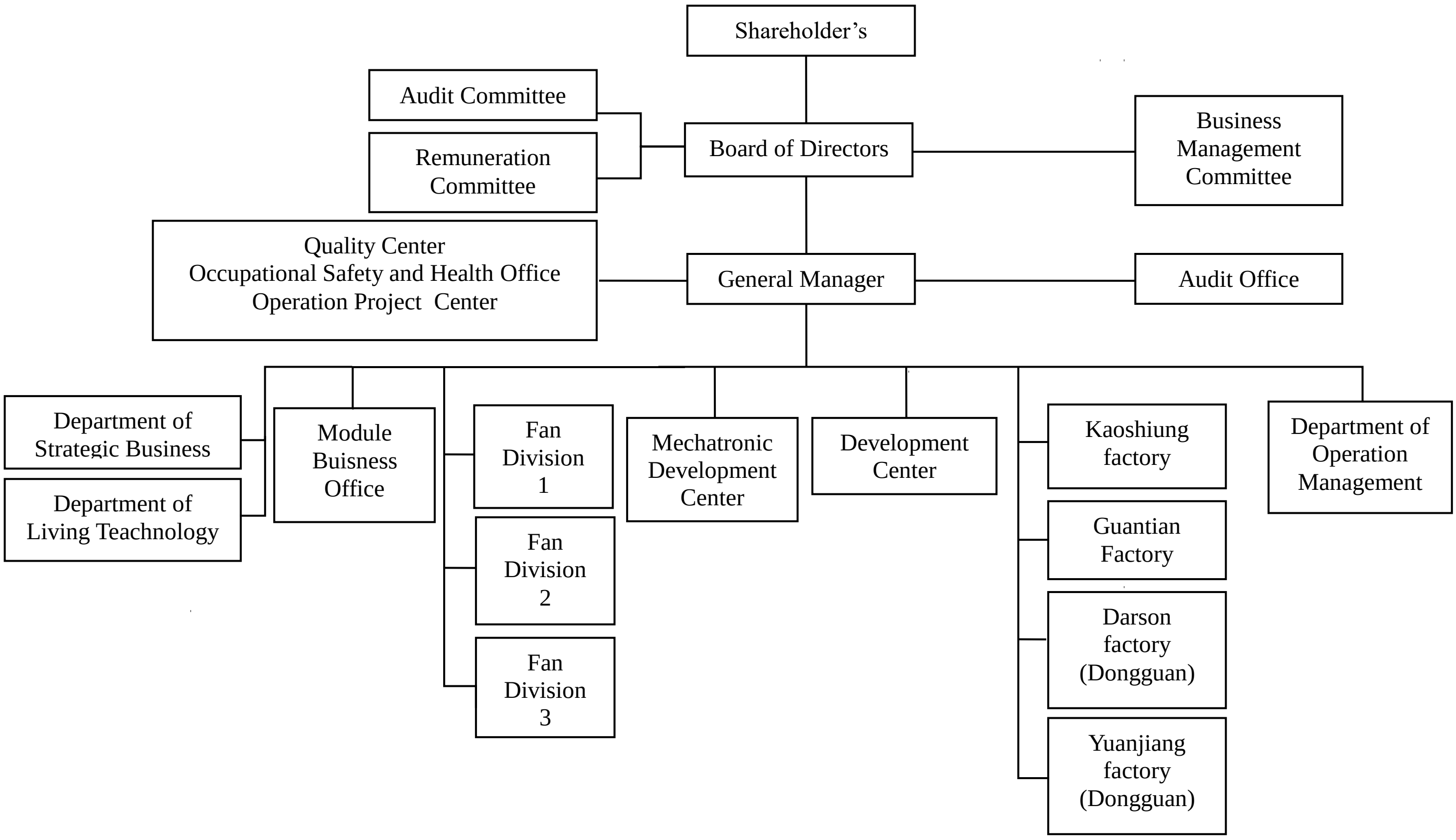
- 1987/03: Established “Yen Sun Technology Corp.” to undertake the manufacturing and selling of small household electrical with a capital of NT$28 million.
- 1987/04: Won the CNS mark of the fan category from the Central Bureau of Standard of the Ministry Economic Affairs
- 1991/04: Consign the CPC org to carry out the computerized operation planning
- 1993/01: The steam type water dispenser won the first Taiwan Excellent Award from the Ministry of Economic Affairs.
- 1993/03: Won the excellent supplier award from TECO Corporation to recognize the superiority of product quality.
- 1993/05: Passed Japan T-Mark safety certification
- 1996/06: Passed Japan S-Mark safety certification
- 1997/02: Passed ISO 9002 International Quality Assurance certification
- 1997/04: Established the Cooling Fan department to undertake the manufacturing and selling of heat cooling components
- 1997/04: The capital was increased by NT$23 million in cash, and the capital was expanded to NT$51 million.
- 1997/06: Reinvest to establish the “Shanghai Yen Sun Electric Industrial Co. Ltd “ in Shanghai, China
- 1998/08: The capital was increased by NT$30 million in cash, and the capital was expanded to NT$81 million.
- 1998/10: The capital was increased by NT$70 million in cash, and the capital was expanded to NT$151 million.
- 1998/12: The capital was increased by NT$47 million in cash, and the capital was expanded to NT$198 million.
- 1998/12: The products passed UL safety certification
- 1999/07: Replenish hold public issue
- 1999/07: The capital was increased by NT$122 million in cash, and the capital was expanded to NT$320 million.
- 1999/12: The Cooling Fan Division passed the TUV ISO 9001 International quality assurance certification
- 2002/02: Announced new products such as external magnetic drive fans and non-blade wet towel dispenser etc
- 2002/12: Listed company at emerging stock market
- 2003/03: Approved by the Ministry of Economic Affair “Assisting Traditional Industrial Technology Development Program”
- 2003/04: Reinvest to establish the “Y.S. TECH USA “

- 2004/12: The Company’s common shares were listed on the Taipei Exchange (TPEX)
- 2007/01: The Cooling Fan Division passed the TS16949 International quality assurance certification
- 2007/03: Approved by the Ministry of Economic Affair “Small Enterprise Innovation R&D Program”
- 2008/03: Approved by the Ministry of Economic Affair “Assisting Traditional Industrial Technology Development Program”
- 2008/10: Won the Industrial Technology Development Award of the Ministry of Economic Affairs
- 2009/08: The first issuance of NT$120 million in unsecured convertible corporate bonds
- 2010/01: Obtained the trademark right of SUNPENTOWN
- 2010/10: The 2nd issuance of NT$198 million in secured convertible corporate bonds
- 2010/10: The 3rd issuance of NT$152 million in unsecured convertible corporate bonds
- 2011/12: “FMD Flat Magnetic Motion Series Fans” won the right to use the 20th “Taiwan Excellence Award “logo and become the high-quality image of Taiwan’s industry”.
- 2012/04: Passed TUV Rheinland OHSAS 18001 certification
- 2013/07: The 4th issuance of NT$220 million in secured convertible corporate bonds
- 2013/08: Divided and transferred the Changhua plant of Home Appliance Division into a 100% owned subsidiary Yen Jiu Technology Corp.
- 2013/12: The Cooling Fan Division became the Tier 1 supplier of European automakers.
- 2014/01: The air purifier won the 22th “Taiwan Excellence Award” and was exhibited in their pavilion set up in Taipei City Art Museum in April of the same year.
- 2014/12: The DC air purifier won the honor of “Golden Dot Design Award” in “Product Design Category” in 2014. The Golden Dot Award entered the asian market for the first time this year.
- 2015/10: New product “Full Nutrition Machine” to the market.
- 2016/03: The 5th issuance of NT$200 million in secured convertible corporate bonds
- 2016/09: The car air purifier won the “Golden Dot Design Award”
- 2016/11: The Cooling Fan Division became the Tier 1 supplier of mainland China automakers.
- 2018/09: Complete the construction of Tainan Guantian Plant
- 2019/01: Tainan Guantian plant officially begin mass production
- 2019/11: The new plant in Dongguan completed the IATF16949 certification
- 2020/02: Passed ISO 45001 occupational safety and health management system certification.
- 2021/09: Issued the sixth domestic secured convertible bonds with a total amount of $300,000 thousands.
- 2022/09: The board of directors approved the construction project of a factory/office building in the Renwu Industrial Park, Kaohsiung City.

3. Corporate Governance

(1) Organization

(a) Organizational Chart



(b) Business operations of major departments

Department	Business operations
General Manager	1. Setting the company's business philosophy, business strategy, business goals. 2. Implementation of operation objectives. 3. Evaluate, analysis and improve the business performance. 4. Verify, supervise, evaluate and execute of reinvestment projects. 5. Execute resolutions of Board of Directors
Audit Office	1. Inspect and evaluate whether the internal control system is robust, and provide analysis, evaluation and other suggestions. 2. Promote effective management control with reasonable cost and improve the efficiency of operations.

Department of Business	1. Compilation of business strategies, business plans, formulation of business goals, policies, and management of business performance. 2. Coordinate and manage the business of product sales. 3. Maintenance and expansion of customers, establish information of market and data. 4. Confirm the quality requirements of customer 's contract or order. 5. Ensure the integrity of the contract or order review items. 6. Prepare the annual operating budget. 7. Formulate customer service and marketing strategies, promotion of new products and technical services.
Mechatronic Development Center	1.Responsible for the group's electromechanical, electronic, software/hardware design, verification and resource integration tasks. 2.Research and development of forward-looking technology of the group's electromechanical, electronic, soft/hardware. 3.Electromagnetic interference and electrical safety regulations research and solution development design. 4.Analysis, verification and recognition of key components. 5.Management and maintenance of electromechanical, electronic, soft/hardware product data.
Development Center	1.Responsible for the group's R&D resource integration, product and technical data management tasks. 2.Foresight and innovative technology research and development. 3.Innovative development and platform management of R&D and measurement equipment. 4.Industry-University Cooperation and R&D Talent Development Tasks. 5.Intellectual property rights management. 6.Major abnormal technical analysis, verification and engineering confirmation.
Manufacturing Factory	1.Implementation of the production plan and mastering the progress. 2.Maintenance and repair of production equipment. 3.The management of production scheduling, and the formulation of operating procedures related to procurement, handling, storage, packaging and delivery. 4.Warehouse management and inventory counting. 5.Drafting of production operation standards. 6.Production plan scheduling and production capacity deployment.
Department of Business Management	1.Integrate the business of the financial department, information room and general affairs comprehensively. 2.Formulation of various internal management methods and follow-up implementation tracking. 3.Perform company accounting processing and review financial statements. 4. Management of company funds. 5.Responsible for the communication and coordination of important meetings such as board meetings and shareholder meetings. 6.Responsible for corporate governance related affairs. 7.Investor relationship.

(2) Directors and Management Team:

(a) Information of directors

March 31, 2023; Units: shares;

Title	National	Name	Gender Age	Date Elected	Term (Years)	Date (First Elected)	shareholding when elected		Current shareholding		Current shared held by spouse and children of minor age		Shareholding under the name of a third party		Experience (Education)	Other Position	Other chiefs, supervisors or directors with spouses or relatives within the second degree of kinship			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	R.O.C	CHEN, GUAN-HONG	Male 41-50	2021.07.15	3	2015.06.26	2,500,477	3.58%	2,500,477	3.56%	320,000	0.46%	0	0	Chairman of Yen Sun Technology CORP.	-Chairman of Yen Jiu Technology CORP	Director	CHEN, CHIEN-JUNG	Lineal descendant	(Note1)
Director	R.O.C	CHEN, CHIEN-JUNG	Male 71-80	2021.07.15	3	1987.03.10	6,106,739	8.75%	6,106,739	8.70%	2,254,244	3.21%	0	0	- Executive MBA program, NSYSU - engineer of Foxconn Technology Co.,Ltd.	-Special Assistant to CEO	Chairman	CHEN, GUAN-HONG	Lineal descendant	
Director	R.O.C	LI, YING-CHEN	Male 61-70	2021.07.15	3	2003.06.24	1,000	0	1,000	0	0	0	0	0	- Doctor of science in electrical engineer,NTU - Chairperson of Litemax Electronics Inc -.CSO of AAEON Technology Inc.	- Chairman of Litemax Electronics Inc. -.CSO of AAEON Technology Inc. - Director (Legal Representative) of AAEON Technology Inc. - Director of AAEON Technology (Suzhou) Inc. - Director of Litemax Technology, Inc. - Director of Eutech Microelectronics Inc. - Independent Director of Arcadyan Technology Corporation - Independent Director of axis Corporation	None	None	None	(Note2)
Director	R.O.C	XIE, TENG-LONG	Male 71-80	2021.07.15	3	2015.06.26	0	0	0	0	52,037	0.07%	0	0	- Bachelor of the Department of Insurance and Finance. - General Manager Of Bank of Taiwan	-Independent Director of Hi-Lai Foods Co., Ltd	None	None	None	(Note3)

Title	National	Name	Gender Age	Date Elected	Term (Years)	Date (First Elected)	shareholding when elected		Current shareholding		Current shared held by spouse and children of minor age		Shareholding under the name of a third party		Experience (Education)	Other Position	Other chiefs, supervisors or directors with spouses or relatives within the second degree of kinship			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	R.O.C	FANG, ZHI-MIN	Male 61-70	2021.07.15	3	2018.06.14	0	0	0	0	0	0	0	0	Professor of the Department of Business Administration, NSYSU	- Professor of the Department of Business Administration, NSYSU -Independent Director of NEW ADVANCED ELECTRONICS TECHNOLOGIES COMPANY LIMITED. -Independent Director of Jong Shyn Shipbuilding Company	None	None	None	
Independent Director	R.O.C	CHEN, GUAN-LIANG	Male 41-50	2021.07.15	3	2018.06.14	0	0	0	0	0	0	0	0	-CPA of PKF Taiwan	-CPA of PKF Taiwan –Supervisor ofHC PHOTONICS CORPORATION (Legal Representative) - Chairman of KAO CHIAO company management corp. (Legal Representative) - Director of LIANG-YU Establishment, Ltd. (Legal Representative)	None	None	None	
Independen Director	R.O.C	LI, WEN-BAR	Male 61-70	2021.07.15	3	2020.06.16	0	0	0	0	0	0	0	0	-Master of Business Studies, National Taiwan University -General Manager of First Securities	None	None	None	None	

Note 1: Mr. CHEN, GUAN-HONG was elected as a chairman on July 15, 2021.

Note 2: Mr. LI, YING-ZHEN served as independent director of the company on June 24, 2003 to June.13, 2018 and was elected as a director on June 14, 2018.

Note 3: Mr. XIE, TENG-LONG served as the supervisor from June 26, 2015 to June 13, 2018, and was elected as a director on June 14, 2018.

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(b) Major Shareholders of Major Corporate Shareholders：None.

(c) Information on Directors in Professionalism and impartiality

<table>
<tr><th>Condition / Name</th><th>Professional qualifications and Experience</th><th>Status of independence</th><th>Number of public companies where the person holds the title as independent director</th></tr>
<tr><td>CHEN, GUAN-HONG</td><td rowspan="7">・ For Directors’ Professional qualifications and Experience, please refers to page 12-13
・ None of the directors has any of the conditions of Article 30 of the Company Law (Note 1)</td><td rowspan="4">Not applicable</td><td>0</td></tr>
<tr><td>CHEN, CHIEN-JUNG</td><td>0</td></tr>
<tr><td>LI, YING-ZHEN</td><td>2</td></tr>
<tr><td>XIE, TENG-LONG</td><td>1</td></tr>
<tr><td>FANG, ZHI-MIN</td><td rowspan="3">All independent directors meet the following conditions:
・ Comply with the relevant provisions of Article 14-2 of the Securities and Exchange Act promulgated by the Financial Supervisory Commission and "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" (Note 2)
・ The person (or in the name of others), spouse and minor children do not hold any shares of the company
・ None amount of remuneration received from providing business, legal, financial, accounting and other services to the company or its affiliates in the last two years</td><td>2</td></tr>
<tr><td>CHEN, GUAN-LIANG</td><td>0</td></tr>
<tr><td>LI, WEN-BAR</td><td>0</td></tr>
</table>

Note1: A person who is under any of the following circumstances shall not act as a managerial personnel of a company. If he has been appointed as such, he shall certainly be discharged:

(1) Having committed an offence as specified in the Statute for Prevention of Organizational Crimes and subsequently convicted of a crime, and has not started serving the sentence, has not completed serving the sentence, or five years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon;

(2)Having committed the offence in terms of fraud, breach of trust or misappropriation and subsequently convicted with imprisonment for a term of more than one year, and has not started serving the sentence, has not completed serving the sentence, or two years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon;

(3)Having committed the offense as specified in the Anti-corruption Act and subsequently convicted of a crime, and has not started serving the sentence, has not completed serving the sentence, or two years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon;

(4)Having been adjudicated bankrupt or adjudicated of the commencement of liquidation process by a court, and having not been reinstated to his rights and privileges;

(5)Having been dishonored for unlawful use of credit instruments, and the term of such sanction has not expired yet;

(6)Having no or only limited disposing capacity.

(7)Having been adjudicated of the commencement of assistantship and such assistantship having not been revoked yet.

Note2:(1)Not a government, a juristic person, or a representative thereof in Article 27 of the Company Act

(2)No independent director of a public company may concurrently serve as an independent director of more than three other public companies.

(3)During the two years before being elected or during the term of office, an independent director of a public company may not have been or be any of the following:

a. An employee of the company or any of its affiliates.

b. A director or supervisor of the company or any of its affiliates.

c. A natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.

d. A spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.

e. A director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act.

f. If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company.

g. If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution.

h. A director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company.

i. A professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

(d) Diversity and Independence of the Board:

i. The company has established the "Code of Corporate Governance" to regulate the diversity policy of board members. The nomination and selection of board members of are in accordance with the provisions of the company's articles of association. And comply with the "Director Election Method" and "Code of Corporate Governance" to ensure the diversity and independence of board members.

ii. The members of the board shall generally possess the knowledge, skills and qualities necessary to perform their duties. In order to achieve the ideal goal of corporate governance, the board of directors should have the following capabilities as a whole: A. Operational judgment. B. Accounting and financial analysis skills. C. Management ability. D. Crisis handling capacity. E. Industry knowledge. F. International Market View. G. Leadership. H. Decision-making capability.

iii. The company currently has 7 directors (including 3 independent directors) with professional backgrounds which cover industry, academia, finance, accounting, business management and other fields to implement the policy of diversifying the composition of the board of directors.

Title	Chairman	Director			Independent Director		
Name	CHEN, GUAN-HONG	CHEN, CHIEN-JUNG	LI, YING-CHEN	XIE, TENG-LONG	FANG, ZHI-MIN	CHEN, GUAN-LIANG	LI, WEN-BAR
Nationality	R.O.C	R.O.C	R.O.C	R.O.C	R.O.C	R.O.C	R.O.C
Gender	Male	Male	Male	Male	Male	Male	Male
Age	41-50	71-80	61-70	71-80	61-70	41-50	61-70
Concurrently employee of the Company	V	V					
Professional qualifications and Experience							
Management, Leadership & Decision-making	V	V	V	V	V	V	V
Decision making	V	V	V	V		V	V
Finance				V		V	
Accounting				V		V	
Industry knowledge	V	V	V		V		V
Environment		V	V				

iv. Diversity management objectives:

The company currently has 3 independent directors, with the proportion of independent directors accounting for 42.85%. The term of office of the 3 independent directors is less than 3 years, and the term of office has not exceeded 3 consecutive terms. In order to fulfill the goal of diversity industry knowledge of board, the target ratio of professionals in the field is above 40%. When the board of directors is re-elected after the term of office expires, it is planned to nominate and appoint at least one female director. The company's 7 directors include 5 professionals in the field of industry knowledge, with a ratio of 71.42%. The members of the board of directors actively attended the board meetings. In 2022, 7 directors attended the meeting with 100% attendance rate, and effectively monitored and understood the implementation of the business plan.

(2) Information of management team:

March 31, 2023；Units: shares

Title	Nationality or Registry	Name	Gender	Date Effective	Status of Shareholding (Note 1)		Current Shares Held by Children of Minor Age (Note 1)		Shareholding Under the Name of A Third Party (Note 1)		Experience (Education)	Other Position	Managerial Officers with Spouses or Relatives Within the Second Degree of Kinship			Note
					Shares	Ratio for shareholding (%)	Shares	Ratio for shareholding (%)	Shares	Ratio for shareholding (%)			Title	Name	Relation	
General Manager	R.O.C	LIU, HSIEN-WEN	Male	2020.06.01	241,149	0.34%	34,052	0.05%	0	0	- Doctor of Psychology, FJU. - Electronics Cooling Division R&D Director - Electronics Cooling Division Sales Director	None	None	None	None	
Thermal Module Business Vice General Manager	R.O.C	SUN, XIN-CHENG	Male	2010.01.14	487	0	987	0	0	0	- Bachelor of Dept. of Electronic Engineering ,Tung Fang Design University -Manager of Liang Herng Elec. Mach. Co Ltd -R&D Managerof Y.S. Tech Electronics Cooling Division	None	None	None	None	
Thermal Module Business Director	R.O.C	ZHANG, ZHENG-DA	Male	2011.11.24	2,000	0	0	0	0	0	Department of mechanical engineering,St. John's University -Marketing Director of Abyte Electronics Limited -Marketing Director of AMA PRECISION INC.	None	None	None	None	
Chief financial officer /Operation Management Manager	R.O.C	LIANG, HSIANG-YI	Female	2008.12.26	62,000	0.09%	0	0	0	0	-Master department of Administration,YunTech. -Finance Manager of Sino-American Electronics Co., Ltd.	-Supervisor of Yen Jiu Technology Corp.	None	None	None	

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(3) Remuneration paid during the most recent fiscal year (2022) to directors (Independent Director), the general manager, and assistant general managers

A. Remuneration paid to directors

Unit: NT$ thousands

Title	Name	Remuneration to Directors								The sum of A, B, C and D in proportion to Earnings After		Remuneration in the capacity as employees								The sum of A, B, C, D, E, F and G to Earnings after Tax (%)		Remuneration received from invested companies other than subsidiaries or the parent company
		Remuneration(A)		Pension(B)		Bonus to Directors(C)		Allowances (D)				Salaries, bonus and special subsidies(E)		Pension(F)		Repay for employee(G)						
																The Company		All companies included into the financial statement				
		The Company	All companies included into the financial statement	The Company	All companies included into the financial statement	The Company	All companies included into the financial statement	The Company	All companies included into the financial statement	The Company	All companies included into the financial statement	The Company	All companies included into the financial statement	The Company	All companies included into the financial statement	Cash dividend	Stock dividend	Cash dividend	Stock dividend	The Company	All companies included into the financial statement	
Chairman	CHEN, GUAN-HONG	0	0	0	0	1,374	1,374	654	654	1.04%	1.04%	5,234	5,234	0	0	0	0	0	0	3.74%	3.74%	None
Director	CHEN, CHIEN-JUNG																					
Director	LI, YING-ZHEN																					
Director	XIE, TENG-LONG																					
Independent Director	CHEN, GUAN-LIANG	0	0	0	0	1,031	1,031	504	504	0.79%	0.79%	0	0	0	0	0	0	0	0	0.79%	0.79%	None
Independent Director	FANG, ZHI-MIN																					
Independent Director	LI, WEN-BAR																					

1.The policy, system, standard, 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 devoted time: The evaluation of the company's independent directors is proposed by remuneration committee and resolved by the Board of Directors with consideration of the director's performance and devotion to the company.
2.Other than the content revealed in the table above, any remuneration received by the chairperson of the company for offering service (e.g. serving as an external consultant) to any company mentioned in the financial statement: None.

Range of Remuneration	Name of Directors			
	Total of A, B, C and D		Total of A, B, C, D, E, F and G	
	The Company	All companies included into the financial statement	The Company	All companies included into the financial statement
Less than NT$1,000,000	CHEN, CHIEN-JUNG/ CHEN, GUAN-HONG LI, YING-ZHEN / XIE, TENG-LONG /CHEN, GUAN-LIANGG/FANG, ZHI-MIN /LI, WEN-BAR	CHEN, CHIEN-JUNG/ CHEN, GUAN-HONG LI, YING-ZHEN / XIE, TENG-LONG /CHEN, GUAN-LIANGG/FANG, ZHI-MIN /LI, WEN-BAR	LI, YING-ZHEN / XIE, TENG-LONG /CHEN, GUAN-LIANGG/FANG, ZHI-MIN /LI, WEN-BAR	LI, YING-ZHEN / XIE, TENG-LONG /CHEN, GUAN-LIANGG/FANG, ZHI-MIN /LI, WEN-BAR
NT$1,000,000 thousand (inclusive) ~ NT$2,000,000 (exclusive)				
NT$2,000,000 (inclusive) ~ NT$3,500,000 (exclusive)			CHEN, GUAN-HONG / CHEN, CHIEN-JUNG	CHEN, GUAN-HONG / CHEN, CHIEN-JUNG
NT$3,500,000 (inclusive) ~ NT$5,000,000 (exclusive)				
NT$5,000,000 (inclusive) ~ NT$10,000,000 (exclusive)				
NT$10,000,000 (inclusive) ~ NT$15,000,000 (exclusive)				
NT$15,000,000 (inclusive) ~ NT$30,000,000 (exclusive)				
NT$30,000,000 (inclusive) ~ NT$50,000,000 (exclusive)				
NT$50,000,000 (inclusive) ~ NT$100,000,000 (exclusive)				
NT$100,000,000 or more				
Total	7	7	7	7

B. Remuneration paid to general manager and vice general manager

Unit: NT$ thousands

Title	Name	Salaries(A)		Pension (B)		Cash incentives and special discretionary allowance etc.(C)		The amount of employee repay(D)				The sum of A, B, C and D in proportion to Earnings After Tax (%)		Remuneration received from invested companies other thansubsidiaries or the parent company
		The Company	All companies included into the financial statement	The Company	All companies included into the financial statement	The Company	All companies included into the financialstatement	The Company		All companies included into the financial statement		The Company	All companies included into the financial statement	
								Cash dividend	Stock dividend	Cash dividend	Stock dividend			
General Manager	LIU, HSIEN-WEN	2,400	2,400	-	-	3,800	3,800	200	0	200	0	3.29%	3.29%	None

C. Name of managers distributing remunerations to employees and the distribution of remunerations

March 31, 2023; Unit: NT$ thousands

Title	Name	Stock dividend	Cash dividend (Note 1)	Total	Proportion to Earnings After Tax (%)
General Manger	LIU, HSIEN-WEN	0	910	910	0.47%
Electronics Cooling Divison Deputy Director	SUN, XIN-CHENG				
Thermal Module Business Director	ZHANG, ZHENG-DA				
Chief financial officer /Operation Management Manager	LIANG, HSIANG-YI				

Note：Which indicates the remuneration for employee (shares and cash), distributed to managers which approved by the board of directors.

D. The following section illustrates the ratios of remuneration paid to directors, supervisors, general managers and Deputy General Managers of the Company and the companies in the consolidated financial statements in the last two years, to net income. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with business performance and the risk in future are also illustrated in this section.

(a) Analysis on the ratios of remuneration paid to directors, general managers and Deputy General Managers of the Company and the companies in the consolidated financial statements to net income in the financial statements in the last two years

Item		2022	2021
The remuneration paid to Directors (Independent Directors)	Amount (NT$thousands)	3,563	3,499
	In proportion to Earnings After Tax (%)	1.83%	1.77%
The remuneration paid to presidents and vice presidents	Amount (NT$thousands)	6,400	7,378
	In proportion to Earnings After Tax (%)	3.29%	3.74%
Total	Amount (NT$thousands)	9,963	10,877
	In proportion to Earnings After Tax (%)	5.12%	5.51%

(b) The policies, standards, combinations, procedure of decision-making of remunerations and their relation to business performance and future risk.

i. The remuneration of directors of the company includes business execution fees and managers' remuneration. Business execution fees are paid in according with industry standards and the actual situation of attendance at the board of directors. The remuneration of directors shall be distributed in accordance with the article 29-1of Incorporation, based on the profit status of the year and not exceed more than 5%. And there is no ther remuneration.

ii. The general manager's and vice general manager's remunerations are divided into salary, awards, and employee compensation; which are based on the company's relevant regulations and the salary level of the position in the same industry market, the scope of the position's responsibility within the company and its contribution to the company's operating goals. In addition, to refer to the company's overall operating performance, industry's future business risks and development trends, and also the individual's performance achievement rate and contribution to the company's. Employee compensation is based on the percentage of the current year's profitability, 1-10% is distributed by the resolution of the board of directors, and the relevant performance evaluation and the rationality of remuneration are reviewed by the remuneration committee and the board of directors.

iii. The amount of remuneration is positively related to the performance of the operation and based on the assessment of future environmental changes and operational risks.

(4) Implementation of Corporate Governance

A. Board of Directors

A total of 6 meetings of the Board of Directors were held in 2022. The attendance of directors was as follows:

Title	Name	Actual attendance	By proxy	Actual attendance rate (%)	Remarks
Chairman	CHEN, GUAN-HONG	6	0	100%	Continue in office
Director	CHEN, CHIEN-JUNG	6	0	100%	Continue in office
Director	LI, YING-ZHEN	6	0	100%	Continue in office
Director	XIE, TENG-LONG	6	0	100%	Continue in office
Independent Director	CHEN, GUAN-LIANG	6	0	100%	Continue in office
Independent Director	FANG, ZHI-MIN	6	0	100%	Continue in office
Independent Director	LI, WEN-BAR	6	0	100%	Continue in office

Other mentionable items:

(1) 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:

A. Matters specified in Article 14-3 of the Securities and Exchange Act: The Company has established an audit committee; therefore, Article 14-3 of the Securities and Exchange Act is not applable.
For matters specified in Article 14-5 of the Securities and Exchange Act, please refer to the operation of the audit committee in this annual report.

B. Except for the above-mentioned matters, other directors' meeting resolutions opposed or reserved by independent directors with records or written statements: None.

(2) The measure for directors' withdrawal from conflict of interest:

Board of directors	Content of the motion	Directors' name	Reasons of withdrawal from conflict of interest and participation in voting
The first regular meeting in 2022. January 19, 2022	The Company's 2021 manager bonus distribution.	CHEN, GUAN-HONG CHEN, CHIEN-JUNG	According to the Article 206 of the Company Act, except for directors who have a conflict of interest in the motion and have withdrawn according to law, the remaining present directors agreed to approve it.
The first regular meeting in	The Company's 2022 manager	CHEN, GUAN-HONG	According to the Article 206 of the Company Act, except for directors who have a conflict of interest in

2023. January 17, 2023	bonus distribution.	CHEN, CHIEN-JUNG	the motion and have withdrawn according to law, the remaining present directors agreed to approve it.

(3) The board of directors' evaluation:

A．The company has established"Guidelines for Evaluation of the Board's Performance", which is implemented in 2020.05.13.

B. The evaluation was completed in 2022.03.08, the result was as follow:

Evaluation cycle	Period of Evaluation	Evaluation Range	Evaluation Method	Content of evaluation
Once a year	January 1, 2022-December 31, 2022	Board of Directors	Internal evaluation by the board of directors	1. The degrees of participation in the company's operations; 2. Improve the quality of board's decision-making; 3. The composition and structure of the board of directors; 4. The election and continuing education of directors; 5. Internal control.
Once a year	January 1, 2022-December 31, 2022	Individual members of the board	Self-evaluation by board member	1. Aknowlege the company's goals and tasks; 2. Awareness of directors' duties; 3. The degree of participation in the company's operations; 4. Internal relationship management and communication; 5. Professional and continuous education of directors; 6. Internal control.

The evaluation method is carried out by questionnaire, including the internal self-evaluation of the board of directors and the self-evaluation of board members. The results of the 2022 annual board performance self-evaluation were reported to the board of directors on March 8, 2023. The rate of achievement of the evaluation results was over 90%.

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

A. The company has established audit committee to replace the system of supervisors in conducts to follow regulations in Securities and Exchange Act, Company Law, and other relevant laws.

B. The company has established"Management of Operation of Board Meeting" to improve professional competence of the Board, and enhance the positive effectiveness of the Board's participation in decision making.

C. The company's directors fulfill the requirement of authorities regarding minimum on-the-job training hours.

D. The company has designated personnel to reveal corporate information, update data on the official website, and deal with other relevant matters.

B. Audit Committee

A total of 6 meetings of Audit Committee were held in 2022. The attendance of independent directors was as follows:

Title	Name	Attendance in Person (B)	Delegated attendance	Attendance rate (%) (B/A)	Note
Independent Director	CHEN, GUAN-LIANG	6	0	100%	-
Independent Director	FANG, ZHI-MIN	6	0	100%	-
Independent Director	LI, WEN-BAR	6	0	100%	-

w

Other mentionable items:

(1) If there are circumstances as follows, it should be specified: the date on which the audit committee meetings helds, sessions, contents of motion, objections of independent directors', reservations or major proposals, audit committee's result and the company's responses based on the suggestion.

A. Matters that were referred to in Article 14-5 of the Securities and Exchange Act.

Audit Committee	Contents	Result	Treatment of the Board to the opinion of the Audit Committee:
The 5th meeting of the 2nd session March 8,2022	1. The company's 2021 annual business report and financial statement 2. Revise the company's "Procedures for acquiring or disposing of assets" 3. The case of Changing of CPA 4. Evaluation of the Independence and Competency of CPA and Appointment Remuneration 5. The company's 2021 "Internal Control System Effectiveness Assessment" and "Internal Control System Statement"	No objection	The proposals were adopted by all attendees with unanimous consent.
The 7th meeting of the 2nd session August 8, 2022	The case of issuance of sixth domestic secured convertible bonds in 2022.	No objection	The proposals were adopted by all attendees with unanimous consent.
The 8th meeting of the 2nd session September 13, 2022	The case of Company intends to lease the land and build the construction project of a factory/office building in Renwu Industrial Park, Kaohsiung City.	No objection	The proposals were adopted by all attendees with unanimous consent.
The 10th meeting of the 2nd session March 8, 2023	1. The company's 2022 annual business report and financial statement 2. Evaluation of the Independence and Competency of CPA and Appointment Remuneration 3. The company's 2022 "Internal Control System Effectiveness Assessment" and "Internal Control System Statement"	No objection	The proposals were adopted by all attendees with unanimous consent.

B. 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

(2) Considering the measure for withdrawal from conflict of interest, the names of directors, contents of proposals, reasons to avoid conflict interest, and participation for voting should be specified: None.

(3) 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).

A. According to the audit plan, when the audit project is completed, the audit supervisor will deliver the audit report and follow-up report to independent directors, and communicate and discuss the internal audit execution status and internal control status with the independent directors through email, telephone or meeting, and attend the audit committee and regularly of the board of directors to report the implementation of the audit. The following is the communicating matters between the Audit Committee and the Audit Supervisor in 2022 and up to the printing date of the annual report:

(a) Before the end of each fiscal year, the audit plan for the following year will be submitted to the board of directors for resolution after the audit committee approves.

(b) Report to the Audit Committee on the implementation of audit business quarterly.

(c) Submit the internal audit report to the audit committee (independent director) for review from the end of the audit to the end of the following month.

(d) The audit office and the internal unit shall self-check the inspection opinions or lack of verification, and the internal control system statement shall strengthen the management and improvement matters, continue to follow up and review, and deliver the tracking and improvement management situation to the audit committee in writing.

(e) The company's annual internal control system effectiveness evaluation and internal control system statement are submitted to the audit committee for review.

(f) 2022 and as of the date of publication of the annual report, the summary of previous is as follows:

Date	Meeting	Matters to be communicated	Outcome of communication
March 8, 2022	Audit Committee	1. Report on implementation of audit in January 2022. 2. Report of internal system control statement.	No objection opinion.
May 6, 2022	Audit Committee	Report on implementation of audit in February and March, 2022.	No objection opinion.
August 8, 2022	Audit Committee	Report on implementation of audit in April to June, 2022.	No objection opinion.
September 13, 2022	Audit Committee	Report on implementation of audit in July, 2022.	No objection opinion.
November 8, 2022	Audit Committee	Report on implementation of audit in August and September, 2022.	No objection opinion.
March 8, 2023	Audit Committee	1. Report on implementation of audit in December, 2022 to January, 2023. 2. Report of internal system control statement.	No objection opinion.

B. The company's CPA regularly attend audit committee meetings and report to committee the results of the financial statements and other matters required by relevant laws and regulations. If there are special circumstances, they will immediately report to the audit committee. As of the publication date of the annual report, there is no such special circumstances. The interactive status and discussion topics in 2022 are as follows:

Date	Meeting	Matters to be communicated	Outcome of communicat
November 15, 2022	Audit Committee	1. 2022 Q3 financial report review results report, 2022 annual review plan 2. Updates of important securities laws and regulations, tax laws, etc.	No objection opinion.

4. Important tasks of the audit committee of the year：

(1) The audit committee aims to assist the Board of directors in implementing procedures for accounting, auditing, and financial statement; it also deals with the quality and integrity in matters of financial control.

(2) The major matters to be reviewed on the audit committee meeting are as below:

A. To review the financial statement: The Board has prepared the company’s business report, financial statement, and proposal for allocation of remuneration in 2022. KPMG Taiwan was entrusted to review the financial statement of the company and compile an audit report. The above-mentioned business report, financial statement, and the proposal for allocation of remuneration have been reviewed by the audit committee, and nothing inappropriate was detected.

B. The audit and accounting policy and procedure.

C. The internal control system and relevant policies and procedures; to evaluate the effectiveness of the company’s policy and procedure of internal control system (including the control measures of financing, operation, risk management, information security, observation of laws, etc.), and to review the regular report compiled by the company’s audit sector, CPAs, and managerial personnel, including reports on the risk management and observation of laws.

D. Transaction of major assets.

	E. Transaction of financial derivatives. F. Observation of laws. G. The evaluations on the CPAs' experience, independence, and performance; H. The appointment, demission, or remuneration of CPAs. I. Fulfillment of the duties of audit committee.

C. Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies”

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
(1) Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies”?	✓		The Company observes “Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” to establish practice principles of governance and publicized it on official website http://www.ystech.com.tw	None
(2) Shareholding structure & shareholders’ rights A. Does the company establish an internal operating procedureto deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure?	✓		The company has established “Rules of Procedure for Shareholders Meetings” and accordingly convenes shareholders’ meetings each year as a channel for shareholders’ committee and shareholders to communicate with each other regularly. To build an immediate and healthy communication mechanism with the investors, the company has designated a spokesperson and deputy person. It also reveals the contact information on the company’s official website and the Market Observation Post System. Shareholders can send their opinions by phone or email, and the company would deal with the case according to relevant principles.	None
B. Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	✓		The company has designated to stock transfer agents to deal with affairs related to shareholders. It has mastered the major shareholder through name list of the stock agents and learned about the person in ultimate charge of the stocks. The company also observes the laws and reports any change in shareholding conditions of the directors, managers, and shareholders possessing 10% of the stocks.	None
C. Does the company establish and execute the risk management and firewall system within its conglomerate structure?	✓		The company has stipulated the "operation procedures for related parties, specific companies and group companies", and related personnel are responsible for the matters needing	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
			attention of related companies.	
D. Does the company establish internal rules against insiders trading with undisclosed information?	✓		The company has stipulated the "Procedures of Crucial Internal Information Control and Insider Trading Prevent ", and has disclosed at public information observatories in accordance with the regulations. It is forbidden for insiders of the company to use unpublished information in the market to buy or to sell marketable securities, or use known non-disclosed information is leaked to others to engage in insider trading; And will be disseminate internal every year.	None
(3) Composition and Responsibilities of the Board of Directors A. Does the Board draw up and implement the diversified policy and specific management target for the composition of its members?	✓		(a) The company has a "Corporate Governance Best Practice Principles" to regulate the diversity of board members. The nomination and selection of members are in accordance with the company's articles of association. The nomination system for candidates is adopted to evaluate the qualifications of each candidate's academic experience and comply with "Procedures for Election of Directors" and "Corporate Governance Best Practice Principles" to ensure the diversity and independence of board members. (b) The company has established 7 directors (including 3 independent directors). The expertise of the directors' ranges from industrial, academic, financial, accounting, managing professions, which manifests the principle of forming a Board with diversity.	None

<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</th></tr>
<tr><td></td><td></td><td></td><td>
<table>
<tr><th>Name</th><th>Gender</th><th>Management</th><th>Leadership decisions</th><th>Industry knowledge</th><th>Financial Accounting</th><th>Law</th><th>Environmental protection</th></tr>
<tr><td>Chen, Jian-Rong</td><td>Male</td><td>✓</td><td>✓</td><td></td><td></td><td>✓</td><td>✓</td></tr>
<tr><td>CHEN, GUAN-HONG</td><td>Male</td><td>✓</td><td>✓</td><td></td><td></td><td>✓</td><td></td></tr>
<tr><td>LI, YING-ZHEN</td><td>Male</td><td>✓</td><td>✓</td><td></td><td></td><td>✓</td><td>✓</td></tr>
<tr><td>XIE, TENG-LONG</td><td>Male</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td></td><td></td></tr>
<tr><td>LI, WEN-BAR</td><td>Male</td><td>✓</td><td>✓</td><td></td><td></td><td>✓</td><td></td></tr>
<tr><td>CHEN, GUAN-LIANG</td><td>Male</td><td>✓</td><td>✓</td><td></td><td>✓</td><td></td><td></td></tr>
<tr><td>FANG, ZHI-MIN</td><td>Male</td><td>✓</td><td></td><td></td><td></td><td>✓</td><td></td></tr>
</table>
(c) The policy for diversity in Board of Director members is revealed in the Company’s official website and Market Observation Post System.
(d) The company currently has 3 independent directors, with the proportion of independent directors accounting for 42.85%. The term of office of the 3 independent directors is less than 3 years, and the term of office has not exceeded 3 consecutive terms. In order to fulfill the goal of diversity industry knowledge of board, the target ratio of professionals in the field is above 40%. When the board of directors is re-elected after the term of office expires, it is planned to nominate and appoint at least one female director. The company's 7 directors include 5 professionals in the field of industry knowledge, with a ratio of 71.42%.
</td><td></td></tr>
<tr><td>B. Does the company voluntarily establish other functional committees in addition to the</td><td>✓</td><td></td><td>The company has established a remuneration committee and an audit committee in accordance with relevant regulations,</td><td>None</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	
Remuneration Committee and the Audit Committee?			and operates in accordance with organizational procedures. Other functional committees such as Corporation Sustainable Development Committee was established on November 10, 2020; in order to promote and enhance the function of sustainable development and social responsibility for the company.	
C. Does the company establish a standard to measure the performance of the Board, and implement it annually?	✓		The company has a "Guidelines for Evaluation of the Board's Performance", which stipulates that the board of directors should perform an internal board performance evaluation at least once a year and an external evaluation every three years. The company has complete 2022 internal board of directors' performance evaluation on March 8, 2023. The board of directors will use the performance evaluation results as a reference basis for the selection or nomination of directors and individual directors' remuneration in the future to implement corporate governance and enhance the participation and communication channels of directors' operations. ◦	None
D. Does the company regularly evaluate the independence of Certified Public Accountants (CPAs)?	✓		In accordance with Article 29 of the Regulation of Corporate Governance Best Principles for TWSE/TPEx Listed Companies, the independence of visa accountants is regularly assessed every year. And will be submit to the Audit Committee on March 8, 2023 and the Board of Directors for review and approval. The evaluation criteria for the independence and suitability of accountants please refer to the Note1 of following table.	None
(4) Does the listed company appoint unit or	✓		Approved by the board, the company has designated the	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
personnel to be responsible for affairs related to governance (including but not limited to providing information for business of Directors, handling affairs for Board of Directors Meeting and Shareholders' Meeting in accordance with lawful regulations, registering and altering the Company's information, making minutes for Board of Directors Meetings and Shareholders' Meetings, etc.)?			chief financial officer LIANG, HSIANG-YI as director of corporate governance on November 10, 2020. Primerly in charge of the affairs related to governance. Including organizing the director's meetings and the shareholders' meetings, compiling minutes for the BOD meetings and shareholders' meetings, assisting directors for taking the position and on-the-job training, offering necessary information for the directors to perform their duty, assisting the directors to follow relevant laws. The situation of implementing relevant tasks in 2022 is as below: (a) To be the contact window between the Company and the directors. (b) To assist the director for performing their duty. To offer information about the Company which may be required on the meeting; such as to keep smooth communication between the directors and the leaders of different departments. (c) To offer information of on-the-job training courses and make relevant arrangement. (d) To arrange affairs to enhance communication between the audit committee members and the CPAs as well as the audit supervisors. (e) To draft the agenda for the meetings of the Board, inform each director about the meeting, convene the meeting and offer relevant information, send reminders about conflict interest avoidance issues, and complete the memorandum of the Board's meeting within 20	

<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</th></tr>
<tr><td></td><td></td><td></td><td>days after the convention was over.
(f) To deal with relevant affairs of the shareholder's meeting.

The status of managers' further studies
<table>
<tr><th>Lesson content</th><th>Date</th><th>Lesson times</th></tr>
<tr><td>ESG-related legal issues that the board of directors should consider</td><td>June 22, 2022</td><td>3 hours</td></tr>
<tr><td>2022's Global Trends and Business Opportunities of Low-Carbon Economy and Enterprise Low-Carbon Innovation</td><td>June 22, 2022</td><td>3 hours</td></tr>
<tr><td>Publicity briefing for corporate Insiders' equity of listed/emerging stock company</td><td>August 25, 2022</td><td>3 hours</td></tr>
<tr><td>Compilation and Disclosure Basis of Sustainability Report - Focused analysis on IFRS ISSB S1 and S2 standards.</td><td>November 30, 2022</td><td>3 hours</td></tr>
</table></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	
(5) Does the company establish a communication channel with its stakeholders (including but not limited to shareholders, employees, clients, and suppliers) and build a designated section on its website for stakeholders, as well as handle all issues they care for in terms of corporate social responsibilities?	✓		(a) The company values its stakeholders (including the shareholders, clients, employees, suppliers, etc.). It has proper communication with the stakeholders, and the "designated section for stakeholders" is established on the official website to publicize all the communication channels for the stakeholders. (b) The company convenes various meetings for encouraging employees to communicate with the managerial level. Also, the Human Resource section of the company's website has a designated mailbox for employees and a channel for whistle blowers so that the employees can express their opinions and offer suggestions as well as stay connected with the employer. (c) The company holds investor conference to provide shareholders a communication channel and respond to issues of concern. (d) The company regularly reports to the board of directors on communicated with various stakeholders.	None
(6) Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		The company has entrusted the stock agent department of Grand Fortune Securities Co., Ltd to deal with affairs related to the shareholders' meetings and the shares.	None
(7) Information disclosure A. Does the company have a corporate website to disclose both financial standings and the status of corporate governance?	✓		The company has a designated section for investors on its official website. Shareholders and investors can access information related to the company's financial business and corporate governance. (http://www.ystech.com.tw)	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
B. 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)?	✓		(a) Company provide website with Chinese, English and Japanese versions for users. (b) The company has appointed commissioner to be responsible for the information collection and disclosure and established aspokesperson system. Implemented the spokesperson system in accordance with the regulations and placed the investor conference briefing report on the company's website.	None
C. Does the company complete and publicize the annual financial 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?	✓		The company reported the financial statement of each quarter as well as the operation situations of each month have been submitted to regulatory authorities.	None
(8) 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)	✓		(a) Employee Rights and Employee Care: The company always attached great importance to the working environment and rights of employees. Not only establishing employee welfare committee to fully promote and implement various employee welfare matters, it also organizes education and training actively to enable employees to grow together with the company. And according to law, allocating pensions allows employees to work with peaceful mind while on duty and ensure their life after retirement. (b) Investor relation: The company has designated spokesperson to reveal its operation conditions to investors. It also follows relevant laws and publicizes	

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
			significant information of financing, business, changes in shareholding conditions of the staff on "Market Observation Post System." There is also a designated section on the Company's official website to reveal information about the Company's finance and corporate governance to investors. (c) Relationship with supplier : The company understands the development of the industry that cooperate and work hard with all suppliers is necessary Therefore, the company adheres to the principle of mutual benefit in order to create industrial development, enhance self-competitiveness and the maximum profit of shareholders. ◦ (d) Stakeholders' right: the company offers multiple channels for the stakeholders to communicate with or offer advice to the company, which can protect the legal rights of both parties. (e) On-the-job training of the directors: the directors are all equipped with professional competence, and they attend seminars about security regulations according to relevant laws and obtained a certificate of completion. (f) Implementation of the risk management policies and risk estimation criterion: the company follows the analysis of authorized sections and resolutions of the Board while dealing with major issues such as significant operational policies, investment projects, endorsement and loans. (g) Implementation of client policies: The company follows	

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
			terms in the contract with its clients and relevant regulations to assure clients' rights and offer quality service; Set up relevant policy to handling customer complaints, in order to protect consumers. (h) Liability insurance for the directors: the company has purchased liability insurance for directors and managers. The company's "liability insurance for directors" has been revealed on the Market Observation Post System according to relevant laws. (i) Current directors and general managers of the company are the important decision-making and management talents of the company. The company has drawn up an appropriate succession plan. After long-term work rotation training, Mr. LIU, HSIEN-WEN the general manager of Electronics Cooling Division was promoted as Company general manager on June 1, 2020.	
(9) 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.： A. In the 9th Corporate Governance Evaluation in 2022, the company's improvement is excerpted as follows: 1. The management team regularly reports relevant information of stakeholders to the board of directors. B. Prioritize improvement and measures for unscored indicators as follows: 1. Planing to edit a corporate social responsibility report in the future.				

Note 1: Auditing evaluation form for Certified Public Accountant

Item	I. Review of Criteria for independence	Yes	No
01	The CPA or the spouse / minors of the CPA is not an investor and is not a stakeholder of the company.	✓	
02	The CPA of the spouse / minors of the CPA does not loan from the company. (Not applicable when the entrusting party is in normal affiliation with the company.	✓	
03	The CPA agency does not offer the report for service of assuring effective operation in the financing system it designs or assists in implementation.	✓	
04	The CPA or the audit team members do not serve as the Company's directors, managers, or take other positions that have major impact on the audit cases.	✓	
05	The service offered to the Company, which are not related to auditing matters, does not directly influence the important items of the audit cases.	✓	
06	The CPA or the audit team members are not involved in promotion or transaction of the Company's shares or other forms of securities.	✓	
07	The CPA or the audit team members only deals with affairs according to relevant legal regulations and not involved in the defensive matters for legal cases or other controversies between the Company and the third parties.	✓	
08	The CPA or audit team members are not the spouse, direct blood relatives, direct relative in-laws, or of kinship within the second degree with the Company's directors, managers, or persons of other positions that have significant impact on the audit cases.	✓	
09	The associate CPA who resigns from the position within one year do not serve as the Company's directors, managers, or take other positions that have significant influence on the audit case.	✓	
10	The CPA or audit team members do not take gifts or receive favors with great values from the Company's directors, managers, or major shareholders.	✓	
11	The CPA is not a regular employee of the current consignee, receive remuneration regularly, or take the position of a director or a supervisor.	✓	
12	Before the company's IPO: The CPA has not offered auditing service to the Company for 7 consecutive years. After the Company's IPO: The CPA has not offered auditing service to the Company for 10 consecutive years.	✓	
Item	II. Review for Independent Operation		
01	Does the CPA avoid undertaking a case that is directly or significantly related to his/her own interests, which would influence the fairness and independence?	✓	
02	Does the CPA remain formally and substantially independent when reviewing, censoring, or conducting professional inspections on the financial report, and when compiling opinion letters?	✓	
03	Do the audit team members, other associate CPAs, or corporate shareholders of the CPA agency, the CPA agency, its affiliates, and its alliance remain independent from the company?	✓	
04	Does the CPA offer professional service with meticulousness and integrity?	✓	
05	Does the CPA remain objective and disinterested when offering professional service; avoid being biased or having the professional decisions influenced by conflict of interests?	✓	
06	Does the CPA refrain from being biased or lack of independence, which may influence their integrity or objectiveness?	✓	
Item	III. Review for competency of Certified Public Accountant		
01	The accountant has no disciplinary record for the accountant disciplinary committee in the past two years. This accounting firm has not involved litigation in the last two years.	✓	
02	Does the accounting firm have sufficient scale, resources and regional coverage in handling company audit services?	✓	
03	Does the accounting firm have clear quality control procedures? Does the coverage include the level and main point of the verification procedure, the way to deal with audit issues and judgments, independent quality control inspection and risk management?	✓	
04	Has the accounting firm notified the audit committee of any significant issues and developments in terms of risk management, corporate governance, financial accounting, and related risk control?	✓	

D. Establishment, functions, and operations of Remuneration Committee of the Company

(a) Information regarding Remuneration Committee members

March 31, 2023

<table>
<tr><th>Position</th><th>Criteria / Name</th><th>Professional qualifications and Experience</th><th>Status of independence</th><th>Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member</th></tr>
<tr><td>Independent director</td><td>FANG, ZHI-MIN</td><td rowspan="3">The Company’s Remuneration Committee members is formed by 3 Independent directors.For Directors’s Professional qualifications and Experience, please refers to page 13</td><td rowspan="3">All independent directors meet the following conditions:
· Comply with the relevant provisions of Article 14-6 of the Securities and Exchange Act promulgated by the Financial Supervisory Commission and "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 " (Note)
· The person(or in the name of others), spouse and minor children do not hold any shares of the company
· None amount of remuneration received from providing business, legal, financial, accounting and other services to the company or its affiliates in the last two years</td><td>2</td></tr>
<tr><td>Independent director</td><td>CHEN, GUAN-LIANG</td><td>0</td></tr>
<tr><td>Independent director</td><td>LI, WEN-BAR</td><td>0</td></tr>
</table>

Note: Respective Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office.

(1) An employee of the company or any of its affiliates.

(2) A director or supervisor of the company or any of its affiliates.

(3) A natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under any other's name, in an aggregate amount of 1 percent or more of the total number of issued shares of the company or ranking in the top 10 in shareholding.

(4) A spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.

(5) A director, supervisor, or employee of a corporate shareholder that directly holds 5 percent or more of the total number of issued shares of the company, or that ranks in the top 5 in shareholding, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act.

(6) If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company.

(7) If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution.

(8) A director, supervisor, managerial officer, or shareholder holding 5 percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company.

(9) A professional individual who, or an owner, partner, director, supervisor, or managerial officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof; provided that this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.ot an employee of the Company or any of its affiliates.

(b) Information about operation of Remuneration Committee

(i) There are 3 members in the Remuneration Committee of the Company.

(ii) Term of the session of remuneration committee members: from July 15, 2021 to July 14, 2024，A total of 2 (A) Remuneration Committee meetings were held in 2019. The attendance record of the Remuneration Committee members was as follows:

Title	Name	Attendance in person (B)	Delegated attendance	Attendance Rate (%)(B/A)	Remarks
Convener	LI, WEN-BAR	2	0	100%	-
Member	FANG, ZHI-MIN	2	0	100%	-
Member	CHEN, GUAN-LIANG	2	0	100%	-

Other mentionable items:

(1) The situation where the board of directors declines to adopt or modifies a recommendation of the remuneration committee: None.

(2) Resolutions of the remuneration committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.

(3) As of the date of publication of the annual report, the contents of proposal are as follows:

Remuneration Committee	Content of motion and follow up treatment	Resolution	The company's responses to the opinion of remuneration committee
The 1st meeting, January 19, 2022	The 2021 distribution of remuneration for employees and the board is submitted for approval	The proposals were unanimously adopted by all committee members.	The proposal was unanimously adopted by all attendees at the Board of Directors meeting.
The 2nd meeting, March 8, 2022	The 2021 distribution of remuneration for employees and the board is submitted for approval	The proposals were unanimously adopted by all committee members.	The proposal was unanimously adopted by all attendees at the Board of Directors meeting.
The 1st meeting, May 11, 2023	The 2022 distribution of remuneration for employees and the board is submitted for approval	The proposals were unanimously adopted by all committee members.	The proposal was unanimously adopted by all attendees at the Board of Directors meeting.
The 2nd meeting, March 8, 2023	The 2022 distribution of remuneration for employees and the board is submitted for approval	The proposals were unanimously adopted by all committee members.	The proposal was unanimously adopted by all attendees at the Board of Directors meeting.

E. Fulfillment status of corporate social responsibility and sustainable development：

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility & sustainable development for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
(1) Does the company establish a governance structure to promote sustainable development, and set up a dedicated (part-time) unit for sustainable development, which is senior management that authorized by the board of directors to handle, and supervises the situation?	✓		In order to actively promote and strengthen the corporate governance function related to sustainable operation and corporate social responsibility, the board of directors of the company set up a corporate sustainable development committee in November 2020, with the honorary chairman as the chairman, aiming at the company's relevant sustainable issues strategies and goals. Formulate medium and long-term sustainable development plans and provide ESG promotion consultation. The company has set up a part-time unit to promote sustainable development as the Operation Management Office, which is responsible for the formulation and implementation of corporate sustainable development policies, systems or related management guidelines and specific promotion plans, and regularly reports to the board of directors at least once a year. Implement status of 2022: 1. Complete the ISO 14064-1 verification of the Company; the subsidiaries are expected to promote it in 2023. 2. Social charity sponsorship: Community care: The Company builds a canteen for the elderly to sponsor the Guantian Community Development Association in Guantian District, Tainan, directly taking care of the elderly.	None

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Corporate Social Responsibility & sustainable development for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>Vulnerable care:
The company sponsors the workshop established by Beyond the Pinnacle Care Association. In order to solve epilepsy patients' employment difficulties, by purchasing workshop products from time to time as gifts provides to customers.

Charity sponsorship:
Donate various disaster response equipment to firefighters of the Fire Bureau, Kaohsiung City Government to strengthen the protection of firefighters and improve the rescue efficiency in emergency situations.</td><td></td></tr>
<tr><td>(2) Does the company follow the significance principle, conduce risk evaluation related to environmental, social, and corporate governance issues, and figure out relevant risk management policies or strategies?</td><td>✓</td><td></td><td>This disclosure covers the company's sustainable development performance at its main bases from January 2022 to December 2022. The risk assessment boundary is mainly based on the company's operating scope in Taiwan, including the Kaohsiung plant and the Tainan Guantian plant.

The structure of the company’s risk management units includes the board of directors, general managers, internal audit and other supervisory departments. The company evaluates the risks annually, make risk management plans, and keep the operational risks under control to prevent potential losses.
The company follows the CSR Materiality Principle, conduct risk evaluation of relevant issues, and figure out relevant policies or strategies as below:

<table><tr><th>Major issues</th><th>Risk Evaluation Item</th><th>Risk management or strategies</th></tr><tr><td>Environmental issues</td><td>EnvironmentalProtection</td><td>(i) The company's environmental management system not only complies with the environmental protection</td></tr></table></td><td>None</td></tr>
</table>

Evaluation Item	Implementation Status					Deviations from "the Corporate Social Responsibility & sustainable development for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary			
					regulations of the competent authorities but has also passed the ISO14001 environmental management system certification. (ii) The company makes energy saving and carbon emission reduction plans every year and regularly review the implementation condition of each sub- project in the plan.	
			Social issues	Secured and healthy workplace	(i) In terms of occupational safety and health system, our company has passed the ISO 45001 certification (ii) The company takes security measures in each aspect and strictly requires all employees to follow the rules to prevent any possible workplace damages. (iii) Inspections for securities is regularly conducted in all of the office, and the company periodically conducts drills emergency evacuation during a fire, an earthquake, or leak of toxic chemicals. (iv) Regularly health check for employees.	
			Corporate governance	Observing laws	(i) The company has comprehensible internal control system to ensure that each task of the company is conducted according to relevant laws. (ii) Strengthening the functions of the board of directors, implementing director responsibilities, and providing directors with the latest legal and regulatory	

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility & sustainable development for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
			developments and policies through training planning. (iii) Analyzing important stakeholders and their concerns, establishing various communication channels, and actively communicating to reduce confrontation and misunderstanding.	
(3) Environmental Issues A. Does the company establish proper environmental management systems based on the characteristics of their industries?	✓		1. The company follows the environmental protection regulations of the authorities to establish environmental management system. In addition, it is certified by the ISO 14001 environment management system. The Contract shall become effective as of March 31, 2023 and remain valid until March 30, 2026. The environmental protection regulations as follow: Save waste and cherish resources Prevent pollution and care for the environment Compliance with regulations and continuous improvement Full participation, sustainable operation. 2. The Company has been conducting greenhouse gas inspections in accordance with ISO14064-1 specifications since 2021 years, and will by plant promote ISO14064-1 greenhouse gas inspections and third-party verification in the future.	None
B. Does the company devote itself in improving the efficiency of each resource and use renewable	✓		1. The company publicizes that turning off the non-necessary power to reduce the power consumption, and promote the paperless operation process, by adding an authority card system on photocopying machines to control paper consumption. In addition, Seasonal air conditioning restrictions and other measures are also been adopted, in order to reduce the impact on the	None

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Corporate Social Responsibility & sustainable development for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>ingredients to minimize the impact on the environment?</td><td></td><td></td><td>environment.
2. The company has set up solar power generation facilities to increase the proportion of renewable energy applications within the company.
3. The company's production process is mostly assembly, which is less likely to produce pollution and waste that will cause environmental load.</td><td></td></tr>
<tr><td>C. 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>The company shows care about climate changes and pays attention to changes in the domestic and foreign laws. Meanwhile, it refers to the structure of Task Force on Climate-related Financial Disclosures (TCFD), which was publicized by Financial Stability Board (FSB), to make plans in response to the risk of climate change as below:
<table>
<tr><th>Climate Change Risks</th><th>Potential Impact on Finance</th><th>Responsive planning</th></tr>
<tr><td>Limit in total amount of greenhouse gas emissions, taxation of carbon emissions, energy taxes</td><td>Increase in the operating cost, limited the capacity expansion</td><td>Investigate the current status of greenhouse gas emissions. Formulate annual energy conservation management goals.</td></tr>
<tr><td>Unstable water and electricity supply</td><td>Increase in the operating cost, occur impact in production</td><td>Reduce cost on water and electricity expense</td></tr>
<tr><td>More electricity would be consumed due to temperature rising</td><td>Increase in the operating cost and carbon emissions</td><td>Promoting low carbon manufacture, reduce usage of electricity and cost</td></tr>
<tr><td>The disrupted supply chain that impacts the production procedure</td><td>Decrease in the operating revenue</td><td>Established the mechanism for alternative suppliers</td></tr>
</table></td><td>None</td></tr>
</table>

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Corporate Social Responsibility & sustainable development for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td><table><tr><td>Natural disasters could result in damage of the factory area</td><td>Increase in the operating cost</td><td>The company establishes response mechanisms for torrential rains, earthquakes, and other disasters; it also organizes drills for emergency response regularly</td></tr></table></td><td></td></tr>
</table>

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Corporate Social Responsibility & sustainable development for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr>
<td>D. Does the company record the mass of greenhouse gas emission, water consumption amount, and total weight of its waste over the past two years and formulate policies to reduce carbon emission, reduce greenhouse mission, conserve water, and manage other waste items?</td>
<td>✓</td>
<td></td>
<td>
(a) The greenhouse emission (CO_2) amounted to approximately 512 tons and 721 tons in 2021 and 2022 respectively, which is illustrated as below:
<table>
<tr><th colspan="2">Year</th><th colspan="2">2021</th><th colspan="2">2022</th></tr>
<tr><th>Category</th><th>Source</th><th>Carbon dioxide equivalent (tons of CO2e/ year)</th><th>Percentage (%)</th><th>Carbon dioxide equivalent (tons of CO2e/ year)</th><th>Percentage (%)</th></tr>
<tr><td>Direct Emissions</td><td>Official car, Fire facilities</td><td>21</td><td>4.1%</td><td>44</td><td>6.1%</td></tr>
<tr><td>Indirect emissions</td><td>Electricity</td><td>491</td><td>95.9%</td><td>677</td><td>93.9%</td></tr>
<tr><td colspan="2">Total carbon dioxide equivalent</td><td>512</td><td>100.0%</td><td>721</td><td>100.0%</td></tr>
</table>
(b) The company’s water consumption over the past 2 years:
<table>
<tr><th>Year</th><th>2021</th><th>2022</th></tr>
<tr><td>Consumption of tap water</td><td>5,861 tons</td><td>4,117 tons</td></tr>
</table>
(c) The total weight of the company’s waste over the past two years:
<table>
<tr><th></th><th>2021</th><th>2022</th></tr>
<tr><td>Hazardous Industrial Waste</td><td>12.78 tons</td><td>16 tons</td></tr>
<tr><td>Industrial Waste</td><td>422.4 tons</td><td>22.66 tons</td></tr>
</table>
</td>
<td>None</td>
</tr>
</table>

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility & sustainable development for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
			(d) The company has established goals for reduction of carbon emissions as below： (i) Monthly average water consumption≦1.26 degrees/person (ii) Monthly average power consumption ≦0.28 degrees/PCS (e) Specific achievements: (i) Regularly track the amount of paper used in the factory, and promote the paperless process and set permissions to photocopying machine to control the amount of paper used, so as to achieve a 20% reduction in paper consumption every year. (ii) The minimum limit for summer air-conditioning is 27 degrees. (iii) Promote employees to turn off lights and save water to achieve energy saving and carbon reduction. (iv) The company's total annual greenhouse gas emissions in 2022 are increased by 40.85% compared with 2021.	

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Corporate Social Responsibility & sustainable development for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>(4) Social Issues
A. Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?</td><td>✓</td><td></td><td>In order to protect the legitimate rights and interests of employees and the non-discriminatory treatment of employment policies, the company has complied with labor-related regulations and respected and supported internationally recognized human rights norms and principles, including the "United Nations Universal Declaration of Human Rights" and the "Declaration of Basic Principles and Rights at Work" of the International Labor Organization. To prevent any violation and violation of human rights, the company's labor policy is formulated as follows:

Protection principle:
•Do not use forced, debt bondage, bond or involuntary Internationally recognized basic labor human rights
•Do not use child labor
•Working and rest time comply with labor laws
•Salaries and benefits paid to employees comply with all applicable laws

Respect principle:
•Treat and respect each employee fairly and do not treat employees inhumanely, such as brutality, insult, abuse, etc.
•Provide equal job opportunities to job applicants and every employee, without discriminating employees on the basis of race, color, age, gender, sexual orientation, race, disability, pregnancy, belief, political affiliation, club membership or marital status, etc.

Remedy principle:
•Respect the rights of employees to freedom of association granted by law,</td><td>None</td></tr>
</table>

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility & sustainable development for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
			and protect employees from being able to communicate openly with management regarding working conditions without fear of retaliation, threats or harassment. •Executed "Directions for Prevention and Management of Unlawful Infringement in the Performance of Duties" in accordance with ISO 45001. •Organize workplace illegal abuse education and training, assist colleagues to ensure workplace free from illegal abuse, and advocate that employees who witness and hear workplace illegal abuse should immediately notify the company's occupational safety department or call the employee complaint hotline Management principle: •Regularly hold seminars and establish a complaint mechanism. If human rights violations occur, immediate remedial and improvement measures will be taken. •Regularly hold self-assessments by supervisors and employees and report the results to senior supervisors, and disclose them to the public at the same time. •In 2022, The Company did not have any complaints about forced labor, employee rights violations or human rights violations.	
B. Does the company establish and implement reasonable employee compensation policies (including the remuneration, leave	✓		The company stipulates various employee welfare measures according to law (including different bonuses, birthday gifts, special leave, parental leave, etc.), and the company has also established an employee welfare committee to handle employee travel, group health activities, and regularly health checks. For detailed of welfare policy description, please refer to page 94 The annual earbing distribution is determined by the management based on	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility & sustainable development for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
policies, and other welfares) and offer incentives according to operational performance or outcome?			the operating results include individual employees' work responsibilities, contributions and performance evaluation result; and bonus in due course to encourage employees.	
C. Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	✓		(a) In terms of occupational safety and health system, the company has passed the verification of the following standards: — OHSAS 18001 — ISO 45001 (b) The company provides employees with a comfortable, safe and healthy working environment; including the implementation of access control measures, safety measurement of the operating environment, regular labor safety education and training, full indoor smoking ban, establishment of employee lounges, and free laundry for workers etc. (c) For employee health, the company regularly organizes employee health checkups. In order to promote the labor health service system and protect workers' safety and health, in accordance with the "Labor Health Protection Rules", hiring professional specialist doctor and nursing staff to serve in the factory area to conduct employee health consultations , Health care, analysis of special hazard operations, evaluation and consultation of health inspection projects and other health management and health promotion work. (d) The company's security measures in the office are detailed as follows: • Every three months for the detection of E. coli in drinking water.	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility & sustainable development for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
			• Regular inspection of fire facility and equipment every month (fire extinguishers, emergency lights, fire detectors, fire alarm voice broadcast systems, etc.). • Regularly entrust qualified inspection agencies to conduct operating environment measurement every six months (chemicals, noise, carbon dioxide, illumination, etc.). • Regularly handle emergency evacuation drills every six months. • Carry out disinfection of vector mosquitoes throughout the plant regularly every six months. • Regularly inspect and report on the safety of building fire facilities and equipment every year. • Control high-risk areas such as electrical equipment rooms to prevent non-related personnel from entering.	
D. Does thecompany provide its employees with career development and training sessions?	✓		The company conducts various OJT and OFF-JT education and training in accordance with the needs of various departments and functions. By participates in the enterprise human resources improvement plan held by the Workforce Development Agency, to continuously improve the professionalism of employees.	None
E. Regarding issues such as customer health and safety, customer privacy, marketing and labelling of products and services, does the company follow relevant regulations and international standards,	✓		The company has passed ISO 9001, ISO 14001 and TS16949 quality certification, and in line with the "customer first" quality policy, committed to producing products that meet customer needs, and at the same time formulate procedures to handle customer complaints. The company has dedicated person and e-mail mailbox to handle with issues related to the company's consumer complaints, fairly and immediately. In addition, the company's marketing and labeling of products and services comply with relevant laws and international standards.	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility & sustainable development for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
and formulate relevant consumer protection policies and complaint procedures?				
F. Does the company refer to the internationally accepted reporting standards or guidelines to prepare reports that disclose non-financial information of the company, such as sustainability reports? Has the previous disclosure report obtained the assurance or opinion of the third-party verification unit?	✓		The company follows the ISO9001 management system and must conduct supplier evaluations before and after dealing with suppliers. It annually selects excellent manufacturers and lists those need to be improved as the basis for the next transaction evaluation; By communicate issues on environmental protection, safety and health issues with encourage them to improve environmental protection, safety and health performance to implement the implementation of corporate social responsibility.	None
(5) Does the company compile ESG report to reveal the non-financial information following the guidelines for internally-accepted report format? Is the above-mentioned	✓		The company has not edit corporate social responsibility reports and other reports that disclose the company's non-financial information; however, company has disclosed relevant and reliable corporate social responsibilities in its annual reports, public information observatories, and publicity products.	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility & sustainable development for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
report assured or certified by a third-party inspector?				

(6) Corporate Governance Implementation Status Deviations from "the Corporate Governance Sustainable Dvelopment Practice Principles for TWSE/TPEx Listed Companies", and the reasons as following:

The company has established the "Corporate social responsibility principals." The Company takes CSR issues into consideration when designing the corporate system or planning for the operational strategies. It has devoted positive devotions in implement proper measures in terms of corporate governance, sustainable development, social welfare, and revelation of the Company's corporate social responsibility. The company also incorporate positive and humane perspectives into the corporate culture. Therefore, there is no significant deviation from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies."

(7) Other important information to facilitate a better understanding of the company's sustainable development practice:

(a) The company fully accordance with laws and regulations on environmental protection; detailed information on environmental protection expenditure on page 94.

(b) The waste generated in the manufacturing procedure is transported and treated by qualified institutes according to the environmental protection regulations

(c) The Company is certified by the ISO14001 environment management system, and it adopts comprehensive operational mechanism regarding the industrial impact on the environment as well as sorting, managing, and reusing the industrial waste.

(d) The Company has adopted the electronic document exchange system to save time on transmitting messages, reduce paperwork, and eliminate postage expenses. The white side of the abandoned document is reused to reduce the consumption of paper.

(e) The Company has control over temperature to make effective energy to reduce carbon emission.

(f) The company has established the Committee of Employee's Welfare to organize various events, such as employee travel and other employee welfare activities. The company signed contracts with chartered stores and organizes club activities such as badminton club to enhance the life-work balance of the employees.

(g) Human right: The Company respects human rights of all colleagues. It offers fairs and suitable job opportunities for all job applicants and employees regardless of their ethnicity, religious beliefs, political parties, gender, marital status, physical challenges, and other factors that is regulated to be non-discriminatory factors in relevant laws. The principle is applicable to recruitment, appointment, training, promotion, remuneration, and welfare of the employees.

(h) The company sponsors the workshop established by Beyond the Pinnacle Care Association. In order to solve epilepsy patients' employment difficulties, by purchasing workshop products from time to time as gifts provides to customers.

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Corporate Social Responsibility & sustainable development for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td colspan="5">(i) The company participates the garden party which held by the Genesis Social Welfare Foundation. Electrical products were present by the company to the association, and assists disadvantaged groups in raising funds.
(j) The company builds a canteen for the elderly to sponsor the Guantian Community Development Association in Guantian District, Tainan, directly taking care of the elderly and supporting local agricultural products indirectly.
(k) Donate various disaster response equipment annually, to firefighters of theFire Bureau, Kaohsiung City Government to strengthen the protection of firefighters and improve the rescue efficiency in emergency situations.
(l) The company collaborate with the university and recruit students to participate company's operation with total 24 people.
(m) The declaration to Market Observation Post System will be assigned to whom should be responsible for collection and disclosure of company information; to ensure information that may affect the decisions of shareholders and stakeholders can be promptly disclosed.</td></tr>
</table>

F. **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	
(1) Establishment of ethical corporate management policies and programs A. Does the company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?	✓		The Company has established "Ethical Corporate Management Best Practice Principles" and revealed on the company's website. It has also established the protocols for internal operation and internal control system. The inspections on various tasks are conducted periodically and such conditions have been reported to the Board of Directors' meeting. The above-mentioned practice is taken as the reference for ethical operation, which manifests the commitment of the Board as well as the managerial staff to realize ethical business operation.	None
B. 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 2, Paragraph 7 of the Ethical CorporateManagement Best-Practice Principles for TWSE/TPEx Listed Companies?	✓		The Company has stipulated prevent measures in various internal control regulations against the unethical and risky business activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies.	None
C. 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?	✓		The company has distributed the card of corporate policies to the employees, and the following ethical policies have been specified: • All business dealings should be performed transparently and honestly. • Any conflict-of-interest activities should be strictly forbidden.	None

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	`Summary	
			• Obtaining or giving improper gift or advantage should be avoided. • Any bribery, corruption, extortion and embezzlement should be strictly prohibited. • The publicly-disclosed information should be honest and intact. • Any personal privacy and business information from customers or suppliers should be well protected. • Maintain the confidentiality of company sensitive information and data. • Respect the intellectual property rights. • Zero tolerance to retaliation. • Enhance our ethical quality. • Comply with applicable local laws, regulations, international standards and customer requirements. Any case of violating the legal regulations or the guidelines and protocols should be reported through the established channel, and penalty would be imposed on the violators accordingly.	
(2) Fulfill operations integrity policy A. Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	✓		The company conducts credit investigations before dealing with important customers and first-time purchasers to avoid transactions with those who have a record of dishonesty. And step by step to promote the contract with the counterparty of the transaction and specify the terms of good faith.	None
B. 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	✓		The Department of Operation Management is concurrently in charge of promotion of corporate ethical operation affairs. Report of implementing corporate ethical operation is made to the Board of Directors, which mainly covers the following content in 2022:	None

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	`Summary	
management, the policy to prevent unethical conducts, and how the implementation is being supervised?			1.On March 11, 2022, invited the Ministry of Justice Investigation Bureau to conduct education training of Trade Secrets Act. 2.Establishment of whistle-blowing system: The Companyhas established opinion boxes, a designated phone line, and a special email box (publicized on the Company's official website) for receiving complaints have been established; the reporter and the content of the complaint would not be revealed. 3.Effective operation of the preventive measures to ensure ethical operation. A section of the Company's official website is designated for stakeholders including the employees, shareholders, and other stakeholders as a communication channel regarding illegal and unethical conducts. 4. Establish trade secret marking/storage/transmission mechanism and establish trade secret management related policies. 5. Implement the effective operation of the preventive measures established by the business secret protection institution. 6.No case of violating ethical operation principles have been detected in 2021, and no internal / external report letter or legal cases have been received. 7. Reported to the board of directors on November 8, 2022.	
C. Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	✓		The company has established "Management of Operation of Board Meeting" which specify the principles for directors to avoid conflict of interest. The directors can state opinions and make responses to questions about motions on the BOD	None

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	`Summary	
			meeting, but they should refrain from any discussion about affairs related to interest of the person or the corporate shareholder represented by the director. Neither could a director vote on behalf of other directors for any of such issues.	
D. 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?	✓		The Company has established and implemented the accounting and internal control system. The internal audit staff would review the risk evaluation result annually, strengthen the preventive measure accordingly, review whether the audit system is appropriately followed regularly, and report such conditions to the audit committee and the Board periodically. The Company also reviewed and amended the system as well as relevant practice to ensure proper corporate governance and internal risk control. Such conditions would be referred to when evaluating the effectiveness of internal control system and compiling statement for implementation of internal control system.	None
E. Does the company regularly hold internal and external educational trainings on operational integrity?	✓		The Company regularly held educational trainings. In 2022, a total of 160 persons, 640 hours of educational training, organized inside and outside the Company (including the training sessions regarding conducts to follow the ethical management regulations, Briefing of Ministry of Justice Investigation Burea, and other courses related to accounting and internal control system), have been taken by the employees of the Company.	None

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	`Summary	
(3) Operation of the integrity channel A. Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	✓		The Company has established the report channel and reveals in its ethical corporate management best practice principles as well as the employee code of conduct that any case that is reported to violate the above-mentioned principles will be investigated. The accused individual is allowed to appeal, while the convicted individual will receive penalty according to the above-mentioned principles.	None
B. Does the company establish standard operating procedures for confidential reporting on investigating accusation cases?	✓		The Company has established a system to receive report about violations, to record the investigation process, and retain such records. The reporters' identity and the content will be kept secret. Necessary follow-up procedures will be taken according the seriousness of the case. Major cases will be reported to the authorities or be reported to the judiciary system.	None
C. Does the company provide proper whistleblower protection?	✓		The company has stated the measures to protect reporters of inappropriate conducts from mistreatment.	None
(4) Strengthening information disclosure A. Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?	✓		The Company has established the ethical corporate management best practice principles, and such principles have been publicized in the section designation for "Investors/ Corporate governance" on the Company's official website so as to promote the ethical ideas about proper management.	None
(5) If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation. The Company observes the established the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and relevant regulations to establish the "Ethical Corporate Management Best Principles."				

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>`Summary</th></tr>
<tr><td colspan="5">(6) 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):
(a) The Company observes Company Law, Securities and Exchange Act, Business Entity Accounting Act, relevant regulations for TWSE/TPEx Listed Companies, and other business-related laws to implement ethical management practices. The company keeps up with the development of ethical management norms in the domestic and overseas environment and encourages the directors, managers, and employees to offers suggestion for better m easures to promote the policies of ethical management to enhance effectiveness of such policies.
(b) The “Regulations Governing Procedure for Broad of Directors Meetings” specifies that directors should avoid conflicts of interest. A director can state their opinions about issues of which he is a stakeholder or has impact on the company’s profits, but cannot participate in the discussion or vote about such issues. They could not vote on behalf of other directors, either. Also, independent directors’ opinions should be considered; such opinions should be retained and recorded in the memorandum of the BOD meeting.
(c) The Company has established the “Procedures of Crucial Internal Information Control and Insider Trading Prevent” with provisions state that directors, managers, and employees should not reveal the confidential internal information to others, inquire about the unpublicized information of the company which is not related to the individual’s job from the person who is acquainted with the information, or reveal to others the Company’s unpublicized confidential internal information which is acquisition outside the business-related occasions.</td></tr>
</table>

G. Access to the company’s Governance Guidelines and relevant regulations:

(a) The company’s Corporate Governance Guidelines and relevant regulations: the company observes Corporate Governance Best Principles for TWSE/TPEx Listed Companies and have established “Management of Operation of Board Meeting,” “Rules of Procedure for Shareholders Meetings,” “Procedures for Election of Directors,” “Audit Committee Charter,” “Remuneration Committee Charter,” “Corporate Governance Best Practice Principles,” “Ethical Corporate Management Best Practice Principles,” “Code of Ethical Conduct,” “Procedures for Acquisition and Disposal of Assets,” “Principles for Endorsement and Guarantee,” “Principles for Managing Loans to Others,” “Procedures of Crucial Internal Information Control and Insider Trading Prevent” and other regulations.

(b) Please refer to the section designated for “Investors and stakeholders / Corporate Governance” of the Company’s website (http://www.ystech.com.tw/)

H. Other important information about the corporate govoernence of the Company:

(a) The compnay makes timely disclosure of significant information to investors, and conventions for corporate shareholders are held regularly fpr explanation about the condition of the Company's operation.
(b) Information about the operation of remuneration committee, audit committee, and the Board of Directors has been revealled on the company's official website (http://www.ystech.com.tw/)

I. **Implementation of internal control system**

(a) Statement of Internal Control

YEN SUN TECHNOLOGY CORP.

Statement of Internal Control System

Date: March 8, 2023

YEN SUN TECHNOLOGY CORP. had inspected the 2022 internal control system autonomously with the results illustrated as follows:

(1) YEN SUN TECHNOLOGY CORP. is fully aware that the board of directors and the management 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.

(2) 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 YEN SUN Optoelectronics Corporation is designed with a self-monitoring mechanism; therefore, corrective actions will be activated upon identifying any nonconformity.

(3) YEN SUN TECHNOLOGY CORP. has assessed the effectiveness of the internal control system design and implementation in accordance with the criteria provided in the “Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets” (referred to as“the Regulations” hereinafter). The criteria defined in “the Regulations” include five elements depending on the management control process: (a) environment control, (b) risk assessment, (c) control process, (d) information and communication, and (e) supervision. Each of the five elements is then divided into a sub-category. Please refer to “the Regulations” for details.

(4) YEN SUN TECHNOLOGY CORP.has implemented the criteria of the internal control system referred to above to inspect the effectiveness of internal control system design and implementation.

(5) YEN SUN TECHNOLOGY CORP. based on the inspection result referred to above has concluded that the internal control system (including the supervision and management toward its subsidiaries) on December 31, 2022 is reasonably effective in achieving the objectives of operation effect and efficiency, financial report reliability, and compliance.

(6) 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 and Exchange Act.

(7) The statement of Internal Control System was resolved in the board meeting with the objection of 0 board directors out of the 7 attending board directors on March 8, 2023. The content of the statement has been accepted without any objection.

YEN SUN TECHNOLOGY CORP.

Chairman: *CHEN, GUAN-HONG*

General Manager: *LIU, HSIEN-WEN*

(b) On condition that the Company designates a CPA to audit the internal control system, the CPA's audit report should be revealed: None.

J. Punishment on the company and its employees for violations of laws or regulations of the Internal Control System, major breaches, and compensation measures in the previous year before the printed date of the Annual Report: None.

K. Important resolutions on meetings of Shareholders and the Board in the most recent fiscal year until the printing date of the annual report:

(a) Shareholders' meeting

Date	Important resolutions	Status
May 31, 2022	Proposed Resolutions (i) Recognize the 2021 Business Report, Financial Statements and Consolidated Financial Statements. (ii) Recognition of the 2021 surplus distribution proposal. (iii) Revise the company's articles of association. (iv) Revise the company's acquisition or disposal of assets procedures.	(i) Has been announced and declared in accordance with relevant regulations and disclosed on the company's website. (ii) The proposal was passed; the cash dividends were distributed to shareholders on August 31, 2022. (iii) Approved and registered by the authority and disclosed on the company's website. (iv) It has been announced on the company's website and will be handled in accordance with the revised procedures.

(b) Board of Directors' meeting

Date	Major resolutions
January 19, 2022	(i) The company's 2022 annual operating plan. (ii) The proposal of intends applying to the bank for comprehensive financing quota. (iii) The remuneration distribution of Manager for 2021 is submitted for approval.
March 8, 2022	(i) The salary distribution proposal for employees and directors in 2021. (ii) 2021 Annual Business Report, Financial Statements and Earnings Distribution Proposal. (iii) 2021 cash dividend distribution proposal. (iv) Amend the company's "Articles of Association" proposal. (v) Revise the company's "Procedures for acquiring or disposing of assets". (vi) Convene the company's 2022 shareholders' meeting. (vii) The company's replacement of accountants. (viii) The company appointed KPMG Accounting Firm to handle the 2022 financial report verification visa, remuneration and independence evaluation case. (ix) 2022 "Internal Control System Effectiveness Assessment" and "Internal Control System Statement" case. (x) Apply to the bank for a comprehensive comprehensive financing quota. (xi) The proposal of "Is it a capital loan when the account receivable and the amount other than the account receivable that have not been collected by the company within 3 months of the normal credit extension period and the amount is significant?"

Date	Major resolutions
May 6, 2022	The proposal of "Is it a capital loan when the account receivable and the amount other than the account receivable that have not been collected by the company within 3 months of the normal credit extension period and the amount is significant?"
August 8, 2022	(i) The proposal of applying comprehensive financing quota to the bank. (ii) The proposal of "Is it a capital loan when the account receivable and the amount other than the account receivable that have not been collected by the company within 3 months of the normal credit extension period and the amount is significant?" (iii) The proposal of "Company conduct issuance of new common shares convert from domestic sixth secured convertible bonds, 2022".
September 13, 2022	(i) The case of Company intends to lease the land and build the construction project of a factory/office building in Renwu Industrial Park, Kaohsiung City. (ii) The proposal of applying comprehensive financing quota to the bank.
November 8, 2022	(i) The proposal of "Is it a capital loan when the account receivable and the amount other than the account receivable that have not been collected by the company within 3 months of the normal credit extension period and the amount is significant?" (ii) The proposal of applying to the bank for comprehensive financing quota. (iii) The case of company's 2023 audit plan application. (iv) Revision "Procedures of Crucial Internal Information Control and Insider Trading Prevent." (v) Drafting the general policy for pre-approval for non-assurance engagements policy.
January 17, 2023	(i) The remuneration distribution of Manager for 2022 is submitted for approval. (ii) The proposal of intends applying to the bank for comprehensive financing quota.
March 8, 2023	(i) The salary distribution proposal for employees and directors in 2022. (ii) 2022 Annual Business Report, Financial Statements and Earnings Distribution Proposal. (iii) 2022 cash dividend distribution proposal. (iv) The company's 2023 annual operating plan. (v) The company appointed KPMG Accounting Firm to handle the 2023 financial report verification visa, remuneration and independence evaluation case. (vi) 2022 "Internal Control System Effectiveness Assessment" and "Internal Control System Statement" case. (vii) Convene the company's 2023 shareholders' meeting. (viii) The company's movement on the R&D supervisor. (ix) Apply to the bank for a comprehensive comprehensive financing quota. (x) The proposal of "Is it a capital loan when the account receivable and the amount other than the account receivable that have not been collected by the company within 3 months of the normal credit extension period and the amount is significant?" (xi) Revision of the "Board of Directors Meeting Rules and Procedures". (xii) Revision of the "Standard Operating Procedures for Handling Directors' Requests".

L. If the directors' or supervisors have objective opinion on important resolutions of the Board's meetng which have been documented or made into written statements in the last year and in the curent year up to the printing date of annual report, the important content should be reproted: None.

M. If any resignation or dismission of the Company's chairperson, general manager, accounting directors, fianancing officers, internanl audit directors, corporate governence director, or reseasrch and development directors has occurred in the last year and in the current up to the printing date of annual report, summary of such cases should be made:

Title	Name	Date of appointment	Dismiss date	Reason of dismiss
Research Director	TSAI, CHIN-CHIN	June 23,2000	November 1, 2022	Retirement

(5) Information on CPA professional fees:

A. professional fees

Units: NT$ thousands

Title of the accounting firm	Name of CPA	Audit Period	Audit fee	Non-Audit fee	Total	Note
KPMG Taiwan	HSU, CHEN-LUNG	January 1, 2022 - December 31, 2022	2,430	556	2,986	-
	CHEN, YUNG-HSIANG					

Note: Other services under non-audit fees include Tax Compliance Audit, information checklist, financial statement typing fees and expenses on duty.

(a) If the Company changes the accounting firm and the audit fee is lower than the previous year, the amount of audits before and after changing the accounting firm and reasons for changing the accounting firm should be disclosed: None.

(b) If the audit fee is reduced by more than 10% compared with the previous year, the amount, proportion and reason for the reduction of the public audit fee shall be disclosed: None.

(6) Information on replacement of certified public accountant: The Company didn't changed the accounting firm.

(A) Former accountant:

<table>
<tr><td>Changed Date</td><td colspan="3">March 8, 2023</td></tr>
<tr><td>Reason & Discribtion</td><td colspan="3">As a result of the internal rotation of KPMG accounting firm, since the Q1 2023, Accountant YANG, PO-JEN and Accountant CHEN-LUNG, HSU were replaced by Accountant CHEN-LUNG, HSU and Accountant CHEN, YUNG-HSIANG as company's certified accountants.</td></tr>
<tr><td rowspan="3">Explaining that the appointing person or accountant terminated or did not accept appointment</td><td>litigant
Situation</td><td>Accountant</td><td>Appointing person</td></tr>
<tr><td>Active terminated</td><td>Not applyable</td><td>Not applyable</td></tr>
<tr><td>Did not accept/ continue appointment</td><td>Not applyable</td><td>Not applyable</td></tr>
<tr><td>Opinions and reasons for the inspection report other than unqualified opinions issued within the latest two years</td><td colspan="3">Not applyable</td></tr>
</table>

<table>
<tr><td rowspan="6">Whether there is any disagreement with the issuer</td><td rowspan="4">Yes</td><td></td><td>Accounting principles or practices</td></tr>
<tr><td></td><td>Disclosure of financial reports</td></tr>
<tr><td></td><td>Audit ranges or steps</td></tr>
<tr><td></td><td>Others</td></tr>
<tr><td>No</td><td colspan="2">V</td></tr>
<tr><td colspan="3">Describe</td></tr>
<tr><td>Other disclosures (Article 10, paragraph 6, item 1 (4) to item 1 (7) should be disclosed)</td><td colspan="3">None</td></tr>
</table>

(B) Successor accountant:

Name of firm	KPMG accounting firm
Accountant Name	Accountant CHEN-LUNG, HSU Accountant CHEN, YUNG-HSIANG
Appointed Date	March 8, 2023
Opinions and results of possible issuance of financial reports on accounting treatment methods or accounting principles for transactions before appointment	Not applyable
Successor accountant dissent written comments on the former accountant	Not applyable

(C) The former accountant's reply to item 1 and item 3 of paragraph 6 of Article 10 of this Standard: Not applicable

(7) The Company’s chairman, general manager, or any managerial officer in charge of finance or accounting matters who has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliate enterprise of such accounting firm: None.

(8) The transfer of equity interests and pledge of or change in equity interests during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report.

A. Changes in equity of Directors, Supervisors, Managers and Major Shareholders with more than 10% shareholdings.

Unit：Shares

Title	Name	2022		2023 (as of March 31)	
		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	CHEN, GUAN-HONG	0	0	0	0
Director	CHEN, CHIEN-JUNG	0	0	0	0
Director	LI, YING-ZHEN	0	0	0	0
Director	XIE, TENG-LONG	0	0	0	0
Independent Director	CHEN, GUAN-LIANG	0	0	0	0
Independent Director	FANG, ZHI-MIN	0	0	0	0
Independent Director	LI, WEN-BAR	0	0	0	0
General Manager	LIU, HSIEN-WEN	0	0	0	0
Home Appliances Division Director	CIA, JIN-JIN	0	0	0	0
Electronics Cooling Divison Deputy Director	SUN, XIN-CHENG	0	0	0	0
Home Appliances Division R&D Director	WANG, JIA-REN	0	0	0	0
Thermal Module Business Director	ZHANG, ZHENG-DA	0	0	0	0
Chief financial officer /Operation Management Manager	LIANG, HSIANG-YI	0	0	0	0

B. The situation where recipient of the transferred equity is a related parson:

The company’s directors, supervisors, managers, and more than 10% of the major shareholders’ equity transfers are all done in the market, and the counterparties of the equity transfers are not related parties.

C. The situation where recipient of the transferred pledge is a related person: None.

(9) Top 10 shareholders relation

March 31, 2023

Name	Shares in possession of the person		Shares in possession of the person's spouse or children who are minors		Shares in possession of the person registered under the name of a third-party		Names and relations of top 10 shareholders who are related persons specified in article no. 6 of the Statement of Accounting Principles, spouses, or relatives within two degrees to each other		Note
	Shares	Shareholdingrate (%)	Shares	Shareholding rate (%)	Shares	Shareholding rate (%)	Shares	Shareholding rate (%)	
CHEN, CHIEN-JUNG	6,106,739	8.70%	2,254,244	3.21%	-	-	CHEN LIN, XIU-FEN	Spouse	
							CHEN, GUAN-HONG	First degree of kinship	
							CHEN, YI-JUN	First degree of kinship	
CHEN, GUAN-HONG	2,500,477	3.56%	320,000	0.46%	-	-	CHEN, CHIEN-JUNG	First degree of kinship	
							CHEN LIN, XIU-FEN	Lineal descendants	
							CHEN, YI-JUN	Second degree of kinship	
LI YEN INVESTMENT Co., Ltd. Representative：Lin, Rui-Ming	2,355,000	3.36%	-	-	-	-	CHEN, YI-JUN	Supervisor	
CHEN LIN, XIU-FEN	2,254,244	3.21%	6,106,739	8.70%	-	-	CHEN, CHIEN-JUNG	Spouse	
							CHEN, GUAN-HONG	First degree of kinship	
							CHEN, YI-JUN	First degree of kinship	
SHENG CHENG CORP. Representative：Lin, Yuan-Feng	1,890,000	2.69%	-	-	-	-	-	-	
CHEN, YI-JUN	1,870,816	2.67%	-	-	-	-	LI YEN INVESTMENT Co., Ltd.	Supervisor	
							CHEN, CHIEN-JUNG	First degree of kinship	
							CHEN LIN, XIU-FEN	First degree of kinship	
							CHEN, GUAN-HONG	Second degree of kinship	
CHEN, FU-HSING	988,000	1.41%			-	-	-	-	
Hong-Yu co., ltd. Representative: CHEN, CHUN-SHENG	782,000	1.11%	-	-	-	-	-	-	
LIN, SHU-CHIN	538,704	0.77%	-	-	-	-	CHEN, CHIEN-JUNG	Second degree of affinity	
							CHEN LIN, XIU-FEN	Second degree of kinship	

							SHENG CHENG CORP.	Director	
LIN,YU-CHANG	490,459	0.70%	-	-	-	-	-	-	

(10) The total number of shares and total equity stake held in any single enterprise by the company, its directors and supervisors, managerial officers, and any companies controlled either directly or indirectly by the company:

March 31, 2023 Unit: Shares

Long-Term Investment	Ownership by YS		Direct/Indirect Ownership by Directors, Supervisors, and Management		Total Ownership	
	shares	Shareholding rate (%)	shares	Shareholding rate (%)	shares	Shareholding rate (%)
YEN SUN TECHNOLOGY(BVI)CORP.	500,000	100%	-	-	500,000	100%
LUCRATIVE INT'L GROUP INC.(Note)	1,000,000	100%	-	-	1,000,000	100%
YEN SUN TECH INTERNATIONAL （SAMOA） CORP.	1,000,000	100%	-	-	1,000,000	100%
YEN JIU TECHNOLOGY CORP.	11,050,000	100%	-	-	11,050,000	100%
YEN HUNG INTERNATIONAL CORP.	-	-	1,000,000	100%	1,000,000	100%
SHANGHAI YENSUN ELECTRICAL INDUSTRIAL CO., LTD.	-	-	-	100%	-	100%
YEN TONG TECH INTERNATIONAL (SAMOA) CORP.	-	-	10,000,000	100%	10,000,000	100%
YH TECH INTERNATIONAL CORP.	-	-	1,000,000	100%	1,000,000	100%
DARSON ELECTRONIC (DONGGUAN) LTD.	-	-	-	100%	-	100%
YEN GIANT METAL (DONGGUAN) CO., LTD.	-	-	-	100%	-	100%
CHANSON WATER CO., LTD.	-	-	-	17.75%	-	17.75%
Y.S. TECH U.S.A. INC.	114,000	19%	-	-	114,000	19%
CHENG TA HSIUNG CONSTRUCTION & DEVELOPMENT CO., LTD.	1,850,000	5%	-	-	1,850,000	5%

4. Capital Overview

(1) Capital and shareholding

A. Source of Capital

March 31, 2023

Year and Month	Issuing Price	Authorized Capital		Paid-in Capital		Remark		
		Quantity (thousands of shares)	Amount (NT$ thousands)	Quantity (thousands of shares)	Amount (NT$ thousands)	Source of Capital	Capital Increased by Assets Other than Cash	Others
1987/03	1,000	28	28,000	28	28,000	Establishment of share capital	None	
1997/04	1,000	51	51,000	51	51,000	Capital increase 23,000,000 by cash	None	
1998/08	10	8,100	81,000	8,100	81,000	Capital increase 30,000,000 by cash	None	At January 9,1998 the company changed the share face value by a resolution of the shareholders' meeting, from NT$ 1,000 per share to NT$ 10 per share.
1998/10	10	15,100	151,000	15,100	151,000	Capital increase 70,000,000 by cash	None	-
1998/12	10	19,800	198,000	19,800	198,000	Capital increase 47,000,000 by cash	None	-
1999/07	10	32,000	320,000	32,000	320,000	Capital increase 122,000,000 by cash	None	-
2005/09	10	60,000	600,000	32,000	320,000	Increase in Authorized capital		
2006/09	10	60,000	600,000	34,029	340,289	Capital increase 20,288,920 by earnings	None	Approved by July 12, 2006, JGZYZ No. 0950130020
2007/10	10	60,000	600,000	35,181	351,807	Capital increase 11,518,220 by earnings	None	Approved by July 18, 2007, JGZYZ No. 0960037514
2008/10	10	60,000	600,000	36,620	366,199	Capital increase 14,392,230 by earnings	None	Approved by August 11, 2008 , JGZYZ No. 0970040480
2010/02	10	60,000	600,000	38,168	381,677	Converse 1,547,810 shares convertible bond	None	Approved by the Ministry of Economic Affairs, February 22, 2010 MOE No. 09931693390

Year and Month	Issuing Price	Authorized Capital		Paid-in Capital		Remark		
		Quantity (thousands of shares)	Amount (NT$ thousands)	Quantity (thousands of shares)	Amount (NT$ thousands)	Source of Capital	Capital Increased by Assets Other than Cash	Others
2010/04	10	70,000	700,000	42,994	429,938	Converse 4,826,029 shares convertible bond	None	Approved by the Ministry of Economic Affairs, May 19, 2010, MOE No. 09932057510
2010/07	10	70,000	700,000	43,811	438,111	Converse 817,374 shares convertible bond	None	Approved by the Ministry of Economic Affairs, August 18, 2010, MOE No. 09932457120
2010/10	10	70,000	700,000	47,055	470,546	Converse 3,243,468 shares convertible bond	None	Approved by the Ministry of Economic Affairs, November 19, 2010, MOE No. 09932851000
2011/01	10	70,000	700,000	47,351	473,509	Converse 296,292 shares convertible bond	None	Approved by the Economic development bureau of Kaohsiung, March 9, 2011, GON NO10001079650
2011/03	10	70,000	700,000	47,647	476,472	Converse 296,292 shares convertible bond	None	Approved by the Economic development bureau of Kaohsiung, May 9, 2011, GON NO10001176450
2014/05	10	70,000	700,000	49,769	497,686	Converse 2,121,400 shares convertible bond	None	Approved by the Economic development bureau of Kaohsiung, October 20, 2014, GON NO10353871510
2015/03	10	70,000	700,000	49,647	496,471	Converse 28,570 shares convertible bond Treasury stocks cancellation NT$150,000	None	Approved by the Economic development bureau of Kaohsiung, March 16, 2015, GON NO10450725310
2015/08	10	70,000	700,000	53,097	530,971	Converse 3,449,959 shares convertible bond	None	Approved by the Ministry of Economic Affairs, August 28, 2015 Shou-Shang No. 10401161370.

Year and Month	Issuing Price	Authorized Capital		Paid-in Capital		Remark		
		Quantity (thousands of shares)	Amount (NT$ thousands)	Quantity (thousands of shares)	Amount (NT$ thousands)	Source of Capital	Capital Increased by Assets Other than Cash	Others
2016/12	10	70,000	700,000	54,431	544,313	Converse 1,334,163 shares convertible bond	None	Approved by the Ministry of Economic Affairs, December 27, 2016 Shou-Shang No. 10501297620.
2017/05	10	70,000	700,000	56,462	564,616	Converse 2,030,276 shares convertible bond	None	Approved by the Ministry of Economic Affairs, May 24, 2017 Shou-Shang No. 10601065660.
2017/12	10	70,000	700,000	61,684	616,839	Converse 5,222,369 shares convertible bond	None	Approved by the Ministry of Economic Affairs, December 6, 2017 Shou-Shang No. 10601162800.
2018/04	10	70,000	700,000	66,999	669,989	Converse 5,314,957 shares convertible bond	None	Approved by the Ministry of Economic Affairs, April 2, 2018 Shou-Shang No. 10701035200.
2018/08	10	70,000	700,000	67,267	672,666	Converse 267,716 shares convertible bond	None	Approved by the Ministry of Economic Affairs, August 24, 2018 Shou-Shang No. 10701109650.
2019/04	10	70,000	700,000	69,787	697,869	Converse 2,520,313 shares convertible bond	None	Approved by the Ministry of Economic Affairs, April 15, 2019 Shou-Shang No. 10801043050.
2022/08	10	150,000	1,500,000	70,167	701,669	Converse 379,994 shares convertible bond	None	Approved by the Ministry of Economic Affairs, August 25, 2022 Shou-Shang No. 11101162770.

March 31, 2023 Unit: Shares

Types of shares	Authorized capital stock			Note
	Outstanding shares	Unissued shares	Total	
Common stock	70,166,919	79,833,081	150,000,000	Listed Company

Information about shelf registration system: None.

B. Shareholder structure

March 31, 2023

Composition of Shareholders / Amount	Government institutions	Financial organization	Other Corporate shareholders	Foreign Institutions and overseas investors	Individuals	Treasury stock	Total
Number of persons	-	1	163	27	21,866	1	22,058
Number of shares in possession (thousand shares)	-	454,000	5,822,257	894,915	62,229,747	766,000	70,166,919
Shareholding rate (%)	-	0.65%	8.30%	1.27%	88.69%	1.09%	100%

C. Distribution of Stock shares

Par Value Per Share: NT 10 Dollars March 31, 2023 Unit: Shares

Class of Shareholding	Number of Shareholders	Number of shares in possession	Shareholding ratio (%)
1~999	14,156	135,600	0.19%
1,000~5,000	6,356	12,798,882	18.24%
5,001~10,000	825	6,808,566	9.70%
10,001~15,000	207	2,721,974	3.88%
15,001~20,000	155	2,917,395	4.16%
20,001~30,000	118	3,133,758	4.47%
30,001~40,000	48	1,724,203	2.46%
40,001~50,000	41	1,952,007	2.78%
50,001~100,000	90	6,530,563	9.31%
100,001~200,000	29	4,136,788	5.90%
200,001~400,000	18	4,892,339	6.97%
400,001~600,000	6	2,901,568	4.14%
600,001~ 800,000	2	1,548,000	2.21%
800,001~1,000,000	1	988,000	1.40%
Above 1,000,001	6	16,977,276	24.19%
Total	22,058	70,166,919	100.00%

D. List of Major Shareholders (top 10 shareholding)

March 31, 2023 Unit: Shares

Shares / Name of Major Shareholders	Shareholding	Shareholding ratio (%)
CHEN, CHIEN-JUNG	6,106,739	8.70%
CHEN, GUAN-HONG	2,500,477	3.56%
LI YEN INVESTMENT Co., Ltd. Representative： Lin, Rui-Ming	2,355,000	3.36%
CHEN LIN, XIU-FEN	2,254,244	3.21%
SHENG CHENG CORP. Representative：Lin, Yuan-Feng	1,890,000	2.69%
CHEN, YI-JUN	1,870,816	2.67%
CHEN, FU-HSING	988,000	1.41%
Hong-Yu co., ltd. Representative: CHEN, CHUN-SHENG	782,000	1.11%
LIN, SHU-CHIN	538,704	0.77%
LIN, YU-CHANG	490,459	0.70%

E. The stock price, net value, profit, earning, and relevant information in the most recent two years.

Unit: NT Dollars

Item			2021	2022	In the current year up to March 31, 2023
Market price per share (note1)	Highest		44.60	43.10	34.80
	Lowest		22.80	23.15	26.00
	Average		30.46	31.99	29.53
Net value per share (note2)	Before distribution		17.30	18.39	
	After distribution		15.12	16.19	
EPS	Weighted average number of shares (thousand shares)		69,021 thousand shares	69,365 thousand shares	
	EPS（Note3）		2.86	2.80	
Dividends per share	Cash dividends		2.2	2.2	As of the publication date of the annual report, the Q1 financial report 2023 has not been obtained.
	Stock dividends	-	-	-	
		-	-	-	
	Accumulated unpaid dividend（Note4）		-	-	
Return analysis	Price-earnings Ratio（Note5）		10.65	11.43	
	Price-dividend Ratio（Note6）		13.85	14.54	
	Cash dividend yield（Note7）		7.22%	6.88%	

Note 1: Identify the highest market value and the lowest market value of the common stock in various years, and calculate the average market price for each year based on the trading value and turnover for each year.

Note 2: This should be filled by using the shares already issued by fiscal year-end as a basis, and also by referencing the allocation that the Shareholders' Meeting has decided on for the subsequent fiscal year.

Note 3: If there are any retroactive adjustments needed due to the issuance of bonus shares, earnings per share before and after the adjustment should be listed.

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

Note 5: Price-earnings Ratio=Average Closing Price per Share in current year / Earnings per Share.

Note 6: Price to 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.

F. Dividend policy and implementation status.

(a) Dividend policy and implementation status

The Company's article of incorporation stipulate that Company's net earnings should first be used to paying any income taxes and offset the prior years' deficits. 10% of the remaining balance is to be appropriated as legal reserve. However, it is not applicable if the statutory surplus reserve has reached our Group’s paid-up capital. Also based on the Company’s operational needs and regulatory requirements, provisions shall be made for special reserve. If there are still surplus, the board of directors shall draft a surplus distribution proposal by combining it with the undistributed surplus at the beginning of period and submit to the shareholders meeting for approval. If all or part of the company’s distribution of dividends and bonuses or statutory surplus reserves and capital reserves is made in the form of cash, the board of directors is authorized to be present with more than two-thirds, and agreed by more than half of the directors. And the information will be report to the shareholders meeting.

The dividends policy shall first take into consideration its operating environment, financial plan, Group's sustainable operation and development and the maximum interests of stockholders as follows:

(i) The conditions and timing

The Company is currently in the stage of active market development. In order to support the growth of the company, the distribution of dividends should consider the continuing operation in the future as the principle, and after comprehensively considering and improving the financial structure, maintaining stable dividends and protecting shareholders' reasonable compensation and other conditions, the board of directors prepare a plan in accordance with the articles of association and deliver it after approval by the shareholders' general meeting and the competent authority.

(ii) Distribution ratio of cash dividends and stock dividends

The distribution of dividends of the company’s shareholders will be based on the stock dividends, cash dividends, or both two ways of issuance. When dividends being distribute, an appropriate ratio of cash and stock dividends shall be set up. Only cash dividends shall be paid at a rate not less than 10% of the current year's distribution.

(b) Allocation of dividend to be resolved by the Shareholders’ meeting in 2023:

The company's 2022 surplus distribution proposal was approved by the board of directors on March 8, 2023, proposed allotment of cash dividends to shareholders of $2.2 per share, and report to the shareholders meeting in accordance with the law

(c) Any predictable major change in the dividend policy should be illustrated: None.

G. Effect impact of shareholder meeting’s resolution for distributing stock grants on the company’s performance and the earnings per share: Not applicable

H. Remuneration paid to the employees, directors.

(a) The percentage or scope of employee and director compensation included in the company's articles of association:

The company shall distribute employees' compensation by 1% to 10% based on the current year's profit status; directors and supervisors based on the current year's profit status of no more than 5%. However, when company still has accumulated losses, it should be make up for it. The remuneration of employees shall be based on stocks or cash, and the objects issued to stocks or cash include employees of companies who meet certain conditions, and the conditions shall be authorized by the board of directors. The profit status in the first item referred to the pre-tax profit for the current year after deducting the distribution of employee compensation and director compensation.

The distribution of employee remuneration and directors' remuneration shall be implemented by the board of directors with a resolution of more than two-thirds of the directors attending and more than half of the directors agree, and report to the shareholders' meeting.

(b) Accounting treatment when accrual allocated amount differs from the estimated amount of remuneration for employees, directors of the year, and the stock compensation for employees:
   (i) The estimate of the remuneration of employees and directors is based on the estimates within the scope of the company's articles of association.
   (ii) Stocks distribution amount based on employee compensation for calculation basis: Not applicable.
   (iii) When the actual amount of distribution and estimate amount differs from the result by the shareholders’ meeting, it will be changed according to the accounting estimate and adjusted in the shareholders’ meeting.

(c) The remuneration proposal adopted by the Board of Directors’ meeting:
   (i) Employee compensation and director's compensation distributed in cash or stocks:
   The employees and directors’ remuneration distribution plan of 2022 was approved by the board of directors on March 8, 2023. It is proposed to set aside for directors’ compensation of NT$2,405,166 and for employees’ compensation of NT$4,810,331 in cash. The amount is the same as the estimate of the 2022.
   (ii) The proportion of stock remuneration for employees in the total amount of net income after tax and employee remuneration: Not applicable.

(d) The actual condition of distributing remuneration for employees, directors, and supervisors in the previous year (including number of shares, denomination, and price per share), the difference from registered amount of remuneration for employees, directors, and supervisors, the reasons, and follow-ups:
In 2022, the board of directors approved the 2021 employee cash compensation for NT$ 4,681,698 and NT$ 2,340,849 thousand for directors. There is no difference between the actual distribution amount and the recognized amount.

I. Share Repurchase:：

Numbering of repurchase	The 6th
Purpose of repurchase	Transfer of shares to employees
Repurchased share type	Common stock
Amount limit of repurchase	NT$184,884,150
Buyback period	From March 25, 2020 to May 24, 2020
Estimated price range of buyback	NT$10 to NT$23.5
Estimated quantity to buyback	1,500,000 shares
Price range of buyback	NT$12.7 to NT$17.45
Repurchased share type and amount	Common stock of 766,000 shares
Repurchased share value	NT$11,773,175
The ratio of the actual repurchased to the estimated to repurchase (%)	51.07%

(1) Outstanding Corporate Bonds:

Type of Corporate Bonds (Note 2)		Sixth Domestic Secured Convertible Bonds （Note 5）
Issued date		September 30, 2021
Denomination		NT$100 thousand
Issued and transaction location		Not Applicable
Issued price		issued at 110.95% of par value
Total issuance		NT$300,000 thousand; Total raised amount: NT$332,852 thousand
Interest rate		0%
Issued period:		5 years, expired date will be at September 30, 2026
Guarantee agency		First Commercial Bank
Trustee		Department of Trusts, Hua Nan Commercial Bank, Ltd.
Underwriting agency		First Securities Inc. Grand Fortune Securities Co., Ltd. Taishin Securities Co., Ltd. Hua Nan Securities Co., Ltd.
Certified Attorney		Ding He Law Firm, Attorney KE, YUAN-PO
Certified Accountant		KPMG Accounting Firm, Accountant YANG, PO-JEN & CHEN, KUO-TSUNG
Repayment at maturity		Except the convertible bonds that have been redeemed, sold back, converted or purchased and cancelled, interest compensation will be added as bond's nominal value at maturity which will be repaid in lump sum.
Outstanding Capital		NT$300,000 thousand
Terms of redemption or advance settlement		Please refer to the prospectus of the company's issuance of the Sixth Domestic Secured Convertible Bonds.
Restrictions (Note 4)		Please refer to the prospectus of the company's issuance of the Sixth Domestic Secured Convertible Bonds.
Name of credit rating agency, rating date & result		Not Applicable
Additional rights	Amount of ordinary shares, overseas depositary receipts or other marketable securities that have been converted (exchange or subscribed) as of the date of publication of the annual report.	NT$11,400 thousand was converted.
	Issuance and conversion (exchange or subscription) approach	Please refer to the prospectus of the company's issuance of the Sixth Domestic Secured Convertible Bonds.
Issuance, conversion, exchange or share subscription method and issuance conditions that may dilute the equity and impact on existing shareholders' rights and interests		Please refer to the prospectus of the company's issuance of the Sixth Domestic Secured Convertible Bonds.
The name of custodian institution for the exchange target		None

Note 1: The corporate bonds include public offering and private placement of corporate bonds that are in process. Publicly offered corporate bonds in process refer to those that have been valid (approved) by the Association; privately offered corporate bonds in process refer to those that have been approved by the board of directors.
Note 2: The number of column is adjusted according to the actual number of transactions.
Note 3: Fill in for the overseas corporate bonds.
Note 4: Such as restrictions on the distribution of cash dividends, foreign investment or the requirement to maintain a certain proportion of assets, etc.
Note 5: For private placements, it should be marked in a prominent way.
Note 6: If it belongs to convertible bonds, exchangeable bonds, declaration accompanying corporate bonds or corporate bonds with warrants; it should be disclosed in tabular format according to its nature first, then the information of convertible bonds, exchangeable bonds, declaration accompanying corporate bonds or corporate bonds with warrants.

(2) Information of Convertible Bonds:

Type of Corporate Bonds		Sixth Domestic Secured Convertible Bonds	
Item \ Year		2022	In the current portionr up to March 31, 2023
Market price	Highest	142.00	125.50
	Lowest	102.50	116.00
	Average	127.19	122.47
Conversion price		27.9	27.9
Issuance (transaction) date and conversion price at the time of issuance		The conversion price was NT$30.0 at the time of issuance on September 30, 2021	
Method of fulfilling conversion obligations		Issuing new shares	

(3) Issuance of Preferred Shares:
None.

(4) Issuance of Global Depository Receipts (GDR):
None.

(5) Issuance of employee stock warrants:
None.

(6) Employee Restricted Stock Awards:
None.

(7) Status of New Shares Issuance in Connection with Mergers and Acquisitions:
None.

(8) Financing plans and implementation：
None.

5. Company Overview

(1) Business Activities

A. Business Scope

A. Main Business

(a) Design, manufacturing and sales of brushless DC cooling/ventilation fans.
(b) Design, manufacturing and sales of heat sinks and thermal modules.
(c) Design, manufacturing and sales of living technology systems.
(d)Including commercial systems such as: ice wine machine, industrial refrigeration equipment and household equipment such as: RO drinking machine, water machine, air purifier, dehumidifier and other small appliances.

B. The ratio of mainly business in 2022

Units: NT$ thousands

Category	Sales	Ratio (%)
Cooling fan and module	2,809,776	77.16
Air series	505,979	13.89
Water series	255,208	7.01
Others	70,656	1.94
Totals	3,641,619	100.00

C. The current products (service) and planned new products (service) projects:

I. The current products (service)

a. Brushless DC heat dissipation and ventilation fans, heat sinks, and thermal modules are applied as follows:
(i) Automotive electronics: central control system, ventilated seats systtem, power control, various types of sensors
(ii) High-end computing: high-end gaming systems, industrial computers, data centers, cloud and communication systems
(iii) Industrial equipment: medical, green power, lighting... etc.

b. Living technology system:

(i) Brand business: smart RO drinking machine, Water generator, drinking machine, air purifier, dehumidifier
(ii) OEM business: smart vertical fans, air purifiers, dehumidifiers
(iii)Commercial system: ice wine machine, industrial refrigeration equipment

II. The planned new products (service)

a. Brushless DC heat dissipation and ventilation fans, heat sinks, and thermal modules are applied as follows:
(i) Automotive ventilated seats system
(ii) Car body electronic heat dissipation and ventilation
(iii) Low noise, vibration reduction, high performance cooling fan
(iv) High-end smart EC and BLDC industrial ventilation fans

b. Living technology system:

(i)Brand business: smart RO drinking machine & water generator, smart home applications.

(ii)Foundry business: a new generation of smart air purifiers and dehumidifiers.

(iii)Commercial system: industrial refrigeration equipment.

B. Industry Overview

(a) Industry situation and development

I. Electronics Cooling Divison

a. Brushless DC heat dissipation and ventilation fans, heat sinks, and thermal modules

Target markets of ventilation and heat dissipation components products are automotive electronics, high-end computing, industrial equipment and others. With the revolution of vehicle platforms, the IoT and the emergence of huge data markets, the demand for heat dissipation and ventilation of target market will continue to grow, so does highly customized support services and products, and high weatherability and reliability requirement. Relatively, the competition between cooling fan factories will become more intense, the integration of products and market front-end applications and global service capabilities will be the most important direction and goal in the future.

b. Living technology system

In the future, the smart living technology products will definitely become a trend; on the other hand, global warming, the quality of natural resources such as air and water is declining. The developed economies are paying more attention to the needs of health, quality of life and convenience. The company will combine these three development trends to adjust living technology products and commercial systems for water purification, air quality, energy saving and environmental protection in stages.

II. The relevance among the industry's upper, middle and downstream

The company's main product include: DC brushless cooling and ventilation fans, heat sinks and thermal modules, RO drinking machines for household living systems, water purifier machines, air purifiers, dehumidifiers. And ice wine machines for commercial systems, industrial use Refrigeration equipment.

The main sources of raw materials are plastic, silicone, steel, aluminum, copper, wires, terminals, enameled copper wires, bearings, PCB boards, and electronic parts; the upstream industries covered are the plastics industry, the steel industry, and the metal processing industry, semiconductor industry, electronic components industry, motor and compressor industry and LCD display industry. Summary of the relevance of the upper, middle and downstream of the different industry as follows:

(a) DC brushless cooling and ventilation fans

Upstream	Engineering plastics, silicon steel, cold rolled steel plate, copper, magnet, semiconductor, packaging paper
Midstream	Plastic molding and molds, stamping molding, silicon steel sheets, metal processing (including motor housings and shafts), permanent magnets, bearings including powder metallurgy and balls, wire and terminal group processing, enameled copper wires, electronic components, control substrates and PCBA, Packaging cartons and color boxes
The company	Fan blade, outer frame, motor, other processing, finished product
Downstream	Automotive electronics, high-end computing, industrial equipment, green energy and power electronic equipment, other systems

(b) Heat sinks and thermal modules

Upstream	Engineering plastics, copper, aluminum, cold-rolled steel plates, packaging paper, machine tools
Midstream	Plastic molding and molds, stamping molding, extrusion molding, heat conduction pipes, heat conduction materials, metal fasteners, nameplates, packaging paper, surface treatment including anode and electroplating
The company	CNC and automatic machining, semi-finished heat sink, finishing, heat pipe, heat sink and heat dissipation module finished product
Downstream	Automotive electronics, high-end computing, industrial equipment, green energy and power electronic equipment, other systems

(c) Household living systems & Commercial system

Upstream	Engineering plastics, silicon steel, cold-rolled steel plates, copper, magnets, semiconductors, display panels, packaging paper, meltblown non-woven fabrics, activated carbon
Midstream	Plastic molding and molds, stamping molding, metal processing including racks and storage buckets, bearings including powder metallurgy and balls, condensers and evaporators, copper pipes, wire and terminal group processing, enameled copper wires, motors, cooling fans, compression Machines, water pumps, electronic components, LCD modules, control and drive assembly PCBA, power supply substrates, metal fasteners, nameplates, packaging paper, surface treatment including powder and electroplating, food-grade silicone tubes, air filters, water filters.
The company	Smart vertical fan system, dehumidifier, water generator, air purifier, water purification system
Downstream	Foundry business: international brand customers Brand business: Consumers, include huge amount channels, distribution and new media Commercial systems: industrial systems, food service systems, medical air purification and water purification systems

III. Trend of product development

a. Brushless DC heat dissipation and ventilation fans, heat sinks, and thermal modules

The information electronics market has been fully developed due to the changes of the global economy and industry. With the enormous progress of information computing and network technology, the technology and service platforms provided by industries such as Cloud and Netcom, Automobiles, and Power supplies continue to innovate and develop. The demand of cooling fans and modules that fulfilled high-performance, high-environmental-resistance, and fast reacting to customer design and manufacturing needs have been continuously increasing.

(a) High-end computing

With the trend of huge data analysis, Internet of Things, and mobile computing, the demand for high-efficiency, long-life, and reliable cooling fans continues to increase. Applications include high-end servers/industrial computers, data centers, communications exchanges, and outdoor devices. Fan performance, stable reliability and life specifications continue to be improved; therefore, the product design and module development are required to be constantly updated to meet the needs of the industry.

(b) Automotive electronics industry

The automotive electronics industry is based on the high complexity of safety and the use environment, so its quality requirements are particularly high comparing with the general industry. Especially driven by the future development directions such as advanced driving assistance systems, Internet of Vehicles, new energy vehicles and unmanned driving, it will lead the automotive industry into the next generation of technology applications and become more and more in line with human nature. Therefore, the proportion of electronic components in vehicles is relatively increased. And the needs of the solutions for heat dissipation have been becoming more and more frequent. The demand for intelligent fans will lead the trend.

(c) Electric Power Industry

Electricity and power supply are the basic technologies for the sustainable development of the industry. With the continuous development of the green energy, the technology of power conversion and intelligent management has been developing rapidly. Applications include: photovoltaic/wind power inverters, converters, and high-efficiency power modules, inverter and charging station applied to intelligent manufacturing, automotive, and cloud & telecommunications industries. The demand for high-performance, high-reliability, energy-saving and noise-reducing cooling fans and modules has been continuously increasing.

b. Living technology system

In the development of the life technology system, the company is deploying in three directions:

(i) In terms of its private brand, with "quality water purification life" as the core, it actively develops RO drinking machine & water generator with the nature of "purification, convenience, and good life" to improve the product and market value with technology and aesthetics.

(ii) In the foundry business, the integration of core technologies is used to enhance the value of cooperative products and transform them into the main business axis. On this main axis, in addition to the well-known Japanese brands that have deepened the cooperation for many years, it also self-expands the cooperation customers and projects of the international life technology commercial system.

(iii) Implement M2C strategy and expand cooperation energy between new media and international marketing. On the existing basis, directly promote YS Tech's brand image, technology and products to consumers around the world.

IV. Market competition

a. Brushless DC heat dissipation and ventilation fans, heat sinks, and thermal modules

The company's main business focused in automotive electronics, high-end computing, industrial equipment and others. Although we are facing the technical competition of the first- and second-tier competitors in Asia, the company has flexible integrated technical support and service strategies, which provides customers customized RD products, and Total Thermal Solutions analysis, testing and countermeasures support services to the customer’s R&D teams worldwide, hence gaining a competitive advantage. The main competitors are Gentherm, SANYODENKI, NIDEC, NMB, EBM in Europe and Japan, and the domestic competitor, DELTA, in Taiwan. However, the company has built up a stable scale and foundation in the European automotive industry and high-end computing industry. In addition to the advantages of flexible services, the company aims for the great expanding in the US, Japanese and Chinese markets through the global supply chain effect of customers.

b. Living technology system

There are many domestic brands in the field of water purification. The company is the only one that based on the existing basis of well-known brands in water purification market, continues to combine advanced technologies such as RO, hollow fiber membrane, ultrafiltration and smart control to launch a series of drinking machine products that adopt differentiated strategy to compete with competitors such as INNOTRIO. Company has also integrated core technologies including “" hydrodynamic ", "thermodynamic analysis and heat dissipation solutions", "psychoacoustics and vibration analysis", "environmental purification and comfort", "phase change heat exchange technology" and "IoT and BLDC smart motor control technology", with a strong product ID industrial and aesthetic design team and MIT advantages, in the foundry business, it actively enhances the value of cooperative products with international brand customers and transforms it into the main business axis.

C. Overview of Technology and R&D

The company's core technology areas cover "hydrodynamic", "thermodynamic analysis and heat dissipation solutions", "psychoacoustics and vibration analysis", "environmental purification and comfort", "phase change heat exchange technology" and "IoT and BLDC smart motor control technology". In recent years, the company has integrated core technologies in various fields, and focusing on research and development in 5 major markets: automotive electronics, high-end computing, industrial equipment, high-quality water purification, and commercial living technology systems. The specific results are as follows:

In automotive electronics, high-end computing and industrial equipment, DC brushless cooling fans are particularly focused on high performance, high reliability and high electromagnetic compatibility. The company has conducted in-depth research in the direction of vibration reduction, noise reduction and smart control technology, and has continuously developing and mass-producing "noise reduction/vibration reduction asymmetric dynamic and static impellers", "mechanical active noise suppression", "vibration reduction fan", "vibration reduction composite overlapping high-performance fan", "LIN/CAM controlled smart cooling fan" and "low electromagnetic interfere control cooling fan". At the same time, the company also has patents in major economic regions around the world to enhance the competition threshold. Internally, we have successfully developed a smart automated process that meets the flexible production pattern to improve the quality and enhance the soft power of competition by improving the basic operations and technology.

In the application of living technology products, special emphasis is placed on the research, development and integration of energy efficiency, system ID, water and air quality filtration, heating and cooling, liquid volume control, smart interface and IoT control. In the development of private brand business, the company integrates the existing drinking machine market and products with smart interfaces such as water filtration, heating and cooling, and liquid volume control; by new ID, to innovatively launch a series of RO drinking machine systems and water purifier machine products that meet energy efficiency standards and have the properties of "purification, convenience, and good life". In ODM/OEM business, the company has integrated system ID and air quality technologies such as filtration, smart interface and IOT control to develop high-end air filtration equipment for Japanese customers, and also actively integrate water and air quality filtration, heating and cooling, liquid volume control, smart interface and IOT control to develop commercial equipment for international commercial system customers. Under the continuous development and active integration of core technologies, the company's living technology business is actively adjusting to the direction of high prices and high added value, with a view of laying a good foundation for global competition

Expenses on research and development over the past 2 years until the printing date of the annual report:

Units: NTD $ thousands

Year / Item	2021	2022	January to March, 2023
Research and development expenses	139,860	158,041	35,525
Operating Revenue	3,933,781	3,641,619	851,279
R&D expenses / Operating Revenue (%)	3.56%	4.34%	4.17%

D. Short-term and Long-term marketing development plan

1. Brushless DC heat dissipation and ventilation fans, heat sinks, and thermal modules
   a. Short term plan
      (a) Continue to develop the new project for target market.
      (b) Expand and increase the productivity of the automotive oriented production line
      (c) Expand the customer group of non- information electronic industry
      (d) Continue to develop the planning and the cooperation with the sales agent in the West china and the North china.
      (e) Setting the distribution and the agents around the worldwide to facilitate the expansion of the marketing channels.
      (f) Setting the distribution and the agents around the worldwide for the foreign business.

   b. Long term plan
      (a) Apply the new technology to production.
      (b) Develop the strategy cooperation partner.
      (c) Develop the energy- saving and cooling technology.

2. Living technology system

   Integrate core technologies including “hydrodynamic", "thermodynamic analysis and heat dissipation solutions", "psychoacoustics and vibration analysis", "environmental purification and comfort", "phase change heat exchange technology" and "IoT and BLDC smart motor control technology", and strong product ID industrial and aesthetic design team. In short-term, will focused on smart RO water purifier develop and produce. In the foundry business obtaining MIT advantages, by core technologies to expand global living technology system and international brand customers and enhances the value of cooperative products and transforms as the main business axis.

(2) Market, Production, and Sales

A. market analysis

1. Sales area of main products

Units: NTD $ thousands

Area \ Year		2020 Amount	2020 %	2021 Amount	2021 %	2022 Amount	2022 %
Domestic		1,761,149	52.85	2,093,614	53.22	1,710,495	46.97
Export	Asia	454,660	13.64	525,596	13.36	603,303	16.57
	America	179,900	5.40	169,781	4.32	223,874	6.15
	Europe	754,386	22.64	911,671	23.18	865,559	23.76
	Other	182,191	5.47	233,119	5.92	238,388	6.55
	Subtotal	1,571,137	47.15	1,840,167	46.78	1,931,124	53.03
Total		3,332,286	100.00	3,933,781	100.00	3,641,619	100.00

2. The supply and demand status and growth of the market in future

(1) Brushless DC heat dissipation and ventilation fans, heat sinks, and thermal modules

A. Supply and demand

Although the application of the cooling fan has been more than half a century, the application scope covers almost all industries and result in the highly development of the cooling fan and the module industry, and there have been more than hundred large and small cooling fan factories. However, due to the technology bottlenecks and the global economy influence, the market becomes matures, and the demand for the cooling fan becomes stable and concentrated. Under this trend, the cooling fan company is under the pressure of survival of the fittest. Those electronic cooling solution factories which are survived now have the ability to integrate the fan and module, the research development, and the service ability worldwide.

B. The future growth chance

Recently, there are two extremes development of the information product: large high-performance computing and ultra-thin portable information products still have the room to grow. Only the factories stand for the competitive roles which have the RD capabilities and the patent right. Besides, the demand for the cooling fan has been fluctuating with economy of the world for decades. In the past decade, due to the rapid growing of the information industry, the demand for the cooling fan increases rapidly. Although the demand of the fan in Taiwan is no longer increase rapidly.

In terms of supply and demand, due to the large number of emerging radiator fan factories in China and Taiwan, the current market is oversupplied, and the market mechanism of "survival of the fittest" will force the integration of radiator fan factories to achieve a balance between supply and demand.Since its establishment, the Company's ventilation and cooling business has created a differentiated competitive position in terms of business model and core technology compared to competitors, by developing advanced technology, research and development, and manufacturing services.

On the front-end ESG issues, our Taiwan factory has completed ISO 14064-1 carbon footprint certification and supports global customers to implement net-zero carbon emissions actions (such as: executing ocean recycling material programs, project tree programs, etc.). In terms of management and sustainable development, over the years, Yenshan Technology has strictly required IATF16949, ISO9001, ISO14001, and ISO45001 certifications from TUV International Certification Company in Germany, not only conforming to international quality and corporate social responsibility requirements in terms of quality, environmental protection, occupational safety and health, information security management, and other systems, but also committed to compliance in corporate governance and internal control management systems, and continuously improving investor relations management to establish a good foundation for steady operation in the company's sustainable development process.

The brand of 「Y.S.TECH」 have sales all over the world. Compare to the same type of manufactory, company has focus on the niche market. However, whether it is the growth opportunity brought by the supply or demand side, the supply chain disorder caused by the epidemic, war and trade barriers has caused obvious inflation and supply chain imbalance. Such exogenous variables constraining future growth will have fairly specific and unpredictable effects.

(2) Living technology system

A. Supply and demand

In order to bring the life experience of “safety, quality and hygiene” to the customers, the smart home appliance will become a trend in the future. In response to the air and water pollution, the health-related home appliance will be more popular in the market. The health, environmental protection and energy-saving household appliances are expected to contribution to the earth.

B. The future growth chance

In the future, we will focus on the high-tech appliances with high added value. To achieve the smart home internet connection will make life more convenient.

3.Niche of competitive

a. Brand image and popularity

Company promotes its own brand “Y.S.TECH” and is well-known as ventilation and cooling manufacture in global automotive electronic and high-end industrial markets. In Home Appliance, the excellent product performance, good quality and service are aiming Y.S Tech become leader manufacture in domestic air purifiers, dehumidifiers and water purification equipment and being the important partner of major international manufactures.

b. Strong R&D Team.

By core technologies including “hydrodynamic", "thermodynamic analysis and heat dissipation solutions", "psychoacoustics and vibration analysis", "environmental purification and comfort", "phase change heat exchange technology" and "IoT and BLDC smart motor control technology", and strong product ID industrial and aesthetic design team, company innovates and develops continually. In forward-looking research, project development and wisdom manufacturing technology, the strong R&D team innovates and develops continually, focus on improving quality and efficiency in production, the company’s strong competitiveness foundation are owed to hundreds of global patents.

c. Standing in European, United States market and expanding China automotive electronics market.
The company is approaching automotive market for years and being European automotive supplier, after several years’ cooperation, the product quality and performance are highly recognized by customer and become BMW and Daimler’s Tier 1 supplier. In addition, seeing strong demands in China automotive market, YS Tech penetrate China’s first tier automotive supply chain successfully with our impressive technology supporting and product to keep expand our market.

d. Product quality meets international standard.
In sustainable operation and development, the company has strictly required the certification of IATF16949, ISO9001, ISO14001, and ISO45001 by German TUV Rheinland for years, not only make sure quality, environmental protection, occupational safety and health, information security management is in line with international quality and social responsibility requirements, also committed to legal compliance in corporate governance and internal control management systems, and continuous improvement in investor relationship management, so as to lay a stable operating foundation in the process of sustainable development of the company.

4. Advantage, Disadvantage, and countermeasure of development prospect

I. Advantage

A. Strong R&D team and differentiated core technology
The company increase resources and manpower in research and development, constantly develops new products and expands new functions onto old products, by innovate and develop patented products to meet market needs. In addition to having a strong R&D team, the company can develop specifications that meet customer needs, and quickly respond to market changes, creating products with high added value and high margins. Therefore, high-quality products and strong R&D team have become favorable factors for the company's market competition.

B. Tier 1 supplier in the high-end automotive market
The company enters the Europe and America high-end automotive electronics market under the brand "Y.S. TECH". In addition to continuing develop the cooling fan and module requirements for future new cars with major manufacturers in the automotive supply chain, based on this basis the company can further enter China's high-end automobiles market and also prepares for the future demand for electronic devices in the global electric vehicle market. In addition, with the first-level supply chain

management model of global automakers, Y.S. Tech has established a competitive position in high-quality products and technical services in the global competitive market.

C. Good quality and keep innovate

The company adheres to the business philosophy of "zero defects in quality, maximum the efficiency, and always be innovation. " Makes customer satisfy and maintains a good cooperative relationship with upstream suppliers and downstream customers. Product development, process management and customer service quality of the whole group are certified by TUV Rheinland. The certification includes IATF16949, ISO9001, ISO14001, ISO45001. The company will continuously improve and innovate, in response to the changes in the global market and customer needs, and provides benefits for future market expansion and potential business opportunities.

D. The high-quality manufacturing service model of Taiwan and the division of labor with China.

The company's main manufacturing bases are distributed between Taiwan and China and continue to expand investment. Through the long-term planning of the manufacturing base, strategically formed the cooperation advantages of manufacturing and supply chain on the two sides. Which can effectively respond to changes in demand brought by the global economic environment, and provide customers with continuously competitive services. In addition, in the field of living technology systems, the manufacturing advantage of made in Taiwan not only forms a competitive advantage for the needs of the domestic market but also directly provides differentiated manufacturing services for foundry customers of international living technology systems.

E. Sound corporate governance and operation

Based on the competition in the global environment, the transparency and robustness of the company's operating information is an important cornerstone for establishing strategies and long-term cooperation with customers. The company is a publicly owned corporation in Taiwan, with its performance growing year by year, financial stability, and more emphasis on corporate governance and sustainable operations. Related business data, like large international clients and credit rating agencies such as Dun & Bradstreet Corporation, D&B, can be obtained through government websites or the database of credit rating agencies, and are updated and checked every year. It has established a good foundation of trust for the company's cooperation with international manufacturers.

II. Disadvantages and countermeasures

A. The post COVID-19 epidemic environment, Russo-Ukrainian War, trade sanction has caused imbalances in global production, sales, and supply chains

Due to the impact of the post COVID-19 epidemic environment developmant, Russo-Ukrainian war continues to escalate and trade sanctions, it caused global production and sales imbalances, rising raw material costs and shortages of transportation resources, Although the overall impact situation has significantly slowed down and under control, uncertainties such as significant changes in market demand, fluctuations in raw material prices and rising costs still remain high.

B. Labor imbalance and Inflation

As major economies have lifted their grasp of the COVID-19 epidemic; the major economies continue to propose economic stimulus plans, and the aforementioned factors have led to inflationary pressures, resulting in a persistent shortage of labor and rising labor costs.

C. Countermeasures:

(a) Shortage of IC, raw materials and rising costs
The company focuses on customized products, and long-term delivery orders will be provided in cooperation with suppliers. In addition, the problem of global supply chain imbalance and inflation has become a global general economic phenomenon. Therefore, the company communicates and negotiates with customers, by reaching a consensus on price adjustment or model conversion to respond. In terms of material shortage, although it will cause a certain degree of inventory increase, the short-term shortage of raw materials has a limited impact on operations. In the case of a shortage of raw materials, the company also has a relative priority to obtain the required materials. In terms of plastic raw material management, the company implements a dual-track system of unified purchase and supplier purchase to reduce the risk of changes in the cost of plastic raw materials.

(b) Labor shortage and rising costs
The automation of the company's factory has been greatly improved, and continually invest and enhance automated manufacturing capabilities to balance the problem of labor shortage.

B. Usage and production of main products

I. Usage of main products

(1) Brushless DC heat dissipation and ventilation fans, heat sinks, and thermal modules
The company provides all kinds of ventilation and thermal dissipation solutions. such as brushless DC cooling/ventilation fans, and thermal modules. The main supply of automotive information platforms, comfort and performance platforms; high-end industrial and power electronic equipment; high-end computing, information and Netcom, cloud computing, servers, storage; office equipment; household appliances; medical equipment; measuring instruments; other industrial equipment and other consumer products.

(2) Living technology

(i) Air Purifier
(1) Clean: 3 in 1 photocatalyst filter, UV lamp, deodorization box, HEPA filter, activated carbon filter, pre-filter; all kinds of products.

(2) Quiet design.
(3) Power saving design.

(ii) Water Dispenser
(1) The innovated steam water supply patented design makes the water completed boiled. It is qualified by the Consumer Council and BSMI to ensure healthy.
(2) Microcomputer intelligent dual water level detection can automatically supply hot and warm water, which provide you with the most convenient drinking water at any time.
(3) How much water is dispensing, how much to make up, that is keeping the water full to save power.
(4) The case is made of fireproof material, and the power is automatically cut off when dry boiling, which is safe and guard.
(5) Numbers of patented designs such as: raw water pre-heating power saving function, water empty sound and light warning, water cooling system, purification element, filter replacement, re-boiling dichlorination device etc.
(6) Energy saving certification

(iii) Smart RO Water Purifier & Water generator
(1) Combined with water filter material, air filter material, water molecule condensation module, IOT intelligent control module.
(2) The hot tank uses advanced material.
(3) Insulation material adopts UL fire protection standard.
(4) Re-boiling function. Hot water could reach up to 100℃.
(5) LED display water temperature.

(iv) Non-installation Hot and Warm Water Purifier
(1) TDS display of water quality.
(2) SUS304 hot and warm water tank.
(3) 4 steps filtration system.
(4) Detachable raw water tank is easy for taking water and cleaning purpose.

(v) Dehumidifier
(1) Slim design to save space.
(2) Rotary compressor: power saving, low noise and high dehumidification efficiency.
(3) Daily dehumidification capacity is 14L~32L.
(4) Power saving design.
(5) High/Low speed + air cleaning + auto defrosting device.

(vi) Ambient Air Water Generator
(1) Large water tank storage to 42L (upper tank 27L, lower tank 15L).
(2) Daily water production up to 37L.
(3) Whole machine with stainless steel structure (all tanks are made of stainless steel 304).
(4) 4 steps filtration system.
(5) Use Philips UV lamp for sterilization (sterilization rate is more than 99.9%, lamp life is 8000 hrs.)
(6) Non-pollution air filtration system.

(7) It is a large-capacity water production and high-efficiency air purification equipment.

(vii) Hot and Cold Air Water Generator

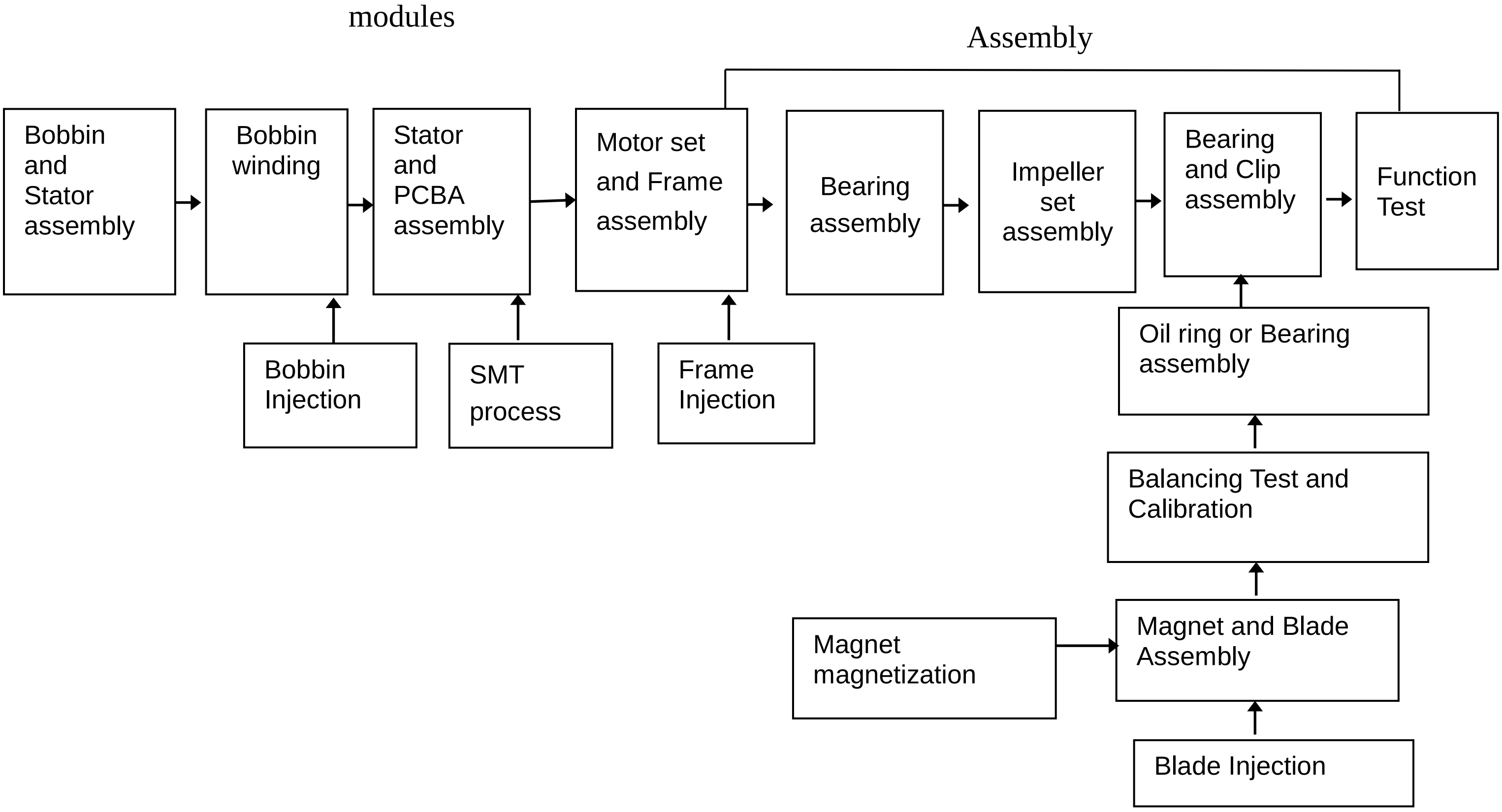
(1) Large water tank storage to 42L (upper tank 27L, lower tank 15L).
(2) Daily water production up to 37L.
(3) Whole machine with stainless steel structure (all tanks are made of stainless steel 304).
(4) 4 steps filtration system.
(5) Use Philips UV lamp for sterilization (sterilization rate is more than 99.9%, lamp life is 8000 hrs)
(6) Non-pollution air filtration system.
(7) Hot and Cold-water dispensing.
(8) It is a large-capacity water production and high-efficiency air purification equipment.

(vii) Liquor Chiller

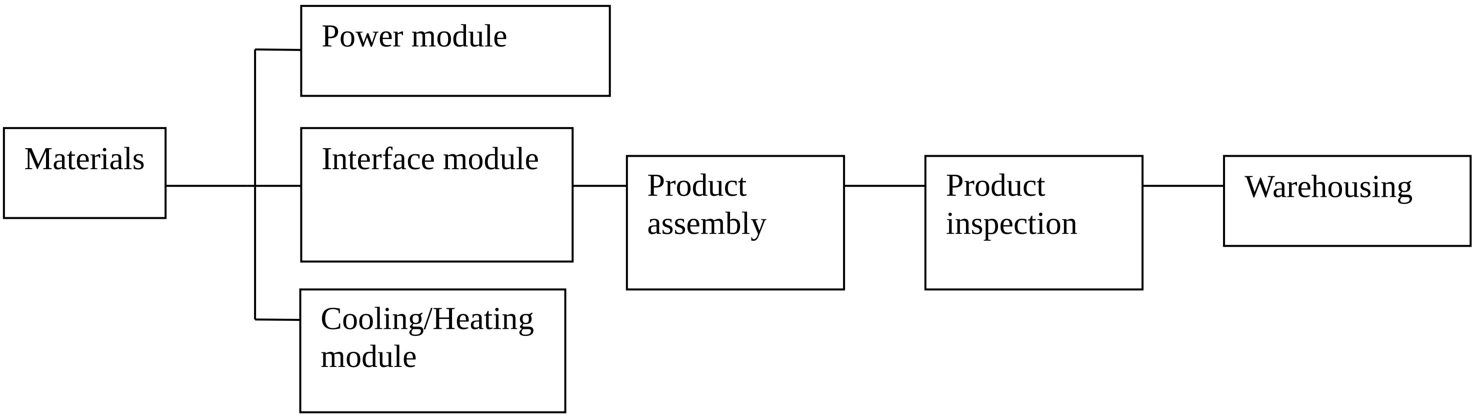
(1) High-efficiency freezing system to cool liquid rapidly
(2) Patented liquor supply device
(3) Patented stopper device
(4) Fully surrounded heat exchange patented design makes great freezing effect.

II. The production process of main products

(1) Brushless DC heat dissipation and ventilation fans, heat sinks, and thermal modules



(2) Living technology



C. Supply of the important materials

The company's main raw materials are electronic materials, metal materials, plastic materials, etc.

The supply has not changed much in the past three years. There are a number of raw material suppliers worked closely with company for a long time and have stable supply sources.

Major Material	Main suppliers (Domestic)	Main suppliers (Export)	Condition of supply
Bearing assembly	EP0111	—	Stable
compressor	HPE066	HPE054	Stable
IC	EP0028	EP0131	Stable
Printed circuit board	EP0011	DP0032	Stable
Blade、Frame	EP0144	DP0004	Stable

D. Major Suppliers/Customers List Accounting in recent 2 years

(a) Sales

Units: NT$ thousands; %

	2021				2022			
Item	Name	Amount	% of Total Sales	Relation with issuer	Name	Amount	% of Total Sales	Relation with issuer
1	EF0100	909,901	23.13	—	EF0100	863,629	23.72	—
2	EF0005	740,752	18.83	—	EF0005	439,735	12.08	—
	Others	2,283,127	58.04	—	Others	2,338,255	64.20	—
	Net sales	3,933,781	100.00	—	Net sales	3,641,619	100.00	—

Explanation of increase or decrease: The net sales of 2022 decreased compared with 2021, the major customers in the recent 2 years changed bearly.

(b) Purchase

The company’s main supplier changed in the last two years due to changes in product structure. The product structure fluctuates due to orders placed by customers in different industries, resulting in different main suppliers in recent 2 years. In addition, there is no purchase which is more than 10% from a single supplier.

E. Production value in the most recent two years

Units: NT$ thousands; thousand unit

Year / Main Products		2021			2022		
		Production capacity	Quantity	Value	Production capacity	Quantity	Value
Electronics Cooling Divison	Cooling fan and thermal module	36,600	30,663	2,666,022	36,600	24,328	2,361,336
Home Appliances Division	Air series	400	260	384,208	400	278	438,842
	Water series		88	207,669		91	243,112
	Others		20	24,320		20	16,481
	Subtotal	400	368	616,197	400	389	698,435
Total		37,000	31,031	3,282,219	37,000	24,717	3,059,771

F. Sales value in the most recent two years

Units: NT$ thousands; thousand unit

Year / Main Products		2020				2021			
		Domestic		Export		Domestic		Export	
		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Electronics Cooling Divison	Cooling fan and thermal module	5,806	565,707	23,718	2,596,299	4,370	416,312	19,881	2,393,464
	Others	-	36,142	-	3,766	-	21,272	-	6,625
	Subtotal	5,806	601,849	23,718	2,600,065	4,370	437,584	19,881	2,400,089
Home Appliances Division	Air series	288	392,677	20	51,023	285	449,228	18	56,751
	Water series	90	236,052	-	-	84	255,208	-	-
	Others	276	43,158	5	8,957	146	40,823	21	1,936
	Subtotal	654	671,887	25	59,980	515	745,259	39	58,687
Total		6,460	1,273,736	23,743	2,660,045	4,885	1,182,843	19,920	2,458,776

(3) Human Resources

Unit: Persons; %

Year		2021	2022	As of March 31,2023
Number of Employees	Direct Staff	521	473	632
	Indirect Staff	521	519	545
	Total	1,042	992	1,177
Average Age		35.56	36.42	36.04
Average Year of Service		4.49	4.82	5.00
Degree Distribution Ratio (%)	Ph.D.	0.19%	0.20%	0.17%
	Masters	3.17%	3.33%	2.72%
	College	28.50%	32.26%	26.93%
	Senior High School	37.24%	35.58%	31.78%
	Under Senior High School	30.90%	28.63%	38.40%

(4) Disbursements for environmental protection

A. In the most recent year and up to the date of publication of the annual report, the total amount of losses and punishments due to environmental pollution: None.

B. Future countermeasures and possible expenditures: None.

C. The company's products are directly or indirectly exported to Europe or related to the EU Environmental Protection Directive (RoHS) related specifications:

(a) The company's progress in response to the EU Environmental Protection Directive (RoHS) is 100%.

(b) New models of the company's main products need to pass the SGS test, obtain the laboratory certification and sign a non-use guarantee for environmentally related substances with upstream and downstream manufacturers. The current acquisition rate is 100%.

D. The company's main plant and produce equipment are located in Renwu Kaohsiung, Guantian Tainan, Hengli Town and Dongkeng Town of Dongguan Mainland China. Normally, environmental protection will be listed as important issue; if problems occurs, they will be improved immediately. And existing equipment will be inspect, in order to give employees and nearby residents a good working and living environment. In addition, the company's products are mostly assembled during the production process, so it will not produce pollution and waste.

(5) Labor relations

A. Remuneration **policy：**

With consideration of the market trend and the operational conditions, the Company has established the remuneration policy that is incentive to the employees and competitive in the industry.

(a) To develop and establish a remuneration policy that is fair, reasonable, and equal for each employee.

(b) To establish remuneration policy based on the condition of supply anddemand on the labor market.

(c) To “use” the talent appropriately and reach job objectives with their professional competence.

B. Employees’ welfare

The company established the "Employee Welfare Committee" to regularly organize various cultural and recreational activities and handle various welfare affairs.

The required welfare measures and implementation are as follows:

(a) All employees are required to participate in labor insurance and national health insurance.

(b) The company provides staff working suit and uniforms.
(c) Implement labor retirement measures.
(d) Employees are given leave in accordance with the Labor Law in case of marriage, funeral and so on that accroding.
(e) New Year bonus (Spring Festival, Labor Day, Dragon Boat Festival, Mid-Autumn Festival) and irregular employee dinners, year-end party and spring feast.
(f) Birthday welfare products, etc.
(g) Set up friendly childcare environment measures for employees to breastfeed or breastfeeding milk collection rooms.

The above-mentioned welfare measures are currently in implemented witgh good condition. In the future, we will cooperate with laws, social conditions and changes of the company's operating conditions to make appropriate corrections.

C. Policy for training and professional development:
(a) Before the end of the year, according to the employee education and training methods, each department should propose the internal and external training courses for the department’s personnel in the following year. HR department collects the company-wide information and training on time to improve the professional skills of staff in each department.
(b) Encourage employees to continue their on-the-job training in various colleges and universities, and according to their course give them flexibility to work time.
(c) The situation in which personnel related to financial information transparency obtain relevant certificates:
    (i) Republic of China accountant license: 2 persons in the Operation Management Dep.

D. Pension system and practice
(a) The Company’s pension system and guidelines for pension plans have been established according to Labor Standard Act (old version), and employees’ pension is allocated to a designated account of Taiwan Bank. The amount of pension afforded by the employee is calculated according to the base number for service years and the average salary within 6 months before the retirement. Each employee gets two base points for working every one year for the first 15 years after entering. the Company and 1 base point for each, and forty-five is the maximal number.
(b) The Company adopted Labor Pension Act on July 1, 2005. The Defined Contributed Pension Plan (the new version) is adopted, and job tenure is traced back for service years before the above-mentioned provisions. The Monthly Contribution Wages Classification of Labor Pension is adopted, and 6% of the employee’s monthly wage is allocated to the personal account for Bureau of Labor. The employee can allocate an additional amount within 6% of the monthly wage to the personal pension fund.
(c) Qualifications for Employee Retirement Applications:
    (i) An employee of the Company who meets any one of the following conditions shall be subject to compulsory retirement:
        (1) The employee is aged 65 or older.
        (2) The employee is mentally or physically incapacitated such that he or she is unable to perform his or her work duties.
    (ii) An employee of the Company who meets any one of the following conditions may apply for voluntary retirement:
        (1) The employee has worked at the Company for 25 years or longe
        (2) The employee has worked at the Company for 15 years or longer and is aged 55 or older.

E. Measures to protect employees’ rights:
The company always adhered to the basic concepts of "integration of labor and

management" and "coexistence and common prosperity". It has cultivated recognition and consensus on the continuation of company survival and long-term development, and appropriately explained the difficulties and problems faced by the company and expressed the company's position and decision ben made, so that employers and employees both can be treated fairly and establish a stable, harmonious relationship.

F. Describe any loss suffered by the company due to labor disputes in the most recent two fiscal years and in the current fiscal year up to the date of publication of the prospectus, and disclose an estimate for the amount of losses that have been incurred to date and may be incurred in the future, as well as response measures. If a reasonable estimate cannot be made, explain why not: None.

G. The company's employee service codes

The company has established complete regulations to regulate employees' code of conduct on work ethics, protection of business secrets, work order, etc., as follows:

(a) Work ethics

(i) Working rules: There are special regulation for preventing sexual harassment.

(ii) Measures for prevention and control of sexual harassment in the workplace: In accordance with relevant government laws and regulations, a dedicated person is responsible for and continues to publicize to take preventive, corrective and punitive measures for harassment incidents.

(b) Regarding business secrets

(i) Working rules: There are special regulation to regulate the maintenance of official secrets.

(ii) Employee confidentiality contract: every new entrant must sign.

(c) Workplace order

In the work rules, attendance, reward and punishment, performance and other relevant regulations are clearly stipulated.

(6) Information Security Management

A. Information security risk management frame, information security policy, specific management plans, and resources invested in information security management, etc.:

(a) Information security risk management frame

The company set up an "Information Security Implementation Committee" with general manager as the convener. The members include the members of the information room and supervisors of all first-level units. Meeting is held every six months to review information security management-related matters and report regularly to the Board of Directors.

(b) Information Security Policy

In order to strengthen information security management, the company ensures the confidentiality, integrity and availability of its information assets, provides the environment and structure required for the operation of the company's information; and complies with the requirements of relevant laws and regulations to protect it from internal and external Intentional or accidental threats. The formulated information security policy is approved by the general manager and evaluated every six months or re-evaluated when the organization has major changes. According to the evaluation results, appropriate revisions will be made as necessary.

(c) Specific management plans

(i) uthorization control: All application systems and fileservers must be applied and approved before permission is granted for access. Unauthorized personnel will not be able to access.

(ii) Information equipment control: The use of USB devices is prohibited.
(iii) Network control: Access to cloud storage and the implementation of network firewalls are prohibited.
(iv) E-mail control: A secure mechanism is established to control e-mail transmission.
(v) Antivirus software: Legal antivirus software is used, and virus codes and scanning engines are regularly updated.
(vi) Internal environment inspection: In May of 2022, the Company commissioned a technical service team to conduct vulnerability testing on the mainframe system and penetration testing on the internal network. Adjustments were made to software or hardware with vulnerabilities or high risk; moreover, a retest was performed to ensure that vulnerabilities were patched and the Company's information security was effectively enhanced.
(vii) Asset inventory plan: In August of 2022, the Company conducted asset inventory through antivirus software; a total of 151 computers and their installed software were audited.

(d) Invest resources in security management
The company's 2022 and 2023 estimated capital expenditure and maintenance costs for investment through safety management are about NT $1,500 thousand.

B. Information security incident handling and notification:
In the 2022 and as of the date of publication of the annual report, the Company had no financial loss, operational impact and countermeasures due to major information security incidents.

(7) Important Contracts

Types of contract	Involved parties	Starting date and expiration date of contract	Major content	Restrictions
Mid /Long-term loan	First Commercial Bank	July 26, 2021 – July 26, 2034	Bank loan contracts for operational needs.	None
Mid/ Long -term loan	Bank of Taiwan	February 15, 2023 - February 15, 2033	Bank loan contracts for operational needs.	None
Mid-term loan	Taiwan Cooperative Bank	October 2, 2019 - October 2, 2024	Bank loan contracts for operational needs.	None
Mid-term loan	Mega Bank	February 21, 2022 – February 20, 2029	Bank loan contracts for operational needs.	None
Mid-term loan	Chang Hwa Bank	December 31, 2022 - December 30, 2027	Bank loan contracts for operational needs.	None

6. Overview of the company’s financial status

(1) Condensed Balance Sheet and Statements of Comprehensive Income for the last 5 years

A. Presented in the format of International Financial Report Standard

(i) Simplified Parent-Company Only balance sheet—presented in the format of International Financial Report Standard

Units: NT$ thousands

Item \ Year		Financial Summary for the last five years (Note 1)					In the current year up to March 31, 2023
		2022	2021	2020	2019	2018	
Current Assets		1,280,435	1,490,272	1,336,779	1,338,602	1,272,918	N/A
Property, plant and equipment		608,606	557,191	552,748	548,418	538,190	
Intangible assets		4,290	5,053	2,867	3,393	4,217	
Other assets		723,128	545,927	253,864	106,891	98,172	
Total assets		2,616,459	2,598,443	2,146,258	1,997,304	1,913,497	
Current liabilities	Before distribution	609,871	683,229	723,426	714,875	703,776	
	After distribution	(note 2)	835,566	826,957	714,875	703,776	
Non-current liabilities		730,295	707,682	350,783	338,300	340,999	
Total liabilities	Before distribution	1,340,166	1,390,911	1,074,209	1,053,175	1,044,775	
	After distribution	(note 2)	1,543,248	1,177,740	1,053,175	1,044,775	
Equity attributable to the parent company		1,276,293	1,207,532	1,072,049	944,129	868,722	
Capital stock		701,669	697,869	697,869	697,869	678,357	
Capital surplus		164,367	157,151	119,761	119,761	114,729	
Retained earnings	Before distribution	396,165	343,402	248,346	109,353	63,523	
	After distribution	(note 2)	191,065	144,815	109,353	63,523	
Other equities		25,865	20,883	17,846	17,146	12,113	
Treasury stock		(11,773)	(11,773)	(11,773)	–	–	
Non-controlling equity		–	–	–	–	–	
Total equity	Before distribution	1,276,293	1,207,532	1,072,049	944,129	868,722	
	After distribution	(note 2)	1,055,195	968,518	944,129	868,722	

Note 1: Financial information has been certified by CPAs; the Q1 individual financial statements of 2023 is exempt from preparing.

Note 2: The distribution of earnings in 2022 hasn’t adopt by the shareholders’ meeting yet.

(ii) Simplified Consolidated balance sheet—presented in the format of International Financial Report Standard

Units: NT$ Thousands

Item \ Year		Financial Summary for the last five years (Note 1)					In the current year up to March 31, 2023(Note2)
		2022	2021	2020	2019	2018	
Current Assets		1,850,344	2,081,039	1,812,071	1,631,894	1,655,889	N/A
Property, plant and equipment		735,080	691,895	660,639	640,924	595,747	
Intangible assets		4,531	5,238	3,118	3,702	4,217	
Other assets		386,156	281,122	190,637	168,057	58,877	
Total assets		2,976,111	3,059,294	2,666,465	2,444,577	2,314,730	
Current liabilities	Before distribution	986,313	1,132,196	1,135,956	1,061,022	1,101,192	
	After distribution	(Note3)	1,284,533	1,239,487	1,061,022	1,101,192	
Non-current liabilities		713,505	719,566	458,460	439,426	344,816	
Total liabilities	Before distribution	1,699,818	1,851,762	1,594,416	1,500,448	1,446,008	
	After distribution	(Note3)	2,004,099	1,697,947	1,500,448	1,446,008	
Equity attributable to the parent company		1,276,293	1,207,532	1,072,049	944,129	868,722	
Capital stock		701,669	697,869	697,869	697,869	678,357	
Capital surplus		164,367	157,151	119,761	119,761	114,729	
Retained earnings	Before distribution	396,165	343,402	248,346	109,353	63,523	
	After distribution	(Note3)	191,065	144,815	109,353	63,523	
Other equities		25,865	20,883	17,846	17,146	12,113	
Treasury stock		(11,773)	(11,773)	(11,773)	—	—	
Non-controlling equity		—	—	—	—	—	
Total equity	Before distribution	1,276,293	1,207,532	1,072,049	944,129	868,722	
	After distribution	(Note3)	1,055,195	968,518	944,129	868,722	

Note 1: Financial information has been certified by CPAs.

Note 2: As of the printed dat of Annual report, haven't obtain Q1 financial reports for 2023 which been audited or reviewed by CPA.

Note 3: The distribution of earnings in 2022 hasn’t adopt by the shareholders’ meeting yet.

(iii) Simplified Parent-Company only comprehensive income sheet—presented in the format of International Financial Report Standard

Units: NT$ Thousands

Year / Item	Financial Summary for the last five years (Note)					In the current year up to March 31, 2023
	2022	2021	2020	2019	2018	
Operating revenue	3,279,699	3,665,986	3,106,456	2,930,653	2,539,242	N/A
Gross profit	523,438	516,498	359,826	397,697	383,320	
Operating profit or loss	132,589	133,528	16,140	63,697	57,991	
Non-operating revenue and expense	100,857	93,534	128,249	9,763	(67,930)	
Net profit before tax	233,446	227,062	144,389	73,460	(9,939)	
Net profit of continuing department	194,421	197,066	139,402	50,466	(31,551)	
Loss of discontinued department	—	—	—	—	—	
Net profit (loss)	194,421	197,066	139,402	50,466	(31,551)	
Other comprehensive income (after tax)	15,661	4,558	291	397	3,135	
Total comprehensive income	210,082	201,624	139,693	50,863	(28,416)	
Net profit (loss) attributable to parent company	194,421	197,066	139,402	50,466	(31,551)	
Net profit (loss) attributable to non-controlling equity	—	—	—	—	—	
Total comprehensive income attributable to parent company	210,082	201,624	139,693	50,863	(28,416)	
Total comprehensive income attributable to non-controlling equity	—	—	—	—	—	
EPS (NT$)	2.80	2.86	2.01	0.73	(0.47)	

Note: Financial information is verified by CPA; the Q1 individual financial statements of 2023 is exempt from preparing.

(iv) Simplified Consolidated comprehensive income sheet—presented in the format of International Financial Report Standard

Units: NT$ Thousands

Year / Item	Financial Summary for the last five years (Note1)					In the current year up to March 31, 2023 (Note 2)
	2022	2021	2020	2019	2018	
Operating revenue	3,641,619	3,933,781	3,332,286	2,986,079	2,569,289	
Gross profit	662,081	695,530	605,549	534,153	515,549	
Operating profit or loss	173,190	229,098	182,839	70,809	95,749	
Non-operating revenue and expense	72,510	14,783	(5,252)	5,900	15,472	
Net profit before tax	245,700	243,881	177,587	76,709	111,221	
Net profit of continuing department	194,421	197,066	139,402	50,466	83,174	
Loss of discontinued department	—	—	—	—	(114,725)	—
Operating revenue	194,421	197,066	139,402	50,466	(31,551)	
Other comprehensive income (after tax)	15,661	4,558	291	397	3,135	N/A
Total comprehensive income	210,082	201,624	139,693	50,863	(28,416)	
Net profit (loss) attributable to parent company	194,421	197,066	139,402	50,466	(31,551)	
Net profit (loss) attributable to non-controlling equity	—	—	—	—	—	—
Total comprehensive income attributable to parent company	210,082	201,624	139,693	50,863	(28,416)	
Total comprehensive income attributable to non-controlling equity	—	—	—	—	—	—
EPS (NT$)	2.80	2.86	2.01	0.73	(0.47)	

Note 1: Financial information has been certified by CPAs.
Note 2: As of the printed dat of Annual report, haven't obtain Q1 financial reports for 2023 which been audited or reviewed by CPA.

(v) Names of CPAs in the most recent 5 years and audit opinion

Year	Accounting Firm	CPA	Audit Opinion
2018	KPMG Taiwan	PO-JEN YANG, KUO-TSUNG CHEN	unqualified opinions
2019	KPMG Taiwan	PO-JEN YANG, KUO-TSUNG CHEN	unqualified opinions
2020	KPMG Taiwan	PO-JEN YANG, KUO-TSUNG CHEN	unqualified opinions
2021	KPMG Taiwan	PO-JEN YANG, CHEN-LUNG, HSU	unqualified opinions
2022	KPMG Taiwan	CHEN-LUNG, HSU, YUNG-HSIANG, CHEN	unqualified opinions

(2) Financial analysis for the last 5 years

A. International Financial Report Standard

(a) Parent-Company only Financial Analysis

Units: NT$ Thousands

Item	Year	Financial Analysis for the last five years (Note 1)					In the current year up to March 31, 2023
		2022	2021	2020	2019	2018	
Financial structure %	Liabilities to total assets	49.57	52.05	50.08	52.73	54.60	N/A
	Long-term fund to property, plant and equipment	315.66	329.31	257.41	233.84	224.78	
Insolvency %	Current ratio	209.95	218.12	184.78	187.25	180.87	
	Quick ratio	144.90	146.78	138.10	133.36	125.62	
	Times Interest Earned	2,789.78	3,165.51	1,934.21	876.37	(42.19)	
Utility	Receivables turnover (time)	4.01	4.46	4.17	4.12	4.18	
	Average number of days receivables outstanding	91.02	81.84	87.53	88.59	87.32	
	Inventory turnover (time)	7.94	10.52	10.88	8.73	8.07	
	Payables turnover (time)	5.37	5.93	5.72	6.90	7.36	
	Average number of days of sales	45.97	34.70	33.55	41.81	45.23	
	Property, plant and equipment turnover (time)	5.63	6.61	5.64	5.39	5.55	
	Total assets turnover (time)	1.30	1.57	1.50	1.50	1.44	
Profitability	ROA (%)	7.98	8.71	7.03	2.98	(1.46)	
	ROE (%)	15.65	17.29	13.83	5.57	(3.63)	
	Income before tax to paid-in capital (%)	33.27	32.54	20.69	10.53	(1.47)	
	Profit margin (%)	5.93	5.38	4.49	1.72	(1.24)	
	EPS (NT$)	2.80	2.86	2.01	0.73	(0.47)	
Cash flow	Cash flow ratio (%)	70.17	-	25.31	25.61	-	
	Cash flow adequacy ratio (%)	66.61	36.33	65.37	27.99	7.20	
	Cash flow reinvestment ratio (%)	12.68	(7.07)	4.53	11.59	(2.73)	
Leverage	Operating leverage	23.37	26.15	183.59	43.33	40.66	
	Financial leverage	1.07	1.06	1.95	1.17	1.14	

Note 1: Financial information of each year has been certified by CPAs; the Q1 individual financial statements of 2023 is exempt from preparing.

(b) Consolidated Financial Analysis

Units: NT$ Thousands

Item		Financial Analysis for the last five years(Note1) 2022	2021	2020	2019	2018	In the current year up to March 31, 2023
Financial structure %	Liabilities to total assets	57.12	60.53	59.80	61.38	62.47	N/A
	Long-term fund to property, plant and equipment	270.69	278.52	231.67	215.87	203.70	
Insolvency %	Current ratio	187.60	183.81	159.52	153.80	150.37	
	Quick ratio	103.54	98.84	95.64	88.24	83.53	
	Times Interest Earned	1,900.79	1,948.56	1,365.86	574.83	68.72	
Utility	Receivables turnover (time)	4.18	4.57	4.34	4.11	3.98	
	Average number of days receivables outstanding	87.32	79.869	84.10	88.81	91.70	
	Inventory turnover (time)	3.05	3.51	3.64	3.42	3.11	
	Payables turnover (time)	3.45	3.57	3.39	3.65	3.77	
	Average number of days of sales	119.67	103.99	100.28	106.73	117.36	
	Property, plant and equipment turnover (time)	5.10	5.82	5.12	4.83	5.05	
	Total assets turnover (time)	1.21	1.37	1.30	1.25	1.21	
Profitabilit	ROA (%)	6.80	7.25	5.89	2.66	(1.06)	
	ROE (%)	15.65	17.29	13.83	5.57	(3.63)	
	Income before tax to paid-in capital (%)	35.02	34.95	25.45	10.99	(0.52)	
	Profit margin (%)	5.34	5.01	4.18	1.69	(1.23)	
	EPS (NT$)	2.80	2.86	2.01	0.73	(0.47)	
Cash flow	Cash flow ratio (%)	45.53	-	31.81	21.61	-	
	Cash flow adequacy ratio (%)	75.07	60.31	79.43	47.95	30.83	
	Cash flow reinvestment ratio (%)	12.27	(4.32)	18.28	12.96	(2.39)	
Leverage	Operating leverage	19.26	15.88	17.00	37.85	23.68	
	Financial leverage	1.09	1.06	1.08	1.30	1.13	

Explanation of reasons for changes in each financial rate in the most recent two years: (no analysis is necessary when the ratio of change is under 20%)

Solvency：No increase or decrease by more than 20% in the past 2 years.

Profitability：No increase or decrease by more than 20% in the past 2 years.

Cash Flow：

1.The increase in Cash flow ratio is mainly due to the decrease in inventories this year, resulting in cash inflow in the current period.
2.The increase in cash flow adequacy ratio was due to the increase in net cash flow from operating activities in the last five years.
3.The increase in cash flow reinvestment ratio was mainly due to a significant increase in cash inflows from operating activities compared to 2021.

Leverage: The increase in operating leverage is due to the decrease in operating net profit of the current period.

Note 1: Financial information has been certified by CPAs

Note 2: As of the printed dat of Annual report, haven't obtain Q1 financial reports for 2022 which been audited or reviewed by CPA.

Note 3: Formula illustration:

I. Financial structure
   (i) Liabilities to total assets =Total liabilities/total assets
   (ii) Long-term capital to property, plant and equipment= (total equity + non-current liabilities) /property, plant and equipment, net

II. Insolvency
   (i) Current ratio=current assets/current liabilities
   (ii) Quick ratio= (current assets-inventory-prepayment)/current liabilities
   (iii) Times Interest Earned = income tax and interest expenses net income before income tax /interest expenses in the current period

III. Business performance
   (i) Receivables (including accounts receivable and notes receivable resulting from operation) turnover = net sales / balance (gross) of average accounts receivable (including accounts receivable and notes receivable resulting from operation)
   (ii) Average number of days receivable outstanding = 365 /accounts receivable turnover
   (iii) Inventory turnover=sale cost/average inventory
   (iv) Payables (including accounts payable and notes payable resulting from operation) turnover = net sales / balance (gross) of average accounts payable (including accounts payable and notes payable resulting from operation)
   (v) Average number of days of sales=365/inventory turnover
   (vi) property, plant and equipment turnover=net sales/average property, plant and equipment, net
   (vii) Total assets turnover rate = net sales/average total assets

IV. Profitability
   (i) ROA = [income after income tax + interest expense*(1-tax rate)]/average total assets.
   (ii) ROE = Income after income tax/average total equity
   (iii) Profit margin = Income After income tax/net sales
   (iv) Earnings per Share = (income attributable to parent company – dividends from preferred shares)/weighed average quantity of outstanding shares

V. Cash flow
   (i) Cash flow ratio=Net cash flow from operating activities/current liabilities
   (ii) 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
   (iii) 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)

VI. Leverage:
   (i) Operatingleverage=(Net operating revenue-changed operating costs and expenses)/operating income
   (ii) Financial leverage=Operating income/ (operating income-interest expenses)

Note 4: The calculation formula of earnings per share should pay special attention to the following matters when measuring:

I. Based on the number of weighted average ordinary shares, not the number of outstanding shares at the end of the year.

II. For cash capital increase or treasury stock trading, the weighted average number of shares shall be calculated considering its circulation period.

III. For capital increase from surplus or capital reserve, when calculating the earnings per share in previous years and half-years, retrospective adjustments should be made according to the capital increase ratio, regardless of the issuance period of the capital increase.

IV. If the preferred shares are non-convertible cumulative preferred shares, the dividends for the current year (whether will be issued or not) should be deducted from the after-tax net profit or increased by the after-tax net loss. If it belongs to non-cumulative preferred shares, when there is a net profit after tax, the preferred shares dividend shall be deducted from the net profit after tax; if it is loss, there is no need to adjust it.

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

I. Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.

II. Capital expenditure refers to the annual cash outflow for capital investment.

III. The increase in inventory is only included when the closing balance is greater than the opening balance. If the inventory at the end of the year decreases, it will be calculated as zero.

IV. Cash dividends include cash dividends on ordinary shares and preferred shares.

V. Gross amout of real estate, plant and equipment refers to the total real estate, plant and equipment before accumulated depreciation.

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

(3) Audit Committee’s Review Report

YEN SUN TECHNOLOGY CORP.

2022 Audit Committee’s Review Report

The Board of Directors has prepared the Company’s 2022 Business Report, individual and consolidated financial reports and proposal for allocation of earnings, which have been reviewed and determined to be correct and accurate by the Audit Committee members of YEN SUN TECHNOLOGY CORP.

According to relevant Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

YEN SUN TECHNOLOGY CORP. 2023 Annual Shareholders’ Meeting

Chair of the Audit Committee：*Wun-Ba, Li*
March 8, 2023

(4) Parent-company-only financial statements for the years ended December 31, 2022 and 2021, and independent auditors' report

Independent Auditors' Report

To the Board of Directors
YEN SUN TECHNOLOGY CORP.:

Opinion

We have audited the financial statements of YEN SUN TECHNOLOGY CORP. (the Company"), which comprise the balance sheets as of December 31, 2022 and 2021, the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2022 and 2021, and notes to the financial statements, including a summary of significant accounting policies.
In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit of the financial statements for the year ended in December 31, 2022 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have judged the matters described below to be the key and it matters to be communicated in our report.

1. Loss allowance of accounts receivable

Please refer to Note 4(6) for significant accounting policies on loss allowance of accounts receivable and Note 5(1) for significant accounting assumptions and judgment, and major sources of estimation uncertainty. Information regarding the loss allowance of accounts receivable is shown in Note 6(4) of the financial statements.

Description of key audit matter:

The Company selling cross-industry products and giving some customer longer credit term. The management has subjective and significant judgments with the loss allowance of receivables. Therefore, this is one of the key areas our audit focused on.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included testing the Company's internal control activities related to collection and inspecting the collection records after balance sheet date; inspecting and analyzing the receivable aging report; understanding the assumptions made by the management and the industrial credit status, and considering the adequacy of the Company's disclosures in the accounts in order to evaluate the appropriateness of loss allowances recognized under default risk and expected credit loss model.

2. Valuation of inventory

Please refer to Note 4(7) for significant accounting policies on inventories and Note 5(2) for significant accounting assumptions and judgment, and major sources of estimation uncertainty. Information regarding the inventory is shown in Note 6(6) of the financial statements.

Description of key audit matter:

The sales of Yen Sun Technology is affected by the selling seasons and consumers preference of products in the home appliance division, and the demand fluctuation of the automotive market and electronic information product in the heat sink division. Therefore, the sale fluctuate greatly may result in the book value of inventory exceeds its net realizable value. In addition, the subjective judgment of the management involves the relevant inventory valuation, so the inventory valuation is one of the important evaluation matters for the accountant to audit the Company's financial statement.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included analyzing the changes of inventory turnover; evaluating the rationality of the Company's accounting policies, such as the policy of provision for inventory valuation and obsolescence; understanding the selling prices adopted by the management for evaluating the rationality of net realizable value of inventories, evaluating the appropriateness of provision and the adequacy of the Company's disclosures in the accounts made by the management.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going

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

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.
The engagement partners on the reviews resulting in this independent auditors' review report are: Yung-Hsiang, Chen and Chen-Lung, Hsu.

KPMG

Kaohsiung, Taiwan (the Republic of China)

March 8, 2023

<u>Notes to Readers</u>

The accompanying parent-company-only financial statements are intended only to present the statement of financial posit ion, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standard s, procedures and practices to audit such parent-company-only financial statements are those generally accepted and applied in the Republic of China.
The independent auditors' audit report and the accompanying parent-company-only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors 、audit report and parent-company-only financial statements, the Chinese version shall prevail.

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

YEN SUN TECHNOLOGY CORP.

Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2022 Amount	%	December 31, 2021 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(1))	$ 130,519	5	90,417	3
1151	Notes receivable, net (note 6(4) and (21))	24,996	1	26,141	1
1170	Accounts receivables, net (note 6(4) and (21))	623,637	24	788,780	30
1180	Accounts receivable due from related parties (notes 6(4),(21) and 7)	86,706	3	86,754	3
1210	Other receivables due from related parties (notes 6(5) and 7)	157	-	336	-
130X	Inventories, net (note 6(6))	338,897	13	355,537	14
1476	Other current financial assets (notes 6(5) and 8)	18,551	1	15,977	1
1479	Other current assets (notes 6(11) and 7)	56,972	2	126,330	5
	Total current assets	1,280,435	49	1,490,272	57
	Non-current assets:				
1510	Non-current financial assets at fair value through profit or loss (note 6(2),(24))	-	-	2,070	-
1517	Non-current financial assets at fair value through other comprehensive income (note 6(3))	32,290	1	24,860	1
1550	Investments accounted for using equity method (note 6(6), 7)	437,469	17	388,555	15
1600	Property, plant and equipment (notes 6(8) and 8)	608,606	23	557,191	21
1755	Right-of-use assets (note 6(9))	179,370	7	51,221	2
1780	Intangible assets (note 6(10))	4,290	-	5,053	-
1840	Deferred income tax assets (note 6(18))	9,134	-	13,771	1
1980	Other non-current financial assets (note 6(5) and 8)	62,660	3	55,789	2
1990	Other non-current assets-other (notes 6(11))	2,205	-	9,661	1
	Total non-current assets	1,336,024	51	1,108,171	43
	Total assets	$ 2,616,459	100	2,598,443	100

	Liabilities and Equity	December 31, 2022 Amount	%	December 31, 2021 Amount	%
	Current liabilities:				
2100	Short-term borrowings (note 6(l2) and 8)	$ -	-	30,000	1
2170	Accounts payable	266,574	10	271,837	11
2180	Accounts payable-related parties (note 7)	106,659	4	114,467	5
2200	Other payables (note 7)	125,092	5	141,347	5
2230	Current income tax liabilities	31,117	1	32,998	1
2280	Current lease liabilities (note 6(15))	9,702	-	9,034	-
2320	Long-term liabilities, current portion (note 6(13) and 8)	41,252	2	30,939	1
2399	Other current liabilities (note 6(13)(16)(21) and 7)	29,475	1	52,607	2
	Total current liabilities	609,871	23	683,229	26
	Non-Current liabilities:				
2500	Non-current financial liabilities at fair value through profit or loss (note 6(2) and (14))	548	-	-	-
2530	Bonds payable (note 6(14) and 8)	283,018	11	291,696	11
2540	Long-term borrowings (note 6(13) and 8)	206,884	8	267,395	10
2570	Deferred tax liabilities (note 6(18))	3,086	-	1,934	-
2580	Non-current lease liabilities (note 6(15))	141,118	5	42,301	2
2630	Long-Term Deferred Revenue (note 6(13))	1,074	-	-	-
2640	Net defined benefit liability, non-current (note 6(17))	7,347	1	22,263	1
2645	Guarantee deposits received	1,764	-	1,764	-
2650	Credit balance of investments accounted for using equity method (note 6(7) and 7)	85,456	3	80,329	3
	Total non-current liabilities	730,295	28	707,682	27
	Total liabilities	1,340,166	51	1,390,911	53
	Equity attributable to owners of parent company (note 6(14)(19)):				
3100	Capital stock	701,669	27	697,869	27
3200	Capital surplus	164,367	6	157,151	6
3300	Retained earnings:	396,165	15	343,402	13
3400	Other equity interest	25,865	1	20,883	1
3500	Treasury stock	(11,773)	-	(11,773)	-
	Total equity	1,276,293	49	1,207,532	47
	Total liabilities and equity	$ 2,616,459	100	2,598,443	100

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

YEN SUN TECHNOLOGY CORP.

Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

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

		2022		2021	
		Amount	**%**	**Amount**	**%**
4000	**Operating revenues (note 6(21) and 7)**	$ 3,279,699	100	3,665,986	100
5000	**Operating costs (notes 6(6), (17) and 7)**	2,756,261	84	3,149,488	86
5900	**Gross profit from operations**	523,438	16	516,498	14
6000	**Operating expenses (notes 6(17) and (22)):**				
6100	Selling expenses	163,229	5	185,411	5
6200	General and administrative expenses	100,950	3	91,601	3
6300	Research and development expenses	126,590	4	105,964	3
6450	Expected credit impairment profit (loss) (notes 6(4)(5)(24))	80	-	(6)	-
	Total operating expenses	390,849	12	382,970	11
6900	**Net operating income**	132,589	4	133,528	3
7000	**Non-operating income and expenses (notes 6(23) and 7):**				
7100	Interest income	555	-	108	-
7010	Other income	40,916	1	33,373	1
7020	Other gains and losses	25,482	1	(11,892)	-
7070	Share of profit of associates accounted for using equity method	42,583	1	79,352	2
7050	Finance costs	(8,679)	-	(7,407)	-
	Total non-operating income and expenses	100,857	3	93,534	3
7900	**Profit before income tax**	233,446	7	227,062	6
7950	Income tax expenses (note 6(18))	39,025	1	29,996	1
8200	**Profit**	194,421	6	197,066	5
8300	**Other comprehensive income:**				
8310	**Items that will not be reclassified to profit or loss**				
8311	Losses on remeasurements of defined benefit plans (note 6(17))	10,679	-	1,521	-
8316	Unrealized gains from investments in equity instrument measured at fair value through other comprehensive income (note 6(19))	4,930	-	4,477	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss(note6(18))	1,152	-	1,934	-
	Total items that will not be reclassified to profit or loss	14,457	-	4,064	-
8360	**Items that may be reclassified subsequently to profit or loss:**				
8361	Exchange differences on translation of foreign financial statements (note 6(19))	1,204	-	494	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Total items that will be reclassified to profit or loss	1,204	-	494	-
8300	**Other comprehensive income**	15,661	-	4,558	-
8500	**Comprehensive income**	**$ 210,082**	**6**	**201,624**	**5**
	Earnings per share (in dollar, note 6(20)):				
9750	**Basic earnings per share**	**$**	**2.80**		**2.86**
9850	**Diluted earnings per share**	**$**	**2.48**		**2.74**

(Reviewed, not audited)

YEN SUN TECHNOLOGY CORP. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2022 and 2021

(expressed in thousands of New Taiwan Dollar)

	Equity attributable to owners of parent										
	Share capital		Retained earnings				Other equity interest				
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized gains from financial assets measured at fair value through other comprehensive income	Total	Treasury stock	Total equity
Balance at January 1, 2021	**$ 697,869**	**119,761**	**48,441**	**3,798**	**196,107**	**248,346**	**16,694**	**1,152**	**17,846**	**(11,773)**	**1,072,049**
Profit	-	-	-	-	197,066	197,066	-	-	-	-	197,066
Other comprehensive income	-	-	-	-	1,521	1,521	494	2,543	3,037	-	4,558
Total comprehensive income	-	-	-	-	198,587	198,587	494	2,543	3,037	-	201,624
Earnings allocation and distribution:											
Provision of legal reserve	-	-	13,899	-	(13,899)	-	-	-	-	-	-
Cash dividend of common stock	-	-	-	-	(103,531)	(103,531)	-	-	-	-	(103,531)
	-	-	13,899	-	(117,430)	(103,531)	-	-	-	-	(103,531)
Issuance of convertible bonds	-	37,390	-	-	-	-	-	-	-	-	37,390
Balance as of December 31, 2021	**697,869**	**157,151**	**62,340**	**3,798**	**277,264**	**343,402**	**17,188**	**3,695**	**20,883**	**(11,773)**	**1,207,532**
Profit	-	-	-	-	194,421	194,421	-	-	-	-	194,421
Other comprehensive income	-	-	-	-	10,679	10,679	1,204	3,778	4,982	-	15,661
Total comprehensive income	-	-	-	-	205,100	205,100	1,204	3,778	4,982	-	210,082
Earnings allocation and distribution:											
Provision of legal reserve	-	-	19,859	-	(19,859)	-	-	-	-	-	-
Cash dividend of common stock	-	-	-	-	(152,337)	(152,337)	-	-	-	-	(152,337)
			19,859		(172,196)	(152,337)					(152,337)
Convert of convertible Bond	3,800	7,216	-	-	-	-	-	-	-	-	11,016
Balance as of December 31, 2022	**$ 701,669**	**164,367**	**82,199**	**3,798**	**310,168**	**396,165**	**18,392**	**7,473**	**25,865**	**(11,773)**	**1,276,293**

See accompanying notes to financial statements.

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

YEN SUN TECHNOLOGY CORP.

Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(expressed in thousands of New Taiwan Dollar)

	2022	2021
Cash flows from (used in) operating activities:		
Profit before tax	$ 233,446	227,062
Adjustments:		
Adjustments to reconcile profit (loss):		
Expected credit loss (gain)	80	(6)
Depreciation expense	71,335	60,447
Amortization expense	1,940	1,765
Net profit on financial assets or liabilities at fair value through (profit) loss	2,543	(1,260)
Interest expense	8,679	7,407
Interest revenue	(555)	(108)
Share of loss (profit) of associates accounted for using equity method	(42,583)	(79,352)
Loss (gain) from disposal of investment property, and property, plant and equipment	(61)	516
Reduce of provision	(124)	(29)
Unrealized foreign exchange loss (gain)	3,145	3,860
Total adjustments to reconcile profit (loss)	44,399	(6,760)
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes receivable	1,145	(2,085)
Accounts receivable	158,308	(175,349)
Accounts receivable due from related parties	(1,644)	32,209
Other receivables	182	5,762
Inventories	16,640	(112,337)
Other current assets	69,176	(34,534)
Other financial assets	(1,664)	998
Total changes in operating assets and liabilities	242,143	(285,336)
Changes in operating liabilities:		
Accounts payable	(2,830)	(1,849)
Accounts payables - related parties	(5,700)	(22,187)
Other payables	(13,872)	12,595
Other current liabilities	(23,433)	28,201
Net defined benefit liability	(4,237)	(1,088)
Total changes in operating liabilities	(50,072)	15,672
Total changes in operating assets and liabilities	192,071	(269,664)
Total adjustments	236,470	(276,424)
Cash inflow generated from operations	469,916	(49,362)
Interest received	548	127
Interest paid	(6,262)	(7,162)
Income taxes paid	(36,269)	(6,690)
Net cash flows from operating activities	427,933	(63,087)
Cash flows from (used in) investing activities:		
Acquisition of FVOCI	(2,500)	(16,000)
Acquisition of investments accounted for using equity method	-	(25,002)
Acquisition of property, plant and equipment	(104,287)	(42,814)
Proceeds from disposal of property, plant and equipment	265	-
Increase in refundable deposits	(1,785)	(1,594)
Acquisition of intangible assets	(1,177)	(3,951)
Increase in restricted deposits	(6,025)	(47,236)
Decrease in prepayment for equipment	(2,205)	(9,661)
Net cash flows used in investing activities	(117,714)	(146,258)
Cash flows from (used in) financing activities:		
Decrease in short-term borrowings	(30,000)	(70,000)
Proceeds from long-term borrowings	90,000	315,000
Repayment of long-term borrowings	(138,696)	(382,745)
Payment of lease liabilities	(39,932)	(8,003)
Cash dividend of common stock	(152,337)	(103,531)
Issuance of convertible bonds	-	327,642
Net cash flows from (used in) financing activities	(270,965)	78,363
Effect of exchange rate changes on cash and cash equivalents	848	(3,286)
Net increase (decrease) in cash and cash equivalents	40,102	(134,268)
Cash and cash equivalents at beginning of period	90,417	224,685
Cash and cash equivalents at end of period	**$ 130,519**	**90,417**

See accompanying notes to financial statements.

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

YEN SUN TECHNOLOGY CORP.

Notes to the Parent-Company-Only Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, unless otherwise specified)

1. Company history:

YEN SUN TECHNOLOGY CORP. (the "Company") was incorporated in March 10, 1987 as a company limited by shares under the laws of the Republic of China (R.O.C.). The registered address was No.329 Feng Ren Rd, Zen Ru District, Kaohsiung City, Taiwan. The major business activities of the Company are the manufacture and sale of electronic cooling products such as electric fans, electric cookers, induction cookers, juice machines, bowl dryers, water dispensers, dehumidifiers, electric heaters and other home appliances, cooling fans and modules.

2. Approval date and procedures of the financial statements:

The parent-Company-only financial statements were authorized for issuance by the Board of Directors on March 8, 2023.

3. New standards, amendments and interpretations adopted

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ('IFRSs') as endorsed by the Financial Supervisory Commission ('FSC').

The Company has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2022：

- Amendments to IAS 16 "Property, Plant and Equipment—Proceeds before Intended Use"
- Amendments to IAS 37 "Onerous Contracts—Cost of Fulfilling a Contract"
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 "Reference to the Conceptual Framework"

(2) The impact of IFRS endorsed by FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 "Disclosure of Accounting policies"
- Amendments to IAS 8 "Definition of Accounting Assessments
- Amendments to IAS 12 "Deferred tax related to assets and liabilities arising from a single transaction"

(3) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The Company does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"
- IFRS 17 "Insurance Contracts" and amendments to IFRS 17 "Insurance Contracts"
- Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"
- Amendment to IFRS 16 "Sale and leaseback transaction"
- Amendments to IAS 1 "Non-current Liabilities with Covenants"

4. Summary of significant accounting policies

The significant accounting policies presented in the financial statements are summarized as follows. Except the Note 3, the following accounting policies were applied consistently throughout the presented periods in the financial statements.

(1) Statement of compliance

The financial statements have been prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as "the Regulation").

(2) Basis of preparation

A. Basis of measurement

Except for the following significant accounts, the financial statements have been prepared on a historical cost basis:

(a) Financial instruments at fair value through profit or loss are measured at fair value;

(b) Financial assets at fair value through other comprehensive income are measured at fair value; and

(c) The defined benefit liabilities are recognized as the present value of the defined benefit obligation less the fair value of plan assets and considered the re-measurement of the effect of the asset ceiling as stated in note 4(16).

B. Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the Company operates. The parent-company-only financial statements are presented in New Taiwan Dollar, which is the Company's functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand, unless otherwise noted.

(3) Foreign currencies

A. Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Company at exchange rates at the dates of the transactions. Monetary items denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation.

Foreign currency differences arising from retranslation are recognized in profit or loss, except for the translation differences of the following, which are recognized in other comprehensive income:

(a) An investment in equity securities designated as at fair value through other comprehensive income;

(b) A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or

(c) Qualifying cash flow hedges to the extent that the hedges are effective.

B. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at average rate. Foreign currency differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

When the Company disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planed nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income.

(4) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

A. It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

B. It is held primarily for the purpose of trading;

C. It is expected to be realized within 12 months after the reporting period; or

D. The asset is cash and cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

A. It is expected to be settled in its normal operating cycle;

B. It is held primarily for the purpose of trading;

C. It is due to be settled within 12 months after the reporting period; or

D. It does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are 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. The time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are reclassified as cash equivalents.

(6) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

A. Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

(a) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

·it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(b) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL：

·it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

·its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

(c) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

(d) Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated -e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, and are consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

(e) Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, "principal" is defined as the fair value of the financial assets on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows, such that it would not meet this condition. In making this assessment, the Company considers：

- contingent events that would change the amount or timing of cash flows；
- terms that may adjust the contractual coupon rate, including variable rate features；
- prepayment and extension features；and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non- recourse features).

(f) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, guarantee deposit paid and other financial assets), debt investments measured at FVOCI and contract assets.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date； and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for notes receivable, accounts receivable and contract assets are always measured at an amount equal to lifetime ECL.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

12-month ECL are the portion of ECL that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECL is the maximum contractual period over which the Company is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company’s historical experience and informed credit assessment as well as forward-looking information.

If there is a low risk of default on financial asset, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations, the financial asset would be considered low credit risk.

When the contract amount is past due 30 days or the borrower is unlikely to pay its credit obligations to the Company in full, the company considers the credit risk on a financial asset has increased significantly or a financial asset to be in default.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charge to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery.

The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(g) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

B. Financial liabilities and equity instruments

(a) Classification of debt or equity

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

(b) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

(c) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

(d) Compound financial instruments

Compound financial instruments issued by the Company comprise convertible bonds denominated in NTD that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option.

The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognized in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognized.

(e) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

(f) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

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

(g) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

C. Derivative financial instruments

The Company’s embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(7) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(8) Investment in subsidiaries

When preparing the parent-company-only financial statements, the investments in subsidiaries, which are controlled by the Company, are accounted for using the equity method. Under the equity method, the profit or loss for the period and other comprehensive income presented in the parent- company-only financial statements should be the same as the allocations of profit or loss for the period and of other comprehensive income attributable to the owners of the parent presented in the financial statements prepared on a consolidated basis; and the owners' equity presented in the parent-company-only financial statements should be the same as the equity attributable to the owners of the parent presented in the financial statements prepared on a consolidated basis.

Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity.

(9) Property, plant and equipment

A. Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

B. Subsequent expenditure.

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

C. Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

(a)	Buildings	3 to 60 years
(b)	Machinery equipment	2 to 10 years
(c)	Molds equipment	1 to 6 years
(d)	Other equipment	3 to 17 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

D. Reclassification to investment property

A property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

(10) Leases

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, at the time of lease of land and construction, the Company chooses to treat the lease component and the non-lease component as part of a single lease without distinguishing between non-lease components.

A. As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method 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. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company’s incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

(a) fixed payments, including in-substance fixed payments;

(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 under a residual value guarantee; and

(d) payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

(a) there is a change in future lease payments arising from the change in an index or rate; or

(b) there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or

(c) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or

(d) there is a change of its assessment on whether it will exercise a extension or termination option; or

(e) there is any lease modification

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Company has decided not to recognize right-of-use assets and lease liabilities for short-term leases of office and leases of office equipment that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

B. As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

(11) Intangible assets

A. Recognition and measurement

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

B. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

C. Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

(a)	Patents	20 years
(b)	Computer software	1 to 6 years
(c)	Technology authorized	10 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(12) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(13) Provisions

A provision is recognized if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost, except when the recognition of finance cost for a short-term provision was insignificant.

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(14) Revenue

A. Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

(a) Sale of goods

The Company recognizes revenue when control of the products has been transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer' s acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.

The Company grants its customers the right to return the product within a certain period. Therefore, the Company reduces revenue by the amount of expected returns and recognizes a refund liability and a right to the returned goods. Accumulated experience is used to estimate such returns at the time of sale. Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognized will not occur. At each reporting date, the Company reassesses the estimated amount of expected returns.

The Company's obligation to provide a refund for faulty products under the standard warranty terms is recognized as a provision for warranty; please refer to note 4(13)

A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

Receipt of a prepayment from a customer is recognized as contract liability. The amount of contract liability is recognized as revenue when the products has been transferred to the customer.

(b) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money.

B. Contract costs

(a) Incremental costs of obtaining a contract

The Company recognizes as an asset the incremental costs of obtaining a contract with a customer if the Company expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

The Company applies the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is 1 year or less.

(b) Costs to fulfill a contract

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standard (for example, IAS 2 Inventories, IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets), the Company recognizes an asset from the costs incurred to fulfill a contract only if those costs meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the Company can specifically identify;
- the costs generate or enhance resources of the Company that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

General and administrative costs, costs of wasted materials, labor or other resources to fulfill the contract that were not reflected in the price of the contract, costs that relate to satisfied performance obligations (or partially satisfied performance obligations), and costs for which the Company cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations(or partially satisfied performance obligations), the Company recognizes these costs as expenses when incurred.

(15) Government grants and government assistance

The Company recognizes an unconditional government grant related to a biological asset in profit or loss as other income when the grant becomes receivable. Other government grants related to assets are initially recognized as deferred income at fair value if there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant; they are then recognized in profit or loss as other income on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(16) Employee benefits

A. Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

B. Defined benefit plans

The Company’s net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

C. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed when the related service is provided.

D. Termination benefits

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

(17) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

A. temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

B. temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

C. taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

A. The entity has the legal right to settle tax assets and liabilities on a net basis; and

B. The taxing of deferred tax assets and liabilities fulfill one of the below scenarios;

   (a) levied by the same taxing authority; or

   (b) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(18) Earnings per share

The Company discloses the Company’s basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as convertible bonds and employee compensation.

(19) Operating segments

The Company discloses its segment information in the consolidated financial statements. Therefore, the Company need not disclose segment information in the parent-company-only financial statements.

5. Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the financial statements in conformity with the Regulations requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about assumptions and estimation uncertainties have significant risk of resulting in material adjustments within the next year:

(1) The loss allowance of accounts receivable

The Company has estimated the loss allowance of accounts receivable that is based on the risk of a default occurring and the rate of expected credit loss. The Company has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs. The relevant assumptions and input values please refer to note 6(4).

(2) Valuation of Inventory

As inventory shall be measured based on the lower of cost or realizable value, if on the Company evaluation report date, the inventory has suffered normal wear and tear, is outdated or has no market value, the inventory cost shall be offset to net realizable value. The assessment of the inventory valuation is mainly based on the product requirements within a specific future period. Hence, it may have significant changes due to rapid industrial changes. For inventory valuation, please refer to Note 6(6).

6. Explanation of significant accounts:

(1) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash and cash on hand	$ 605	1,123
Checking deposits	10	74
Demand deposits	129,904	88,920
Time deposits	-	300
Cash and cash equivalents in the statement of cash flows	**$ 130,519**	**90,417**

Please refer to note 6(24) for the exchange rate risk and sensitivity analysis of the financial assets of the Company.

(2) Financial assets at fair value through profit or loss

	December 31, 2022	December 31, 2021
Financial assets at fair value through profit or loss,		
mandatorily measured at fair value		
Derivatives not designated as hedges		
Convertible bond (Embedded derivatives)	$ -	2,070

	December 31, 2022	December 31, 2021
Financial liabilities at fair value through profit or loss,		
mandatorily measured at fair value		
Derivatives not designated as hedges		
Convertible bond (Embedded derivatives)	$ 548	-

(3) Non-current financial assets at fair value through other comprehensive income

	December 31, 2022	December 31, 2021
Equity instruments at fair value through other comprehensive income:		
Foreign un-listed stocks－Y.S. Tech U.S.A Inc.	$ 18,660	12,906
Domestic un-listed stocks－CHENG TA HSIUNG CONSTRUCTION & DEVELOPMENT CO., LTD.	13,630	11,954
Total	$ 32,290	24,860

The Company designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Company intends to hold for long-term strategic purposes.

There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments as of December 31, 2022 and 2021.

Please refer to Note 6(24) for market risk.

None of the above financial assets at fair value through other comprehensive profit or loss have been provided as collateral.

(4) Notes and accounts receivables

	December 31, 2022	December 31, 2021
Notes receivable from operating activities	$ 24,996	26,141
Accounts receivables–measured as amortized cost	715,955	881,065
Less: Allowance for impairment	(5,612)	(5,531)
	$ 735,339	901,675
Book as:		
Notes receivable	$ 24,996	26,141
Accounts receivable, net	623,637	788,780
Account receivable, net, related parties	86,706	86,754
	$ 735,339	901,675

The Company applies the simplified approach to provide for its expected credit losses, i.e., the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and accounts receivables have been grouped based on shared credit risk characteristics and the days past due, as well as the incorporated forward-looking information, including macroeconomic and relevant industry information. The loss allowance provisions were determined as follows:

	December 31, 2022		
	Carrying amount of Notes and accounts receivable	Weighted-average expected credit loss rate	Loss allowance for lifetime expected credit losses
Not over due	$ 706,999	0.01%	52
Overdue less than 90 days	28,122	0.15%	42
Overdue 91 to 180 days	371	18.75%	70
Overdue 181 to 240 days	16	34.23%	5
Overdue over 241 days	5,443	100.00%	5,443
	$ 740,951		5,612

	December 31, 2021		
	Carrying amount of Notes and accounts receivable	Weighted-average expected credit loss rate	Loss allowance for lifetime expected credit losses
Not over due	$ 865,654	0.01%	66
Overdue less than 90 days	36,142	0.15%	55
Overdue 91 to 180 days	-	-	-
Overdue 181 to 240 days	-	-	-
Overdue over 241 days	5,410	100.00%	5,410
	$ 907,206		5,531

The movement in the allowance for notes and accounts receivables were as follows: ：

	2022	2021
Balance at January 1	$ 5,531	5,558
Impairment losses recognized (reversed)	81	(5)
Amounts written off	-	(22)
Balance at December 31	$ 5,612	5,531

The abovementioned notes and accounts receivables were not pledged as collateral.

For further credit risk information, please refer to note 6(24).

(5) Other financial assets

	December 31, 2022	December 31, 2021
Refundable deposits	$ 6,998	5,213
Other receivables (including related parties)	6,311	4,532
Payment for molds behalf of others	7,795	8,119
Restricted deposit	60,264	54,239
Less: Loss allowance	-	(1)
	$ 81,368	72,102
Book as :		
Other receivables－related parties	$ 157	336
Other financial assets－current	18,551	15,977
Other financial assets－non-current	62,660	55,789
	$ 81,368	72,102

Please refer to Note 6(24) for credit risk.

The above-mentioned other financial assets pledged as collateral are disclosed in Note 8.

(6) Inventories

	December 31, 2022	December 31, 2021
Raw materials and supplies	$ 87,510	130,254
Work in progress	92,781	112,798
Finished goods	158,606	112,485
	$ 338,897	355,537

Inventory costs recognized as cost of goods sold and expenses in 2022 and 2021 were $2,756,836 thousand and $3,140,609 thousand, respectively. In 2022, part of the inventory that was previously recognized as a loss in price was disposed of, and the factor that caused the net realizable value of the inventory to be lower than the cost disappeared, resulting in a net realizable value recovery of $ 575 thousand, which was recognized in the deduction of operating expenses; In the year 2021, $ 4,652 thousand of inventory depreciation losses were recognized due to the reduction of inventories affect net realizable value, which has been included in the addition of operating expense.

None abovementioned inventories were pledged as collateral.

(7) Investments accounted for using equity method

A summary of the Company's financial information for investments accounted for using the equity method at the reporting date were as follows:

	December 31, 2022	December 31, 2021
Subsidiaries	$ 437,469	388,555

As of December 31, 2022 and 2021, the amount of credit balance of investments accounted for using equity method (recognized as other non-current liability) was $85,456 thousand and $80,329 thousand, respectively. For the related information, please refer to the consolidated financial statements for the years ended December 31, 2022.

(8) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended December 31, 2022 and 2021, were as follows:

	Land	Buildings	Machinery and equipment	Molds	Other equipment	Construction in progress	Total
Cost or deemed cost:							
Balance at January 1, 2022	$ 291,848	171,320	170,710	248,717	82,595	4,267	969,457
Additions	-	5,892	17,442	9,451	3,160	75,741	111,686
Reclassifications	-	19,429	-	-	2,943	(22,372)	-
Disposal	-	-	(3,175)	(1,574)	(779)	-	(5,528)
Balance at December 31, 2022	$ 291,848	196,641	184,977	256,594	87,919	57,636	1,075,615
Balance at January 1, 2021	$ 291,685	163,014	153,380	237,965	70,912	878	917,834
Additions	163	8,119	21,780	10,776	12,984	3,576	57,398
Reclassifications	-	187	-	-	-	(187)	-
Disposal	-	-	(4,450)	(24)	(1,301)	-	(5,775)
Balance at December 31, 2021	$ 291,848	171,320	170,710	248,717	82,595	4,267	969,457
Depreciation and impairments loss:							
Balance at January 1, 2022	$ -	39,574	109,008	208,403	55,281	-	412,266
Depreciation	-	12,750	18,592	21,730	6,995	-	60,067
Disposal	-	-	(3,135)	(1,430)	(759)	-	(5,324)
Balance at December 31, 2022	$ -	52,324	124,465	228,703	61,517	-	467,009
Balance at January 1, 2021	$ -	28,962	97,815	186,047	52,262	-	365,086
Depreciation	-	10,612	15,229	22,380	4,218	-	52,439
Disposal	-	-	(4,036)	(24)	(1,199)	-	(5,259)
Balance at December 31, 2021	$ -	39,574	109,008	208,403	55,281	-	412,266
Carrying amounts:							
Balance at December 31, 2022	$ 291,848	144,317	60,512	27,891	26,402	57,636	608,606
Balance at January 1, 2021	$ 291,685	134,052	55,565	51,918	18,650	878	552,748
Balance at December 31, 2021	$ 291,848	131,746	61,702	40,314	27,314	4,267	557,191

Please refer to Note 6(23) for detail of disposal gain and loss.

Property, plant and equipment pledged as collateral for borrowings were disclosed in note 8.

(9) Right-of-use assets

The movements in the cost and depreciation of the leased buildings, transportation equipment were as follows:

		Land	Building and construction	Transportation equipment	Total
Right-of-use assets cost					
Balance at January 1, 2022	$	948	59,133	4,754	64,835
Additions		138,407	403	607	139,417
Decrease		-	(3,167)	(1,434)	(4,601)
Balance at December 31, 2022	$	139,355	56,369	3,927	199,651
Balance at January 1, 2021	$	-	15,111	6,371	21,482
Additions		948	44,022	803	45,773
Decrease		-	-	(2,420)	(2,420)
Balance at December 31, 2021	$	948	59,133	4,754	64,835
Accumulated depreciation:					
Balance at January 1, 2022	$	16	11,422	2,176	13,614
Depreciation for the period		1,715	8,316	1,237	11,268
Decrease		-	(3,167)	(1,434)	(4,601)
Balance at December 31, 2022	$	1,731	16,571	1,979	20,281
Balance at January 1, 2021	$	-	5,109	2,917	8,026
Depreciation for the period		16	6,313	1,679	8,008
Decrease		-	-	(2,420)	(2,420)
Balance at December 31, 2021	$	16	11,422	2,176	13,614
Carrying amounts:					
Balance at December 31, 2022	$	137,624	39,798	1,948	179,370
Balance at January 1, 2021	$	-	10,002	3,454	13,456
Balance at December 31, 2021	$	932	47,711	2,578	51,221

(10) Intangible assets

Initial cost, accumulated amortization and impairment losses for intangible assets were as follows：

		Patent	Computer software	Technology Authorized	Total
Cost:					
Balance at January 1, 2022	$	4,995	46,931	12,536	64,462
Acquisition		-	1,177	-	1,177
Disposal		(4,749)	-	(10,936)	(15,685)
Balance at December 31, 2022	$	246	48,108	1,600	49,954
Balance at January 1, 2021	$	4,995	42,980	12,536	60,511

Acquisition		-	3,951	-	3,951
Balance at December 31, 2021	$	4,995	46,931	12,536	64,462
Amortization and impairment losses:					
Balance at January 1, 2022	$	4,980	42,185	12,244	59,409
Amortization		13	1,767	160	1,940
Disposal		(4,749)	-	(10,936)	(15,685)
Balance at December 31, 2022	$	244	43,952	1,468	45,664
Balance at January 1, 2021	$	4,960	40,598	12,086	57,644
Amortization		20	1,587	158	1,765
Balance at December 31, 2021	$	4,980	42,185	12,244	59,409
Carrying value:					
Balance at December 31, 2022	$	2	4,156	132	4,290
Balance at January 1, 2021	$	35	2,382	450	2,867
Balance at December 31, 2021	$	15	4,746	292	5,053

As of December 31, 2022, and 2021, none intangible assets of the Company have been pledged as collateral.

(11) Other current assets and other non-current assets

The other current assets and other non-current assets of the Company were as follows:

	December 31, 2022		December 31, 2021
Prepayment for purchases	$	40,739	112,335
Prepaid expenses		4,923	4,189
Prepayments for equipment		2,205	9,661
Income tax refund receivable		8,259	7,227
Assets for right to recover product to be returned		3,051	2,579
	$	59,177	135,991
Current	$	56,972	126,330
Non-current		2,205	9,661
	$	59,177	135,991

(12) Short-term borrowings

The details of short-term borrowings were as follows:

	December 31,2022		December 31,2021
Unsecured bank loans	$	-	30,000
Secured bank loans	$	691,722	680,564
Range of interest rates		-	1.10%～1.20%

For the collateral for short-term borrowings, please refer to note 8.

Please refer to note 6(24) for the interest rate risk, exchange rate risk, and analysis of sensitivity of the financial liabilities of the Company.

(13) **Long-term borrowings**

The details of long-term borrowings were as follows:

	December 31, 2022				
	Currency	**Rate**	**Maturity date**	**Amount**	
Unsecured bank loans	NTD	1.38%~1.94%	May 21, 2024～ July 25, 2029	$	124,498
Secured bank loans	NTD	1.83%	July 26, 2034		123,638
					248,136
Less: current portion					41,252
Total				$	206,884
Unused long-term credit lines				$	96,000

	December 31, 2021				
	Currency	**Rate**	**Maturity year**	**Amount**	
Unsecured bank loans	NTD	1.25%～1.35%	May 21, 2024～ February 4, 2025	$	63,334
Secured bank loans	NTD	1.20%	July 26, 2034		235,000
					298,334
Less: current portion					30,939
Total				$	267,395
Unused long-term credit lines				$	-

A. Government low-interest loan

In 2022, the Group acquired low-interest loan from “Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan” which host by Executive Yuan, R.O.C. (Taiwan). As of December 31, 2022, the loan amount is $90,000 thousand; the loan is recognized and measured at market interest rates, the difference between the actual repayment preferential interest rate shall be handled according to government subsidy, please refer to Note 4(15).

As of December 31, 2022, the balance of deferred assistance profits was $1,502 thousand, recognized as Other current liabilities-other: $428 thousand and Long-term deferred revenue: $1,074 thousand, respectively.

B. Collateral

Assets pledged as collateral for long-term borrowings are disclosed in Note 8.

(14) Bonds payable

The details of secured convertible bonds were as follows:

	December 31, 2022	December 31, 2021
Total convertible corporate bonds issued	$ 300,000	300,000
Add: Interest payable refund	902	187
Less: Accumulated conversion amount	(11,400)	-
Less: Unamortized discounted bonds payable	(6,484)	(8,491)
Issued bonds payable balance at year-end	**$ 283,018**	**291,696**
Embedded derivative instruments – call and put rights, included in financial liabilities at fair value through profit or loss	**$ (548)**	**2,070**
Equity component – conversion options, included in capital surplus– stock options	**$ 35,970**	**37,390**

The original recognized effective interest rate of the aforementioned convertible bonds payable component is 0.85%. Please refer to Note 6 (23) for the amount of recognized interest expenses.

For the information of bondholder exercise puttable option that converts bonds payable into ordinary shares for the years ended December 31, 2022, please refer to Note 6 (19).

The company issued the sixth domestic secured convertible bonds on September 30, 2021, with a total amount of $300,000 thousands. The main terms are as follows:

1. Total issuance: $300,000 thousand NTD
2. Issued price: issued at 110.95% of par value
3. Issue period: 5 years, expired date will be September 30, 2026
4. Interest rate: 0%
5. Conversion subject: common stock of the company
6. Conversion price and its adjustment:

   The conversion price at the time of issuance is set at $30 per share. However, after the issuance, if one of the following conditions is met, the conversion price shall be adjusted according to the formula stipulated in the issuance terms:

   a. When an increase in the company's issued or private offering shares of common stock. Except for various securities issued or private offering by the company that have conversion rights or options for exchange or new issued shares for employees' compensation.

   b. When the company pays cash dividends of ordinary shares.

   c. When the company re-issues or private offering various value securities with common stock conversion rights or stock options at a conversion or subscription price lower than the current price per share.

   d. When the reduction of the ordinary shares is not caused by capital reduction that is due to decrease in treasury stock.

   The conversion price on December 31, 2022 was $27.90 per share.

7. Conversion period:

Started from the next day since the convertible bonds have issued for three months until the maturity date, except for following condition: (1) suspension period of the transfer of ordinary shares which according to law; (2) the period of before 15 business days of the date of the transfer suspension of stock dividend, cash dividends and cash capital increase subscription till interest distribute reference date.;(3) started from capital reduction reference date until the day before the share exchange trade date;(4) The period from the start date of the suspension of conversion/subscription of the stock change nominal value to the day before the trading day before the start of the exchange of new shares, the creditor may not request conversion, may request the company to convert the convertible bonds into ordinary shares of the company in accordance with these measures at any time.

8. Bondholder’s puttable option:

Three years after the issued date of the convertible bonds will be seen as reference date on which the holders sold back in advance. The company shall send a letter to the TPEx to announce the exercise of the bondholder's puttable option 40 days before the reference date. The holders of the bonds may inform the company’s stock agency, to redeem the bonds held by it in cash at 100.75% of the bond’s nominal value (with an annual yield of 0.25%).

9. The company's redemption option:

(1) The conversion of the bonds from the next day of three months from the issuance day to 40 days before the expiry of the issue period, if the closing price of the company’s ordinary shares in 30 consecutive business days exceeds the current conversion price by 30% (inclusive) or more. In the case, the company may redeem the circulating convertible bonds in cash at the bond nominal value.

(2) From the next day of three months from the issuance day to 40 days before the expiry of the issue period, when the circulating bonds is less than 10% of the original issuance total, the company may recover the convertible bonds in cash with the nominal value of the bonds.

10. Repayment at maturity:

Except the convertible bonds that have been redeemed, sold back, converted or purchased and cancelled by the company at the securities firm, interest compensation will be added as bond's nominal value at maturity (interest compensation at maturity is 1.256% of the nominal value, the real yield rate is 0.25%), which will be repaid in cash in lump sum

11. Collateral:

The First Commercial Bank acts as the guarantor for the convertible bonds. The real estates, plants, equipment and deposits will be provided as the collaterals of the First Commercial Bank. Please refer to Note 8 for details.

(15) Lease liabilities

The carrying value of lease liabilities of the Company was as follows:

	December 31,2022	December 31,2021
Current	$ 9,702	9,034
Non-current	$ 141,118	42,301

For the maturity analysis, please refer to note 6(24).

The amounts recognized in profit or loss was as follows:

	2022	2021
Interest on lease liabilities	$ 1,580	413
Expenses relating to short-term leases	$ 187	278
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	$ 130	154

The amounts recognized in the statement of cash flows for the Company was as follows:

	2022	2021
Total cash outflow for leases	$ 41,829	8,848

A. Buildings leases

The company leases buildings as a warehouse and business office. The leases of buildings run for 3 to 50 years. Some leases include an option to renew the lease after the end of the contract term.

B. Other leases

The Company leases transportation equipment, with lease terms of 2 to 5 years.

In additionally, the Company also leases some business office and office equipment, with lease terms 1 to 3 years. These leases are short-term or leases of low-value items. The Company decided not to recognize right-of-use assets and lease liabilities for these leases.

(16) Other current and non-current liabilities

The details of other current and non-current liabilities were as follows:

	December 31, 2022	December 31, 2021
Advance receipts	$ 13,757	15,506
Provision for warranties	1,071	1,195
Refund liability	6,942	6,750
Receipts under custody	1,964	26,664
Others	5,741	2,492
	$ 29,475	52,607

The movement in provision for warranties were as follows：

	2022	2021
Balance at January 1	$ 1,195	1,224
Provisions made during the year	219	1,525
Provisions reversed during the year	(343)	(1,554)
Balance at December 31	$ 1,071	1,195

The provision for warranties relates mainly to home appliance sold during the years ended 31 December 2022 and 2021. The provision is based on estimates made from historical warranty data associated with similar products and services. The Company expects to settle the majority of the liability over the next year.

(17) Employee benefits

A. Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value are as follows:

	December 31, 2022	December 31, 2021
Present value of the defined benefit obligations	$ 32,426	44,020
Fair value of plan assets	(25,079)	(21,757)
Net defined benefit liabilities	$ 7,347	22,263

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

(a) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from 2 years time deposits with interest rates offered by local banks.

The Company’s Bank of Taiwan labor pension reserve account balance amounted to $25,079 thousands as of December 31, 2022. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

(b) Movements in present value of the defined benefit obligations

The movement in present value of the defined benefit obligations for the Company were as follows:

		2022	2021
Defined benefit obligations at January 1	$	44,020	44,892
Current service costs and interest cost		428	419
Remeasurements loss (gain):			
－Experience adjustments		537	(2,430)
－Change in demographic assumptions		(9,523)	1,139
Benefits paid		(3,036)	-
Defined benefit obligations at December 31	**$**	**32,426**	**44,020**

(c) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Company were as follows:

		2022	2021
Fair value of plan assets at January 1	$	21,757	20,020
Interest income		136	125
Remeasurements loss (gain)			
－Return on plan assets excluding interest income		1,693	230
Contributions paid by the employer		4,529	1,382
Benefits paid		(3,036)	-
Fair value of plan assets at December 31	**$**	**25,079**	**21,757**

(d) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company were as follows:

	2022	2021
Current service costs	$ 154	140
Net interest of net liabilities for defined benefit obligations	138	154
	$ 292	294
Operating cost	$ 231	206
Selling expenses	61	88
	$ 292	294

(e) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	December 31, 2022	December 31, 2021
Discount rate	1.750%	0.625%
Future salary increase rate	1.500%	3.000%

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is $398 thousand.

The weighted average lifetime of the defined benefits plans is 11.43 years.

(f) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	Influences of defined benefit obligations	
	Increased 0.25%	Decreased 0.25%
December 31, 2022:		
Discount rate	$ (757)	784
Future salary increasing rate	768	(745)
December 31, 2021:		
Discount rate	(1,209)	1,255
Future salary increasing rate	1,202	(1,164)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

The method and assumptions used in the preparation of sensitivity analysis remain the same as the previous period.

B. Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance for the years ended December 31, 2022 and 2021 was as follow:

		2022	2021
Operating cost	$	4,084	3,511
Selling expenses		2,502	2,568
General and administrative expenses		1,563	1,796
Research and development expenses		2,677	2,074
Total	**$**	**10,826**	**9,949**

(18) Income taxes

A. Income tax expense

The components of income tax in the years 2022 and 2021 were as follows:

		2022	2021
Current tax expense			
Current portion	$	33,247	31,225
Undistributed retained earnings		141	-
Adjusted current income tax of previous period		1,000	-
		34,388	31,225
Deferred income tax benefit			
Origination and reversal of temporary differences		10,816	15,109
Change in unrecognized deductible temporary differences		(6,179)	(16,338)
		4,637	(1,229)
Income tax expense	**$**	**39,025**	**29,996**

The Company did not directly recognize the income tax in equity in 2022 and 2021.

Tax which recognize under other comprehensive income is shown as follows:

		2022	2021
Equity at fair value through other comprehensive income			
-Unrealised gains (losses) from investments in equity instruments	**$**	**1,152**	**1,934**

Reconciliation of income tax and profit before tax is as follows:

	2022	2021
Profit before income tax	$ 233,446	227,062
Income tax using the Company's domestic tax rate	$ 46,689	45,412
Effect of profit (loss) of investment accounted for using the equity method	(3,185)	250
Change in unrecognized temporary differences	(6,179)	(16,338)
Adjustment for prior periods	1,000	-
Tax on undistributed profit	141	-
Non-deductible expenses	1,210	907
Others	(651)	(235)
Income tax expense	$ 39,025	29,996

B. Deferred tax assets and liabilities

(a) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	December 31, 2022	December 31, 2021
Employee benefits	$ 7,347	22,263
Temporary variances related to invest subsidiaries	370,302	365,174
	$ 377,649	387,437

In December 31, 2022 and 2021, deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

In December 31, 2022 and 2021, temporary differences that related to subsidiaries investment, due to the Company being able to control the reversal time of temporary differences an believe it is very unlikely to be reversal in the foreseeable future. Therefore, the deferred income tax liabilities that will not be recognize by Company are $ 289,540 thousand and $ 256,045 thousand, respectively.

(b) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2022 and 2021 were as follows:

Deferred Tax Assets:

	Unrealized sales return and discounts	Unrealized profit from sales	Unrealized exchange loss	Others	Total
Balance at January 1, 2022	$ 12,541	318	396	516	13,771
Recognized in profit or loss	(4,190)	(56)	(163)	(228)	(4,637)
Balance at December 31, 2022	$ 8,351	262	233	288	9,134
Balance at January 1, 2021	$ 11,913	400	-	507	12,820

Recognized in profit or loss	628	(82)	396	9	951
Balance at December 31, 2021	$ 12,541	318	396	516	13,771

Deferred Tax Liabilities:

	Unrealized exchange gain	Fair value gains	Total
Balance at January 1, 2022	$ -	1,934	1,934
Recognized in other comprehensive income	-	1,152	1,152
Balance at December 31, 2022	$ -	3,086	3,086
Balance at January 1, 2021	$ 278		278
Recognized in profit or loss	(278)	-	(278)
Recognized in other comprehensive income	-	1,934	1,934
Balance at December 31, 2021	$ -	1,934	1,934

The Company's income tax returns through 2019 have been assessed and approved by the R.O.C tax Authority. There were no disputes between the Company and the Tax Authority.

(19) Capital and other equity

A. Common stock

As of December 31, 2022 and 2021, the total value of authorized ordinary shares were both amounted to $ 1,500,000 thousand, respectively. Numbers of authorized ordinary shares were both $ 1,500,000 thousand shares with par value $10. Issued shares were 70,167 and 69,787 thousand shares. All the capital was fully paid in.

Reconciliation of share outstanding for 2022 and 2021 was as follows (The 766 thousand shares of treasury stock buyback has been deducted):

(in thousands of shares)	2022	2021
Balance on January 1	69,021	69,021
Conversion of convertible bonds	380	-
Balance on December 31	69,401	69,021

For the year ended December 31, 2022, due to the exercise the puttable option by the holders of convertible bonds, the Group converted the bonds payable with a par value of $11,400 thousand into 380 thousand common shares and issued with the par value of $3,800 thousand; considering the discount of bonds payable and interest compensation of $309 thousand and the amount of financial assets measured at fair value through profit and loss: $75 thousand and additional paid-in capital - bond payable stock option of $1,420 thousand will be recognized as additional paid-in capital - conversion excess of par of bond payable of $8,636 thousand.

The legal registration procedures has been completed.

B. Capital surplus

The balances of capital surplus were as follows:

	December 31, 2022	December 31, 2021
Premium on conversion of convertible bonds	$ 95,613	86,977
Expired share option	18,643	18,643
Treasury share transactions	14,141	14,141
Conversion option of convertible bonds	35,970	37,390
	$ 164,367	157,151

According to the ROC Company Act, capital surplus can only be used to make up a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock (including premium on conversion of convertible bonds) and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring additional paid-in capital should not exceed 10% of the total common stock outstanding.

C. Retained Earning

The Company's article of incorporation stipulate that Company's net earnings should first be used to paying any income taxes and offset the prior years' deficits. 10% of the remaining balance is to be appropriated as legal reserve. However, it is not applicable if the statutory surplus reserve has reached our Group’s paid-up capital. Also based on the Company’s operational needs and regulatory requirements, provisions shall be make for special reserve. If there are still surplus, the board of directors shall draft a surplus distribution proposal by combining it with the undistributed surplus at the beginning of period and submit to the shareholders meeting for approval.

The dividends policy shall first take into consideration its operating environment, financial program, company's sustainable operation and development and the biggest interests of stockholders as follows:

The company is currently in the stage of active market development. In order to support the growth of the company, the company's dividends can continue to operate in the future as the principle, and after comprehensively considering and improving the financial structure, maintaining stable dividends and protecting shareholders' reasonable compensation and other conditions, the board of directors prepare a plan in accordance with the articles of association and deliver it after approval by the shareholders' general meeting and the competent authority.

Distribution ratio of cash dividends and stock dividends:

The distribution of dividends of the company’s shareholders will be based on the stock dividends, cash dividends, or both two ways of issuance. When dividends being distribute, an appropriate ratio of cash and stock dividends shall be set up. Only cash dividends shall be paid at a rate not less than 10% of the current year's distribution.

(a) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

(b) Special reserve

By choosing to apply exemptions granted under IFRS 1 "First-time Adoption of International Financial Reporting Standards" during the Company's first-time adoption of the IFRSs endorsed by the FSC, cumulative translation adjustments (gains) recognized under shareholders' equity shall be zeroed at the adoption date. According to regulations, the increase in retained earnings amounted to $3,798 thousand. In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, an increase in retained earnings due to the first-time adoption of IFRSs shall be reclassified as a special reserve during earnings distribution, and when the relevant assets are used, disposed of, or reclassified, these special earnings reserve shall be reversed as distributable earnings proportionately. As of December 31, 2022 and 2021, the carrying amount of special earnings reserve were both $3,798 thousand.

In accordance with the guidelines of the above Ruling, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

(c) Earnings distribution

The amounts of cash dividends on the appropriations of earnings for 2021 and 2020 had been approved during the board meeting on March 8, 2022 and March 9, 2021, respectively. The relevant dividend distributions to shareholders were as follows:

	2021		2020	
	Amount per share	**Total amount**	**Amount per share**	**Total amount**
Dividends distributed to ordinary shareholder:				
Cash	$ 2.2	152,337	1.5	103,531

The amounts of cash dividends on the appropriations of earnings for 2022 had been approved during the board meeting on March 8, 2023. The relevant dividend distributions to shareholders were as follows:

	2022	
	Amount per share	**Total amount**
Dividends distributed to ordinary shareholder:		
Cash	$ 2.2	152,682

D. Other equity (Net amount after tax)

		Foreign exchange differences arising from foreign operation	Unrealized gains(losses) on financial assets measured at FVOCI	Total
Balance at January 1, 2022	$	17,188	3,695	20,883
The Company		1,204	3,778	4,982
Balance at December 31, 2022	**$**	**18,392**	**7,473**	**25,865**
Balance at January 1, 2021	$	16,694	1,152	17,846
The Company		494	2,543	3,037
Balance at December 31, 2021	**$**	**17,188**	**3,695**	**20,883**

E. Treasury shares

In accordance with Article 28-2 of the Securities and Exchange Act, the company bought back a total of 766,000 treasury shares for the transfer of shares to employees, at a cost of $ 11,773 thousand. As of December 31, 2022 and 2021, the total number of none cancelled shares was 766,000 shares.

In accordance with the requirements of Securities and Exchange Act, treasury shares held by the Company should not be pledged, and do not hold any shareholder rights before their transfer.

(20) Earnings per share

The calculation of basic earnings per share and diluted earnings per share were as follows:

	2022	2021
Basic earnings per share		
Profit attributable to ordinary shareholders of the Company	$ 194,421	197,066
Weighted average number of ordinary shares outstanding during the period (thousand)	69,365	69,021
Earnings per share	$ 2.80	2.86
Diluted earnings per share		
Profit attributable to ordinary shareholders of the Company	$ 194,421	197,066
Effect of potentially dilutive common stock-Convertible Bonds	3,964	(510)
Profit(loss) attributable to ordinary shareholders of the Company (After adjusted effected amount of potentially dilutive common stock)	$ 198,385	196,556
Weighted-average number of common shares(thousand)	69,365	69,021
Effect of convertible bonds	10,380	2,548
Effect of employee share bonus	205	135
Weighted average number of ordinary shares outstanding during the period(After adjusted effected amount of potentially dilutive common stock)(thousand)	79,950	71,704
Diluted earnings per share	$ 2.48	2.74

(21) Revenue from contracts with customers

A. Details of revenue

	2022		
	Home Appliances Department	Electronics Cooling Department	Total
Primary geographical markets：			
Domestic	$ 759,376	953,000	1,712,376
Mainland China	-	87,591	87,591
Germany	613	864,946	865,559
America	1,458	222,416	223,874
Japan	16,390	12,828	29,218
South Korea	7,159	72,808	79,967
Others	19,022	262,092	281,114
	$ 804,018	2,475,681	3,279,699
Major products services lines:			
Cooling fan and module	$ -	2,408,893	2,408,893
Product of home appliances–air series	505,961	-	505,961

Product of home appliances–water series	255,297	-	255,297
Others	42,760	66,788	109,548
	$ 804,018	2,475,681	3,279,699

	2021		
	Home Appliances Department	Electronics Cooling Department	Total
Primary geographical markets：			
Domestic	$ 683,165	1,410,449	2,093,614
Mainland China	738	160,468	161,206
Germany	-	911,671	911,671
America	8,640	161,141	169,781
Japan	15,386	12,703	28,089
South Korea	2,145	66,361	68,506
Others	21,793	211,326	233,119
	$ 731,867	2,934,119	3,665,986
Major products services lines:			
Cooling fan and module	$ -	2,895,198	2,895,198
Product of home appliances –air series	443,700	-	443,700
Product of home appliances –water series	236,052	-	236,052
Others	52,115	38,921	91,036
	$ 731,867	2,934,119	3,665,986

B. **Contract balance**

	December 31, 2022	December 31, 2021	January 1, 2021
Notes and accounts receivables	$ 740,951	907,206	748,169
Less: allowance for impairment	(5,612)	(5,531)	(5,558)
Total	$ 735,339	901,675	742,611
Contract liabilities－unearned revenue	$ 13,757	15,506	7,395

For details on notes and accounts receivables and allowance for impairment, please refer to note 6(4)

The amount of revenue recognized for the years ended December 31, 2022 and 2021 that was included in the contract liability balance at the beginning of the period were $15,454 thousand and $6,203 thousand, respectively.

The major change in the balance of contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received. Contract liabilities-Unearned Revenue was classified under other current liabilities.

(22) Employee compensation and directors' remuneration

In accordance with the articles of incorporation the Company should contribute 1% to 10% of the profit as employee compensation and less than 5% as directors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. Employees entitled to receive the abovementioned employee compensation, in shares or cash may include the employees of the Company's subsidiaries who meet certain conditions.

For the 2022 and 2021, the Company accrued the compensation of employees amounted to $ 4,810 thousand and $4,682 thousand, respectively and the remuneration of directors' amounted to $2,405 thousand and $2,341 thousand, respectively. The compensation of employees, remuneration of directors were estimated as the Company's net income before tax, excluding compensation of employees and remuneration of directors, multiplied by the appropriate percentage in compliance with the Company's articles. These expenses recognized under operating costs or operating expenses for the respective period.

The numbers of shares to be distributed were calculated based on the closing price of the Company's ordinary shares one day before the date of the meeting of Board of Director. Related information would be available at the Market Observation Post System website. (https://mops.twse.com.tw/mops/web/index).

There is no amount difference between the amount of compensation for employees and directors estimated in the aforementioned consolidated financial report of 2022 and 2021.

(23) Non-operating income and expenses

A. Interest income

The details of interest income were as follows:

	2022	2021
Interest income from bank deposits	$ 539	97
Other interest income	16	11
	$ 555	**108**

B. Other income

The details of other income were as follows:

	2022	2021
Rent income	$ 5,592	5,650
Income from selling samples	5,916	6,019
Mold income	8,241	12,354
Others	21,167	9,350
	$ 40,916	**33,373**

C. Other gains and losses

The details of other gains and losses were as follows:

		2022	2021
Net profit on foreign exchange gains	$	29,016	(12,636)
Net loss on disposal of investment property and property, plant and equipment		61	(516)
Putable option of bonds payable/Net profit on value of putable option		(2,543)	1,260
Other		(1,052)	-
	$	25,482	(11,892)

D. Finance costs

The details of finance costs were as follows:

		2022	2021
Interest expense			
Bank loan	$	(4,686)	(6,359)
Lease liability		(1,580)	(413)
Amortization of discount on bonds payable		(2,413)	(635)
	$	(8,679)	(7,407)

(24) Financial instruments

A. Credit risk

(a) Exposure to credit risk

As of December 31, 2022 and 2021, the Company's exposure to credit risk and the maximum exposure were mainly from:

·The carrying amount of financial assets recognized in the balance sheet; and

·The amount is the result due to Company providing financial guarantees to its customers was $ 0 thousand and $36,000 thousand, respectively.

(b) Concentration of credit risk

The major customers of the Company are centralized in industries within similar areas and dealers. To reduce concentration of credit risk, the Company evaluates those customers' financial positions and requires customers to provide collateral, if necessary. In addition, the Company evaluates the possibility of collecting the notes and accounts receivable periodically.

As of December 31, 2022 and 2021, major customers of the Company was significant focus on certain customer; one of the customer accounted for 22.06% and 18.11% of the notes and accounts receivable, respectively.

(c) Receivables and debt securities

For credit risk exposure of notes and accounts receivable, please refer to note 6(4). Other financial assets at amortized cost includes: other receivables, restricted deposits and guarantee deposits paid.

The following presents whether abovementioned assets were subject to a 12-month ECL or lifetime ECL allowance, and in the latter case, whether they were credit-impaired:

	December 31, 2022		
	At amortized cost		
	12-month ECL	Lifetime ECL-not credit-impaired	Lifetime ECL-credit-impaired
Guarantee deposits paid	$ 6,998	-	-
Other receivables (including related parties)	8,075	6,031	-
Restricted deposits	60,264	-	-
Loss allowance	-	-	-
Amortized cost	**$ 75,337**	**6,031**	**-**
Carrying amount	**$ 75,337**	**6,031**	**-**

	December 31, 2021		
	At amortized cost		
	12-month ECL	Lifetime ECL-not credit-impaired	Lifetime ECL-credit-impaired
Guarantee deposits paid	$ 5,213	-	-
Other receivables (including related parties)	8,591	4,059	1
Restricted deposits	54,239	-	-
Loss allowance	-	-	(1)
Amortized cost	**$ 68,043**	**4,059**	**-**
Carrying amount	**$ 68,043**	**4,059**	**-**

The movement in the allowance for impairment with respect to the financial assets measured at amortized cost as of December 31, 2022 and 2021 were as follows:

	12-month ECL	Lifetime ECL-not credit-impaired	Lifetime ECL-credit-impaired	Total
Balance on January 1, 2022	$ -	-	1	1
Impairment losses recognized	-	-	(1)	(1)
Balance on December 31, 2022	**$ -**	**-**	**-**	**-**

	12-month ECL	Lifetime ECL-not credit-impaired	Lifetime ECL-credit-impaired	Total
Balance on January 1, 2021	$ -	-	2	2
Impairment losses recognized	-	-	(1)	(1)
Balance on December 31, 2021	**$ -**	**-**	**1**	**1**

B. Liquidity risk

Details of financial liabilities categorized by due dates were as follows. The amounts include interest expenses but exclude the impacts of negotiated net amounts.

	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years	Over 5 years
December 31, 2022							
Non-derivative financial liabilities							
Bank loan (Including Long- and Short-term borrowing) (floating rate)	$ 248,136	266,876	20,357	24,386	31,412	93,530	97,191
Accounts payable (non-interest bearing)	373,233	373,233	373,233	-	-	-	-
Other payable (non-interest bearing)	125,092	125,092	125,092	-	-	-	-
Bonds payable (fixed interest rate)	283,018	292,225	-	-	-	292,225	-
Lease liabilities (fixed rate)	150,820	188,732	6,835	4,738	10,113	21,636	145,410
Guarantee deposits received (non-interest bearing)	1,764	1,764	-	-	1,764	-	-
	$ 1,182,063	1,247,922	525,517	29,124	43,289	407,391	242,601

	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years	Over 5 years
December 31, 2021							
Non-derivative financial liabilities							
Bank loan (Including Long- and Short-term borrowing) (floating rate)	$ 328,334	349,662	43,513	20,964	44,741	80,125	160,319
Accounts payable (non-interest bearing)	386,304	386,304	386,304	-	-	-	-
Other payable (non-interest bearing)	141,347	141,347	141,347	-	-	-	-
Bonds payable (fixed interest rate)	291,696	303,768	-	-	-	303,768	-
Lease liabilities (fixed rate)	51,335	54,251	5,049	4,698	9,158	19,722	15,624
Guarantee deposits received (non-interest bearing)	1,764	1,764	-	-	1,764	-	-
	$ 1,200,780	1,237,096	576,213	25,662	55,663	403,615	175,943

The Company does not expect that the cash flows could occur significantly earlier or at significantly different amounts.

C. Foreign currency risk

(a) Exposure to foreign currency risk

Significant financial assets and liabilities exposed to foreign currency risk were as follows:

	December 31, 2022			December 31, 2021		
	Foreign currency	**Exchange rate**	**NTD amount**	**Foreign currency**	**Exchange rate**	**NTD amount**
Financial assets						
Monetary items						
USD	$ 17,640	30.71	542,636	17,384	27.68	481,084
EUR	871	32.72	28,487	769	31.32	24,100
CNY	16,002	4.408	70,536	24,539	4.344	106,599
Non-monetary item						
USD	608	30.71	18,660	466	27.68	12,906
Financial liabilities						
Monetary items						
USD	6,986	30.71	214,573	7,784	27.68	215,463
EUR	75	32.72	2,453	21	31.32	649
CNY	1,043	4.408	4,599	854	4.344	3,709

(b) Sensitivity analysis

The foreign currency risk was mainly incurred from the translation of cash and cash equivalents, accounts receivables (including related parties), other receivables (including related parties), restricted deposits, loans, accounts payable (including related parties), and other payables (including related parties). As of December 31, 2022 and 2021, if the exchange rate of the NTD versus the USD, CNY and EUR had increased or decreased by 1%, given no changes in other factors, the impact were as follow:

	Appreciate 1%	**Depreciate 1%**
Profits after tax for year 2022	Decrease in profits $3,360 thousand	Increase in profits $3,360 thousand
Profits after tax for year 2021	Decrease in profits $3,136 thousand	Increase in profits $3,136 thousand

(c) Foreign exchange gain and loss on monetary item

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years 2022 and 2021, foreign exchange loss (including realized and unrealized portions) amounted to $29,016 thousand and $12,636 thousand, respectively.

D. Interest rate analysis

Please refer to the notes on liquidity risk management and the interest rate exposure of the Company's financial liabilities.

The sensitivity analysis of interest was determined based on the interest rate of derivative and non-derivative instruments at the reporting date. The analysis of liabilities bearing floating interest rates was prepared based on the assumption that the outstanding amounts at the reporting date had existed for the whole year. Management adopted 0.25% as a reasonable change in interest rates, and therefore evaluated the impacts of 0.25% changes in interest rates.

If interest rates on borrowings had increased or decreased 0.25%, with all other variables held constant, the information was as follows:

	Increase 0.25%	**Decrease 0.25%**
Profits after tax for year 2022	Decrease in profits $499 thousand	Increase in profits $499 thousand
Profits after tax for year 2021	Decrease in profits $657 thousand	Increase in losses profits $657 thousand

E. Other market price risk

If the prices of equity securities change at reporting date, with all other variables held constant, the influences to other comprehensive income, were as follows:

	2022		**2021**	
Prices at reporting date	**Other comprehensive income after tax**	**Net income**	**Other comprehensive income after tax**	**Net income**
Increase 3%	**$ 857**	**-**	**669**	**-**
Decrease 3%	**$ (857)**	**-**	**(669)**	**-**

F. Fair value of financial instruments

(a) Categories and fair values of financial instruments

The fair value of financial assets at fair value through profit or loss and at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follow; however, except as described in following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required:

	December 31, 2022				
	Carrying Amount	**Fair value**			
		Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at FVOCI					
Foreign unlisted stock	$ 18,660	-	-	18,660	18,660
Domestic unlisted stock	13,630	-	-	13,630	13,630
Subtotal	**$ 32,290**				
Financial assets at amortized cost					
Cash and cash equivalent	$ 130,519	-	-	-	-
Notes and accounts receivables	735,339	-	-	-	-
Other Financial assets -related party	157	-	-	-	-
Other Financial assets -current	18,551	-	-	-	-
Other Financial assets -non current	62,660	-	-	-	-
Subtotal	**$ 947,226**				
Financial assets at fair value through profit or loss					
Sold back option/ Buy back option of convertible bond	**$ 548**	-	548	-	548
Financial liabilities at amortized cost					
Account payable	$ 373,233	-	-	-	-
Other payable	125,092	-	-	-	-
Long- term borrowing (Current portion)	41,252	-	-	-	-
Lease liability－current	9,702	-	-	-	-
Long -term borrowing	206,884	-	-	-	-

	Carrying Amount	Level 1	Level 2	Level 3	Total
Lease liability－non current	141,118	-	-	-	-
Bonds payable	283,018	-	275,036	-	275,036
Deposits received	1,764	-	-	-	-
Subtotal	$ 1,182,063				

	December 31, 2021				
	Carrying Amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Sold back option/ Buy back option of convertible bond	**$ 2,070**		**2,070**		**2,070**
Financial assets at FVOCI					
Foreign unlisted stock	$ 12,906	-	-	12,906	12,906
Domestic unlisted stock	11,954	-	-	11,954	11,954
Subtotal	**$ 24,860**				
Financial assets at amortized cost					
Cash and cash equivalent	$ 90,417	-	-	-	-
Notes and accounts receivables	901,675	-	-	-	-
Other receivable-related party	336	-	-	-	-
Other Financial assets -current	15,977	-	-	-	-
Other Financial assets -non current	55,789	-	-	-	-
Subtotal	**$ 1,064,194**				
Financial liabilities at amortized cost					
Short-term borrowing	$ 30,000	-	-	-	-
Account payable	386,304	-	-	-	-
Other payable	141,347	-	-	-	-
Long- term borrowing (Current portion)	30,939	-	-	-	-
Lease liability－current	9,034	-	-	-	-
Long -term borrowing	267,395	-	-	-	-
Lease liability－non current	42,301	-	-	-	-
Bonds payable	291,696	-	295,260	-	295,260
Deposits received	1,764	-	-	-	-
Subtotal	**$ 1,200,780**				

The Company used the fair value that can be observed in the market to measure the value of assets and liabilities. Fair values are based on the degree to which the fair value can be observed and are grouped into Level 1 to Level 3 as follows:

Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the assets or liability that are not based on observable market data.

(b) Valuation technique of financial instruments not measured at fair value

The methodology and assumptions used by the Company to estimate financial instrument measured at amortized cost, except for convertible bonds payable－liability portion use the discounted cash flows to estimate fair values, because of the short maturities of these instruments, the Company estimates that the carrying amount is a reasonable approximation of fair value.

(c) Valuation techniques for financial instruments measured at fair value

Non-derivative financial instruments:

If a financial instrument has a quoted price in an active market, the quoted price is used as fair value. Quoted prices of major stock exchanges and quoted prices of government bonds are the basis for measuring the fair value of stocks listed on an exchange, stocks listed on the OTC, and debt instruments with quoted prices in an active market.

Except for the above-mentioned financial instruments with active markets, the fair value of the remaining financial instruments is obtained through evaluation or reference with counterparty quotations.

The equity instruments held by the Group without public quotes are based on the comparable company method to estimate fair value. The main assumptions are based on the net equity value of being-investors and the equity multiplier derived from the market quotes of comparable listed (counter) companies. The estimate has adjusted the discount effect of the lack of market liquidity.

Derivative financial instruments:

The redemption right and the puttable right of the convertible bond of the Company are evaluated by binary tree method.

(d) Transfers between Level 1 and Level 2

There was no transfer between the fair value hierarchy levels for the years ended December 31, 2022 and 2021.

(e) Movements of financial assets in level 3

	Fair value through other comprehensive income	
	Equity investment without an active market	
Balance at January 1, 2022	$	24,860
Acquisition		2,500
Recognized in other comprehensive income (loss)		4,930
Balance at December 31, 2022	**$**	**32,290**
Balance at January 1, 2021	$	4,383
Acquisition		16,000
Recognized in other comprehensive income (loss)		4,477
Balance at December 31, 2021	**$**	**24,860**

The gains or losses were reported in the unrealized valuation gains (losses) of financial assets measured at fair value through other comprehensive income, which is the outcome of assets that still hold by Group for the year ended December 31, 2022 and 2021.

(f) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Company's financial instruments that use Level 3 inputs to measure fair value only a significant unobservable input. Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between Significant and fair value measurement
Financial assets at fair value through other comprehensive income -equity investments without an active market: Y.S.Tech U.S.A Inc.	Comparable listed company approach	·Lack of market liquidity discount (29.12% and 38.22% on December 31, 2022 and 2021, respectively) ·Valuation multiples (1.36 and 1.78 on December 31, 2022 and 2021 respectively) ·Stock price volatility (44.50 and 41.05% on December 31, 2022and 2021 respectively)	·The higher the lack of market liquidity discount is, the lower the fair value will be. ·The higher the valuation multiples is, the higher the fair value will be. ·The lower the stock price volatility is, the higher the fair value will be.
Financial assets at fair value through other comprehensive income -equity investments without an active market: CHENG TA HSIUNG CONSTRUCTION & DEVELOPMENT CO., LTD.	Net assets value	·Net assets value ·Discount for minority interest (16.64% on December 31, 2022 and 2021, respectively) ·Lack of market liquidity discount interest (10% on December 31, 2022 and 2021, respectively)	·The higher the net assets value is, the higher the fair value will be. The higher the discount for minority interest is, the lower the fair value will be. The higher the lack of market liquidity discount is, the lower the fair value will be.

(g) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

The fair value measurements of the Company's financial instruments are reasonable. However, change in the use of valuation models or variables may affect the estimations. For fair value measurements in Level 3, the information of changes in the use of valuation variable was as follows:

	Inputs	Fluctuation in inputs	Changes in fair value reflected in OCI	
			Favorable	Unfavorable
Balance at December 31, 2022				
Financial assets at fair value through other comprehensive income-				
Investment of equity instruments without an active market -Y.S.Tech U.S.A Inc	Market illiquidity discount rate 29.12%	10%	$ 2,633	(2,633)
	Valuation multiples 1.36	5%	946	(945)
	Stock price volatility 44.50%	5%	1,051	(1,015)
Financial assets at fair value through other comprehensive income-				
Investment of equity instruments without an active market	Discount for minority interest 16.64%	1%	$ 182	(182)
-CHENG TA HSIUNG CONSTRUCTION & DEVELOPMENT CO., LTD				
	Market illiquidity discount rate 10%	10%	1,514	(1,514)
Balance at December 31, 2021				
Financial assets at fair value through other comprehensive income-				
Investment of equity instruments without an active market ―Y.S.Tech U.S.A Inc.	Market illiquidity discount rate 38.22%	10%	$ 2,089	(2,089)
	Valuation multiples 1.78	5%	631	(662)
	Stock price volatility 41.05%	5%	1,010	(978)
Financial assets at fair value through other comprehensive income-	Discount for minority interest 16.64%	1%	$ 159	(159)
Investment of equity instruments without an active market	Market illiquidity discount rate 10%	10%	1,328	(1,328)
-CHENG TA HSIUNG CONSTRUCTION & DEVELOPMENT CO., LTD				

The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique.

(25) Financial risk management

A. Overview

The extent of risk exposure arising from the use of financial instruments was as follows:

(a) Credit risk

(b) Liquidity risk

(c) Market risk

The following likewise discusses the Company’s objectives, policies and processes for measuring and managing the above-mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying financial statements.

B. Structure of risk management

The Board of Directors has the overall responsibility for the establishment and oversight of the company’s risk management framework. General administration department is responsible for planning and controlling the risk management of the Company’s operation and reports it to the Board regularly.

The Company’s financial risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Company, through its training and management standards and procedures, aim to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Company's Board of Directors oversees how the management complies in monitoring the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. Internal auditors undertake both regular and ad hoc reviews of risk management controls and procedures and exception management, the results of which are reported to the Board of Directors

C. . Credit risk

Credit risk is the risk of financial loss of the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, which arises principally from the Company’s accounts receivable and other receivable, bank deposits and guarantee.

(a) Accounts receivable and other receivables

The Company's exposure credit risk is influenced by the individual characteristics of each customer. The Company continuously monitors the information concerning client credit risk factors, such as the default risk of the industries and countries in which the customers operate.

According to the credit policy, the Company has to evaluate the credit rating of each new customer before setting the payment and delivery terms. The evaluations include external credit ratings, if available, and bank references. The Company reviews credit limits periodically and required customers to pay in advance when the customers' credit ratings did not meet the benchmark.

(b) Bank deposits

The exposure to credit risk for the bank deposits is measured and monitored by the Company's finance department. The Company only deals with banks with good credit rating. The Company does not expect any counterparty above fails to meet its obligations. Hence, there is no significant credit risk arising from these counterparties.

(c) Guarantee

The Company’s policy is to provide financial guarantees only to wholly owned subsidiaries. The further information please refer to note 13.

D. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company’s approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liability when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company reputation.

As of December 31, 2022 and 2021, the Company has unused credit facilities for short-term amounting to $787,722 thousand and $680,564 thousand, respectively.

E. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, which will affect the Company’s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control the market risk exposures within acceptable parameters, while optimizing the return.

The Company engages in derivative financial instruments trading in order to manage the market risk, thus, generating financial liabilities or financial assets, all the execution of those transactions were under the Board’s instruction.

(a) Currency risk

The Company is exposed to currency risk on sales, purchases, and borrowings that are denominated in another currency. Functional currency is NTD. The currencies used in these transactions are the NTD, USD and CNY.

At any point of time, the Company’s principle is to hedge using the net values after offsetting payables and receivables or assets and liabilities which are generated by business operation. The Company mainly hedges its currency risk using the foreign forward exchange contracts wherein the maturity date is less than one year from the reporting date.

Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Company, primarily the TWD, USD and CNY. This provides an economic hedge without derivatives being entered into, and therefore, hedge accounting is not applied in these circumstances.

Regarding monetary assets and liabilities denominated in other foreign currencies, when a short-term imbalance occurs, the merged company purchases or sells foreign currencies at the real-time exchange rate to ensure that net risk exposure remains at an acceptable level.

(b) Interest rate risk

The Company adopts a policy to ensure the exposure of changes in interest rates on borrowings is evaluated by the trend in market interest rates. The Company can manage its interest risk through maintaining an appropriate portfolio of floating interest rate and fixed interest rate.

(c) Market price risk of equity instruments

Part of the Company's equity securities are classified as financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income. These assets are measured at fair value. Therefore, the Company will be exposed to the risk of changes in the value of the equity securities market.

(26) Capital management

The Company sets its objectives for managing capital to ensure its capacity to continue to operate, to continue to provide returns to its shareholders and other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the dividend payment, issue new shares, or sell assets to settle any liabiltiies.

The Company use the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, and other equity plus net debt.

In 2022, the Company's capital management strategy is consistent with the privious year. The Company’s debt-to-equity ratio at the end of the reporting period as of December 31, 2022 and 2021, was as follows:

	December 31, 2022	December 31, 2021
Total liabilities	$ 1,340,166	1,390,911
Less: cash and cash equivalents	130,519	90,417
Net liabilities	$ 1,209,647	1,300,494
Total equity	$ 1,276,293	1,207,532
Adjusted equity	$ 2,485,940	2,508,026
Liabilities-to-equity ratio	48.66%	51.85%

(27) Financing activities not affecting current cash flow

Reconciliation of liabilities arising from financing activities of the Company were as follows:

	January 1, 2022	Cash flows	Non-cash changes: Interest amortized	Non-cash changes: Right-of-use asset addition amount	Non-cash changes: Other movement (Note 1)	December 31, 2022
Short-term borrowings	$ 30,000	(30,000)	-	-	-	-
Long-term borrowings (including current portion)	298,334	(48,696)	-	-	(1,502)	248,136
Bonds payable	291,696	-	2,413	-	(11,091)	283,018
Lease liabilities (current and non-current)	51,335	(39,932)	-	139,417	-	150,820
Guarantee deposit received	1,764	-	-	-	-	1,764
Total liabilities from financing activities	**$ 673,129**	**(118,628)**	**2,413**	**139,417**	**(12,593)**	**683,738**

Note 1: Recognized as deferred income: $ 1,502 thousand and corporate bond converted as shares: $ 11,091 thousand.

	January 1, 2021	Cash flows	Non-cash changes: Interest amortized	Non-cash changes: Right-of-use asset addition amount	Non-cash changes: Other movement (Note 2)	December 31, 2021
Short-term borrowings	$ 100,000	(70,000)	-	-	-	30,000
Long-term borrowings (including current portion)	366,079	(67,745)	-	-	-	298,334
Bonds payable	-	327,642	622	-	(36,568)	291,696
Lease liabilities (current and non-current)	13,565	(8,003)	-	45,773	-	51,335
Guarantee deposit received	1,764	-	-	-	-	1,764
Total liabilities from financing activities	**$ 481,408**	**181,894**	**622**	**45,773**	**(36,568)**	**673,129**

Note 2: Recognized equity components and derivative financial instruments.

7. Transaction with related parties:

(1) Parent company and ultimate controlling company

The Company is the ultimate controlling party of the Group.

(2) Names and relationship with related parties

The following are subsidiaries and other related parties that have had transactions with the Company during the periods covered in the financial statements.

Name of related party	Relationship with the Company
Yen Sun Technology (BVI) Corp. ("Yen Sun (BVI)")	Subsidiary, direct shareholding 100%
Yen Sun Tech International (SAMOA) Corp. ("Yen Sun (SAMOA)")	Subsidiary, direct shareholding 100%
LUCRATIVE INT'L GROUP INC. ("LUCRATIVE")	Subsidiary, direct shareholding 100%
YEN JIU TECHNOLOGY CORP. ("YEN JIU")	Subsidiary, direct shareholding 100%
SHANGHAI YENSUN ELECTRICAL INDUSTRIAL CO., LTD. ("SHANGHAI YENSUN")	Subsidiary, indirect shareholding 100%
Yen Hung International Corp. ("Yen Hung")	Subsidiary, indirect shareholding 100%
Yen Tong Tech International (SAMOA) Corp. ("Yen Tong")	Subsidiary, indirect shareholding 100%
Y.H. Tech International Corp. ("Y.H. Tech")	Subsidiary, indirect shareholding 100%
DARSON ELECTRONICS (DONGGUAN) LTD. ("DARSON")	Subsidiary, indirect shareholding 100%
YEN GIANT METAL (DONGGUAN) CO., LTD. ("YEN GIANT")	Subsidiary, indirect shareholding 100%

(3) Significant related party transactions

A. Operating revenue

The amounts of significant sales by the Company to the related parties were as follows:

	2022	2021
Subsidiary－YEN JIU	$ 90	-
Subsidiary－Yen Sun (SAMOA)	1,809	10,255

The prices of goods sold to related parties due to the variety of goods; there is no comparison with the sales price to other customer. The credit terms with related parties were 180 days, which were no significantly different from other customer. Accounts receivable from related parties were uncollateralized, and no expected credit loss were required after the assessment by the management.

B. Purchases

The amounts of significant purchases by the Company from related parties were as follows:

	2022	2021
Subsidiary－YEN JIU	$ 714,286	646,012
Subsidiary－Y.H. Tech	806,018	945,844
Subsidiary－Yen Sun (SAMOA)	245,634	458,289
	$ 1,765,938	**2,050,145**

The pricing of purchase transaction with related parties have not comparison with those purchase from other vendor due to the variety of goods. The payment terms were that the accounts payable offset against the prepayments of raw material by month. Remaining payment terms were 90 days, which were no different from the payment terms given by other vendors.

C. Receivables from Related Parties

The receivables from related parties were as follows:

Account	Relationship	December 31, 2022	December 31, 2021
Accounts receivables	Subsidiary－Yen Sun (SAMOA)	$ 74,438	75,697
	Subsidiary－SHANGHAI YENSUN	12,268	11,057
		$ 86,706	**86,754**

D. Payables to Related Parties

The Payables to related parties were as follows:

Account	Relationship	December 31, 2022	December 31, 2021
Account payable	Subsidiary－Y.H. Tech	$ 106,659	83,065
	Subsidiary－Yen Sun (SAMOA)	-	31,402
		$ 106,659	**114,467**

E. Prepayments

The prepayments to related parties were as follows:

	December 31, 2022	December 31, 2021
Subsidiary－YEN JIU	$ 33,313	108,312
Subsidiary－Yen Sun (SAMOA)	4,282	-
	$ 37,595	**108,312**

The company prepays the operation funds for the subsidiary, in order to being able to produce the products ordered by the company. The above prepayments are presented in other current assets on the balance sheet.

F. Others

(a) Purchasing on raw materials and molds behalf of subsidiaries

The details of company purchasing on raw materials and molds behalf of subsidiaries as follow:

	2022	2021
Subsidiary—Y.H. Tech	$ 75,153	73,590
Subsidiary—Yen Sun (SAMOA)	140,701	132,250
Subsidiary—YEN JIU	12,457	11,485
	$ 228,311	217,325

(b) Payments behalf on related parties

The detail is as follow:

Accounts	Relationship	December 31, 2022	December 31, 2021
Other receivables-related parties	Subsidiary—Yen Sun (SAMOA)	$ 157	323
	Subsidiary—Y.H. Tech	-	13
		$ 157	336
Other payable- related parties	Subsidiary—Yen Sun (SAMOA)	$ 2,892	-

(c) The company leased the factory to its subsidiary-YEN JIU TECHNOLOGY CORP. The lease contract was from January 1, 2019 to December 31, 2023. In the 2022 and 2021, the rental income were both $ 5,040 thousand; recognized as other income in the statement of comprehensive income. As of December 31, 2022 and 2021, the receivables have been received

(d) In 2021, the company cash capital increase to its subsidiary-Yen Sun (BVI) with $ 25,002 thousand ($ 900 thousand USD). Recognized as investments accounted for using equity method in under the balance sheet.

(e) As of December 31, 2021, the company collect the borrowing which the subsidiary-SHANGHAI YENSUN repaid to the subsidiary-Y.H.Tech, which amount to $ 24,912 thousand ($ 900 thousand USD). Recognized as other current liability under the balance sheet.

(f) The company bought a machine equipment form the subsidiary- YEN JIU with $ 529 thousand. As of December 31, 2021, the transaction has been completed.

(4) Key management personnel compensation

Key management personnel compensation comprised:

	2022	2021
Short-term employee benefits	$ 15,250	15,050
Post-employment benefits	188	181
Termination benefits	-	-
Other long-term benefits	-	-
Share-based payments	-	-
	$ 15,438	15,231

On December 31, 2022 and 2021, the Company provided rental cars for the use of main management and been recognized as right of use assets of transportation equipment, the originally cost were $3,319 thousand, respectively.

8. Pledged assets

The details and carrying values of pledged assets were as follows:

Pledged assets	**Object**	**December 31, 2022**	**December 31, 2021**
Demand deposits (reserve account)	Long-term/short-term borrowing, customs taxes, company debt and other repayment accounts	$ 46,004	51,578
Time deposits	Guarantee of sales channel	14,260	2,661
Land	Guarantee of long-term/short-term borrowing and bonds payable	291,848	291,848
Buildings	Guarantee of long-term/short-term borrowing	114,330	124,089
		$ 466,442	**470,176**

9. Significant Commitments and Contingencies

(1) Unrecognized contractual commitments

	December 31, 2022	**December 31, 2021**
Acquisition of property, plant and equipment	**$ 454,468**	**12,094**

(2) The Company's outstanding standby letter of credit are as follows:

	December 31, 2022	**December 31, 2021**
Purchase of raw materials	**$ 36,333**	**69,436**

10. Losses due to major disasters: None

11. Subsequent events: None

12. Other

(1) A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By function / By item	2022			2021		
	Cost of sales	**Operating expenses**	**Total**	**Cost of sales**	**Operating expenses**	**Total**
Employee benefits						
Salary	117,905	155,726	273,631	124,007	170,469	294,476
Labor and health insurance	12,728	14,855	27,583	11,242	13,614	24,856
Pension	4,315	6,803	11,118	3,717	6,526	10,243
Remuneration of directors	-	3,563	3,563	-	3,499	3,499
Others	6,956	6,213	13,169	6,807	5,551	12,358
Depreciation	31,498	39,837	71,335	25,376	35,071	60,447
Amortization	15	1,925	1,940	14	1,751	1,765

The additional information of number of employees and employee benefits in the year of 2022 and 2021 was as follows:

	2022	**2021**
Number of employees	501	471
Number of non- employee directors	5	5
Average employee benefits	$ 656	734
Average employee salary	$ 552	632
Adjustment of average employee salary	(12.66)%	
Remuneration of supervisor	$ -	-

The remuneration policy of the Company (includes: directors, managers and employees) was as follows:

(A) According to the Company Act, adding Article 235-1 and amendments to Articles 235, 240 and applicability against employee remuneration expenses, due to comprehensive consideration of shareholder rights and employee benefits; The estimated amounts of employee compensation and directors' remuneration are calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period, multiplied by the percentage of remuneration to employees and directors as specified in the Company's articles.

(B) Employees' remuneration, including: Salary (such as: base salary, duty allowance, food allowance, non-leave bonus) and Bonuses.

a. The Company's operating performance and employee's individual performance will take place as a reference basis for issuing year-end bonuses, and will be distribute based on the Company's overall operating conditions

b. The remuneration standard is determined by the salary market, the company's operating conditions and the organization structure. And adjust in time according to market salary dynamics, overall economic, industrial boom changes, and the government regulations.

c. Employees' salary and remuneration are based on their academic experience, professional knowledge and skill/professional experience and personal performance.

d. Salary adjustments are carried out based on the company's operating conditions and factors such as changes in the overall economy and industrial boom changes; then based on comprehensive considerations such as personal performance.

(C) The remuneration of managers is based on factors, such as operating strategy, profitability, performance and job contribution. And reference to the level of salary market, including salary, job bonus, severance payment, various bonuses, incentives, various allowances, etc.

(D) In addition to receiving a fixed amount of transportation expenses monthly for the execution of the business, the director's remuneration also includes salary, various bonuses and incentives, etc.

13. Other disclosures

(1) Information on significant transactions

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company for the year ended December 31, 2022.

A. Loans to other parties:

Number	Lender	Counter- party	Financial statement account	Financial statement account	Highest balance for the period (Note3)	Ending balance (Note 3)	Actual usage amount during the period (Note1,3)	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reason for financing	Loss allowance	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	value		
0	Y.H. Tech International Corp.	SHANGHAI YENSUN ELECTRICAL INDUSTRIAL CO., LTD.	Other receivable –related parties	Yes	132,118 (USD 4,302,111)	105,724 (USD 3,442,673)	105,724 (USD 3,442,673)	-	(Note 3)	-	Working capital	-	-	-	416,460 (Note 2)	416,460 (Note 2)
0	Y.H. Tech International Corp.	SHANGHAI YENSUN ELECTRICAL INDUSTRIAL CO., LTD.	Other receivable –related parties	Yes	984 (RMB 223,285)	- -	- -	-	(Note 3)	-	Working capital	-	-	-	416,460 (Note 2)	416,460 (Note 2)

(Note 1) Translated with the exchange rate of balance sheet date.
(Note 2) If financing is necessary, the loan limit shall not exceed 200% of Y.H. Tech International Corp.'s net equity.
(Note 3) The Company held directly and indirectly 100% of the voting right shares foreign subsidiaries, their financing period is not restricted by 1 year or one business cycle. The loan period is 3 years from the date of actual allocation.

B. Guarantees and endorsements for other parties: None

C. Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures):

Name of security holder	Name of security and type	Relationship with company	Account title	December 31, 2022				Remarks
				Units (shares)	Carrying Value	Percentage of ownership	Fair value	
Yen Tong Tech International (Samoa) Corp.	SHANGHAI CHANSON WATER CO., LTD.	-	Financial assets at FVTPL－non-current	-	-	17.75%	-	-
The Company	Y.S. Tech U.S.A Inc. stock	-	Financial assets at FVOCI－non-current	114,000	18,660	19%	18,660	
The Company	CHENG TA HSIUNG CONSTRUCTION & DEVELOPMENT CO., LTD.	-	Financial assets at FVOCI－non-current	1,850,000	13,630	5%	13,630	-

D. Accumulated trading amount of a single security in excess of $300 million or 20% of paid in capital: None

E. Acquisition of property, plant and equipment that excess of $300 million or 20% of paid in capital:

The company that acquires the real estate	Title of the property	Date	Transaction amount	Payment situation	Counterparty	Relation	If the counterparty is a related party, the previous transfer data:				Reference basis for price determination	Purpose of acquisition and usage	Other agreement
							Holder	Relation with the issuers	Date of transfer	Amount			
The Company	Building	September 13,2022	500,000 thousand (tax included)	Monthly payment after acceptance according to project progress	DARMAW CONSTRUCTION CO., LTD.	-	Not appliable	Not appliable	Not appliable	Not appliable	Price comparison and negotiation	New factory	None

F. Disposal of property, plant and equipment in excess of $300 million or 20% of paid in capital: None.

YEN SUN TECHNOLOGY CORP.

Notes to the Parent-Company-Only Financial Statements(Continued)

G. Sales to and purchases from related parties in excess of $100 million or 20% of paid in capital was as follows:

Purchasing (selling) company	Counter party	Relation-ship	Detail of transaction				Circumstances of and reasons for deviation from regular trading conditions		Resulting receivables (payables)		Remarks
			Purchase (sale)	Amount (Note3)	% of net purchase (sales)	Credit line	Unit price	Period for credit	Balance (Note3)	Percentage of notes and accounts receivable (payable)	
The Company	YEN JIU TECHNOLOGY CORP.	Subsidiary	Purchase	714,286	27.99%	(Note 1)	Single supplier	(Note 1)	33,313 (Note 2)	81.77% (Note 3)	
The Company	Y.H. Tech International Corp.	Sub-Subsidiary	Purchase	806,018	31.58%	(Note 1)	Single supplier	(Note 1)	(106,659)	28.58%	
The Company	Yen Sun Tech International (Samoa) Corp.	Subsidiary	Purchase	245,634	9.63%	(Note 1)	Single supplier	(Note 1)	4,282 (Note 2)	10.51% (Note 3)	
Y.H. Tech International Corp.	DARSON ELECTRONICS (DONGGUAN) LTD.	Sub-Subsidiary	Purchase	790,683	99.87%	(Note 1)	Single supplier	(Note 1)	(100,172)	100.00%	
Yen Sun Tech International (Samoa) Corp.	YEN GIANT METAL (DONGGUAN) CO., LTD.	Sub-Subsidiary	Purchase	245,715	98.18%	(Note 1)	Single supplier	(Note 1)	13,061 (Note 2)	100.00% (Note 3)	
YEN JIU TECHNOLOGY CORP	The Company	Ultimate parent company	Sale	714,286	100.00%	(Note 1)	Product sales	(Note 1)	(33,313) (Note 2)	100.00% (Note 3)	
Y.H. Tech International Corp.	The Company	Ultimate parent company	Sale	806,018	100.00%	(Note 1)	Product sales	(Note 1)	106,659	100.00%	
Yen Sun Tech International (Samoa) Corp.	The Company	Ultimate parent company	Sale	245,634	99.21%	(Note 1)	Product sales	(Note 1)	(4,282) (Note 2)	100.00% (Note 3)	
DARSON ELECTRONICS (DONGGUAN) LTD.	Y.H. Tech International Corp.	Sub-Subsidiary	Sale	790,683	100.00%	(Note 1)	Product sales	(Note 1)	100,172	100.00%	
YEN GIANT METAL (DONGGUAN) CO., LTD.	Yen Sun Tech International (Samoa) Corp.	Sub-Subsidiary	Sale	245,715	37.24%	(Note 1)	Product sales	(Note 1)	(13,061) (Note 2)	100.00% (Note 3)	

(Note 1) The accounts receivable (payable) balance each month offset with other prepayments (advance receipts) arising from purchasing raw materials monthly.

(Note 2) Recognized as account prepayments (advance receipts).

(Note 3) The ratio of prepayments (advance receipts) is calculated based on the proportion of the prepayments (advance receipts)

H. Receivables from related parties in excess of $100 million or 20% of issued share capital were as follows:

Name of company the has the receivables	Counterparty	Relationship	Balance of amount	Turnover ratio	Overdue		Amount collected in the subsequent period	Allowance for doubtful accounts	Remarks
					Amount	Status			
Y.H. Tech International Corp.	SHANGHAI YENSUN ELECTRICAL INDUSTRIAL CO., LTD.	Subsidiary to Sub-Subsidiary	Other receivable 105,724	- (Note)	-	-	-	-	
DARSON ELECTRONICS (DONGGUAN) LTD.	Y.H. Tech International Corp.	Sub-Subsidiary to Subsidiary	Accounts receivable 100,172	6.84%	-	-	56,784	-	
Y.H. Tech International Corp.	The Company	Sub-Subsidiary to parent company	Accounts receivable 106,659	8.50%			56,223		

(Note) Principal, interest receivable and long-term receivables of capital finance.

I. Derivative financial instrument transactions: Please refer to Note 6(2) and Note 6(14).

(2) Information on investees：

Relevant information about investees is as follows: (excluding information on investees in Mainland China)

Name of investor	Name of investee	Location	Business Scope	Original cost of investment		Held at the end of term			Net income (loss) of the Investee	Investment income (less) Recognized	Remarks
				December 31,2022	December 31,2021	Shares owned	Percentage owned	Carrying value			
The Company	Yen Sun Technology (BVI) Corp.	British Virgin Islands	Investment holding	284,844	284,844	500,000	100%	(85,456)	(3,771)	(3,771)	Subsidiary
The Company	LUCRATIVE INT'L GROUP INC.	Samoa	Investment holding	8,583	8,583	1,000,000	100%	114,268	(17,310)	(17,310)	Subsidiary
The Company	Yen Sun Tech International (Samoa) Corp.	Samoa	Investment holding	32,098	32,098	1,000,000	100%	215,951	47,740	47,740	Subsidiary
The Company	YEN JIU TECHNOLOGY CORP.	Taiwan	Home Appliance OEM Business	122,686	122,686	11,050,000	100%	107,250	18,788	15,924	Subsidiary
Yen Sun Tech International (Samoa) Corp.	Yen Hung International Corp.	Samoa	Investment holding	30,179	30,179	1,000,000	100%	208,239	48,867	48,867	Sub-Subsidiary
Yen Sun Tech International (Samoa) Corp.	Yen Tong Tech International (Samoa) Corp.	Samoa	Investment holding	1,916	1,916	10,000,000	100%	1	-	-	Sub-Subsidiary
Yen Hung International Corp.	Y.H. Tech International Corp.	ST. Kitts and Nevis	Investment holding	30,179	30,179	1,000,000	100%	208,230	48,867	48,667	Sub-Subsidiary

YEN SUN TECHNOLOGY CORP.

Notes to the Parent-Company-Only Financial Statements(Continued)

(3) Information on investments in Mainland China:

A. Information of investments in Mainland China

Investee company	Main businesses and products	Received capital	Investment method	Accumulated amount invested in Mainland China as of January.1,2022	Invested capital remitted from or repatriated to Taiwan: Remittance	Invested capital remitted from or repatriated to Taiwan: Repatriation	Accumulated amount invested in Mainland China as of December. 31, 2022	Net income Of investee (Note 3)	The Group's direct or indirect investment ratio	Investment gain (loss) recognized by the Group (Note 3)	Book value of the investment as of December. 31, 2022 (Note 3)	Accumulated investment income repatriated to Taiwan as of December. 31, 2022
SHANGHAI YENSUN ELECTRICAL INDUSTRIAL CO., LTD.	Manufacturing and sales of Home Appliances, Cooling fan	280,680 (USD9,500,000)	Invest through Yen Sun Technology (BVI) Corp. then invest in Mainland China	258,349 (USD7,800,000)	22,330 (USD800,000)	-	280,680 (USD8,700,000)	(5,333)	100%	(5,333) (Note1)	(99,433) (Note1)	-
DARSON ELECTRONICS (DONGGUAN) LTD.	Manufacturing of Cooling fan	30,179 (USD1,000,000)	Invest through Y.H. Tech International Corp. then invest in Mainland China	30,179 (USD1,000,000)	-	-	30,179 (USD1,000,000)	34,196	100%	33,279 (Note1)	82,068 (Note1)	-
SHANGHAI CHANSON WATER CO.,LTD.	Development and production of water making machine, pure water machine and purification device	20,503 (USD700,000)	Invest through Yen Tong Tech International (Samoa) Corp. then invest in Mainland China	1,916 (USD60,000)	-	-	1,916 (USD60,000)	-	17.75%	-	-	-
YEN GIANT METAL (DONGGUAN) CO., LTD.	Manufacture of electronic cooling fan and thermal module products	9,008 (CNY2,002 ,000)	Invest through LUCRATIVE INT'L GROUP INC. then invest in Mainland China	8,583 (USD285,000)	-	-	8,583 (USD285,000)	(19,469)	100%	(17,311) (Note1)	112,109 (Note1)	-

(continued)

B. Limitation of investment amount to Mainland China:

Accumulated investment amount remitted from Taiwan to Mainland China as of December 31, 2022	Investment amount approved by the Investment Commission, Ministry of Economic Affairs	Limit on investment in Mainland China set by the Investment Commission, Ministry of Economic Affairs
333,053 (Note2) (USD 10,845 thousand)	333,053 (Note2) (USD 10,845 of thousand)	765,776

(Note 1) Investment gains and losses are recognized in accordance with the financial report audited by the audit firm of the Company.
(Note 2) Translated with the exchange rate of balance sheet date.

C. Significant transactions:

The significant inter-company transactions (direct or indirect) with the investees in Mainland China are disclosed in “Information on significant transactions”.

D. Major shareholders:

Shares Name of major shareholders	Shares held	Shares held ratio
CHEN-CHIEN-JUNG	6,106,739	8.70%

The Company applied to Taiwan Depository & Clearing Corporation (“TDCC”) to obtain the information in this form, to explain the following:

(a) The major shareholders information of this table is calculated by the TDCC on the last business day at the end of each quarter, and the total number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (included treasury shares) by the Company. The share capital in the consolidated financial report may differ from the actual number of shares that have been issued without physical registration because of different calculation bases.

(b) Where the stocks are entrusted by shareholders, it will be disclosed by the individual trustee who opened the trust account. As for shareholders' declaration of insider’s shareholdings that hold more than 10% of their shares in accordance with the Securities and Exchange Act, the number of stocks owned shall be ones owned by the persons plus ones entrusted where the shareholders have the right to decide how to utilize the trust property, etc. For information on insider’s shareholding declarations, please refer to Market Observation Post System.

14. Segment information

Please refer to the consolidated financial statements for the year ended December 31, 2022.

(5) Consolidated financial statements for the years ended December 31, 2022 and 2021, and independent auditors' report

Representation Letter

The entities that are required to be included in the combined financial statements of YEN SUN TECHNOLOGY CORP. as of and for the year ended December 31, 2022 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 International Financial Reporting Standards No. 10 endorsed by the Financial Supervisory Commission, "Consolidated Financial Statements. " In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, YEN SUN TECHNOLOGY CORP. and Subsidiaries do not prepare a separate set of combined financial statements.

YEN SUN TECHNOLOGY CORP.
By

CHEN, KUAN-HUNG
Chairman
March 8, 2023

(continued)

INDEPENDENT AUDITORS' REPORT

To the Board of Directors

YEN SUN TECHNOLOGY CORP.

Opinion

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

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

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

(continued)

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. 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. We have judged the matters described below to be the key and it matters to be communicated in our report.

1. Loss allowance of accounts receivable

Please refer to Note 4(7) for significant accounting policies on loss allowance of accounts receivable and Note 5(1) for significant accounting assumptions and judgment, and major sources of estimation uncertainty. Information regarding the loss allowance of accounts receivable is shown in Note 6(4) of the consolidated financial statements.

Description of key audit matter:

The Group selling cross-industry products and giving some customer longer credit term. The management has subjective and significant judgments with the loss allowance of receivables. Therefore, this is one of the key areas our audit focused on.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included testing the Group's internal control activities related to collection and inspecting the collection records after balance sheet date; inspecting and analyzing the receivable aging report; understating the assumptions made by the management and the industrial credit status, and considering the adequacy of the Group's disclosures in the accounts in order to evaluate the appropriateness of loss allowances recognized under default risk and expected credit loss model.

2. Valuation of inventory

Please refer to Note 4(8) for significant accounting policies on inventories and Note 5(2) for significant accounting assumptions and judgment, and major sources of estimation uncertainty. Information regarding the inventory is shown in Note 6(6) of the consolidated financial statements.

Description of key audit matter:

The sales of the Group is affected by the selling seasons and consumers preference of products in the home appliance division, and the demand fluctuation of the automotive market and electronic information product in the electronic cooling division. Therefore, the sale fluctuate greatly may result in the book value of inventory exceeds its net realizable value. In addition, the subjective judgment of the management involves the relevant inventory valuation, so the inventory valuation is one of the important evaluation matters for the accountant to audit the consolidated financial statement.

(continued)

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included analyzing the changes of inventory turnover; evaluating the rationality of the Group’s accounting policies, such as the policy of provision for inventory valuation and obsolescence; understanding the selling prices adopted by the management for evaluating the rationality of net realizable value of inventories, evaluating the appropriateness of provision and the adequacy of the Group’s disclosures in the accounts made by the management.

Other Matter

YEN SUN TECHNOLOGY CORP. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2022 and 2021 on which we have issued an unmodified opinion.

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

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

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

Those charged with governance (including the Audit Committee) are responsible for overseeing the Group’s financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards genera1ly accepted in 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 auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

(continued)

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 Groups internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4.Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

6.Obtain sufficient and appropriate audit evidence regarding the consolidated financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other

(continued)

matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

The engagement partners on the reviews resulting in this independent auditors' review report are: Chen-Lung, Hsu and Yung-Hsiang, Chen.

KPMG

Kaohsiung, Taiwan (Republic of China)
March 8, 2023

Notes to Readers

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

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

(continued)

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

YEN SEN TECHNOLOGY CORP. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2022 and 2021

(Expressed in thousands of New Taiwan Dollar)

	Assets	December 31, 2022 Amount	%	December 31, 2021 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(1))	$ 180,770	6	157,294	5
1151	Notes receivables, net (note 6(4) and (22))	29,493	1	28,748	1
1170	Accounts receivable, net (note 6(4) and (22))	762,025	26	881,616	29
130X	Inventories (note 6(6))	815,989	27	948,424	31
1476	Other financial assets-current (note 6(5) and 8)	22,073	1	22,601	1
1479	Other current assets (note 6(11))	39,994	1	42,356	1
		1,850,344	62	2,081,039	68
	Non-Current Assets				
1510	Non-current financial assets at fair value through profit and loss (note 6(2)(14))	-	-	2,070	-
1517	Non-current financial assets at fair value through other comprehensive income (note 6(3))	32,290	1	24,860	1
1600	Property, plant and equipment (note 6(7) and 8)	735,080	25	691,895	23
1755	Right-of-use assets (note 6(8))	259,677	9	150,073	5
1760	Investment Property (note 6(9))	10,171	-	12,192	-
1780	Intangible assets (note 6(10))	4,531	-	5,238	-
1840	Deferred income tax assets (note 6(19))	10,317	-	15,185	-
1980	Other non-current financial assets (note 6(5) and 8)	68,110	3	61,000	2
1990	Other non-current assets-others (notes 6(11))	5,591	-	15,742	1
	Total non-current asset	1,125,767	38	978,255	32
	Total Assets	**$ 2,976,111**	**100**	**3,059,294**	**100**

	Liabilities and equity	December 31, 2022 Amount	%	December 31, 2021 Amount	%
	Current liabilities:				
2100	Short-term borrowings (note 6(l2) and 8)	$ 100	-	30,000	1
2170	Accounts payable	632,576	21	731,687	24
2200	Other payables	166,596	6	196,331	6
2230	Current income tax liabilities	78,974	3	73,892	2
2280	Current lease liabilities (note 6(15))	31,028	1	28,244	1
2320	Long-term borrowings, current portion (note 6(13) and 8)	41,252	1	30,939	1
2399	Other current liabilities (note 6(13) (16) and (22))	35,787	1	41,103	1
	Current Assets	986,313	33	1,132,196	36
	Non-current liabilities:				
2500	Non-current financial liabilities at fair value through profit or loss (note 6(2) and (14))	548	-	-	-
2530	Bonds payable (note 6(14) and 8)	283,018	10	291,696	10
2540	Long-term borrowings (note 6(13) and 8)	206,884	7	267,395	9
2570	Deferred tax liabilities (note 6(19))	3,102	-	1,958	-
2580	Non-current lease liabilities (note 6(15))	209,768	7	130,146	4
2630	Long-Term Deferred Revenue (note 6(13))	1,074	-	-	-
2640	Net defined benefit liability, non-current (note 6(18))	7,347	-	22,263	1
2645	Guarantee deposit received	1,764	-	6,108	-
	Total non-current liabilities	713,505	24	719,566	24
	Total liabilities	1,699,818	57	1,851,762	60
	Equity attributable to owners of parent (note 6(14)(20))：				
3100	Capital stock	701,669	24	697,869	23
3200	Capital surplus	164,367	5	157,151	5
3300	Retained earnings	396,165	13	343,402	11
3400	Other equity interest	25,865	1	20,883	1
3500	Treasury stock	(11,773)	-	(11,773)	-
	Total equity	1,276,293	43	1,207,532	40
	Total liabilities and equity	**$ 2,976,111**	**100**	**3,059,294**	**100**

(continued)

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

YEN SEN TECHNOLOGY CORP AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years Ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollar, Except for Earnings Per Common Share)

		2022		2021	
		Amount	**%**	**Amount**	**%**
4000	**Operating revenues (note 6(22))**	$ 3,641,619	100	3,933,781	100
5000	**Operating costs (note 6(6)(18) and 12)**	2,979,538	82	3,238,251	82
5900	**Gross profit from operations**	662,081	18	695,530	18
6000	**Operating expenses (note 6(18)(23) and 12)：**				
6100	Selling expenses	187,867	5	201,107	5
6200	General and administrative expenses	142,730	4	137,359	3
6300	Research and development expenses	158,041	4	139,860	4
6450	Expected credit impairment loss (note 6(4)(5))	253	-	(11,894)	-
	Total operating expenses	488,891	13	466,432	12
6900	**Net operating income**	173,190	5	229,098	6
7000	**Non-operating income and expenses(notes 6 (17)(24))：**				
7100	Interest income	710	-	258	-
7010	Other income	54,471	1	45,140	1
7020	Other gains and losses	30,973	1	(17,422)	(1)
7050	Finance costs	(13,644)	-	(13,193)	-
	Total non-operating income and expenses	72,510	2	14,783	-
7900	**Profit before income tax from continuing operations:**	245,700	7	243,881	6
7950	Income tax expense (notes 6(19))	51,279	1	46,815	1
8200	**Net Profit**	194,421	6	197,066	5
8300	**Other comprehensive income：**				
8310	**items that will not be reclassified to profit or loss**				
8311	Re-measurements of the defined benefit plans(notes 6(18))	10,679	-	1,521	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (note 6(20))	4,930	-	4,477	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (notes 6(19))	1,152	-	1,934	-
	Total items that will not be reclassified to profit or loss	14,457	-	4,064	-
8360	**Items that will be reclassified to profit or loss**				
8361	Exchange differences on translation (note 6(20))	1,204	-	494	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Total items that will be reclassified to profit or loss	1,204	-	494	-
8300	**Other comprehensive income, net**	15,661	-	4,558	-
8500	**Comprehensive income**	**$ 210,082**	**6**	**201,624**	**5**
	Basic earnings per share (in dollar, note 6(21))				
9750	Total basic earnings per share	**$ 2.80**		**2.86**	
9850	Diluted earnings per share	**$ 2.48**		**2.74**	

See accompanying notes to consolidated financial statements

(Reviewed, not audited)

YEN SUN TECHNOLOGY CORP. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2022 and 2021

(expressed in thousands of New Taiwan Dollar)

	Equity attributable to owners of parent										
			Retained earnings				Other equity interest				
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized gains from financial assets measured at fair value through other comprehensive income	Total	Treasury stock	Total equity
Balance at January 1, 2021	**$ 697,869**	**119,761**	**48,441**	**3,798**	**196,107**	**248,346**	**16,694**	**1,152**	**17,846**	**(11,773)**	**1,072,049**
Profit	-	-	-	-	197,066	197,066	-	-	-	-	197,066
Other comprehensive income	-	-	-	-	1,521	1,521	494	2,543	3,037	-	4,558
Total comprehensive income	-	-	-	-	198,587	198,587	494	2,543	3,037	-	201,624
Earnings allocation and distribution:											
Provision of legal reserve	-	-	13,899	-	(13,899)	-	-	-	-	-	-
Cash dividend of common stock	-	-	-	-	(103,531)	(103,531)	-	-	-	-	(103,531)
	-	-	13,899	-	(117,430)	(103,531)	-	-	-	-	(103,531)
Issuance of convertible Bond	-	37,390	-	-	-	-	-	-	-	-	37,390
Balance as of December 31, 2021	**697,869**	**157,151**	**62,340**	**3,798**	**277,264**	**343,402**	**17,188**	**3,695**	**20,883**	**(11,773)**	**1,207,532**
Profit	-	-	-	-	194,421	194,421	-	-	-	-	194,421
Other comprehensive income	-	-	-	-	10,679	10,679	1,204	3,778	4,982	-	15,661
Total comprehensive income	-	-	-	-	205,100	205,100	1,204	3,778	4,982	-	210,082
Earnings allocation and distribution:											
Provision of legal reserve	-	-	19,859	-	(19,859)	-	-	-	-	-	-
Cash dividend of common stock	-	-	-	-	(152,337)	(152,337)	-	-	-	-	(152,337)
			19,859		(172,196)	(152,337)					(152,337)
Convert of convertible Bond	3,800	7,216	-	-	-	-	-	-	-	-	11,016
Balance as of December 31, 2022	**$ 701,669**	**164,367**	**82,199**	**3,798**	**310,168**	**396,165**	**18,392**	**7,473**	**25,865**	**(11,773)**	**1,276,293**

See accompanying notes to consolidated financial statements

YEN SEN TECHNOLOGY CORP AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2022 and 2021
(expressed in thousands of New Taiwan Dollar)

	2022	2021
Cash flows from (used in) operating activities：		
Profit (Loss) before tax	$ 245,700	243,881
Adjustments:		
Adjustments to reconcile profit (loss)		
Expected credit impairment loss (reversal gain)	253	(11,894)
Depreciation expense	122,445	107,718
Amortization expense	2,059	1,828
Net profit on financial assets or liabilities at fair value through profit or loss	2,543	(1,260)
Interest expense	13,644	13,193
Interest income	(710)	(258)
Loss on disposal of property, plant and equipment	1,465	893
Loss on disposal of investment property	1,880	-
Decrease on provision	(124)	(29)
Unrealized foreign exchange (interest) loss	(3,360)	1,248
Total adjustments to reconcile profit:	140,095	111,439
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes receivable	(674)	(4,714)
Accounts receivable	127,117	(153,190)
Inventories	136,114	(250,277)
Other current assets	1,921	(5,714)
Other financial assets	(2,629)	12,184
Total net changes in operating assets:	261,849	(401,711)
Net changes in operating liabilities:		
Accounts payable	(106,398)	30,607
Other payable	(26,135)	16,611
Other current liabilities	(10,093)	4,710
Net defined benefit liability	(4,237)	(1,088)
Total net changes in operating liabilities	(146,863)	50,840
Total changes in operating assets and liabilities	114,986	(350,871)
Total adjustments	255,081	(239,432)
Cash inflow generated from operating	500,781	4,449
Interest received	703	277
Interest paid	(11,227)	(12,948)
Income taxes paid	(41,172)	(14,857)
Net cash flows from (used in) operating activities	449,085	(23,079)
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(2,500)	(16,000)
Acquisition of property, plant and equipment	(121,697)	(87,818)
Proceeds from disposal of property, plant and equipment	265	-
Increase in guarantee deposits paid	(1,927)	(1,615)
Acquisition of intangible assets	(1,349)	(3,951)
Increase in restricted deposit	(1,825)	(47,235)
Increase in prepayments for equipment	(5,591)	(15,742)
Net cash flows from (used in) investing activities:	(134,624)	(172,361)
Cash flows from (used in) financing activities:		
Decrease in short-term borrowings	(29,900)	(71,606)
Proceeds from long-term borrowings	90,000	315,000
Repayment of long-term borrowings	(138,696)	(382,745)
Payment of lease liabilities	(59,534)	(25,935)
Cash dividend of common stock	(152,337)	(103,531)
Issuance of convertible bonds	-	327,642
Net cash flows from (used in) financing activities	(290,467)	58,825
Effect of exchange rate changes on cash and cash equivalents	(518)	4,702
Net increase (decrease) in cash and cash equivalents	23,476	(131,913)
Cash and cash equivalents at beginning of period	157,294	289,207
Cash and cash equivalents at end of period	**$ 180,770**	**157,294**

See accompanying notes to consolidated financial statements

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in thousands of New Taiwan Dollar unless otherwise specified)

1. Company history

Yen Sun Technology Corporation (the “Company”) was incorporated in March 10, 1987 as a company limited by shares under the Company Act of the Republic of China (R.O.C.). Registered address was No.329, Feng Ren Rd., Ren Wu Dist., Kaohsiung City 814, Taiwan (R.O.C.). The consolidated financial statements comprise the Company and subsidiaries (jointly referred to the Group). The major business activities of the Group are the manufacture and sale of home appliances and electronic cooling products such as electric fans, electric cookers, induction cookers, juice machines, bowl dryers, water dispensers, dehumidifiers, electric heaters and other home appliances, cooling fans, heat sink and thermal modules.

2. Approval date and procedures of the consolidated financial statements

These consolidated financial statements were authorized for issue by the Board of Directors on March 8, 2023.

3. New standards, amendments and interpretations adopted

(1) The impact of new and revised International Financial Reporting Standards and Interpretations endorsed by the Financial Supervisory Commission, R.O.C. ("FSC")

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2022：

- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

(2) The impact of IFRS endorsed by FSC but not adopted yet

The Group has evaluated that the adoption of following new amendments, which will be effective from January 1, 2023, will not have a significant impact on its consolidated financial statements.

- Amendments to IAS 1 “Disclosure of Accounting policies”
- Amendments to IAS 8 “Definition of Accounting Assessments
- Amendments to IAS 12 “Deferred tax related to assets and liabilities arising from a single transaction”

(3) Newly released or amended standards and interpretations not yet endorsed by the FSC:

The Group does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendment to IFRS 16 “Sale and leaseback transaction”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”

4. Summary of significant accounting policies:

The significant accounting policies presented in the financial statements are summarized as follows. Except the Note 3, the following accounting policies were applied consistently throughout the presented periods in the financial statements.

(1) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C.

(2) Basis of preparation

A. Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

(a) Financial instruments at fair value through profit or loss are measured at fair value;

(b) Financial assets at fair value through other comprehensive income are measured at fair value;

(c) The defined benefit liabilities are measured at present value of the defined benefit obligation less the fair value of the plan assets, limited as explained in Note 4(17).

B. Functional and presentation currency

The functional currency of the Group is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan Dollar, which is the Company's functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand, unless otherwise noted.

(3) **Basis of consolidation**

A. Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

B. List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Business activity	Shareholding December 31, 2022	Shareholding December 31, 2021	Explanation
The Company	YEN SUN TECHNOLOGY (BVI) CORP.	Investment holding	100%	100%	-
The Company	YEN SUN TECH INTERNATIONAL (SAMOA) CORP.	Investment holding	100%	100%	-
The Company	LUCRATIVE INT'L GROUP INC.	Investment holding	100%	100%	-
The Company	YEN JIU TECHNOLOGY CORP. (“YEN JIU)	Sales and manufacture of home appliances products	100%	100%	-
YEN SUN TECHNOLOGY (BVI) CORP.	SHANGHAI YENSUN ELECTRICAL INDUSTRIAL CO., LTD. (“SHANGHAI YENSUN”)	Sales and manufacture of home appliances products	100%	100%	-
YEN SUN TECH INTERNATIONAL (SAMOA) CORP.	YEN HUNG INTERNATIONAL CORP.	Investment holding	100%	100%	-
YEN SUN TECH INTERNATIONAL (SAMOA) CORP.	YEN TONG TECH INTERNATIONAL (SAMOA) CORP.	Investment holding	100%	100%	-
YEN HUNG INTERNATIONAL CORP.	Y.H. TECH INTERNATIONAL CORP.	Investment holding	100%	100%	-
Y.H. TECH INTERNATIONAL CORP.	DARSON ELECTRONICS (DONGGUAN) LTD. (“DARSON”)	Manufacture of electronic cooling products	100%	100%	-
LUCRATIVE INT'L GROUP INC.	YEN GIANT METAL (DONGGUAN) CO., LTD. (“YEN GIANT”)	Sales and manufacture of electronic cooling fan and heat sink and thermal module products	100%	100%	-

C. Subsidiaries excluded from the consolidated financial statements: None.

(4) Foreign currencies

A. Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

(a) An investment in equity securities designated as at fair value through other comprehensive income;

(b) A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or

(c) Qualifying cash flow hedges to the extent that the hedges are effective.

B. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(5) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current

A. It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

B. It is held primarily for the purpose of trading;

C. It is expected to be realized within 12 months after the reporting period; or

D. The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

A. It is expected to be settled in the normal operating cycle;

B. It is held primarily for the purpose of trading;

C. It is due to be settled within 12 months after the reporting period; or

D. The Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(6) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(7) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

A. Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

(a) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(b) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL：

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established.

(c) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

(d) Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated ─ e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, and are consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

(e) Assessment whether contractual cash flows are solely payments of principal and interest.

For the purposes of this assessment, 'principal' is defined as the fair value of the financial assets on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows；
- terms that may adjust the contractual coupon rate, including variable rate features；
- prepayment and extension features；and
- terms that limit the Group’s claim to cash flows from specified assets（e.g. non-recourse features.

(f) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, guarantee deposit paid and other financial assets), debt investments measured at FVOCI and contract assets.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date；and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for notes receivable, accounts receivable and contract assets are always measured at an amount equal to lifetime ECL.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

12-month ECL are the portion of ECL that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

If there is a low risk of default on financial asset, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations, the financial asset would be considered low credit risk.

When the contract amount is past due 30 days or the borrower is unlikely to pay its credit obligations to the Group in full, the Group considers the credit risk on a financial asset has increased significantly or a financial asset to be in default.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charge to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(g) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

B. Financial liabilities and equity instruments

(a) Classification of debt or equity

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

(b) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

(c) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

(d) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible bonds denominated in NTD that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognized in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognized.

(e) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

(f) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

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

(g) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

C. Derivative financial instruments

Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(8) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present occasion and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(9) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

When the use of a property changes such that it is reclassified as property, plant and equipment, it carrying amount at the date of reclassification becomes its cost for subsequent accounting.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(10) Property, plant and equipment

A. Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

B. Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

C. Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

(a) buildings: 1 to 60 years

(b) machinery equipment: 1 to 10 years

(c) mold equipment: 1 to 10 years

(d) others: 1 to 17 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

D. Reclassification to investment property

A property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

(11) Leases

At inception of a contract, the Group assesses whether a 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.

A. As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method 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. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

(a) fixed payments, including in-substance fixed payments;
(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 under a residual value guarantee; and
(d) payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

(a) there is a change in future lease payments arising from the change in an index or rate; or
(b) there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
(c) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
(d) there is a change of its assessment on whether it will exercise a extension or termination option; or
(e) there is any lease modification

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Group chose not to recognize the right-of-use assets and lease liabilities of short-term leases and low-value underlying asset lease of office and office equipment. The Group recognizes the lease payments related to these leases as expenses on a straight-line basis during the lease term.

B. As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

(12) Intangible assets

A. Recognition and measurement

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

B. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

C. Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

(a) Patents: 20 years

(b) Computer software cost: 1 to 6years

(c) Technology licensing: 10years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(13) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, contract assets, deferred tax assets and investment properties and biological assets, measured at fair value, less costs) to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(14) Provisions

A provision is recognized if, as a result of a past event, the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

A provision for warranties is recognized when the underlying products or services are sold, based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(15) Recognition of revenue

A. Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. Group’s main types of revenue are explained below.

(a) Sale of goods

The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer’s acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The Group grants its customers the right to return the product within certain term. Therefore, the Group reduces revenue by the amount of expected returns and recognizes a refund liability and a right to the returned goods. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method). Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognized will not occur. At each reporting date, the Group reassesses the estimated amount of expected returns.

The Group's obligation to provide a refund for faulty electronic components under the standard warranty terms is recognized as a provision for warranty; please refer to Note 4(14).

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

A contract liability is recognized when receipt of a prepayment from a customer. Contract liability is recognized as revenue when control over the property has been transferred to the customer.

(b) Financing components.

The group expects the period between the transfer of every contracted goods to the customers and payment by the customers will not exceeds over 1 year. As a consequence, the group does not adjust any of the transaction prices for the time value of money.

B. Contract costs

(a) Incremental costs of obtaining a contract

The Group recognizes as an asset the incremental costs of obtaining a contract with a customer if the Group expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

The Group applies the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is 1 year or less.

(b) Costs to fulfill a contract

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standard (for example, IAS 2 Inventories, IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets), the Group recognizes an asset from the costs incurred to fulfill a contract only if those costs meet all of the following criteria:

(i) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;

(ii) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(iii) the costs are expected to be recovered.

General and administrative costs, costs of wasted materials, labor or other resources to fulfill the contract that were not reflected in the price of the contract, costs that relate to satisfied performance obligations (or partially satisfied performance obligations), and costs for which the Group cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations(or partially satisfied performance obligations), the Group recognizes these costs as expenses when incurred.

(16) Government grants and government assistance

The Group recognizes an unconditional government grant related to a biological asset in profit or loss as other income when the grant becomes receivable. Other government grants related to assets are initially recognized as deferred income at fair value if there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant; they are then recognized in profit or loss as other income on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(17) Employee benefits

A. Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

B. Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

C. Short-term employee benefits

A short-term employee benefit is based on undiscounted part and will be recognized as expenses as the related service is provided.

D. Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

(18) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

A. temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

B. temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

C. taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

A. the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and

B. the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

(a) the same taxable entity; or

(b) different taxable entitle which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(19) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as convertible bonds and employee compensation.

(20) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

5. Significant accounting assumptions and judgments, and major sources of estimation uncertainty

The preparation of the consolidated financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is as follows:

(1) The loss allowance of trade receivables

The Group has estimated the loss allowance of trade receivables that is based on the risk of a default occurring and the rate of expected credit loss. The Group has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs. The relevant assumptions and input values, please refer to Note 6(4).

(2) Valuation of inventory

Since inventory must be measured between the lower cost and net realizable value, the Group assesses the amount of inventory due to normal wear and tear, obsolescence or no market sales value on the reporting date, and writes down the cost of inventory to net realizable value. This inventory evaluation is mainly based on the product demand in specific period in the future as the basis for estimation, so it may cause significant changes due to rapid industrial changes. Please refer to Note 6 (6) for further description of inventory valuation.

6. Explanation of significant accounts

(1) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash and petty cash	$ 1,482	2,162
Checking deposits	10	74
Demand deposits	179,278	154,758
Time deposits	-	300
Cash and cash equivalents in the consolidated statement of cash flows	$ 180,770	157,294

Please refer to Note 6(25) for the exchange rate risk, sensitivity analysis and credit risk of the financial assets and liabilities of the Group.

(2) Financial assets at fair value through profit or loss

	December 31, 2022	December 31, 2021
Financial assets at fair value through profit or loss,		
mandatorily measured at fair value		
Derivatives not designated as hedges		
Convertible bond (Embedded derivatives)	$ -	2,070

	December 31, 2022	December 31, 2021
Financial liabilities at fair value through profit or loss,		
mandatorily measured at fair value		
Derivatives not designated as hedges		
Convertible bond (Embedded derivatives)	$ 548	-

(3) Financial assets at fair value through other comprehensive income－Non-current

	December 31, 2022	December 31, 2021
Equity instruments at fair value through other comprehensive income:		
Foreign un-listed stocks－ Y.S. Tech U.S.A Inc.	$ 18,660	12,906
Domestic un-listed stocks－ CHENG TA HSIUNG CONSTRUCTION & DEVELOPMENT CO., LTD.	13,630	11,954
Total	$ 32,290	24,860

The Group intends to hold this equity Instrument for long-term strategic purposes and not for trade intend therefore the Group designated this investment as equity securities at fair value through other comprehensive income.

There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments as of December 31, 2022 and 2021.

For information of market risk, please refer to Note 6(25).

None of the above financial assets at fair value through other comprehensive profit or loss have been provided as collateral.

(4) Notes and accounts receivable

	December 31, 2022	December 31, 2021
Notes receivable from operating activities	$ 29,493	28,748
Accounts receivables–measured as amortized cost	781,906	901,040
Less: Allowance for impairment	(19,881)	(19,424)
	$ 791,518	910,364
Book as:		
Notes receivable	$ 29,493	28,748
Accounts receivable, net	762,025	881,616
	$ 791,518	910,364

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as the incorporated forward-looking information, including macroeconomic and relevant industry information. The exposures to credit risk and expected credit losses for trade receivables were determined as follows:

	December 31, 2022		
	Carrying amount of Notes and accounts receivable	Weighted-average expected credit loss rate	Loss allowance for lifetime expected credit losses
Not over due	$ 763,116	0.07%	514
Overdue less than 90 days	28,756	0.53%	152
Overdue 91 to 180 days	371	18.60%	70
Overdue 181 to 240 days	16	33.33%	5
Overdue 241 days	19,140	100.00%	19,140
	$ 811,399		19,881

	December 31, 2021		
	Carrying amount	Weighted-average expected credit loss rate	Loss allowance for lifetime expected credit losses
Not over due	$ 874,564	0.06%	497
Overdue less than 90 days	36,142	0.15%	55
Overdue 91 to 180 days	100	46.29%	47
Overdue 181 to 240 days	429	63.54%	272
Overdue 241 days	18,553	100.00%	18,553
	$ 929,788		19,424

The movement in the provision for impairment loss with respect to trade receivables was as follows：

	2022	2021
Balance at January 1	$ 19,424	24,427
Impairment losses recognized (reversed)	254	1,127
Amounts written off	-	(5,989)
Foreign exchange losses	203	(141)
Balance at December 31	$ 19,881	19,424

None of the abovementioned financial assets have been provided as collateral.

Please refer to Note 6(25) for credit risk.

(5) Other financial assets

	December 31, 2022	December 31, 2021
Refundable deposits	$ 12,448	10,445
Other receivables－Other	17,471	14,718
Restricted deposits	60,264	58,439
Less: Loss allowance-Others	-	(1)
	$ 90,183	83,601
Book as:		
Other financial assets－current	$ 22,073	22,601
Other financial assets－non-current	68,110	61,000
	$ 90,183	83,601

Please refer to Note 6(25) for credit risk. The abovementioned financial assets pledged as collateral for borrowings are disclosed in Note 8.

(6) Inventories

	December 31, 2022	December 31, 2021
Raw materials and supplies	$ 323,618	403,124
Work in progress	212,942	272,506
Finished goods and Merchandise inventories	279,429	272,794
	$ 815,989	948,424

The cost of inventories recognized as the cost of goods sold and expenses in 2022 and 2021 were $2,967,624 thousand and $3,215,680 thousand, respectively. Recognition of inventory impairment losses in 2022 and 2021 due to write-off of inventories to net realizable value was $11,914 thousand and $15,517 thousand, and has been recognize under operating costs.

None abovementioned inventories were pledged as collateral.

(7) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group were as follows:

	Land	Buildings and Structures	Machinery and equipment	Mold Equipment	Miscellaneous equipment	Construction in progress	Total
Cost or deemed cost：							
Balance at January 1,2022	$ 291,848	198,776	301,823	441,792	116,002	4,267	1,354,508
Additions	-	6,715	23,594	21,943	5,098	75,741	133,091
Reclassifications	-	19,429	-	-	2,943	(22,372)	-
Disposals	-	-	(14,757)	(1,747)	(4,671)	-	(21,175)
Effect of movements in exchange rates	-	293	1,841	989	871	-	3,994
Balance at December 31, 2022	$ 291,848	225,213	312,501	462,977	120,243	57,636	1,470,418
Balance at January 1,2021	$ 291,685	186,408	256,380	421,722	98,267	1,396	1,255,858
Additions	163	12,298	51,458	25,849	18,289	4,001	112,058
Disposals	-	187	-	-	939	(1,126)	-
Disposals	-	-	(5,364)	(5,388)	(1,383)	-	(12,135)
Effect of movements in exchange rates	-	(117)	(651)	(391)	(110)	(4)	(1,273)
Balance at December 31, 2021	$ 291,848	198,776	301,823	441,792	116,002	4,267	1,354,508
Accumulated depreciation and impairment：							
Balance at January 1,2022	$ -	56,370	165,281	368,102	72,860	-	662,613
Depreciation for the year	-	17,347	30,237	31,539	10,776	-	89,899
Disposals	-	-	(13,569)	(1,603)	(4,273)	-	(19,445)
Effect of movements in exchange rates	-	208	712	592	759	-	2,271
Balance at December 31, 2022	$ -	73,925	182,661	398,630	80,122	-	735,338
Balance at January 1,2021	$ -	39,854	144,651	344,140	66,574	-	595,219
Depreciation for the year	-	16,585	25,349	29,245	7,642	-	78,821
Disposals	-	-	(4,421)	(5,012)	(1,280)	-	(10,713)
Effect of movements in exchange rates	-	(69)	(298)	(271)	(76)	-	(714)
Balance at December 31, 2021	$ -	56,370	165,281	368,102	72,860	-	662,613
Carrying amounts：							
Balance at December 31, 2022	$ 291,848	151,288	129,840	64,347	40,121	57,636	735,080
Balance at January 1,2021	$ 291,685	146,554	111,729	77,582	31,693	1,396	660,639
Balance at December 31, 2021	$ 291,848	142,406	136,542	73,690	43,142	4,267	691,895

Please refer to Note 6(24) for detail of disposal gain and loss.

In addition, for the information of asset that have been used as collateral for the long-term and short-term borrowing. Please refer to Note 8.

(8) Right-of-use assets

The cost and accumulated depreciation of the Group's lease of Buildings, construction and transportation equipment, etc., its movements were as follows:

	Land	Buildings	Transportation equipment	Total
Right-of-use assets cost:				
Balance at January 1, 2022	$ 948	211,204	4,754	216,906
Additions	138,407	1,288	607	140,302
Decrease	-	(3,167)	(1,434)	(4,601)
Effect of movements in exchange rates	-	2,240	-	2,240
Balance at December 31, 2022	$ 139,355	211,565	3,927	354,847
Balance at January 1, 2021	$ -	162,889	6,371	169,260
Additions	948	49,429	803	51,180
Decrease	-	-	(2,420)	(2,420)
Effect of movements in exchange rates	-	(1,114)	-	(1,114)
Balance at December 31, 2021	$ 948	211,204	4,754	216,906
Accumulated Depreciation:				
Balance at January 1, 2022	$ 16	64,641	2,176	66,833
Additions	1,715	29,267	1,237	32,219
Decrease	-	(3,167)	(1,434)	(4,601)
Effect of movements in exchange rates	-	719	-	719
Balance at December 31, 2022	$ 1,731	91,460	1,979	95,170
Balance at January 1, 2021	$ -	38,059	2,917	40,976
Additions	16	26,813	1,679	28,508
Decrease	-	-	(2,420)	(2,420)
Effect of movements in exchange rates	-	(231)	-	(231)
Balance at December 31, 2021	$ 16	64,641	2,176	66,833
Carrying amounts:				
Balance at December 31, 2022	$ 137,624	120,105	1,948	259,677
Balance at January 1, 2021	$ -	124,830	3,454	128,284
Balance at December 31, 2021	$ 932	146,563	2,578	150,073

(9)Investment Property

The movements of investment property are as follows:

		Owned property	Building and construction	
		Building and construction	Land	Total
Cost & recognized as cost				
Balance at January 1, 2022	$	56,427	7,322	63,749
Disposal		(18,844)		(18,844)
Effect of movements in exchange rates		891	107	998
Balance at December 31, 2022	$	38,474	7,429	45,903
Balance at January 1, 2021	$	56,856	7,377	64,233
Effect of movements in exchange rates		(429)	(55)	(484)
Balance at December 31, 2021	$	56,427	7,322	63,749
Accumulated Depreciation:				
Balance at January 1, 2022	$	50,712	845	51,557
Depreciation of current portion		41	286	327
Disposal		(16,964)		(16,964)
Effect of movements in exchange rates		800	12	812
Balance at December 31, 2022	$	34,589	1,143	35,732
Balance at January 1, 2021	$	50,988	568	51,556
Depreciation of current portion		108	281	389
Effect of movements in exchange rates		(384)	(4)	(388)
Balance at December 31, 2021	$	50,712	845	51,557
Carrying amounts:				
Balance at December 31, 2022	$	3,885	6,286	10,171
Balance at January 1, 2021	$	5,868	6,809	12,677
Balance at December 31, 2021	$	5,715	6,477	12,192

In December 31, 2022 and 2021, the fair value of investment property is $34,844 thousand and $34,204 thousand respectively, and its evaluation basis considers the aggregate amount of estimated cash flows expected to be received if the property is leased. And discounts it by using a rate of return that reflects the specific risks inherent in the net cash flow to determine the value of the property. The inputs value used in the fair value evaluation is in Level 3. The yield ranges which adopted in 2022 and 2021 are as follows:

Location	2022	2021
Shanghai, Mainland China	4.750%	4.750%

As of December 31, 2022 and 2021, none of the investment property was pledged as collateral.

(10) Intangible assets

The cost, amortization and impairment loss of the Group's intangible assets are as follows:

		Computer software	Other	Total
Cost:				
Balance at January 1,2022	$	47,248	17,531	64,779
Acquisition		1,349	-	1,349
Disposal		-	(15,685)	(15,685)
Effect of movements in exchange rates		5	-	5
Balance at December 31, 2022	$	48,602	1,846	50,448
Balance at January 1,2021	$	43,300	17,531	60,831
Acquisition		3,951	-	3,951
Effect of movements in exchange rates		(3)	-	(3)
Balance at December 31, 2021	$	47,248	17,531	64,779
Accumulated amortization and impairment losses:				
Balance at January 1,2022	$	42,317	17,224	59,541
Amortization of current portion		1,886	173	2,059
Disposal		-	(15,685)	(15,685)
Effect of movements in exchange rates		2	-	2
Balance at December 31, 2022	$	44,205	1,712	45,917
Balance at January 1,2021	$	40,667	17,046	57,713
Amortization of current portion		1,650	178	1,828
Balance at December 31, 2021	$	42,317	17,224	59,541
Carrying amounts:				
Balance at December 31, 2022	$	4,397	134	4,531
Balance at January 1,2021	$	2,633	485	3,118
Balance at December 31, 2021	$	4,931	307	5,238

None of any Group’s intangible asset was pledged as collateral.

(11) Other current assets and Other non-current assets

The other current assets others and other non-current assets of the Group were as follows:

	December 31, 2022	December 31, 2021
Prepayment for purchases	$ 4,957	5,896
Prepaid expense	5,112	4,331
Prepayments for equipment	5,591	15,742
Income tax refund receivable	26,874	28,816
Assets for right to recover product to be returned	3,051	2,579
Other	-	734
	$ 45,585	**58,098**
Current	$ 39,994	42,356
Non-current	5,591	15,742
	$ 45,585	**58,098**

(12) Short-term borrowings

The short-term borrowings were summarized as follows:

	December 31, 2022	December 31, 2021
Unsecured bank loans	**$ 100**	**30,000**
Unused short-term credit lines	**$ 806,622**	**785,554**
Range of interest rates	**1.73%**	**1.10%～1.20%**

For the collateral information of Group using asset as collateral for bank borrowings, please refer to Note 8.

Please refer to Note 6(25) for the interest rate risk, exchange rate risk and sensitivity analysis of the financial liabilities of the Group.

(13) Long-term borrowings

The details of long-term borrowings were as follows:

	December 31, 2022			
	Currency	Interest rate range	Maturity period	Amount
Unsecured bank borrowings	NTD	1.38%~1.94%	May 21, 2024~ July 25, 2029	$ 124,498
Secured bank loans	NTD	1.83%	July 26, 2034	123,638
				248,136
Less: current portion				41,252
Total				**$ 206,884**
Unused long-term credit lines				**$ 96,000**

	December 31, 2021			
	Currency	**Interest rate range**	**Maturity period**	**Amount**
Unsecured bank borrowings	NTD	1.25%～1.35%	May 21, 2024~ February 4, 2025	$ 63,334
Secured bank loans	NTD	1.20%	July 26, 2034	235,000
				298,334
Less: current portion				30,939
Total				**$ 267,395**
Unused long-term credit lines				**$ -**

C. Government low-interest loan

In 2022, the Group acquired low-interest loan from “Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan” which host by Executive Yuan, R.O.C. (Taiwan). As of December 31, 2022, the loan amount is $90,000 thousand; the loan is recognized and measured at market interest rates, the difference between the actual repayment preferential interest rate shall be handled according to government subsidy, please refer to Note 4(16).

As of December 31, 2022, the balance of deferred assistance profits was $1,502 thousand, recognized as Other current liabilities-other: $428 thousand and Long-term deferred revenue: $1,074 thousand, respectively.

D. Collateral

Assets pledged as collateral for long-term borrowings are disclosed in Note 8.

(14) Bonds payable

The details of secured convertible bonds were as follows:

	December 31, 2022	December 31, 2021
Total convertible corporate bonds issued	$ 300,000	300,000
Add: Interest payable refund	902	187
Less: Accumulated conversion amount	(11,400)	-
Less: Unamortized discounted bonds payable	(6,484)	(8,491)
Issued bonds payable balance at year-end	$ 283,018	291,696
Embedded derivative instruments – call and put rights, included in financial liabilities at fair value through profit or loss	$ (548)	2,070
Equity component – conversion options, included in capital surplus– stock options	$ 35,970	37,390

The original recognized effective interest rate of the aforementioned convertible bonds payable component is 0.85%. Please refer to Note 6 (24) for the amount of recognized interest expenses.

For the information of bondholder exercise puttable option that converts bonds payable into ordinary shares for the years ended December 31, 2022, please refer to Note 6 (20).

The company issued the sixth domestic secured convertible bonds on September 30, 2021, with a total amount of $300,000 thousands. The main terms are as follows:

1. Total issuance: $300,000 thousand NTD
2. Issued price: issued at 110.95% of par value
3. Issue period: 5 years, expired date will be September 30, 2026
4. Interest rate: 0%
5. Conversion subject: common stock of the company
6. Conversion price and its adjustment:

   The conversion price at the time of issuance is set at $30 per share. However, after the issuance, if one of the following conditions is met, the conversion price shall be adjusted according to the formula stipulated in the issuance terms:

   a. When an increase in the company's issued or private offering shares of common stock. Except for various securities issued or private offering by the company that have conversion rights or options for exchange or new issued shares for employees' compensation.

   b. When the company pays cash dividends of ordinary shares.

   c. When the company re-issues or private offering various value securities with common stock conversion rights or stock options at a conversion or subscription price lower than the current price per share.

   d. When the reduction of the ordinary shares is not caused by capital reduction that is due to decrease in treasury stock.

The conversion price on December 31, 2022 was $27.90 per share.

7. Conversion period:

   Started from the next day since the convertible bonds have issued for three months until the maturity date, except for following condition: (1) suspension period of the transfer of ordinary shares which according to law; (2) the period of before 15 business days of the date of the transfer suspension of stock dividend, cash dividends and cash capital increase subscription till interest distribute reference date.;(3) started from capital reduction reference date until the day before the share exchange trade date;(4) The period from the start date of the suspension of conversion/subscription of the stock change nominal value to the day before the trading day before the start of the exchange of new shares, the creditor may not request conversion, may request the company to convert the convertible bonds into ordinary shares of the company in accordance with these measures at any time.

8. Bondholder’s puttable option:

   Three years after the issued date of the convertible bonds will be seen as reference date on which the holders sold back in advance. The company shall send a letter to the TPEx to announce the exercise of the bondholder's puttable option 40 days before the reference date. The holders of the bonds may inform the company’s stock agency, to redeem the bonds held by it in cash at 100.75% of the bond’s nominal value (with an annual yield of 0.25%).

9. The company's redemption option:

   (1) The conversion of the bonds from the next day of three months from the issuance day to 40 days before the expiry of the issue period, if the closing price of the company’s ordinary shares in 30 consecutive business days exceeds the current conversion price by 30% (inclusive) or more. In the case, the company may redeem the circulating convertible bonds in cash at the bond nominal value.

   (2) From the next day of three months from the issuance day to 40 days before the expiry of the issue period, when the circulating bonds is less than 10% of the original issuance total, the company may recover the convertible bonds in cash with the nominal value of the bonds.

10. Repayment at maturity:

Except the convertible bonds that have been redeemed, sold back, converted or purchased and cancelled by the company at the securities firm, interest compensation will be added as bond's nominal value at maturity (interest compensation at maturity is 1.256% of the nominal value, the real yield rate is 0.25%), which will be repaid in cash in lump sum

11. Collateral:

The First Commercial Bank acts as the guarantor for the convertible bonds. The real estates, plants, equipment and deposits will be provided as the collaterals of the First Commercial Bank. Please refer to Note 8 for details.

(15) Lease liabilities

The details of lease liabilities were as follows:

	December 31, 2022	December 31, 2021
Current	$ 31,028	28,244
Non-current	$ 209,768	130,146

For maturity analysis, please refer to Note 6 (25) Financial Instruments.

The amounts recognized in profit or loss were as follows：

	2022	2021
Interest on lease liabilities	$ 6,515	6,158
Expenses relating to short-term leases	$ 645	644
Expenses relating to leases of low-value assets (Excluding short-term leases of low-value assets)	$ 476	1,253

The amounts recognized in the statement of cash flows for the Group were as follow：

	2022	2021
Total cash outflow for leases	$ 67,170	33,990

A. Lease of land, Building and construction

Group leases buildings for its factory and warehouse. The leases typically run for a period of 3 to 50 years. Some leases include an option to renew the lease after the end of the contract term.

B. Other leases

The Group leases transportation and equipment, with lease terms of 2 to 5 years. The Group also leases office and office equipment with contract terms of 1 to 3 years. These leases are short-term or leases of low-value items. The Group decided not to recognize right-of-use assets and lease liabilities for these leases.

(16) Other current and non-current liabilities

The details of other current and non-current liabilities were as follows:

		December 31, 2022	December 31, 2021
Advance receipts	$	13,757	15,506
Guarantee deposit received		4,408	-
Provision for warranties		1,071	1,195
Refund liabilities		6,942	6,750
Other		9,609	17,652
	$	35,787	41,103

In addition, the movements in provision for warranties are as follows:

		2022	2021
Balance at January 1	$	1,195	1,224
Provisions made during the year		219	1,525
Provisions used and reversed during the year		(343)	(1,554)
Balance at December 31	$	1,071	1,195

The provision for warranties relates mainly to home appliance sold during the years ended December 31 2022 and 2021. The provision is based on estimates made from historical warranty data associated with similar products and services. The Group expects to settle the majority of the liability over the next year.

(17) Operating lease

The Group leases out its investment property. The Group has classified these leases as operating leases, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date are as follows:

		December 31, 2022	December 31, 2021
Less than 1 year	$	5,306	12,409
Between 1 and 2 years		-	5,229
	$	5,306	17,638

Rental income from investment properties during the years ended December 31 2022 and 2021 was $6,960 thousand and $10,544 thousand, respectively.

(18)Employee benefits

A. Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value are as follows:

	December 31, 2022	December 31, 2021
Present value of defined benefit obligations	$ 32,426	44,020
Fair value of plan assets	(25,079)	(21,757)
Net defined benefit liabilities	$ 7,347	22,263

The Group makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the 6 months prior to retirement.

(a) Composition of plan assets

The Group set aside pension funds in accordance with the legislation from the managed by the Bureau of Labor Funds. The annual budget for the allocation of the minimum income cannot be lower than the income calculated based on the interest rate of the banks' two-year time deposit in accordance with the legislation "Management and Utilization of the Labor Pension Funds".

The Group's labor pension reserve account balance in Bank of Taiwan amounted to $25,079 thousand as of December 31, 2022. The utilization of the labor pension fund assets includes the asset allocation and yield of the fund. Please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

(b) Movements in present value of the defined benefit obligations

The movement in present value of the defined benefit obligations for the Group were as follows:

	2022	2021
Balance at January 1	$ 44,020	44,892
Current service and interest cost	428	419
Re-measurement of the net defined benefit liability		
－Actuarial loss (gain) arising from experience	537	(2,430)
－Actuarial loss (gain) based on demographic assumptions	(9,523)	1,139
Benefits paid	(3,036)	-
Defined benefit obligations at December 31	$ 32,426	44,020

(c) Movements of defined benefit plan assets fair value

The movements in the present value of the defined benefit plan assets for the Group were as follows:

		2022	2021
Fair value of plan assets at January 1	$	21,757	20,020
Interest income		136	125
Re-measurement of net defined benefit liability			
－Return on plan assets(excluding current interest cost)		1,693	230
Contributions paid by the employer		4,529	1,382
Benefits paid		(3,036)	-
Fair value of plan assets at December 31	**$**	**25,079**	**21,757**

(d) Cost recognized in profit or loss

The details of Cost recognized in profit or loss were as follows:

		2022	2021
Current service cost	$	154	140
Interest cost on net defined benefit liability		138	154
	$	**292**	**294**
Operating cost	$	231	206
Selling expenses		61	88
	$	**292**	**294**

(e) Actuarial assumptions

The following are the Group's principal actuarial assumptions:

	December 31, 2022	December 31, 2021
Discount rate	1.750%	0.625%
Future salary increase rate	1.500%	3.000%

The expected amount of contributions for the following year after the reporting date is $398 thousand. The weighted-average lifetime of the defined benefit obligation is 11.43 years.

(f) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

		Influences of defined benefit obligations	
		Increased 0.25%	**Decreased 0.25%**
December 31, 2022			
Discount rate	$	(757)	784
Change in future salary		768	(745)
December 31, 2021			
Discount rate		(1,209)	1,255
Change in future salary		1,202	(1,164)

The above sensitivity analysis analyzing the effects of changes in single assumptions is based on other assumptions remaining unchanged. In actuality, changes in some assumptions may be linked together. The sensitivity analysis and calculation of the net pension liability on the balance sheet were performed using the same approach.

There is no change in the method and assumptions used in the preparation of sensitivity analysis.

B. Defined contribution plans

The Company and its subsidiary YEN JIU Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Group allocates a fixed amount to the Bureau of the Labor Insurance without additional legal or constructive obligations.

The Group's entities other than those described in the previous paragraph are based on their respective local regulation of defined contribution plans, the accrued expenses should be recognized as current expenses.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance for the years ended December 31, 2022 and 2021 was as follow:

		2022	**2021**
Operating cost	$	14,025	13,282
Selling expenses		2,502	2,568
General and administrative expenses		2,696	2,883
Research and development expenses		3,769	2,986
Total	**$**	**22,992**	**21,719**

(19) Income tax

A. Tax expense

The amounts of income tax expense were as follows:

		2022	2021
Current tax expense			
Current portion	$	46,692	48,506
Undistributed retained earnings		141	-
Adjusted current income tax of previous period		(414)	965
		46,419	49,471
Deferred income tax benefit			
Origination and reversal of temporary differences		6,240	(2,367)
Change in unrecognized deductible temporary differences		(1,380)	839
Unrecognized tax loss of previous period		-	(1,128)
		4,860	(2,656)
Income tax expense	$	51,279	46,815

The Group did not directly recognize the income tax in equity in 2022 and 2021.

Tax which recognizes under other comprehensive income is shown as follows:

		2022	2021
Equity at fair value through other comprehensive income -Unrealized gains (losses) from investments in equity instruments	$	1,152	1,934

Reconciliation of income tax and profit before tax is as follows:

		2022	2021
Profit (loss) before tax	$	245,700	243,881
Income tax using the Company's domestic tax rate	$	49,140	48,776
Effect of tax rates in foreign jurisdiction		(2,136)	3,042
Non-deductible expenses		1,210	907
Recognized tax loss that not been recognized in previous potion		-	(1,128)
Current- losses for which no deferred tax asset was recognized		6,200	-
Changes in unrecognized temporary differences		(1,380)	839

Adjustment for prior periods	(414)	965
Tax on undistributed profit	141	-
Loss deduction	(1,128)	(6,975)
Others	(354)	389
Total	$ 51,279	46,815

B. Deferred tax assets and liabilities

(a) Unrecognized deferred tax asset

Deferred tax assets have not been recognized in respect of the following items:

	December 31, 2022	December 31, 2021
Employee benefits	$ 7,347	22,263
Temporary differences- related to investments in subsidiaries	370,302	365,174
Tax losses	24,802	-
Unrealized inventory loss and Others	23,345	31,650
	$ 425,796	419,087

In December 31, 2022 and 2021, deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

According to the Enterprise Income Tax Law of the People's Republic of China, the losses of Yen Giant Metal (Dongguan) CO., LTD. ("Yen Giant") and Shanghai Yensun Electrical Industrial CO., LTD. ("Shanghai Yensun") can be used to offset the taxable income tax amount for the next 5 years. As of December 31, 2022, the Group has not yet recognized tax losses as deferred income tax assets. The deductible losses and the term are as follows:

Reporting year	Undeducted losses	Final year for the deduction
2022	$ 19,469	2027
2022	5,333	2027
	$ 24,802	

In December 31, 2022 and 2021, temporary differences that related to subsidiaries investment, due to the Group being able to control the reversal time of temporary differences an believe it is very unlikely to be reversal in the foreseeable future. Therefore, the deferred income tax liabilities that will not be recognize by Group are $ 289,540 thousand and $ 256,045 thousand, respectively.

(b) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities were as follows:

Deferred tax assets:

		Unrealized inventory loss	Loss carryforwards	Unrealized foreign exchange loss	Other	Total
Balance at January 1, 2022	$	12,770	1,128	396	891	15,185
Recognized in profit or loss		(3,252)	(1,128)	(163)	(325)	(4,868)
Balance at December 31, 2022	**$**	**9,518**	**-**	**233**	**566**	**10,317**
Balance at January 1, 2021	$	11,913	-	-	907	12,820
Recognized in profit or loss		857	1,128	396	(16)	2,365
Balance at December 31, 2021	**$**	**12,770**	**1,128**	**396**	**891**	**15,185**

Deferred tax liabilities：

		Unrealized exchange gain	Fair value gains	Total
Balance at January 1, 2022	$	24	1,934	1,958
Recognized in profit or loss		(8)	-	(8)
Recognized in other comprehensive income		-	1,152	1,152
Balance at December 31, 2022	**$**	**16**	**3,086**	**3,102**
Balance at January 1, 2021	$	315	-	315
Recognized in profit or loss		(291)	-	(291)
Recognized in other comprehensive income		-	1,934	1,934
Balance at December 31, 2021	**$**	**24**	**1,934**	**1,958**

The Company's income tax returns through 2019 have been assessed and approved by the R.O.C tax Authority. There were no disputes between the Company and the Tax Authority.

(20) Capital and other equity

A. Share capital

As of December 31, 2022 and 2021, the total value of authorized ordinary shares was amounted to $ 1,500,000 thousand, $ 1,500,000 thousand and $ 1,000,000 thousand with par value $10, respectively. Issued shares were 70,167 thousand shares, 69,787 thousand shares, respectively. All payments of issued shares have been fully received.

Reconciliation of share outstanding for 2022 and 2021 was as follows (The 766 thousand shares of treasury stock buyback has been deducted):

(Expressed in thousands of shares)	2022	2021
Balance at January 1	69,021	69,021
Conversion of convertible bonds	380	-
Balance at December 31	**69,401**	**69,021**

For the year ended December 31, 2022, due to the exercise the puttable option by the holders of convertible bonds, the Group converted the bonds payable with a par value of $11,400 thousand into 380 thousand common shares and issued with the par value of $3,800 thousand; considering the discount of bonds payable and interest compensation of $309 thousand and the amount of financial assets measured at fair value through profit and loss: $75 thousand and additional paid-in capital - bond payable stock option of $1,420 thousand will be recognized as additional paid-in capital - conversion excess of par of bond payable of $8,636 thousand.
The legal registration procedures has been completed.

B. Capital surplus

Capital surplus was as follows：

		December 31, 2022	December 31, 2021
Convertible bonds- premium from conversion	$	95,613	86,977
Expired share option		18,643	18,643
Treasury stock transactions		14,141	14,141
Conversion option of convertible bonds		35,970	37,390
	$	164,367	157,151

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

C. Retained earnings

Base on the Company's article of incorporation, if the Company's annual final accounts show surplus, it shall first pay the taxes, offset past annual loss, and then set 10% as regulatory surplus reserve. However, it is not applicable if the statutory surplus reserve has reached our Company's paid-up capital. Also based on the Company's operational needs and regulatory requirements, provisions shall be make for special reserve. If there are still surplus left, the board of directors shall draft a surplus distribution proposal by combining it with the undistributed surplus at the beginning of period and submit to the shareholders meeting for approval.

If all or a part of the company's distribution of dividends and bonuses or statutory surplus reserves and capital reserves is in the form of cash; it will be authorized when the board of directors to be present with more than two-thirds, and more than half them agrees. And report to the shareholders meeting.

The dividends policy shall first take into consideration its operating environment, financial program, company's sustainable operation and development and the biggest interests of stockholders as follows:

The company is currently in the stage of active market development. In order to support the growth of the company, the company's dividends can continue to operate in the future as the principle, and after comprehensively considering and improving the financial structure, maintaining stable dividends and protecting shareholders' reasonable compensation and other conditions, the board of directors prepare a plan in accordance with the articles of association and deliver it after approval by the shareholders' general meeting and the competent authority.

Distribution ratio of cash dividends and stock dividends:

The distribution of dividends of the company’s shareholders will be based on the stock dividends, cash dividends, or both two ways of issuance. When dividends being distribute, an appropriate ratio of cash and stock dividends shall be set up. Only cash dividends shall be paid at a rate not less than 10% of the current year's distribution.

(a) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders’ meeting, distribute its legal reserve by issuing new shares or distributing cash, and only the portion which excess of 25% of the paid-in capital may be distributed.

(b) Special reserve

During the first-time adoption of the IFRSs endorsed by the FSC, Company choosing to apply exemptions granted under IFRS 1 “First-time Adoption of International Financial Reporting Standards”. The cumulative conversion adjustment (benefit) under the account of shareholders’ equity is zeroed on the conversion date and the amount of retained earnings increased by $3,798 thousand

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders’ equity. And when using, disposing or reclassifying the relevant assets, the surplus may be redistributed according to the proportion of the original special surplus reserve.

Therefore, the amount of special reserve were both $3,798 thousand in December 31, 2022 and 2021.

According to previous paragraph, when the Company distributes distributable earnings, the difference between the net deduction of other shareholders’ equity that occurred in the current year and the special reserve balance mentioned in the previous paragraph. From the current profit and loss and the undistributed earnings in the previous period shall be reclassified as a special reserve; the amount of other shareholders' equity deductions accumulated in the previous period shall be reclassified as a special reserve from the previous undistributed earnings. When there is a reversal in the amount of deductions for other shareholders’ equity afterwards, could distribute the same amount of aforementioned earnings.

(c) Earnings distribution

The amounts of cash dividends on the appropriations of earnings for 2021 and 2020 had been approved during the board meeting on March 8, 2022 and March 9, 2021, respectively. The relevant dividend distributions to shareholders were as follows:

	2021		2020	
	Amount per share	**Total amount**	**Amount per share**	**Total amount**
Dividends distributed to ordinary shareholder:				
Cash	$ 2.2	**152,337**	1.5	**103,531**

The amounts of cash dividends on the appropriations of earnings for 2022 had been approved during the board meeting on March 8, 2023. The relevant dividend distributions to shareholders were as follows:

	2022	
	Amount per share	**Total amount**
Dividends distributed to ordinary shareholder:		
Cash	$ 2.2	**152,682**

D. Other equity, net of tax

	Foreign exchange differences arising from foreign operation	**Unrealized gains(losses) on financial assets measured at FVOCI**	**Total**
Balance at January 1, 2022	$ 17,188	3,695	20,883
The Group	1,204	3,778	4,982
Balance at December 31, 2022	**$ 18,392**	**7,473**	**25,865**
Balance at January 1, 2021	$ 16,694	1,152	17,846
The Group	494	2,543	3,037
Balance at December 31, 2021	**$ 17,188**	**3,695**	**20,883**

E. Treasury shares

In accordance with Article 28-2 of the Securities and Exchange Act, the company bought back a total of 766,000 treasury shares for the transfer of shares to employees, at a cost of $ 11,773 thousand. As of December 31, 2022 and 2021, the total number of none cancelled shares was 766,000 shares.

In accordance with the provisions of Securities and Exchange Act, treasury stocks that held by the company shall not be pledged, and shall not have shareholder rights before being transferred.

(21) Earnings per share

The calculation of basic earnings per share and diluted earnings per share were as follows：

		2022	2021
Basic earnings per share			
Profit attributable to ordinary shareholders of the Company	$	194,421	197,066
Weighted average number of ordinary shares outstanding during the period (thousand)		69,365	69,021
Earnings per share	$	2.80	2.86
Diluted earnings per share			
Profit attributable to ordinary shareholders of the Company	$	194,421	197,066
Effect of potentially dilutive common stock-Convertible Bonds		3,964	(510)
Profit(loss) attributable to ordinary shareholders of the Company (After adjusted effected amount of potentially dilutive common stock)	$	198,385	196,556
Weighted-average number of common shares(thousand)		69,365	69,021
Effect of convertible bonds		205	135
Effect of employee share bonus		10,380	2,548
Weighted average number of ordinary shares outstanding during the period(After adjusted effected amount of potentially dilutive common stock)(thousand)		79,950	71,704
Diluted earnings per share	$	2.48	2.74

(22) Revenue from contracts with customers

A. Details of revenue

		2022		
		Home Appliances Department	Electronics Cooling Department	Total
Primary geographical markets:				
Domestic	$	759,305	951,190	1,710,495
Mainland China		-	494,118	494,118
Germany		613	864,946	865,559
America		1,458	222,416	223,874
Japan		16,390	12,828	29,218
South Korea		7,159	72,808	79,967
Others		19,021	219,367	238,388
	$	803,946	2,837,673	3,641,619
Major products：				
Cooling fan and module	$	-	2,809,776	2,809,776
Product of home appliances–air series		505,979	-	505,979
Product of home appliances–water		255,208	-	255,208

series			
Others	42,759	27,897	70,656
	$ 803,946	2,837,673	3,641,619

	2021		
	Home Appliances Department	Electronics Cooling Department	Total
Primary geographical markets:			
Domestic	$ 683,165	1,410,449	2,093,614
Mainland China	738	428,263	429,001
Germany	-	911,671	911,671
America	8,640	161,141	169,781
Japan	15,386	12,703	28,089
South Korea	2,145	66,361	68,506
Others	21,793	211,326	233,119
	$ 731,867	3,201,914	3,933,781
Major products：			
Cooling fan and module	$ -	3,162,006	3,162,006
Product of home appliances–air series	443,700	-	443,700
Product of home appliances–water series	236,052	-	236,052
Others	52,115	39,908	92,023
	$ 731,867	3,201,914	3,933,781

B. **Contract balance**

	December 31, 2022	December 31, 2021	January 1, 2021
Notes and accounts receivable	$ 811,399	929,788	790,967
Less: allowance for impairment	(19,881)	(19,424)	(24,427)
Total	$ 791,518	910,364	766,540
Contract liabilities- unearned sales revenue	$ 13,757	15,506	7,395

Please refer to Note 6(4) for notes and accounts receivable impairment.

The unearned revenue at January 1 of the 2022 and 2021 will be recognized as revenue, which is $15,454 thousand and $6,203 thousand, respectively.

The major change in the balance of contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received. Contract liabilities-Unearned Revenue was classified under other current liabilities.

(23) Employee compensation and directors' and supervisors' remuneration

According to the Company's articles of association, the Company should contribute 1% to 10% of the profit as employee compensation and a less than 5% as directors' remuneration when there is profit for the year. However, certain amounts of the profits should be reserved if there is an accumulated deficit from operations in previous years in advance of the appropriation of the employee bonuses. The aforementioned employee bonuses will be distributed in cash or stock to employees who satisfy certain specifications of the Company and its affiliates.

For the 2022 and 2021, the Company accrued the compensation of employees amounted to $ 4,810 thousand and $4,682 thousand, respectively and the remuneration of directors' amounted to $2,405 thousand and $2,341 thousand, respectively. The compensation of employees, remuneration of directors were estimated as the Company's net income before tax, excluding compensation of employees and remuneration of directors, multiplied by the appropriate percentage in compliance with the Company's articles. These expenses recognized under operating costs or operating expenses for the respective period.

The numbers of shares to be distributed were calculated based on the closing price of the Company's ordinary shares one day before the date of the meeting of Board of Director. Related information would be available at the Market Observation Post System website. (https://mops.twse.com.tw/mops/web/index).

There is no amount difference between the amount of compensation for employees and directors estimated in the aforementioned consolidated financial report of 2022 and 2021.

(24) Non-operating income and expenses

A. Interest income

The details of interest income were as follows:

	2022	2021
Interest income from bank deposits	$ 693	247
Other interest income	17	11
	$ 710	**258**

B. Other income

The details of other income were as follows:

	2022	2021
Income from selling samples	$ 5,916	6,019
Rent income	8,054	11,486
Mold income	8,241	12,354
Others	32,260	15,281
	$ 54,471	**45,140**

C. Other gains and losses

The details of other gains and losses were as follows:

	2022	2021
Net profit on foreign exchange gains	$ 41,047	(16,706)
Net loss on disposal of property, plant and equipment	(1,465)	(893)
Net loss on disposal of investment property	(1,880)	-
Net loss on value of current financial liabilities at fair value through profit or loss	-	(432)
Putable option of bonds payable/Net profit on value of putable option	(2,543)	1,260
Others	(4,186)	(651)
	$ 30,973	**(17,422)**

D. Finance costs

The details of finance costs were as follows:

	2022	2021
Interest expense		
Bank loan	$ (4,695)	(6,400)
Lease liability	(6,515)	(6,158)
Amortization of discount on bonds payable	(2,434)	(635)
	$ (13,644)	**(13,193)**

(25) Financial instruments

A. Credit risk

(a) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

(b) Concentration of credit risk

The major customers of the Group are centralized in industries within similar areas and dealers. To reduce concentration of credit risk, the Group evaluates those customers' financial positions and requires customers to provide collateral, if necessary.

As of December 31, 2022 and 2021, major customers of the Group were significant concentrating on certain customers, which accounted for 20.15% and 17.67% of the notes and accounts receivable from different customer, respectively.

(c) Credit risk of receivable and debt instrument investment

For credit risk exposure of notes and accounts receivable. Please refer to Note 6 (4). Other financial assets measured with amortized cost include other receivables, restricted bank deposits, and guarantee deposit paid.

The following presents whether loss reserves and credit impairments for the above financial assets measured in 12-month expected credit losses (ECL) or lifetime expected credit losses (ECL) were credit-impaired:

	December 31, 2022		
	Financial assets measured at amortized cost		
	12-month ECL	Lifetime ECL-unimpaired	Lifetime ECL-impaired
Refundable deposits	$ 12,448	-	-
Other receivable	11,440	6,031	-
Restricted Deposit	60,264	-	-
Loss allowance	-	-	-
Amortized cost	$ 84,152	6,031	-
Carrying amount	$ 84,152	6,031	-

	December 31, 2021		
	Financial assets measured at amortized cost		
	12-month ECL	Lifetime ECL-unimpaired	Lifetime ECL-impaired
Refundable deposits	$ 10,445	-	-
Other receivable	10,658	4,059	1
Restricted Deposit	58,439	-	-
Loss allowance	-	-	(1)
Amortized cost	$ 79,542	4,059	-
Carrying amount	$ 79,542	4,059	-

The following presents the movement of the provision for impairment with respect to the financial assets measured with amortized cost in 2022 and 2021:

	2022			
	12-month ECL	**Lifetime ECL-unimpaired**	**Lifetime ECL-impaired**	**Total**
Balance at January 1	$ -	-	1	1
Reversal of Impairment Loss	-	-	(1)	(1)
Balance at December 31	**$ -**	**-**	**-**	**-**

	2021			
	12-month ECL	**Lifetime ECL-unimpaired**	**Lifetime ECL-impaired**	**Total**
Balance at January 1	$ -	-	24,153	24,153
Reversal of Impairment Loss	-	-	(13,021)	(13,021)
Written off amount due to unrecoverable in current portion	-	-	(10,928)	(10,928)
Effect of changes in foreign currency exchange rates	-	-	(203)	(203)
Balance at December 31	**$ -**	**-**	**1**	**1**

B. Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	**Contracted cash flow**	**Within 6 months**	**6-12 months**	**1-2 years**	**2-5 years**	**over 5 years**
December 31, 2022							
Non-derivative financial liabilities							
Bank loan (Including Long- and Short-term borrowing) (floating rate)	$ 248,236	266,977	20,458	24,38	31,412	93,530	97,191
Accounts payable (non-interest bearing)	632,576	632,576	632,576	-	-	-	-
Other payables (non-interest bearing)	166,596	166,596	166,596	-	-	-	-
Bonds payable (fixed interest rate)	283,018	292,225	-	-	-	292,225	-
Lease liability (maturity within one year) (fixed interest rate)	240,796	287,693	19,152	17,70	36,313	69,111	145,410
Guarantee deposits (non-interest bearing)	6,172	6,172	-	4,40	1,764	-	-
	$ 1,577,394	**1,652,239**	**838,782**	**46,50**	**69,489**	**454,866**	**242,601**
December 31, 2021							
Non-derivative financial liabilities							
Bank loan (Including Long- and Short-term borrowing) (floating	$ 328,334	349,662	43,513	20,96	44,741	80,125	160,319

rate)							
Accounts payable (non-interest bearing)	731,687	731,687	731,687	-	-	-	-
Other payables (non-interest bearing)	196,331	196,331	196,331	-	-	-	-
Bonds payable (fixed interest rate)	291,696	303,768	-	-	-	303,768	-
Lease liability (maturity within one year) (fixed interest rate)	158,390	174,913	17,073	16,722	33,849	91,645	15,624
Guarantee deposits received (non-interest bearing)	6,108	6,108	-		1,764	4,344	-
	$ 1,712,546	**1,762,469**	**988,604**	**37,6[illegible]**	**80,354**	**479,882**	**175,943**

The Group does not expect the cash flows would occur significantly earlier or at significantly different amounts.

C. Foreign currency risk

(a) Exposure to foreign currency risk

Group's financial assets and liabilities exposed to significant foreign currency risk as follows:

	December 31, 2022			December 31, 2021		
	Foreign currency	**Exchange rate**	**TWD amount**	**Foreign currency**	**Exchange rate**	**TWD amount**
Financial assets						
Monetary items						
USD	$ 28,992	30.71	890,413	33,672	27.68	931,913
EUR	871	32.72	28,487	769	31.32	24,100
CNY	30,798	4.408	135,758	41,259	4.344	179,228
Non-monetary item						
USD	608	30.71	18,660	466	27.68	12,906
Financial liabilities						
Monetary items						
USD	16,366	30.71	495,339	20,568	27.68	569,357
EUR	75	32.72	2,453	21	31.32	649
CNY	33,289	4.408	146,739	34,904	4.344	151,624
TWD	19,834	1	19,834	38,534	1	38,534

(b) Sensitivity analysis

The foreign currency risk was mainly incurred from the translation of cash and cash equivalents, accounts receivables (including related parties), other receivables (including related parties), restricted deposits, loans, accounts payable (including related parties), and other payables (including related parties). As of December 31, 2022 and 2021, if the exchange rate of the NTD versus the USD, CNY and EUR had increased or decreased by 1%, given no changes in other factors, the impact were as follow:

	NTD Appreciate 1%	NTD Depreciate 1%
Net profits after tax, 2022	Decrease in profits $3,281 thousand	Increase in profits $3,281 thousand
Net profits after tax, 2021	Decrease in profits $3,309 thousand	Increase in profits $3,309 thousand

(c) Foreign exchange gain and loss on monetary items

The exchange gains and losses (including realized and unrealized) of the currency items of the Group are converted into the functional currency of the company's new Taiwan dollar (the currency of Group's currency) and exchange rate information as follows:

	2022		2021	
	Exchange (loss) gain	Average exchange rate	Exchange (loss) gain	Average exchange rate
TWD	$ 38,751	-	(13,631)	-
CNY	2,296	4.41	(3,075)	4.34
	$ 41,047		(16,706)	

D. Interest rate analysis

Please refer to the notes on liquidity risk management and the interest rate exposure of the Group's financial liabilities.

Sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. The method of analysis assumes that the amount of liabilities in circulation on the reporting date is in circulation throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.25% when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

If the interest rate had increased or decreased by 0.25% and other factors remained unchanged, the Group's net income would have increased or decreased as follows:

	Interest increase 0.25%	Interest decrease 0.25%
Net profit after tax, 2022	Net profit decrease $499 thousand	Net profit increase $499 thousand
Net profit after tax, 2021	Net profit decrease $657 thousand	Net profit increase $657 thousand

E. Other price risk

If the equity securities price changes on the reporting date (adopt the same basis of analysis for both periods, with the assumption that other variable factors remain unchanged), the impact on the comprehensive gain or loss items are as follows:

	2022		2021	
Equity price at reporting date	**Other comprehensive income After tax**	**Net income**	**Other comprehensive income After tax**	**Net income**
Increase 3%	$ 857	-	669	-
Decrease 3%	$ (857)	-	(669)	-

F. Fair value of financial instruments

(a) Fair value hierarchy

The fair value of financial assets at fair value through profit or loss, and financial assets at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured lease liabilities, disclosure of fair value information is not required:

	December 31, 2022				
	Carrying Amount	**Fair value**			
		Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at FVOCI					
Foreign unlisted stock	$ 18,660	-	-	18,660	18,660
Domestic unlisted stock	13,630	-	-	13,630	13,630
Subtotal	$ 32,290				
Financial assets at amortized cost					
Cash and cash equivalent	$ 180,770	-	-	-	-
Notes and accounts receivables	791,518	-	-	-	-
Other Financial assets -current	22,073	-	-	-	-
Other Financial assets -non current	68,110	-	-	-	-
Subtotal	$ 1,062,471				
Financial assets at fair value through profit or loss					
Sold back option/ Buy back option of convertible bond	$ 548	-	548	-	548
Financial liabilities at amortized cost					
Short-term borrowing	$ 100	-	-	-	-
Account payable	632,576	-	-	-	-
Other payable	166,596	-	-	-	-
Long- term borrowing (Current portion)	41,252	-	-	-	-
Lease liability－current	31,028	-	-	-	-
Long -term borrowing	206,884	-	-	-	-
Lease liability－non current	209,768	-	-	-	-
Bonds payable	283,018	-	275,036	-	275,036
Deposits received	6,172	-	-	-	-

Subtotal	$	1,577,394

	Carrying Amount		Fair value Level 1	Level 2	Level 3	Total
	December 31, 2021					
Financial assets at fair value through profit or loss						
Sold back option/ Buy back option of convertible bond	$	2,070		2,070		2,070
Financial assets at FVOCI						
Foreign unlisted stock	$	12,906	-	-	12,906	12,906
Domestic unlisted stock		11,954	-	-	11,954	11,954
Subtotal	$	24,860				
Financial assets at amortized cost						
Cash and cash equivalent	$	157,294	-	-	-	-
Notes and accounts receivables		910,364	-	-	-	-
Other Financial assets -current		22,601	-	-	-	-
Other Financial assets -non current		61,000	-	-	-	-
Subtotal	$	1,151,259				
Financial liabilities at amortized cost						
Short-term borrowing	$	30,000	-	-	-	-
Account payable		731,687	-	-	-	-
Other payable		196,331	-	-	-	-
Long- term borrowing (Current portion)		30,939	-	-	-	-
Lease liability－current		28,244	-	-	-	-
Long -term borrowing		267,395	-	-	-	-
Lease liability－non current		130,146	-	-	-	-
Bonds payable		291,696	-	295,260	-	295,260
Deposits received		6,108	-	-	-	-
Subtotal	$	1,712,546				

When merging the Group’s statutory assets and the fair value of liabilities, the market-observable input value is used. The level of fair value is based on the input of the evaluation technology and the relative classification is as follows:

Level 1: Public quotation of the same assets or debts in the active market (None been adjust).

Level 2: In addition to the public quotes included in Level 1, the input parameters of assets or liabilities are observable directly (price) or indirectly (derived from price).

Level 3: The input parameters of assets or debts are not based on observable market data (Non-observable parameters).

(b) Valuation techniques for financial instruments not measured at fair value

The methodology and assumptions used by the Company to estimate financial instrument measured at amortized cost, except for convertible bonds payable－liability portion use the discounted cash flows to estimate fair values, because of the short maturities of these instruments, the Company estimates that the carrying amount is a reasonable approximation of fair value.

(c) Valuation techniques for financial instruments measured at fair value

Non-derivative financial instruments:

If a financial instrument has a quoted price in an active market, the quoted price is used as fair value. Quoted prices of major stock exchanges and quoted prices of government bonds are the basis for measuring the fair value of stocks listed on an exchange, stocks listed on the OTC, and debt instruments with quoted prices in an active market.

Except for the above-mentioned financial instruments with active markets, the fair value of the remaining financial instruments is obtained through evaluation or reference with counterparty quotations.

The equity instruments held by the Group without public quotes are based on the comparable company method to estimate fair value. The main assumptions are based on the net equity value of being-investors and the equity multiplier derived from the market quotes of comparable listed (counter) companies. The estimate has adjusted the discount effect of the lack of market liquidity.

Derivative financial instruments:

The redemption right and the puttable right of the convertible bond of the Company are evaluated by binary tree method.

(d) Transfers between Level 1 and Level 2

In 2022 and 2021, there was no transfer in the fair value grade of financial instruments assessed by the Group.

(e) Movement of financial assets through other comprehensive income categorized within Level 3.

		Financial assets measured at fair value through other comprehensive income
		Investment of equity instruments without active market
Balance at January 1, 2022	$	24,860
Acquisition		2,500
Recognized in other comprehensive profit or loss		4,930
Balance at December 31, 2022	**$**	**32,290**
Balance at January 1, 2021	$	4,383
Acquisition		16,000
Recognized in other comprehensive profit or loss		4,477
Balance at December 31, 2021	**$**	**24,860**

The gains or losses were reported in the unrealized valuation gains (losses) of financial assets measured at fair value through other comprehensive income, which is the outcome of assets that still hold by Group for the year ended December 31, 2022 and 2021.

(f) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group's fair value have been classified as Level3 and only contains single significant unobservable inputs. Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between Significant and fair value measurement
Financial assets at fair value through other comprehensive income -equity investments without an active market: Y.S.Tech U.S.A Inc.	Comparable listed company approach	·Lack of market liquidity discount (29.12% and 38.22% on December 31, 2022 and 2021, respectively) ·Valuation multiples (1.36 and 1.78 on December 31, 2022 and 2021, respectively) ·Stock price volatility (44.50% and 41.05% on December 31, 2022 and 2021, respectively)	·The higher the lack of market liquidity discount is, the lower the fair value will be. ·The higher the valuation multiples is, the higher the fair value will be. ·The lower the stock price volatility is, the higher the fair value will be.
Financial assets at fair value through other comprehensive income -equity investments without an active market: CHENG TA HSIUNG CONSTRUCTION & DEVELOPMENT CO., LTD.	Net assets value	·Net assets value ·Discount for minority interest (16.64% on December 31, 2022 and 2021, respectively) ·Lack of market liquidity discount interest (10% on December 31, 2022 and 2021, respectively)	·The higher the net assets value is, the higher the fair value will be. The higher the discount for minority interest is, the lower the fair value will be. The higher the lack of market liquidity discount is, the lower

the fair value will be.

(g) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

The group measure the fair value of financial instruments is reasonable, but the use of different evaluation models or evaluation parameters may outcome with different results. For level 3 fair value measurements, changing one or more assumptions will have the following effects:

			Changes in fair value reflected in OCI	
	Inputs	**Fluctuation in inputs**	**Favorable**	**Unfavorable**
Balance at December 31, 2022				
Financial assets at fair value through other comprehensive income-				
Investment of equity instruments without an active market -Y.S.Tech U.S.A Inc	Market illiquidity discount rate 29.12%	10%	$ 2,633	(2,633)
	Valuation multiples 1.36	5%	946	(945)
	Stock price volatility 44.5%	5%	1,051	(1,015)
Financial assets at fair value through other comprehensive income-	Discount for minority interest 16.64%	1%	$ 182	(182)
Investment of equity instruments without an active market				
-CHENG TA HSIUNG CONSTRUCTION & DEVELOPMENT CO., LTD	Market illiquidity discount rate 10%	10%	$ 1,514	(1,514)
Balance at December 31, 2021				
Financial assets at fair value through other comprehensive income-				
Investment of equity instruments without an active market	Market illiquidity discount rate 38.22%	10%	$ 2,089	(2,089)
－Y.S.Tech U.S.A Inc.				
	Valuation multiples 1.78	5%	631	(662)
	Stock price volatility 41.05%	5%	1,010	(978)
Financial assets at fair value through other comprehensive income-	Discount for minority interest 16.64%	1%	$ 159	(159)
Investment of equity instruments without an active market	Market illiquidity discount rate 10%	10%	1,328	(1,328)
-CHENG TA HSIUNG CONSTRUCTION & DEVELOPMENT CO., LTD				

The Group's favorable and unfavorable changes refer to changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique.

(26)Financial risk management

A. Overview

The Group have exposures to the following risks from its financial instruments:

(a) Credit risk

(b) Liquidity risk

(c) Market risk

The following likewise discusses the Group's objectives, policies and processes for measuring and managing the above-mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying consolidated financial statements.

B. Structure of risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the General administration department, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Group's financial risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Board of Directors is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors

C. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group’s receivables from customers and investments in debt securities as follows:

(a) Trade and other receivables

The Risk Management Committee has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group’s standard payment and delivery terms and conditions are offered. The Group’s review includes external ratings, when available, and, in some cases, bank references. Purchase limits are established for each customer and represent the maximum open amount without requiring approval from the Risk Management Committee; these limits are reviewed quarterly. Customers that fail to meet the Group’s benchmark creditworthiness may transact with the Group only on a prepayment basis.

(b) Deposits

The exposure to credit risk for the bank deposits is monitored by the Group’s finance department. The Group only deals with counterparties and financial institutions which with good credit rating. The Group expected counterparty above will not fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

(c) Guarantees

The Group’s policy is to provide financial guarantees only to wholly owned subsidiaries. For details of financial guarantees, please refer to Note 13

D. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group’s approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group’s reputation.

As of December 31, 2022 and 2021, the Group's unused credit line were amounted to $902,622 thousand and $785,554 thousand, respectively.

E. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group’s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risk. All such transactions are carried out within the guidelines set by the Boards.

(a) Currency risk

The Group is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Group’s entities, primarily the NTD, US Dollar (USD), and China Yuan (RMB). The currencies used in these transactions are same as above. The Group uses forward exchange contracts with a maturity of less than one year from the reporting date to hedge its currency risk. When necessary, forward exchange contracts are rolled over at the maturity date.

Interest is denominated in the currency of the principal. Normally, the currency of Group’s borrowing is the same as the currency of the cash flow generated by the operations, which is mainly NTD, US dollar and RMB. This provides an economic hedge without derivatives being entered into, and therefore, hedging accounting has not been adopted.

Regarding monetary assets and liabilities denominated in other foreign currencies, when a short-term unbalance occurs, the Group purchases or sells foreign currencies at the spot exchange rate to ensure that net risk exposure remains at an acceptable level.

(b) Interest rate risk

The Group adopts a policy of ensuring its exposure with fixed rate or floating rate, by assess with international economic situation or market interest rate. Control interest rate risk with a appropriate combination of fixed rate and floating rate.

(c) Market risk of equity instruments

The main part of the equity securities held by the Group is classified as financial assets measured at fair value through other comprehensive profit and loss. Therefore, such assets are measured at fair value, so the Group will be exposed to the risk of changes of it.

(27) Capital management

The Group meets its objectives in managing its capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders and interest of other related parties and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares or sell assets to settle any liabilities

The Group and other entities in the same industry use the debt-to-equity ratio to manage their capital. This ratio is the total net debt divided by the total capital. The net debts from the balance sheet are derived from the total liabilities, less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, other equity.

In 2022, the Company's capital management strategy is consistent with the prior year. The Group's debt-to-equity ratio at the end of the reporting period as at December 31, 2022 and 2021 is as follows:

	December 31, 2022	December 31, 2021
Total liabilities	$ 1,699,818	1,851,762
Less: cash and cash equivalents	180,770	157,294
Net liabilities	$ 1,519,048	1,694,468
Total equity	$ 1,276,293	1,207,532
Adjusted equity	$ 2,795,341	2,902,000
Liabilities-to-equity ratio	54.34%	58.39%

(28) Investing and financing activities not affecting current cash flow

The reconciliation of liabilities from financing activities is as follows:

			Non-cash changes				
	January 1, 2022	Cash flows	foreign exchange movement	Interest amortized	Right-of-use asset addition amount	Other movement (Note 1)	December 31, 2022
Short-term loans	$ 30,000	(29,900)	-	-	-	-	100
Long-term loans (current portion)	298,334	(48,696)	-	-	-	(1,502)	248,136
Bonds payable	291,696	-	-	2,413	-	(11,091)	283,018
Lease liability (Current and non-current)	158,390	(59,534)	1,638	-	140,302	-	240,796
Guarantee deposits received	6,108	-	64	-	-	-	6,172
Total liabilities from financing activities	$ 784,528	(138,130)	1,702	2,413	140,302	(12,593)	778,222

Note 1: Recognized as deferred income: $ 1,502 thousand and corporate bond converted as shares: $ 11,091 thousand.

			Non-cash changes				
	January 1, 2021	Cash flows	foreign exchange movement	Interest amortized	Right-of-use asset addition amount	Other movement (Note 2)	January 1, 2021
Short-term loans	$ 101,606	(71,606)	-	-	-	-	30,000
Long-term loans (current portion)	366,079	(67,745)	-	-	-	-	298,334
Bonds payable	-	327,642	-	622	-	(36,568)	291,696
Lease liability (Current and non-current)	134,068	(25,935)	(923)	-	51,180	-	158,390
Guarantee deposits received	6,141	-	(33)	-	-	-	6,108
Total liabilities from financing activities	$ 607,894	162,356	(956)	622	51,180	(36,568)	784,528

Note 2: Recognized equity components and derivative financial instruments.

7. Transaction with related parties

(1) Endorsement and guarantee

The Group loan from financial institutions on December 31, 2022 and 2021. According to the requirements of some contracts, the major management staff of the Group should provide a joint guarantee, which were both $ 80,000 thousand.

(2) Compensation of major management staff

The information on major management staff compensation was as follows:

	2022	2021
Short-term employee benefits	$ 15,250	15,050
Post-employment benefits	188	181
Termination benefits	-	-
Other long-term benefits	-	-
Share-based payments	-	-
	$ 15,438	15,231

On December 31, 2022 and 2021, the Group provided 2 rental cars for the use of main management and been recognized as right of use assets of transportation equipment, the originally cost were both $3,319 thousand.

8. Pledged assets

The carrying values of pledged assets were as follows:

Pledged Assets	Purpose	December 31, 2022	December 31,2021
Deposit account (Reserve account)	Long-term/short-term borrowing, customs taxes, bonds payable and other repayment accounts	$ 46,004	55,778
Time deposit	Guarantee of sales channel and short-term borrowing	14,260	2,661
Land	Guarantee of long-term/short-term borrowings and bonds payable	291,848	291,848
Buildings	Guarantee of long-term/short-term borrowings	114,330	124,089
		$ 466,442	474,376

9. Significant Commitments and Contingencies

(1) Unrecognized contingencies of contracts

	December 31, 2022	December 31, 2021
Acquisition of property, plant and equipment	$ 455,767	12,231

(2) The Company's outstanding standby letter of credit are as follows：

	December31, 2022	December31, 2021
Purchases of raw materials	$ 36,333	72,446

10. Losses due to major disasters: None

11. Subsequent events: None

12. Other

(1) A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By function / By item	2022			2021		
	Recorded as operating cost	Recorded as operating expenses	Total	Recorded as operating cost	Recorded as operating expenses	Total
Employee benefits						
Salary	256,230	184,234	440,464	277,124	199,340	476,464
Labor and health insurance	21,215	15,840	37,055	19,057	14,634	33,691
Pension	14,256	9,028	23,284	13,488	8,525	22,013
Remuneration of directors	-	3,563	3,563	-	3,499	3,499
Others	19,551	8,151	27,702	19,893	7,638	27,531
Depreciation	69,527	52,918	122,445	59,863	47,855	107,718
Amortization	14	2,045	2,059	14	1,814	1,828

(2) Seasonality of operation

The operation of Group is not affected by seasonal or periodic factor.

13. Supplementary Disclosures

(1) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company for the year ended December 31, 2022.

A. Loans to other parties:

Number	Lender	Counter- party	Financial statement account	Financial statement account	Highest balance for the period (Note3)	Ending balance (Note 3)	Actual usage amount during the period (Note1,3)	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reason for financing	Loss allowance	Collateral Item	Collateral value	Individual funding loan limits	Maximum limit of fund financing
0	Y.H. Tech International Corp.	SHANGHAI YENSUN ELECTRICAL INDUSTRIAL CO., LTD.	Other receivable –related parties	Yes	132,118 (USD 4,302,111)	105,724 (USD 3,442,673)	105,724 (USD 3,442,673)	-	(Note 4)	-	Working capital	-	-	-	416,460 (Note 2)	416,460 (Note 2)
0	Y.H. Tech International Corp.	SHANGHAI YENSUN ELECTRICAL INDUSTRIAL CO., LTD.	Other receivable –related parties	Yes	984 (RMB 223,285)	- -	- -	-	(Note 4)	-	Working capital	-	-	-	416,460 (Note 2)	416,460 (Note 2)

(Note 1) When preparing this consolidated financial report, it has been eliminated.
(Note 2) If financing is necessary, the loan limit shall not exceed 200% of Y.H. Tech International Corp.'s net equity.
(Note 3) The amount of TWD is translated at the exchange rate on the balance sheet date
(Note 4) The Company held directly and indirectly 100% of the voting right shares foreign subsidiaries, their financing period is not restricted by 1 year or one business cycle. The loan period is 3 years from the date of actual allocation

(continued)

B. Guarantees and endorsements to others parties: None.

C. Securities owned as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures):

Name of security holder	Name of security and type	Relationship with company	Account title	December 31, 2022				Interim highest percentage of ownership	Remarks
				Units (shares)	Carrying Value	Percentage of ownership	Fair value		
Yen Tong Tech International (Samoa) Corp.	SHANGHAI CHANSON WATER CO., LTD.	-	Financial assets at FVTPL－non-current	-	-	17.75%	-	17.75%	-
The Company	Y.S. Tech U.S.A Inc. stock	-	Financial assets at FVOCI－non-current	114,000	18,660	19.00%	18,660	19.00%	
The Company	CHENG TA HSIUNG CONSTRUCTION & DEVELOPMENT CO., LTD.	-	Financial assets at FVOCI－non-current	1,850,000	13,630	5.00%	13,630	5.00%	-

D. Accumulated trading amount of a single security in excess of $300 million or 20% of paid in capital: None

E. Acquisition of property, plant and equipment that excess of $300 million or 20% of paid in capital:

The company that acquires the real estate	Title of the property	Date	Transaction amount	Payment situation	Counterparty	Relation	If the counterparty is a related party, the previous transfer data:				Reference basis for price determination	Purpose of acquisition and usage	Other agreement
							Holder	Relation with the issuers	Date of transfer	Amount			
The Company	Building	September 13,2022	500,000 thousand (tax included)	Monthly payment after acceptance according to project progress	DARMAW CONSTRUCTION CO., LTD.	-	Not appliable	Not appliable	Not appliable	Not appliable	Price comparison and negotiation	New factory	None

F. Disposal of property, plant and equipment in excess of $300 million or 20% of paid in capital: None.

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

G. Sales to and purchases from related parties in excess of $100 million or 20% of paid in capital was as follows:

Purchasing (selling) company	Counter party	Relation-ship	Detail of transaction				Circumstances of and reasons for deviation from regular trading conditions		Resulting receivables (payables)		Remarks
			Purchase (sale)	Amount (Note3)	% of net purchase (sales)	Credit line	Unit price	Period for credit	Balance (Note3)	Percentage of notes and accounts receivable (payable)	
The Company	YEN JIU TECHNOLOGY CORP.	Subsidiary	Purchase	714,286	27.99%	(Note 1)	Single supplier	(Note 1)	33,313 (Note 2)	81.77% (Note 4)	
The Company	Y.H. Tech International Corp.	Sub-Subsidiary	Purchase	806,018	31.58%	(Note 1)	Single supplier	(Note 1)	(106,659)	28.58%	
The Company	Yen Sun Tech International (Samoa) Corp.	Subsidiary	Purchase	245,634	9.63%	(Note 1)	Single supplier	(Note 1)	4,282 (Note 2)	10.51%	
Y.H. Tech International Corp.	DARSON ELECTRONICS (DONGGUAN) LTD.	Sub-Subsidiary	Purchase	790,683	99.87%	(Note 1)	Single supplier	(Note 1)	(100,172)	100.00%	
Yen Sun Tech International (Samoa) Corp.	YEN GIANT METAL (DONGGUAN) CO., LTD.	Sub-Subsidiary	Purchase	245,715	98.18%	(Note 1)	Single supplier	(Note 1)	13,061 (Note 2)	100.00%	
YEN JIU TECHNOLOGY CORP	The Company	Ultimate parent company	Sale	714,286	100.00%	(Note 1)	Product sales	(Note 1)	(33,313) (Note 2)	100.00% (Note 4)	
Y.H. Tech International Corp.	The Company	Ultimate parent company	Sale	806,018	100.00%	(Note 1)	Product sales	(Note 1)	106,659	100.00%	
Yen Sun Tech International (Samoa) Corp.	The Company	Ultimate parent company	Sale	245,634	99.21%	(Note 1)	Product sales	(Note 1)	(4,282) (Note 2)	100.00%	
DARSON ELECTRONICS (DONGGUAN) LTD.	Y.H. Tech International Corp.	Sub-Subsidiary	Sale	790,683	100.00%	(Note 1)	Product sales	(Note 1)	100,172	100.00%	
YEN GIANT METAL (DONGGUAN) CO., LTD.	Yen Sun Tech International (Samoa) Corp.	Sub-Subsidiary	Sale	245,715	37.24%	(Note 1)	Product sales	(Note 1)	(13,061) (Note 2)	100.00%	

(Note 1) The accounts receivable (payment) balance offset with other prepayments (advance receipts) arising from purchasing raw materials monthly.

(Note 2) Recognized as account prepayments (advance receipts).

(Note 3) When preparing this consolidated financial report, it was eliminated in the consolidation.

(Note 4) The ratio of prepayments (advance receipts) is calculated based on the proportion of the prepayments (advance receipts)

(continued)

H. Receivables from related parties in excess of $100 million or 20% of issued share capital were as follows:

Name of company the has the receivables	Counterparty	Relationship	Balance of amount	Turnover ratio	Overdue		Amount collected in the subsequent period	Allowance for doubtful accounts	Remarks
					Amount	Status			
Y.H. Tech International Corp.	SHANGHAI YENSUN ELECTRICAL INDUSTRIAL CO., LTD.	Subsidiary to Sub-Subsidiary	Other receivable 105,724 (Note 2)	- (Note 1)	-	-	-	-	
DARSON ELECTRONICS (DONGGUAN) LTD.	Y.H. Tech International Corp.	Sub-Subsidiary to Subsidiary	Accounts receivable 100,172 (Note 2)	6.84%	-	-	56,784	-	
Y.H. Tech International Corp.	The Company	Sub-Subsidiary to parent company	Accounts receivable 106,659 (Note 2)	8.50%			56,223		

(Note 1) Principal, interest receivable and long-term receivables of capital finance.
(Note 2) When preparing this consolidated financial report, it was eliminated in the consolidation.

I. Derivative financial instrument transactions: Please refer to Note 6(2) and Note 6(14)

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

J. Business relationships and significant intercompany transactions:

No.	Name	Counterparty	Relationship (Note)	Details of transaction: Subject	Amount	Term of trading	% of total consolidated revenue or total asset
0	The Company	SHANGHAI YENSUN ELECTRICAL INDUSTRIAL CO., LTD.	1	Account receivables	12,268	Overdue accounts receivable None comparable terms	0.41%
0	The Company	Y.H. Tech International Corp.	1	Purchase Procurement of raw materials Accounts payable	806,018 75,153 106,659	None comparable terms The payment terms are that the accounts payable shall be offset against prepayment for purchases monthly.	22.13% 2.06% 3.58%
0	The Company	Yen Sun Tech International (Samoa) Corp.	1	Purchase Sale Procurement of raw materials Accounts receivable Accounts payable	245,634 1,809 4,282 74,438 140,701	None comparable terms； The payment terms are that the accounts payable shall be offset against prepayment for purchases monthly.	6.75% 0.05% 0.14% 2.50% 3.86%
0	The Company	Yen Sun Tech International (Samoa) Corp.	1	Other receivables	157 2,892	None comparable terms	- 0.10%
0	The Company	YEN JIU TECHNOLOGY CORP.	1	Purchase Sale Procurement of raw materials Accounts receivable Accounts payable	714,286 90 12,457 33,313 5,040	None comparable terms； The payment terms are that the accounts payable shall be offset against prepayment for purchases monthly.	19.61% - 0.34% 1.12% 0.14%
1	Y.H. Tech International Corp.	DARSON ELECTRONIC (DONGGUAN) LTD.	3	Long-term accounts receivable-Interest	13,934	Financial intermediation. No interest since 2017	0.47%
2	Y.H. Tech International Corp.	SHANGHAI YENSUN ELECTRICAL INDUSTRIAL CO., LTD.	3	Purchase Procurement of raw materials Accounts payable	790,683 77,191 100,172	None comparable terms; The payment terms are that the accounts payable shall be offset against prepayment for purchases monthly.	21.71% 2.12% 3.37%
2	Yen Sun Tech International (Samoa) Corp.	YEN GIANT METAL (DONGGUAN) CO., LTD.	3	Other receivables－Loans to other parties	105,724	Financial intermediation. No interest	3.55%
3	DARSON ELECTRONIC (DONGGUAN) LTD.	YEN GIANT METAL (DONGGUAN) CO., LTD.	3	Purchase Sales Accounts receivable Procurement of raw materials Prepayment of purchase Other receivables	245,715 1,966 70,578 140,750 13,061 2,948	None comparable terms; The payment terms are that the accounts payable shall be offset against prepayment for purchases monthly.	6.75% 0.05% 2.37% 3.87% 0.44% 0.10%
4	Y.H. Tech International Corp.	DARSON ELECTRONIC (DONGGUAN) LTD.	3	Purchase Accounts payable	7,505 1,410	None comparable terms.	0.21% 0.05%
4	DARSON ELECTRONIC (DONGGUAN) LTD.	SHANGHAI YENSUN ELECTRICAL INDUSTRIAL CO., LTD.	3	Receipts under custody	20,941	Entrusted collection, none comparable terms	0.70%
5	SHANGHAI YENSUN ELECTRICAL INDUSTRIAL CO., LTD.	DARSON ELECTRONIC (DONGGUAN) LTD.	3	Receipts under custody	364	Entrusted collection, none comparable terms	0.01%

Note: Relationship notes as follows: (1) Parent company to subsidiary. (2)Subsidiary to parent company. (3) Subsidiary to subsidiary.

(2) Information on investees：

Relevant information about investees is as follows: (excluding information on investees in Mainland China)

Name of investor	Name of investee	Location	Business Scope	Original cost of investment: December 31,2022	Original cost of investment: December 31,2021	Held at the end of term: Shares owned	Held at the end of term: Percentage owned	Held at the end of term: Carrying value (Note)	Net income (loss) of the Investee (Note)	Investment income (less) Recognized (Note)	Remarks
The Company	Yen Sun Technology (BVI) Corp.	British Virgin Islands	Investment holding	284,844	284,844	500,000	100%	(85,456)	(3,771)	(3,771)	Subsidiary
The Company	LUCRATIVE INT'L GROUP INC.	Samoa	Investment holding	8,583	8,583	1,000,000	100%	114,268	(17,310)	(17,310)	Subsidiary
The Company	Yen Sun Tech International (Samoa) Corp.	Samoa	Investment holding	32,098	32,098	1,000,000	100%	215,951	47,740	47,740	Subsidiary
The Company	YEN JIU TECHNOLOGY CORP.	Taiwan	Home Appliance OEM Business	122,686	122,686	11,050,000	100%	107,250	18,788	15,924	Subsidiary
Yen Sun Tech International (Samoa) Corp.	Yen Hung International Corp.	Samoa	Investment holding	30,179	30,179	1,000,000	100%	208,239	48,867	48,867	Sub-Subsidiary
Yen Sun Tech International (Samoa) Corp.	Yen Tong Tech International (Samoa) Corp.	Samoa	Investment holding	1,916	1,916	10,000,000	100%	1	-	-	Sub-Subsidiary
Yen Hung International Corp.	Y.H. Tech International Corp.	ST.Kitts and Nevis	Investment holding	30,179	30,179	1,000,000	100%	208,230	48,867	48,867	Sub-Subsidiary

(Note) When editing this consolidated financial report, it was eliminated in the consolidation.

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

(3) Information on investments in Mainland China:

A. Information of investments in Mainland China

Investee company	Main businesses and products	Received capital	Investment method	Accumulated amount invested in Mainland China as of January.1,2022	Invested capital remitted from or repatriated to Taiwan		Accumulated amount invested in Mainland China as of December. 31, 2022	Net income Of investee (Note 3)	The Group's direct or indirect investment ratio	Highest ratio during the year	Investment gain (loss) recognized by the Group (Note 3)	Book value of the investment as of December. 31, 2022 (Note 3)	Accumulated investment income repatriated to Taiwan as of December. 31, 2022
					Remittance	Repatriation							
SHANGHAI YENSUN ELECTRICAL INDUSTRIAL CO., LTD.	Manufacturing and sales of Home Appliances, Cooling fan	280,680 (USD9,500,000)	Invest through Yen Sun Technology (BVI) Corp. then invest in Mainland China	258,349 (USD 8,700,000)	22,330 (USD800,000)	-	280,680 (USD 9,500,000)	(5,333	100%	100%	(5,333) (Note1)	(99,433) (Note1)	-
DARSON ELECTRONICS (DONGGUAN) LTD.	Manufacturing of Cooling fan	30,179 (USD1,000,000)	Invest through Y.H. Tech International Corp. then invest in Mainland China	30,179 (USD 1,000,000)	-	-	30,179 (USD 1,000,000)	34,196	100%	100%	33,279 (Note1)	82,068 (Note1)	-
SHANGHAI CHANSON WATER CO., LTD.	Development and production of water making machine, pure water machine and purification device	20,503 (USD700 ,000)	Invest through Yen Tong Tech International (Samoa) Corp. then invest in Mainland China	1,916 (USD 60,000)	-	-	1,916 (USD 60,000)	-	17.75%	17.75%	-	-	-
YEN GIANT METAL (DONGGUAN) CO., LTD.	Manufacture of electronic cooling fan and thermal module products	9,008 (CNY2,002 ,000)	Invest through LUCRATIVE INT'L GROUP INC. then invest in Mainland China	8,583 (USD 285,000)	-	-	8,583 (USD 285,000)	(19,469)	100%	100%	(17,311) (Note1)	122,109 (Note1)	-

(continued)

B. Limitation of investment amount to Mainland China

Accumulated investment amount remitted from Taiwan to Mainland China as of December 31, 2022	**Investment amount approved by the Investment Commission, Ministry of Economic Affairs**	**Limit on investment in Mainland China set by the Investment Commission, Ministry of Economic Affairs**
333,053 (Note2) (USD 10,845 thousand)	333,053 (Note2) (USD 10,845 of thousand)	765,776

(Note 1) Investment gains and losses are recognized in accordance with the financial report audited by the audit firm of the Company.
(Note 2) Translated with the exchange rate of balance sheet date.
(Note 3) When prepared this consolidated financial report, it was eliminated in the consolidation.

C. Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in “Information on significant transactions”.

D. Major shareholders:

Shares Name of major shareholders	Shares held	Shares held ratio
CHEN-CHIEN-JUNG	6,106,739	8.70%

The Company applied to Taiwan Depository & Clearing Corporation ("TDCC") to obtain the information in this form, to explain the following:

(c) The major shareholders information of this table is calculated by the TDCC on the last business day at the end of each quarter, and the total number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (included treasury shares) by the Company. The share capital in the consolidated financial report may differ from the actual number of shares that have been issued without physical registration because of different calculation bases.

(d) Where the stocks are entrusted by shareholders, it will be disclosed by the individual trustee who opened the trust account. As for shareholders' declaration of insider's shareholdings that hold more than 10% of their shares in accordance with the Securities and Exchange Act, the number of stocks owned shall be ones owned by the persons plus ones entrusted where the shareholders have the right to decide how to utilize the trust property, etc. For information on insider's shareholding declarations, please refer to Market Observation Post System.

14. Segment Information

(1) General information

The Group has three reportable segments: Taiwan home appliance business segment, Mainland China home appliance business segment, and electronic cooling business segment. Taiwan home appliance business segment produces and sells beverage dispensers, fans, air conditioners, air purifiers, dehumidifiers, tissue machines, ice wine machines, etc. Mainland China home appliance business segment mainly sells induction cookers, pressure cookers, and electronic cookers. Electronic cooling business segment produces and sells cooling fans.

(2) The reportable segments are the Group's strategic divisions.

The Group uses the internal management report of segment's pre-tax profit and loss (excluding non-recurring gains and losses), which reviewed by the operating decision maker as the basis for management resource allocation and performance assessment. Since income tax and non-recurring gains and losses are managed on a Group basis, the Group does not allocate income tax expenses (interests) and non-recurring gains and losses to the reportable segment.

The amount reported by the Group is consistent with the report used by the operating decision maker, and the accounting policies of the operating segment are the same as the summary of important accounting policies described in Note 4. The group transfers the sales and transfers between segments, and each segment considers its self-performance indicators to measure the cost increase.

Reportable segment information is as follows:

	2022			
	Home Appliances	Electronics Cooling	Adjustments And elimination	Total
Revenue：				
Revenue from external customers	$ 803,946	2,837,673	-	3,641,619
Interest revenue	122	575	13	710
Total revenue	**$ 804,068**	**2,838,248**	**13**	**3,642,329**
Reportable segment income	**$ (41,261)**	**290,732**	**(3,771)**	**245,700**
Interest expenses	**$ 1,757**	**11,887**	**-**	**13,644**
Depreciation and amortization	**$ 29,806**	**94,371**	**327**	**124,504**
Reportable segment assets	**$ 929,600**	**2,029,273**	**17,238**	**2,976,111**

	2021			
	Home Appliances	Electronics Cooling	Adjustments And elimination	Total
Revenue：				
Revenue from external customers	$ 731,867	3,201,914	-	3,933,781
Interest revenue	24	223	11	258
Total revenue	**$ 731,891**	**3,202,137**	**11**	**3,934,039**
Reportable segment income	**$ (73,237)**	**292,678**	**24,440**	**243,881**
Interest expenses	**$ 1,533**	**11,658**	**2**	**13,193**
Depreciation and amortization	**$ 28,495**	**80,663**	**388**	**109,546**
Reportable segment assets	**$ 909,294**	**2,109,313**	**40,687**	**3,059,294**

(3) Sales to customers other than consolidated entities：

Product		**2022**	**2021**
Cooling fan and module	$	2,809,776	3,162,006
Air series		505,979	443,700
Water series		255,208	236,052
Other		70,656	92,023
Total	**$**	**3,641,619**	**3,933,781**

(4) Geographic information

The difference information of the Group is as follows. The revenue is classified based on the geographic location of the customer, and the non-current assets are classified according to the geographic location of the asset.

Geographic Area		**2022**	**2021**
Sales to customers other than consolidated entities：			
Taiwan	$	1,710,495	2,093,614
Germany		865,559	911,671
America		223,874	169,781
Mainland China		494,118	429,001
Japan		29,218	28,089
South Korea		79,967	68,506
Others		238,388	233,119
	$	**3,641,619**	**3,933,781**
Non-current assets：			
Taiwan	$	823,924	656,324
Mainland China		191,126	218,816
Total	**$**	**1,015,050**	**875,140**

Non-current assets include property, plant and equipment, right-of-use assets, investment real estate, intangible assets and other non-current assets, but excluding financial instruments, deferred income tax assets and retirement benefits assets.

(5) Major customers' information

		2022	**2021**
Customer A from Electronics Cooling Department	$	863,629	909,901
Customer B from Electronics Cooling Department		439,735	740,752
Customer C from Electronics Cooling Department		306,360	295,107
Total	**$**	**1,609,724**	**1,945,760**

(6) Financial difficulties and corporate events encountered by the Company and affiliates in the recent years and up to the date of report that have material impact on the financial status of the Company

: None.

7. The review and analysis of the company's financial position and financial performance as well as assessment of risks

(1) Financial Status

(a) Financial status comparison analysis

Units: NT$ thousands

Item \ Year	2022	2021	Variance	
			Amount	Ratio Variance %
Current Assets	1,850,344	2,081,039	(230,695)	(11.09)
Property, plant and equipment	735,080	691,895	43,185	6.24
Investment Property	10,171	12,192	(2,021)	(16.58)
Intangible assets	4,531	5,238	(707)	(13.50)
Other non-current assets	375,985	268,930	107,055	39.81
Total assets	2,976,111	3,059,294	(83,183)	(2.72)
Current liabilities	986,313	1,132,196	(145,883)	(12.88)
Non-current liabilities	713,505	719,566	(6,061)	(0.84)
Total liabilities	1,699,818	1,851,762	(151,944)	(8.21)
Capital stock	701,669	697,869	3,800	0.54
Capital surplus	164,367	157,151	7,216	4.59
Retained earnings	396,165	343,402	52,763	15.36
Other equities	14,092	9,110	4,982	54.69
Total shareholders' equity	1,276,293	1,207,532	68,761	5.69

(b) For those items that increase or decrease ratio changes by more than 20%, the explanation is as follows:

(i) Other non-current assets: mainly due to the acquisition in the right-to-use assets in the Renwu Industrial Park for the construction of a factory/office building, resulting in an increase in the asset of right-of-use.

(ii) Other equities: mainly due to the exchange difference from the conversion of the financial statements of foreign operating agencies.

(2) Financial performance

(a) Profit and loss statement of the most recent two years

Units: NT$ thousands; %

Year / Item	2022	2021	Amount Variance	Ratio Variance (%)
Operating revenue	$3,641,619	$3,933,781	$ (292,162)	(7.43)
Operating cost	2,979,538	3,238,251	(258,713)	(7.99)
Gross profit	662,081	695,530	(33,449)	(4.81)
Operating expenses	488,891	466,432	22,459	4.82
Operating profit	173,190	229,098	(55,908)	(24.40)
Non-operating revenue and expense	72,510	14,783	57,727	390.50
Profit before tax from continuing operations	245,700	243,881	1,819	0.75
Income tax expenses	51,279	46,815	4,464	9.54
Net profit (loss)	$ 194,421	$ 197,066	$ (2,645)	(1.34)

(b) For those items that increase or decrease ratio changes by more than 20%, the explanation is as follows:

(i) Operating profit: mainly due to the growth of the decrease in operating revenue and increase in operating expenses.

(ii) Non-operating revenue and expense: mainly due to the increase in exchange gains.

(3) Analysis of Cash Flow

(a) Illustration on changes of the cash flow in the recent years

Year / Item	2022	2021	Ratio Variance (%)
Cash flow ratio	45.53	-	-
Cash flow adequacy ratio	75.07	60.31	24.47
Cash flow reinvestment ratio	12.27	(4.32)	(384.03)

Explanation on increase or decrease of the ratio:

(i) The cash flow ratio decreased compared with 2020, mainly due to the increase in inventory, resulting in cash outflow in the current period.

(ii) The cash flow adequacy ratio increased compared to 2021, due to an increase in operating cash flow in the last five years despite a decrease.

(iii) The cash reinvestment ratio increased compared to 2021, mainly due to a significant increase in operating cash inflow.

(b) Plans for improve the lack of liquidity: Not applicable.

(c) Prediction on cash liquidity in the following year

Units: NT$ thousands

Cash balance – beginning of the period (1)	The estimated cash flow of operating activities throughout the year (2)	The estimated cash flow of investment and financing activities throughout the year (3)	The estimated amount of surplus (shortage) of cash. (1)+(2)-(3)	Responsive measures with cash balance	
				Investment plan	Financing plan
180,770	169,987	179,536	171,221	-	-

(a) Analysis on changes in cash flow in the following 2023:

 (i) Operating activities: It is expected that the revenue growth will be accompanied by an increase in net profit, which will result in a net cash inflow from operating activities;
 (ii) Investment activities: It is expected to pay for the new build factory plant, purchase of machinery and equipment and the development of new molds, etc.;
 (iii) Financing activities: It is expected to increase mid-term and long-term borrowings, etc.

(b) Remedial measures for shortage in cash and analysis on the flow: Not applicable.

(4) Major Capital Expenditure Items:

In 2022, a royalty of NT$29.43 million was paid to acquire the right of use in Renwu Industrial Park for the construction of a factory/office building; which is expected to be completed and put into use before 2025.

As of the Q1 of 2023, related construction costs were approximately NT$150 million have been invested.

(5) The company's reinvestment policy for the most recent fiscal year, the main reasons for the profits or losses generated thereby, the plan for improving re-investment profitability, and investment for the coming year:

Units: NT$ thousands

Desp / Item	Investment gain (loss) of 2022	Policy	Main reasons for profits/losses	Improvement plans	Other investment plans in the future
YEN JIU TECHNOLOGY CORP.	18,788	In order to improve competitiveness and operating performance, the Company implemented reorganization and work specialization, the relevant business of the Changhua plant of the Company's home appliance business division was split, and the wholly-owned subsidiary was established.	By leveraging organizational adjustments and implementing professional division of labor, costs and expenses have been effectively controlled. The initial stage of adjustment have overcome and the yield rate has improved. Therefore the profitability goals have been achieved.	None	None

(6) Risk Management

A. The effect on the Company's profits (losses) of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future:

Units: NT$ thousands

Item	Effect on the profits (losses)			Future measures
	Account	2022	2021	
Changes in interest	Interest revenue	710	258	The Company's liquidity is reasonable. The increase in interest income in 2022 was mainly due to the increase in time deposits (including pledged assets); the increase in interest expenses in 2022 was mainly due to the issuance of convertible bonds. Therefore, fluctuations in interest rates have little impact on the Company.
	Interest expenses	13,644	13,193	
Changes in exchange rate	Exchange gain (loss), net	41,047	(16,706)	The Company will adopt a strategy of balance between accounts receivable and payable to reduce exchange rate risk. In addition, the Company collects foreign exchange market information at any time to keep track of foreign exchange market trends, prepare cash flow forecasts, grasp the supply and demand of foreign currencies, propose appropriate hedging policies and methods, and timely buy and sell foreign currencies to reduce the exchange losses caused by the appreciation of the TWD.
Inflation	-	-	-	The company is less affected by inflation.

B. The Company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transaction; the main reasons for the profits/ losses generated thereby; and response measures to be taken in the future.

The company has not engaged in high-risk and high-leverage investment activities in the most recent year. The capital, loan and endorsement guarantees are handled in accordance with the relevant operating procedures prescribed by the company.

In addition, the company has a "Procedures for Acquisition and Disposal of Assets," that regulates the risk management system for derivative commodity transactions, so there is no significant adverse impact on the company's profit and loss.

C. The plan of R&D and reinvestment in Future

Given that the sustainable development of YEN SUN and the uniqueness of the market, YEN SUN always plans and invests a lot of resources for the investment and development of the future products.

Furthermore, the mechanisms used in the field of electronic cooling are still inseparable from the cooling fans and modules, and their demand has not been reduced, therefore the state-of-the-art fan wing design, effective vibration and initiative/passive vibration suppression、 sound control and optimization, and motor power will continue to develop.

According green energy development, through development of the fan wing and motor power innovation, there is efficiency of energy saving can be effectively improved, as the same time can expand the scope of applicability. At present, the application fields include automotive electronics, medical equipment, 5G network, AI control, etc., all of which have different application and Specification Control. Therefore, YEN SUN organize its own independent technology and becomes the core foundation for future development. In addition to the core technology, independent automatic production technology is also continuously developed in the area of process, which not only improves the production efficiency but also improves the quality requirements, so as to control the consistency of production and exclude the potential risks of human assembly.

In recent years, in addition to actively developing core technologies by YEN SUN, also cooperated with major universities of domestic to not only accumulate technical energy, but also obtain the update and promotion of academic theories, which will provide customers with more effective technical and quality requirements.

Rely on the R & D capabilities of continuous in development research, combined with a high passion and creativity for products, YEN SUN always prioritizes customer's problems, and hope to be the best product development partner to open up innovative market and future with customers, so that it will become the important way of steady growth and foothold on market of YEN SUN.

Abstract of future major R&D plans

Project name	Proposal	Schedule
Micro-perforated cavity noise reduction design	In addition to reducing specific frequency noise, research is conducted on the multi-frequency characteristic band noise reduction effect and range.	2023
Wing surface groove and tail slot drag reduction research	Reducing the vortex effect of the blade boundary layer, improving the overall fan efficiency and performance.	2024

The R&D expenditures of the above plans account for approximately 45% of the total R&D budget in 2023, and the total R&D budget accounts for approximately 4% of the total budget revenue in 2023.

D. Effect on the Company’s financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response: None

E. Effect on the Company’s financial operations of developments in science and technology as well as industrial change, and the measures to be taken in response:

(a) The automotive and communication related products are gradually diversifying, so multi-functional products are the focus of research and development. The Company will adjust the product development direction in a timely manner. Under the Company’s existing technology, it will adjust the product development based on customer needs. In addition, the company also continuously strengthens product functions to become the main product in the future.

(b) Risk evaluation of information security：

The company has established operational procedures for treatment of information processing system on the computer and properly implement the policy for internal control and information security.

Aims of the electronic information security policy:

(i) To organize training session and propaganda for information security.
(ii) To protect confidential information of the Company
(iii) To respect intellectual property and protect information of the client and the Company.
(iv) To prevent computer virus attack.

Specific management plans of the electronic information security:

(i) Access control: The system and filesserver can only be accessed by authorized users.
(ii) Information Equipment control: workers are banned from using USB.
(iii) Internet control: downloading files from the cloud storage space is banned, and Internet firewall has been established.
(iv) E-mail Control: A security mechanism is established to control mail delivery.
(v) Antivirus software: The Company adopts legal antivirus software and regularly updates virus code as well as antivirus engine.。

F. Effect on the Company’s crisis management of changes in the Company’s corporate image, and the measure to be taken in response:

For many years, the Company's philosophy on corporate operation is brand image, innovation and sharing. Whether in home appliance products or cooling fan products, the Company maintains a good image in the industry. As of now, nothing happened what would affect the corporate image.

G. Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken: None

H. Expected benefits and possible risks associated with any plant expansion: None.

(i) The company's application to enter the Renwu Industrial Park in 2021 has been approved by the Economic Development Bureau, Kaohsiung City. The leased land area is 10,139 square meters, and the new plant area is about 6,000 square meters. It is expected to be completed before 2025 and put into production.

(ii) The company's current existing Renwu plant has been in use for more than 30 years. In order to ensure the company's operational stability and competitiveness, it is planned to invest in the construction of a new plant. The company will continue to pay attention to future customer needs in order to evaluate the benefits of expanding production capacity and increasing equipment automation to reduce costs. As of the publication date of the annual report, the company's production capacity expansion is still in line with the company's expectations.

I. Risks associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken:

J. The impact and risk brought by changes in directors, supervisors, or top-ten major shareholders possessing over 10 percent of outstanding stocks, transfer or change of a large number of shares and mitigation measures being or to be taken: None.

K. The impact and risk brought by changes in the Company’s management right and mitigation measures being or to be taken: None.

L. Lawsuit events and non-contentious events:：None。

M. Other significant risks and responsive measures:： None 。

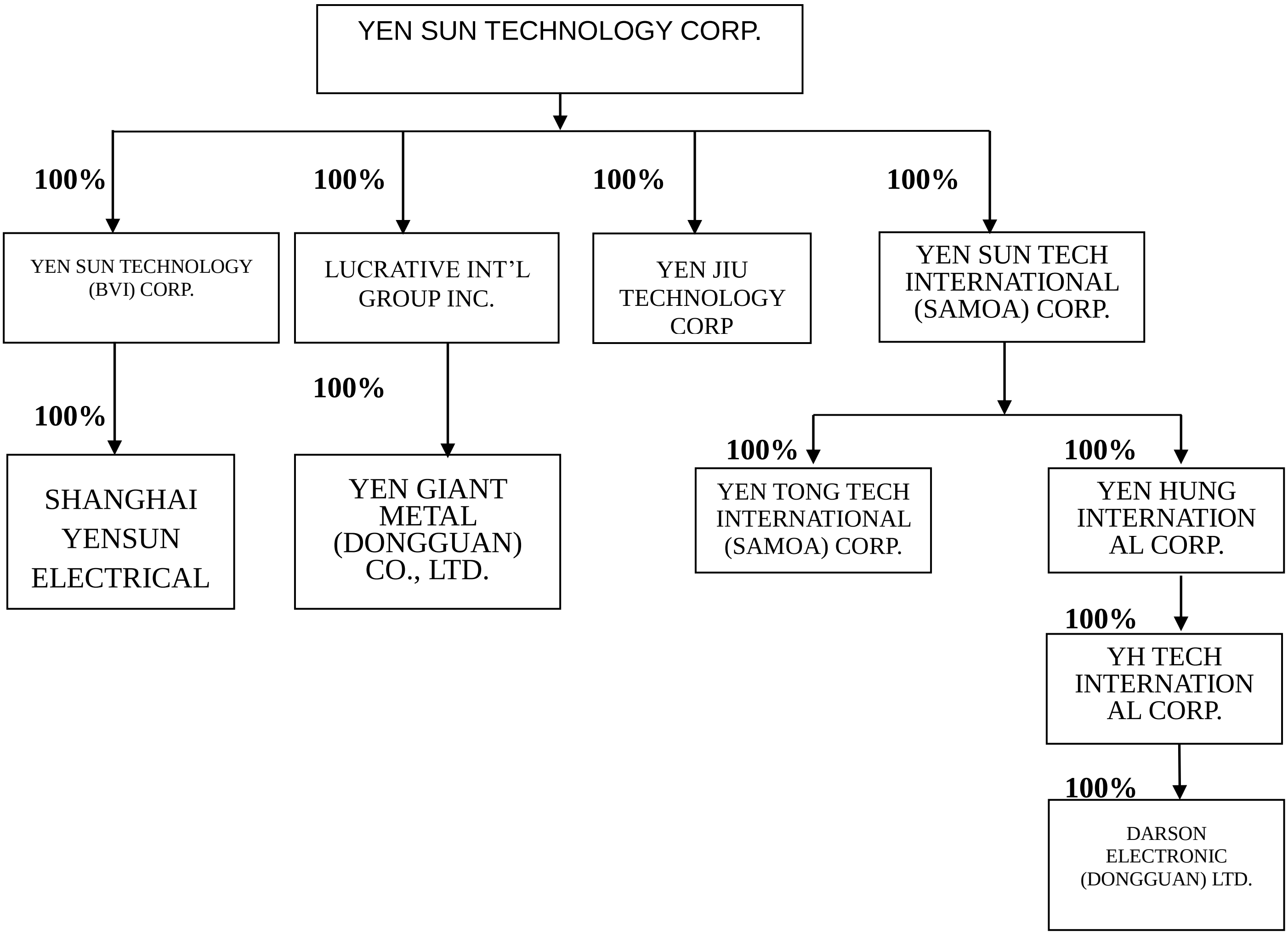
(7) Other notable matters: None.

8. Special Disclosure

(1) Information Regarding Affiliated Companies

A. Consolidated business report of affiliated companies

(a) Organizational chart of the affiliates:



(b) Information of subsidiaries and affiliates

Affiliates	Date of establishment	Address	Actual investment amount of the company	Business Scope
YEN SUN TECHNOLOGY (BVI) CORP.	1998.05.29	Palm Grove House, P.O.Box 438, Road Town, Tortola, British Virgin Islands	US$8,700 thousand	Investment holding
SHANGHAI YENSUN ELECTRICAL INDUSTRIAL CO., LTD.	1993.09.14	No. 2778 Baoan Road, Malu Town, Jiading District, Shanghai	US$9,500 thousand	Manufacturing and sales of Home Appliances, Cooling fan
YEN SUN TECH INTERNATIONAL (SAMOA) CORP.	2005.07.29	Offshore Chambers, P.O. Box217, Apia, Samoa.	US$1,060 thousand	Investment holding
YEN HUNG INTERNATIONAL CORP.	2005.08.02	Portcullis TrustNet Chambers, P.O. Box 1225, Apia, samoa	US$1,000 thousand	Investment holding
YH TECH INTERNATIONAL CORP.	2004.07.05	Springates South Lower Government Rd. CharlestownNevis	US$1,000 thousand	Investment holding
YEN TONG TECH INTERNATIONAL (SAMOA) CORP.	2009.08.04	Level 5, Development Bank of Samoa Building, Beach Road, Apia, Samoa	US$60 thousand	Investment holding
DARSON ELECTRONIC (DONGGUAN) LTD.	2010.06.10	Xinsi Admin Zone, Heng Li Town, Dongguan City, Guangdong Province 523466, P.R. China	US$1,000 thousand	Manufacturing of Cooling fan
YEN GIANT METAL (DONGGUAN) CO., LTD.	2012.08.31	No.10, Dongxing W. First Road, Jiaoshe Village, Dongkeng Town, Dongguan, Guangdong Province 523443, P. R. China	CNY$2,002 thousand	Manufacturing of heat sink and cooling fan
YEN JIU TECHNOLOGY CORP.	2013.05.20	No.421, Guantian, Guantian Dist., Tainan City 72047, Taiwan (R.O.C.)	TWD$110,500 thousand	Home Appliance OEM Business
LUCRATIVE INT'L GROUP INC.	2017.06.05	2nd Floor, Building B, SNPF Plaza, Savalalo, Apia, Samoa	US$ 285 thousand	Investment holding

(c) Shareholders presumed to have a relationship of control and subordination: None.

(d) The names of the Directors, Supervisors, and president of each affiliate:

March 31, 2023; Unit: NT$ thousands

Company name	Position	Name of representative	Number of shares held	
			Number ofshares	Shareholding Percentage
YEN SUN TECHNOLOGY (BVI) CORP.	Chairman	Fang, Jin-Zhong	-	-
SHANGHAI YENSUN ELECTRICAL INDUSTRIAL CO., LTD.	Chairman	Fang, Jin-Zhong	-	-
YEN SUN TECH INTERNATIONAL (SAMOA) CORP.	Chairman	Wu, Wen-Jie	-	-
YEN HUNG INTERNATIONAL CORP.	Chairman	Lin, Shu-Qin	-	-
Y.H. TECH INTERNATIONAL CORP.	Chairman	Fang, Jin-Zhong	-	-
YEN TONG TECH INTERNATIONAL (SAMOA) CORP.	Chairman	Chen, Yi-Jun	-	-
DARSON ELECTRONIC (DONGGUAN) LTD.	Chairman	Wu, Wen-Jie	-	-
YEN GIANT METAL (DONGGUAN) CO., LTD.	Chairman	Ye, Sheng-Zan	-	-
YEN JIU TECHNOLOGY CORP.	Chairman	Chen, Chien-Jung	-	-
LUCRATIVE INT’L GROUP INC.	Chairman	Ye, Sheng-Zan	-	-

(e) The overview of the operations of the affiliates:

Unit: NT$ thousand

Company name	Paid-in capital	Total assets	Total liabilities	Net Value	Revenue	Operating profit	Profit after tax	Earnings per share (NT$) (after tax)
YEN SUN TECHNOLOGY (BVI) CORP.	284,844	(85,456)	0	(85,456)	0	(5)	(3,771)	—
Yen Sun Tech International (Samoa) Corp	32,098	298,098	81,734	216,364	247,600	(1,470)	48,658	—
SHANGHAI YENSUN ELECTRICAL INDUSTRIAL CO., LTD.	280,680	17,560	116,993	(99,433)	0	(2,313)	(5,333)	—
Yen Hung International Corp.	30,179	208,239	0	208,239	0	0	49,785	—
YEN TONG TECH INTERNATIONAL (SAMOA) CORP.	1,916	1	0	1	0	0	0	—
Y.H. Tech International Corp.	30,179	308,402	100,172	208,230	806,018	6,755	49,784	—
DARSON ELECTRONIC (DONGGUAN) LTD.	30,179	263,306	181,238	82,068	790,683	31,783	34,196	—
YEN GIANT METAL (DONGGUAN) CO., LTD.	9,008	440,770	328,661	122,109	659,746	(17,033)	(19,469)	—
YEN JIU TECHNOLOGY CORP.	110,500	286,311	178,473	107,838	714,304	19,144	18,788	—
LUCRATIVE INT’L GROUP INC.	8,583	112,109	0	112,109	0	0	(19,469)	—

B. Consolidated Financial Statements of Affiliated Companies: Please refer to page183 to 269

C. Declaration of Consolidated Financial Statements of Affiliated Companies: Please refer to page183

(2) A private placement of securities during the most recent year or during the current fiscal year up to the date of publication of the annual report

: None.

(3) Possession or disposal of shares in the company by the company's subsidiaries during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report

: None.

(4) Other matters that require additional description

: None.

(5) Any of the situations listed in Article 36, paragraph 3, subparagraph 2 of the Securities and Excahnge Act, which might materially affect shareholders equity or the price of the company's securities which has occurred during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report shall be listed one by one

: None.

YEN SUN TECHNOLOGY CORP.

Chairman：*CHEN*, *GUAN-HONG*