

**SYSGRATION LTD.**  
**PARENT COMPANY ONLY FINANCIAL**  
**STATEMENTS AND INDEPENDENT AUDITORS’**  
**REPORT**  
**DECEMBER 31, 2022 AND 2021**

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For the convenience of readers and for information purpose only, the auditors’ report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors’ report and financial statements shall prevail.

SYSGRATION LTD.  
DECEMBER 31, 2022 AND 2021 PARENT COMPANY ONLY FINANCIAL  
STATEMENTS AND INDEPENDENT AUDITORS' REPORT  
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資誠

## INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Sysgration Ltd.

### ***Opinion***

We have audited the accompanying parent company only balance sheets of Sysgration Ltd. as at December 31, 2022 and 2021, and the related parent company only balance statements of comprehensive income, of changes in equity and of cash flows for the years then ended, 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 Sysgration Ltd. as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### ***Basis for opinion***

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

### ***Key audit matters***

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

Key audit matters for the Company's 2022 financial statements are stated as follows:

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## **Existence and occurrence of revenue**

### Description

Please refer to Note 4(29) for accounting policies on revenue recognition and Note 6(22) for details of sales revenue.

Sysgration Ltd. is engaged in the manufacture and sales of automobile electronics products and power management products. Revenue is the main indicator of whether the Company achieves its business and financial goals, and existence and occurrence of revenue have a significant impact on financial reports.. Thus, we considered the existence and occurrence of revenue as a key audit matter.

### How our audit addressed the matter

The key audit procedures performed in respect of the above included the following:

- A. Obtained an understanding of and tested the internal control procedures of recognition of revenue and tested the effectiveness in exercising internal controls in relation to sales revenue.
- B. Obtained the details of revenue and verified customers' orders, delivery orders, sales invoices, bill of lading and receipt of customers to confirm whether the sales revenue transactions indeed occurred.
- C. Examined the content and related supporting documents of sales returns and discounts after the balance sheet date and checked the subsequent collection to confirm the reality of sales revenue recognition.

## **Valuation of allowance for inventory valuation losses**

### Description

Sysgration Ltd. is primarily engaged in the manufacture and sale of automobile electronics products and power management products. Because of the rapid change of electronic products, there is a higher risk of incurring inventory valuation losses or having obsolete inventory. Sysgration Ltd.'s inventories are measured at the lower of cost and net realisable value, and individually assessed for those inventories over a certain age in order to identify obsolete or slow-moving inventories. The material's net realisable value is calculated based on the latest purchase price, and the net realisable values of work in process

and finished goods are measured at the last sales price as well as taken into consideration of the operating expense ratio.

The industry technology is rapidly changing, and the net realisable value involves subjective judgement result in an uncertainty when assessing the obsolete or slow-moving inventories. Considering that the inventory and allowance for inventory valuation losses were material to the financial statements, the assessment of allowance for inventory valuation losses was identified as a key audit matter.

Refer to Note 4(12) for accounting policy on inventory, Note 5(2) for accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(6) for detailed information on allowance for inventory valuation losses.

How our audit addressed the matter:

The key audit procedures performed in respect of the above included the following:

- A. Assessed the reasonableness of provision policies on allowance for inventory valuation losses based on our understanding of the Sysgration Ltd.'s operations and the characteristics of the industry, including the classification of inventory for determining net realisable value and the reasonableness of determining the obsolescence of inventory.
- B. Obtained an understanding of the Sysgration Ltd.'s warehousing control procedures. Reviewed the annual physical inventory count plan and observed the annual inventory count in order to assess the effectiveness of the classification of obsolete inventory and internal control over obsolete inventory.
- C. Obtained an understanding of the policy on inventory aging report and the logic of inventory aging report program. Selected samples to verify the accuracy of inventory aging report.
- D. Verified the reasonableness of inventory valuation basis, including sampled the latest purchase price, purchase invoice, the latest sales price and sales invoices in order to verify that the inventory was measured at the lower of cost and net realisable value.

***Responsibilities of management and those charged with governance for the parent company only financial statements***

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

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

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

***Auditors' responsibilities for the audit of the parent company only financial statements***

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

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

- A. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one



resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- B. Obtain an understanding of internal controls 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 controls.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- D. 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 report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- E. 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.
- F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the 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 controls that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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.

  
Chih, Ping-Chiun

  
Chiu, Chao-Hsien

For and on behalf of PricewaterhouseCoopers, Taiwan

March 9, 2023

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The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

SYSGRATION LTD.  
PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)

| Assets                    | Notes   | December 31, 2022 |                     | December 31, 2021 |                     |            |
|---------------------------|---|-------------------|---------------------|-------------------|---------------------|------------|
|                           |   | AMOUNT            | %                   | AMOUNT            | %                   |            |
| <b>Current assets</b>     |   |                   |                     |                   |                     |            |
| 1100                      | Cash and cash equivalents   | 6(1)              | \$ 1,132,693        | 32                | \$ 683,913          | 26         |
| 1110                      | Current financial assets at fair value through profit or loss                 | 6(2)              | 139                 | -                 | 1,477               | -          |
| 1136                      | Current financial assets at amortised cost                                    | 6(4) and 8        | 100,501             | 3                 | 100,501             | 4          |
| 1150                      | Notes receivable, net   | 6(5) and 12(2)    | 2,521               | -                 | 3,050               | -          |
| 1170                      | Accounts receivable, net  | 6(5) and 12(2)    | 848,505             | 24                | 522,918             | 20         |
| 1180                      | Accounts receivable-related parties   | 7                 | 5,002               | -                 | 2,843               | -          |
| 1200                      | Other receivables   |                   | 11,786              | 1                 | 8,038               | -          |
| 1210                      | Other receivables-related parties   | 7                 | 68,418              | 2                 | 68,409              | 3          |
| 1220                      | Current tax assets  | 6(29)             | 185                 | -                 | 84                  | -          |
| 130X                      | Inventories   | 6(6)              | 282,236             | 8                 | 309,430             | 12         |
| 1470                      | Other current assets  |                   | 11,119              | -                 | 13,405              | 1          |
| 11XX                      | <b>Current assets</b>   |                   | <u>2,463,105</u>    | <u>70</u>         | <u>1,714,068</u>    | <u>66</u>  |
| <b>Non-current assets</b> |   |                   |                     |                   |                     |            |
| 1510                      | Non-current financial assets at fair value through profit or loss             | 6(2)              | 12,460              | -                 | -                   | -          |
| 1517                      | Non-current financial assets at fair value through other comprehensive income | 6(3)              | 148,952             | 4                 | 96,038              | 4          |
| 1535                      | Non-current financial assets at amortised cost                                | 6(4) and 8        | 20,700              | 1                 | 24,800              | 1          |
| 1550                      | Investments accounted for using equity method                                 | 6(7)              | 468,566             | 13                | 382,979             | 15         |
| 1600                      | Property, plant and equipment   | 6(8) and 8        | 300,506             | 9                 | 291,046             | 11         |
| 1755                      | Right-of-use assets   | 6(9)              | 16,065              | -                 | 26,852              | 1          |
| 1760                      | Investment property, net  | 6(10)             | 4,025               | -                 | 4,162               | -          |
| 1780                      | Intangible assets   | 6(11)             | 16,442              | -                 | 11,356              | -          |
| 1840                      | Deferred tax assets   | 6(29)             | 30,851              | 1                 | 31,107              | 1          |
| 1900                      | Other non-current assets  |                   | 57,971              | 2                 | 16,946              | 1          |
| 15XX                      | <b>Non-current assets</b>   |                   | <u>1,076,538</u>    | <u>30</u>         | <u>885,286</u>      | <u>34</u>  |
| 1XXX                      | <b>Total assets</b>   |                   | <u>\$ 3,539,643</u> | <u>100</u>        | <u>\$ 2,599,354</u> | <u>100</u> |

(Continued)

SYSGRATION LTD.  
PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)

| Liabilities and Equity   | Notes                                   | December 31, 2022 |                     | December 31, 2021 |                     |            |
|--|---|-------------------|---------------------|-------------------|---------------------|------------|
|  |   | AMOUNT            | %                   | AMOUNT            | %                   |            |
| <b>Current liabilities</b>   |   |                   |                     |                   |                     |            |
| 2130   | Current contract liabilities            | 6(22)             | \$ 7,674            | -                 | \$ 6,582            | -          |
| 2150   | Notes payable                           |                   | 1,723               | -                 | 986                 | -          |
| 2170   | Accounts payable                        |                   | 238,324             | 7                 | 265,257             | 10         |
| 2180   | Accounts payable-related parties        | 7                 | 371,530             | 11                | 276,093             | 11         |
| 2200   | Other payables                          | 6(14)(31)         | 153,019             | 4                 | 116,871             | 4          |
| 2220   | Other payables-related parties          | 7                 | 1,911               | -                 | 88                  | -          |
| 2250   | Current provisions                      | 6(17)             | 21,246              | 1                 | 7,179               | -          |
| 2280   | Current lease liabilities               |                   | 13,547              | -                 | 15,302              | 1          |
| 2320   | Long-term liabilities, current portion  | 6(12)(13) and 8   | 542,374             | 15                | 533,211             | 21         |
| 2399   | Other current liabilities, others       |                   | 15,034              | 1                 | 21,870              | 1          |
| 21XX   | <b>Current liabilities</b>              |                   | <u>1,366,382</u>    | <u>39</u>         | <u>1,243,439</u>    | <u>48</u>  |
| <b>Non-current liabilities</b>   |   |                   |                     |                   |                     |            |
| 2530   | Bonds payable                           | 6(13)             | -                   | -                 | -                   | -          |
| 2540   | Long-term borrowings                    | 6(12) and 8       | 227,589             | 6                 | 137,881             | 5          |
| 2580   | Non-current lease liabilities           |                   | 2,703               | -                 | 11,716              | 1          |
| 2600   | Other non-current liabilities           |                   | 198                 | -                 | 198                 | -          |
| 25XX   | <b>Non-current liabilities</b>          |                   | <u>230,490</u>      | <u>6</u>          | <u>149,795</u>      | <u>6</u>   |
| 2XXX   | <b>Liabilities</b>                      |                   | <u>1,596,872</u>    | <u>45</u>         | <u>1,393,234</u>    | <u>54</u>  |
| <b>Equity</b>  |   |                   |                     |                   |                     |            |
| Share capital 6(18)  |   |                   |                     |                   |                     |            |
| 3110   | Ordinary share                          |                   | 1,670,605           | 47                | 1,545,534           | 59         |
| 3140   | Advance receipts for share capital      |                   | 9,627               | -                 | 9,956               | -          |
| Capital surplus 6(19)  |   |                   |                     |                   |                     |            |
| 3200   | Capital surplus                         |                   | 310,036             | 9                 | 160,349             | 6          |
| Retained earnings 6(20)  |   |                   |                     |                   |                     |            |
| 3320   | Special reserve                         |                   | -                   | -                 | 35,953              | 1          |
| 3350   | Retained earnings (Accumulated deficit) |                   | 44,968              | 1                 | (454,770)           | (17)       |
| Other equity interest 6(21)  |   |                   |                     |                   |                     |            |
| 3400   | Other equity interest                   |                   | (92,465)            | (2)               | (90,902)            | (3)        |
| 3XXX   | <b>Equity</b>                           |                   | <u>1,942,771</u>    | <u>55</u>         | <u>1,206,120</u>    | <u>46</u>  |
| Significant contingent liabilities and unrecognised contract commitments 9 |   |                   |                     |                   |                     |            |
| Significant events after the balance sheet date 11                         |   |                   |                     |                   |                     |            |
| 3X2X   | <b>Total liabilities and equity</b>     |                   | <u>\$ 3,539,643</u> | <u>100</u>        | <u>\$ 2,599,354</u> | <u>100</u> |

The accompanying notes are an integral part of these parent company only financial statements.

SYSGRATION LTD.  
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME  
YEARS ENDED DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

|      | Items  | Notes                      | Year ended December 31 |           |                   |           |
|------|--|----------------------------|------------------------|-----------|-------------------|-----------|
|      |  |                            | 2022                   |           | 2021              |           |
|      |  |                            | AMOUNT                 | %         | AMOUNT            | %         |
| 4000 | Operating revenue  | 6(22) and 7                | \$ 3,189,385           | 100       | \$ 2,120,074      | 100       |
| 5000 | Operating costs  | 6(6)(15)(16)(26)(27) and 7 | ( 2,541,172)           | ( 79)     | ( 1,756,220)      | ( 83)     |
| 5900 | Gross profit from operations   |                            | <u>648,213</u>         | <u>21</u> | <u>363,854</u>    | <u>17</u> |
|      | Operating expenses   | 6(15)(16)(26)(27) and 7    |                        |           |                   |           |
| 6100 | Selling expenses   |                            | ( 81,691)              | ( 3)      | ( 56,426)         | ( 2)      |
| 6200 | Administrative expenses  |                            | ( 166,846)             | ( 5)      | ( 130,653)        | ( 6)      |
| 6300 | Research and development expenses  |                            | ( 154,294)             | ( 5)      | ( 127,411)        | ( 6)      |
| 6450 | Impairment gain and reversal of impairment loss determined in accordance with IFRS9  | 12(2)                      | ( 5,861)               | -         | 31                | -         |
| 6000 | Operating expenses   |                            | ( 408,692)             | ( 13)     | ( 314,459)        | ( 14)     |
| 6900 | Net operating income   |                            | <u>239,521</u>         | <u>8</u>  | <u>49,395</u>     | <u>3</u>  |
|      | Non-operating income and expenses  |                            |                        |           |                   |           |
| 7100 | Interest income  | 6(4)(23)                   | 3,141                  | -         | 1,175             | -         |
| 7010 | Other income   | 6(3)(10)(24)               | 3,517                  | -         | 16,552            | 1         |
| 7020 | Other gains and losses   | 6(2)(25)                   | 30,368                 | 1         | ( 661)            | -         |
| 7050 | Finance costs  | 6(9)(12)(13)(28)           | ( 7,983)               | -         | ( 6,432)          | -         |
| 7070 | Share of profit of associates and joint ventures accounted for using equity method   | 6(7)                       | <u>69,935</u>          | <u>2</u>  | <u>35,318</u>     | <u>1</u>  |
| 7000 | Non-operating income and expenses  |                            | <u>98,978</u>          | <u>3</u>  | <u>45,952</u>     | <u>2</u>  |
| 7900 | <b>Profit before income tax</b>  |                            | <u>338,499</u>         | <u>11</u> | <u>95,347</u>     | <u>5</u>  |
| 7950 | Income tax expense   | 6(29)                      | -                      | -         | -                 | -         |
| 8200 | <b>Profit for the year</b>   |                            | <u>\$ 338,499</u>      | <u>11</u> | <u>\$ 95,347</u>  | <u>5</u>  |
|      | <b>Other comprehensive income</b>  |                            |                        |           |                   |           |
|      | <b>Components of other comprehensive income that will not be reclassified to profit or loss</b>                            | 6(3)(21)(29)               |                        |           |                   |           |
| 8316 | Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income |                            | ( \$ 14,372)           | -         | \$ 10,058         | -         |
| 8349 | Income tax related to components of other comprehensive income that will not be reclassified to profit or loss             |                            | <u>2,874</u>           | -         | ( 2,012)          | -         |
| 8310 | Components of other comprehensive (loss) income that will not be reclassified to profit or loss                            |                            | ( 11,498)              | -         | 8,046             | -         |
|      | <b>Components of other comprehensive income that will be reclassified to profit or loss</b>                                | 6(21)(29)                  |                        |           |                   |           |
| 8361 | Exchange differences on translation  |                            | 15,652                 | -         | ( 3,779)          | -         |
| 8399 | Income tax related to components of other comprehensive income that will be reclassified to profit or loss                 |                            | ( 3,130)               | -         | 756               | -         |
| 8360 | Components of other comprehensive Income (loss) that will be reclassified to profit or loss                                |                            | <u>12,522</u>          | -         | ( 3,023)          | -         |
| 8300 | <b>Other comprehensive income for the year, net of tax</b>   |                            | <u>\$ 1,024</u>        | -         | <u>\$ 5,023</u>   | -         |
| 8500 | <b>Total comprehensive income for the year</b>   |                            | <u>\$ 339,523</u>      | <u>11</u> | <u>\$ 100,370</u> | <u>5</u>  |
|      | Basic earnings per share   | 6(30)                      |                        |           |                   |           |
| 9750 | Basic earnings per share   |                            | \$ 2.14                |           | \$ 0.62           |           |
|      | Diluted earnings per share   | 6(30)                      |                        |           |                   |           |
| 9850 | Diluted earnings per share   |                            | \$ 1.99                |           | \$ 0.58           |           |

The accompanying notes are an integral part of these parent company only financial statements.

SYSGRATION LTD.  
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)

|   | Notes         | Share Capital       |                                    | Capital Surplus   | Retained Earnings |   | Other Equity Interest   |   | Total equity        |
|---|---------------|---------------------|------------------------------------|-------------------|-------------------|---|---|---|---------------------|
|   |               | Ordinary share      | Advance receipts for share capital | Capital Surplus   | Special reserve   | Retained earnings (Accumulated deficit) | Exchange differences on translation of foreign financial statements | Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income |                     |
| <b>Year 2021</b>  |               |                     |                                    |                   |                   |   |   |   |                     |
| Balance at January 1, 2021  |               | \$ 1,524,847        | \$ 15,958                          | \$ 135,896        | \$ 35,953         | (\$ 550,117)                            | (\$ 61,025)   | (\$ 34,900)   | \$ 1,066,612        |
| Profit for the year   |               | -                   | -                                  | -                 | -                 | 95,347                                  | -   | -   | 95,347              |
| Other comprehensive income (loss) for the 6(21) year  |               | -                   | -                                  | -                 | -                 | -                                       | ( 3,023 )   | 8,046   | 5,023               |
| Total comprehensive income (loss)   |               | -                   | -                                  | -                 | -                 | 95,347                                  | ( 3,023 )   | 8,046   | 100,370             |
| Share-based compensation cost   | 6(16)(18)(19) | -                   | -                                  | 14,527            | -                 | -                                       | -   | -   | 14,527              |
| Conversion of convertible bonds   | 6(18)(19)(32) | 29                  | 2,200                              | 5,442             | -                 | -                                       | -   | -   | 7,671               |
| Exercise of employee stock options  | 6(18)(19)     | 20,658              | ( 8,202 )                          | 4,484             | -                 | -                                       | -   | -   | 16,940              |
| Balance at December 31, 2021  |               | <u>\$ 1,545,534</u> | <u>\$ 9,956</u>                    | <u>\$ 160,349</u> | <u>\$ 35,953</u>  | <u>(\$ 454,770)</u>                     | <u>(\$ 64,048)</u>  | <u>(\$ 26,854)</u>  | <u>\$ 1,206,120</u> |
| <b>Year 2022</b>  |               |                     |                                    |                   |                   |   |   |   |                     |
| Balance at January 1, 2022  |               | \$ 1,545,534        | \$ 9,956                           | \$ 160,349        | \$ 35,953         | (\$ 454,770)                            | (\$ 64,048)   | (\$ 26,854)   | \$ 1,206,120        |
| Profit for the year   |               | -                   | -                                  | -                 | -                 | 338,499                                 | -   | -   | 338,499             |
| Other comprehensive income (loss) for the 6(21) year  |               | -                   | -                                  | -                 | -                 | -                                       | 12,522  | ( 11,498 )  | 1,024               |
| Total comprehensive income (loss)   |               | -                   | -                                  | -                 | -                 | 338,499                                 | 12,522  | ( 11,498 )  | 339,523             |
| Share-based compensation cost   | 6(16)(18)(19) | -                   | -                                  | 10,834            | -                 | -                                       | -   | -   | 10,834              |
| Conversion of convertible bonds   | 6(18)(19)(32) | 7,257               | 1,360                              | 21,144            | -                 | -                                       | -   | -   | 29,761              |
| Exercise of employee stock options  | 6(18)(19)     | 15,314              | ( 1,689 )                          | 14,908            | -                 | -                                       | -   | -   | 28,533              |
| Proceeds from disposal of equity instruments at fair value through other comprehensive income | 6(3)(21)      | -                   | -                                  | -                 | -                 | 2,587                                   | -   | ( 2,587 )   | -                   |
| Capital surplus used to offset accumulated deficit  | 6(20)         | -                   | -                                  | ( 122,699 )       | -                 | 122,699                                 | -   | -   | -                   |
| Special reserve used to offset accumulated deficit  | 6(20)         | -                   | -                                  | -                 | ( 35,953 )        | 35,953                                  | -   | -   | -                   |
| Cash capital increase   | 6(18)         | 102,500             | -                                  | 225,500           | -                 | -                                       | -   | -   | 328,000             |
| Balance at December 31, 2022  |               | <u>\$ 1,670,605</u> | <u>\$ 9,627</u>                    | <u>\$ 310,036</u> | <u>\$ -</u>       | <u>\$ 44,968</u>                        | <u>(\$ 51,526)</u>  | <u>(\$ 40,939)</u>  | <u>\$ 1,942,771</u> |

The accompanying notes are an integral part of these parent company only financial statements.

SYSGRATION LTD.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)

|   | Notes            | Year ended December 31 |                   |
|---|------------------|------------------------|-------------------|
|   |                  | 2022                   | 2021              |
| <b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>                                      |                  |                        |                   |
| Profit before tax   |                  | \$ 338,499             | \$ 95,347         |
| Adjustments   |                  |                        |                   |
| Adjustments to reconcile profit (loss)  |                  |                        |                   |
| Loss on financial assets and financial liabilities at fair value through profit or loss | 6(2)(25)         | 878                    | 773               |
| Expected credit impairment (loss) profit  | 12(2)            | 5,861                  | ( 31 )            |
| Depreciation  | 6(8)(9)(10)(26)  | 56,211                 | 47,048            |
| Gain on disposal of property, plant and equipment                                       | 6(25)            | ( 2 )                  | ( 122 )           |
| Amortisation  | 6(11)(26)        | 16,084                 | 10,393            |
| Share of profit of subsidiaries and associates for using the equity method              | 6(7)             |                        |                   |
| Interest expense  | 6(9)(12)(13)(28) | ( 69,935 )             | ( 35,318 )        |
| Interest income   | 6(23)            | 7,983                  | 6,432             |
| Dividend income   | 6(24)            | ( 3,141 )              | ( 1,175 )         |
| Share-based compensation cost   | 6(16)(19)(27)    | ( 1,105 )              | ( 1,874 )         |
| Changes in operating assets and liabilities   |                  | 10,834                 | 14,527            |
| Changes in operating assets   |                  |                        |                   |
| Notes receivable  |                  | 535                    | ( 3,081 )         |
| Accounts receivable   |                  | ( 331,454 )            | ( 190,594 )       |
| Accounts receivables - related parties  |                  | ( 2,159 )              | ( 2,843 )         |
| Other receivables   |                  | ( 3,361 )              | ( 4,206 )         |
| Other receivables - related parties   |                  | ( 9 )                  | 3,430             |
| Inventories   |                  | 27,194                 | ( 233,387 )       |
| Other current assets  |                  | 2,286                  | ( 8,565 )         |
| Changes in operating liabilities  |                  |                        |                   |
| Current contract liabilities  |                  | 1,092                  | 5,084             |
| Notes payable   |                  | 737                    | 271               |
| Accounts payable  |                  | ( 26,933 )             | 183,989           |
| Accounts payable-related parties  |                  | 95,437                 | 53,498            |
| Other payables  |                  | 37,259                 | 38,448            |
| Other payables-related parties  |                  | 1,823                  | ( 3,308 )         |
| Current provisions  |                  | 14,067                 | 6,171             |
| Other current liabilities, others   |                  | ( 6,836 )              | ( 7,623 )         |
| Cash inflow (outflow) generated from operations   |                  | 171,845                | ( 26,716 )        |
| Interest paid   |                  | ( 3,246 )              | ( 1,631 )         |
| Interest received   |                  | 2,754                  | 1,205             |
| Dividend received   |                  | 1,105                  | 1,874             |
| Income tax paid   |                  | ( 101 )                | ( 20 )            |
| Income tax refunded   |                  | -                      | 400               |
| Net cash flows from (used in) operating activities                                      |                  | <u>172,357</u>         | <u>( 24,888 )</u> |

(Continued)

SYSGRATION LTD.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)

|   | Notes     | Year ended December 31 |            |
|---|-----------|------------------------|------------|
|   |           | 2022                   | 2021       |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>   |           |                        |            |
| Acquisition of financial assets at fair value through profit or loss                        |           | (\$ 12,000 )           | \$ -       |
| Acquisition of financial assets at fair value through other comprehensive income            |           | ( 80,786 )             | ( 37,354 ) |
| Proceeds from disposal of financial assets at fair value through other comprehensive income |           | 13,500                 | -          |
| Increased in financial assets at amortised cost   |           | 4,100                  | ( 5,800 )  |
| Acquisition of property, plant and equipment  | 6(31)     | ( 48,140 )             | ( 35,029 ) |
| Proceeds from disposal of property, plant and equipment                                     |           | 37                     | 1,539      |
| Acquisition of intangible assets  | 6(11)     | ( 21,170 )             | ( 12,572 ) |
| Increase in refundable deposits   |           | ( 921 )                | ( 166 )    |
| Increase in prepayments for business facilities   |           | ( 37,656 )             | ( 4,190 )  |
| Decrease in other current assets  |           | ( 2,448 )              | 884        |
| Net cash flows used in investing activities   |           | ( 185,484 )            | ( 92,688 ) |
| <u>CASH FLOWS FROM FINANCING ACTIVITIES</u>   |           |                        |            |
| Proceeds from long-term borrowings  | 6(12)(32) | 196,530                | 119,200    |
| Repayment of long-term borrowings   | 6(12)(32) | ( 72,186 )             | ( 37,656 ) |
| Proceeds from exercise of employee stock options  | 6(19)     | 28,533                 | 16,940     |
| Payments of lease liabilities   | 6(9)(32)  | ( 18,970 )             | ( 14,910 ) |
| Increase in guarantee deposits received   |           | -                      | 198        |
| Cash capital increase   | 6(18)     | 328,000                | -          |
| Net cash flows from financing activities  |           | 461,907                | 83,772     |
| Net increase (decrease) in cash and cash equivalents  |           | 448,780                | ( 33,804 ) |
| Cash and cash equivalents at beginning of year  |           | 683,913                | 717,717    |
| Cash and cash equivalents at end of year  |           | \$ 1,132,693           | \$ 683,913 |

The accompanying notes are an integral part of these parent company only financial statements.



SYSGRATION LTD.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

SYSGRATION LTD. (the ‘Company’) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) on October 14, 1977, and the Company’s shares have been approved by Securities and Futures Commission, Ministry of Finance to be officially traded on Taipei Exchange from December 1995. The Company is primarily engaged in the manufacture and sale of automobile electronics products and power management products.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These parent company only financial statements were authorised for issuance by the Board of Directors on March 9, 2023.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by FSC and became effective from 2022 are as follows:

| <u>New Standards, Interpretations and Amendments</u>                                | <u>Effective date by<br/>International Accounting<br/>Standards Board</u> |
|---|---|
| Amendments to IFRS 3, ‘Reference to the conceptual framework’                       | January 1, 2022   |
| Amendments to IAS 16, ‘Property, plant and equipment: proceeds before intended use’ | January 1, 2022   |
| Amendments to IAS 37, ‘Onerous contracts— cost of fulfilling a contract’            | January 1, 2022   |
| Annual improvements to IFRS Standards 2018–2020                                     | January 1, 2022   |

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

(2) Effect of new issuances of or amendments to IFRSs that came into effect as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments that came into effect as endorsed by the FSC effective from 2023 are as follows:

| New Standards, Interpretations and Amendments  | Effective date by International Accounting Standards Board |
|--|--|
| Amendments to IAS 1, 'Disclosure of accounting policies'   | January 1, 2023  |
| Amendments to IAS 8, 'Definition of accounting estimates'  | January 1, 2023  |
| Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction' | January 1, 2023  |

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

| New Standards, Interpretations and Amendments   | Effective date by International Accounting Standards Board   |
|---|--|
| Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture' | To be determined by International Accounting Standards Board |
| Amendments to IFRS 16, 'Lease liability in a sale and leaseback'  | January 1, 2024  |
| IFRS 17, 'Insurance contracts'  | January 1, 2023  |
| Amendments to IFRS 17, 'Insurance contracts'  | January 1, 2023  |
| Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'                               | January 1, 2023  |
| Amendments to IAS 1, 'Classification of liabilities as current or non-current'  | January 1, 2024  |
| Amendments to IAS 1, 'Non-current liabilities with covenants'   | January 1, 2024  |

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The parent company only financial statements of the Company have been prepared in accordance

with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(2) Basis of preparation

- A. Except for financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income, the parent company only financial statements have been prepared under the historical cost convention.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The parent company only financial statements are presented in New Taiwan dollars, which is the Company's functional currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income.
- (d) All foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

Investments in foreign operations resulting in exchange differences are recognised in other comprehensive income.

(4) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
  - (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
  - (b) Assets held mainly for trading purposes;
  - (c) Assets that are expected to be realised within twelve months from the balance sheet date;

- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
  - (a) Liabilities that are expected to be settled within the normal operating cycle;
  - (b) Liabilities arising mainly from trading activities;
  - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
  - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. 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 equivalents

Cash equivalents refer to 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.

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Company recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(7) Financial assets at fair value through other comprehensive income

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:  
The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(8) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
- (a) The objective of the Company's business model is achieved by collecting contractual cash flows.
  - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.
- D. The Company's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(9) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost, at each reporting date, the Company recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognises the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(12) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(13) Investments accounted for using the equity method - subsidiaries, associates

- A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, 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.
- B. Unrealised profit (loss) from the transactions between the Company and subsidiaries have been offset. The accounting policies of the subsidiaries have been adjusted to be consistent with the Company's accounting policies.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise losses proportionate to its ownership.
- D. If changes in the Company's shares in subsidiaries do not result in loss in control (transactions with non-controlling interest), transactions shall be considered as equity transactions, which are transactions between owners. Difference of adjustment of non-controlling interest and fair value of consideration paid or received is recognised in equity.
- E. When the Company loses control of a subsidiary, the Company remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Company loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.
- F. Pursuant to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall be equal to the amount attributable to owners of the parent in the parent company only financial statements. Owners' equity in the parent company only financial statements shall be equal to equity attributable to owners of the parent in the parent company only financial statements.

(14) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the

replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

|                                 |      |  |
|---------------------------------|------|--|
| Buildings and structures        | 2~55 | years  |
| Machinery                       | 2~20 | years  |
| Maintenance equipment and tools | 2~5  | years  |
| Office equipment                | 2~30 | years  |
| Transportation equipment        | 5    | years  |
| Leasehold improvements          | 4~5  | years or lease period (whichever is shorter) |
| Others                          | 2~3  | years  |

(15) Leasing arrangements (lessee) — right-of-use assets/ lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate.

Lease payments are comprised of the following:

- (a) Fixed payments, less any lease incentives receivable;
- (b) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
- (a) The amount of the initial measurement of lease liability;
  - (b) Any lease payments made at or before the commencement date;

- (c) Any initial direct costs incurred by the lessee; and
- (d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognise the difference between remeasured lease liability in profit or loss.

(16) Leasing arrangements (lessor) – operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(17) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 50 years.

(18) Intangible assets

Intangible assets, mainly computer software and patent rights, are amortised on a straight-line basis over their estimated useful lives of 1 ~ 10 years.

(19) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(20) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(21) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.



B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(22) Convertible bonds payable

Convertible bonds issued by the Company contain conversion options (that is, the bondholders have the right to convert the bonds into the Company's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Company classifies the bonds payable upon issuance as a financial asset, a financial liability or an equity instrument in accordance with the contract terms. They are accounted for as follows:

- A. The embedded call options and put options are recognised initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.
- B. The host contracts of bonds or are initially recognised at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable or and subsequently is amortised in profit or loss as an adjustment to 'finance costs' over the period of circulation using the effective interest method.
- C. The embedded conversion options which meet the definition of an equity instrument are initially recognised in 'capital surplus—share options' at the residual amount of total issue price less the amount of financial assets or financial liabilities at fair value through profit or loss and bonds payable or as stated above. Conversion options are not subsequently remeasured.
- D. Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.
- E. When bondholders exercise conversion options, the liability component of the bonds (including 'bonds payable' and 'financial assets or financial liabilities at fair value through profit or loss' ) shall be remeasured on the conversion date. The issuance cost of converted common shares is the total book value of the abovementioned liability component and 'capital surplus—share options'.

(23) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expires.

(24) Provisions

Provisions (including warranties) are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the

obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(25) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pensions

Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(26) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

(27) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or

loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

(28) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(29) Revenue recognition

Sales of goods

A. The Company manufactures and sells of automobile electronic products and power management products. Sales are recognised when control of the products has 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.

B. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(30) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Company's chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these parent company only financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Company's accounting policies

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

6. Details of Significant Accounts

(1) Cash and cash equivalents

|                                       | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|---------------------------------------|--------------------------|--------------------------|
| Cash on hand                          | \$ 813                   | \$ 613                   |
| Checking accounts and demand deposits | 551,880                  | 633,300                  |
| Time deposits                         | 580,000                  | 50,000                   |
|                                       | <u>\$ 1,132,693</u>      | <u>\$ 683,913</u>        |

A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. As of December 31, 2022 and 2021, cash and cash equivalents amounting to \$121,201 and \$125,301, respectively, as short-term and long-term borrowings were pledged to others as collateral, and were classified as financial assets at amortised cost.

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

|  | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|--|--------------------------|--------------------------|
| Current items:   |                          |                          |
| Financial assets mandatorily measured at fair value through profit or loss |                          |                          |
| Derivatives  | <u>\$ 139</u>            | <u>\$ 1,477</u>          |
| Non-current items:   |                          |                          |
| Financial assets mandatorily measured at fair value through profit or loss |                          |                          |
| Private equity fund  | \$ 12,000                | \$ -                     |
| Valuation adjustment   | 460                      | -                        |
|  | <u>\$ 12,460</u>         | <u>-</u>                 |

A. Amounts recognised in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

|  | <u>2022</u>     | <u>2021</u>     |
|--|-----------------|-----------------|
| Financial assets mandatorily measured at fair value through profit or loss |                 |                 |
| Debt instruments   | \$ 460          | \$ -            |
| Derivatives  | ( 1,338)        | ( 773)          |
|  | <u>(\$ 878)</u> | <u>(\$ 773)</u> |

- B. Derivatives are call options of the convertible bonds issued by the Company.
- C. The Company had no financial assets at fair value through profit or loss pledged to others as collateral.
- D. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(3).

(3) Financial assets at fair value through other comprehensive income

| <u>Items</u>         | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|----------------------|--------------------------|--------------------------|
| Non-current items:   |                          |                          |
| Equity instruments   |                          |                          |
| Listed stocks        | \$ 21,514                | \$ 21,514                |
| Unlisted stocks      | <u>180,459</u>           | <u>113,173</u>           |
|                      | 201,973                  | 134,687                  |
| Valuation adjustment | ( 53,021)                | ( 38,649)                |
|                      | <u>\$ 148,952</u>        | <u>\$ 96,038</u>         |

- A. The Company has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$148,952 and \$96,038 as at December 31, 2022 and 2021, respectively.
- B. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

|  | <u>2022</u>     | <u>2021</u>     |
|--|-----------------|-----------------|
| <u>Equity instruments at fair value through other comprehensive income</u> |                 |                 |
| Fair value change recognised in other comprehensive income                 | (\$ 14,372)     | \$ 10,058       |
| Cumulative gains reclassified to retained earnings due to derecognition    | <u>\$ 2,587</u> | <u>\$ -</u>     |
| Dividend income recognised in profit or loss                               |                 |                 |
| Held at end of period  | <u>\$ 1,105</u> | <u>\$ 1,874</u> |

- C. As at December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Company was \$148,952 and \$96,038, respectively.

D. The Company had no financial assets at fair value through other comprehensive income pledged to others as collateral.

E. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(3).

(4) Financial assets at amortised cost

| Items                 | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|-----------------------|--------------------------|--------------------------|
| Current items:        |                          |                          |
| pledged time deposits | \$ <u>100,501</u>        | \$ <u>100,501</u>        |
| Non-current items:    |                          |                          |
| pledged time deposits | \$ <u>20,700</u>         | \$ <u>24,800</u>         |

A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

|                 | <u>2022</u>     | <u>2021</u>   |
|-----------------|-----------------|---------------|
| Interest income | \$ <u>2,041</u> | \$ <u>129</u> |

B. As at December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Company was \$121,201 and \$125,301, respectively.

C. Details of the Company's financial assets at amortised cost pledged to others as collateral are provided in Note 8.

(5) Notes and accounts receivable

|  | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|--|--------------------------|--------------------------|
| Notes receivable                           | \$ 2,546                 | \$ 3,081                 |
| Less: Allowance for uncollectible accounts | ( 25)                    | ( 31)                    |
|  | <u>\$ 2,521</u>          | <u>\$ 3,050</u>          |
| Accounts receivable                        | \$ 854,566               | \$ 527,585               |
| Less: Allowance for uncollectible accounts | ( 6,061)                 | ( 4,667)                 |
|  | <u>\$ 848,505</u>        | <u>\$ 522,918</u>        |

A. The ageing analysis of accounts receivable and notes receivable that were past due but not impaired is as follows:

|                 | December 31, 2022   |                  | December 31, 2021   |                  |
|-----------------|---------------------|------------------|---------------------|------------------|
|                 | Accounts receivable | Notes receivable | Accounts receivable | Notes receivable |
| Not past due    | \$ 674,494          | \$ 2,521         | \$ 410,186          | \$ 3,050         |
| Up to 30 days   | 70,541              | -                | 61,701              | -                |
| 31 to 120 days  | 103,470             | -                | 48,774              | -                |
| 121 to 180 days | -                   | -                | -                   | -                |
| Over 180 days   | -                   | -                | 2,257               | -                |
|                 | <u>\$ 848,505</u>   | <u>\$ 2,521</u>  | <u>\$ 522,918</u>   | <u>\$ 3,050</u>  |

The above ageing analysis was based on past due date.

- B. As of December 31, 2022 and 2021, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2021, the balance of receivables from contracts with customers amounted to \$332,262.
- C. As at December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's notes receivable was \$2,521 and \$3,050, respectively; the maximum exposure to credit risk in respect of the amount that best represents the Company's accounts receivable was \$848,505 and \$522,918, respectively.
- D. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(6) Inventories

|                      | December 31, 2022 |                              |                   |
|----------------------|-------------------|------------------------------|-------------------|
|                      | Cost              | Allowance for valuation loss | Book value        |
| Raw materials        | \$ 133,640        | \$ (16,103)                  | \$ 117,537        |
| Work in progress     | 78,408            | -                            | 78,408            |
| Finished goods       | 98,504            | ( 12,321)                    | 86,183            |
| Inventory in transit | 108               | -                            | 108               |
|                      | <u>\$ 310,660</u> | <u>\$ (28,424)</u>           | <u>\$ 282,236</u> |
|                      | December 31, 2021 |                              |                   |
|                      | Cost              | Allowance for valuation loss | Book value        |
| Raw materials        | \$ 213,256        | (\$ 10,081)                  | \$ 203,175        |
| Work in progress     | 27,100            | -                            | 27,100            |
| Finished goods       | 59,984            | ( 1,244)                     | 58,740            |
| Inventory in transit | 20,415            | -                            | 20,415            |
|                      | <u>\$ 320,755</u> | <u>(\$ 11,325)</u>           | <u>\$ 309,430</u> |

The cost of inventories recognised as expense for the year :

|                                 | Year ended<br>December 31, 2022 | Year ended<br>December 31, 2021 |
|---------------------------------|---------------------------------|---------------------------------|
| Cost of goods sold              | \$ 2,524,073                    | \$ 1,747,260                    |
| Loss on decline in market value | 17,099                          | 8,960                           |
|                                 | <u>\$ 2,541,172</u>             | <u>\$ 1,756,220</u>             |

The Company had no inventories pledged to others as collateral.

(7) Investments accounted for using equity method

|   | 2022              | 2021              |
|---|-------------------|-------------------|
| At January 1  | \$ 382,979        | \$ 351,440        |
| Share of profit or loss of investments accounted<br>for using equity method | 69,935            | 35,318            |
| Changes in other equity items   | 15,652            | ( 3,779)          |
| At December 31  | <u>\$ 468,566</u> | <u>\$ 382,979</u> |
|   | December 31, 2022 | December 31, 2021 |
| Subsidiaries:   |                   |                   |
| SYSGRATION TECHNOLOGY (SAMOA) LTD.  | \$ 240,592        | \$ 203,315        |
| SYSGRATION (SAMOA) LTD.   | 223,702           | 175,855           |
| SYSGRATION USA INC.   | 4,272             | 3,809             |
|   | <u>\$ 468,566</u> | <u>\$ 382,979</u> |

For the years ended December 31, 2022 and 2021, share of profit (loss) for using the equity method are as follows:

|                                    | December 31, 2022 | December 31, 2021 |
|------------------------------------|-------------------|-------------------|
| Subsidiaries:                      |                   |                   |
| SYSGRATION TECHNOLOGY (SAMOA) LTD. | \$ 30,617         | \$ 21,311         |
| SYSGRATION (SAMOA) LTD.            | 39,273            | 13,891            |
| SYSGRATION USA INC.                | 45                | 116               |
|                                    | <u>\$ 69,935</u>  | <u>\$ 35,318</u>  |

Please refer to Note 4(3) in the consolidated financial statements for the year ended December 31, 2022 for the information regarding the Company's subsidiaries.



(8) Property, plant and equipment

|   | 2022             |                                 |                  |  |                         |                                 |                               |                 |                   |
|---|------------------|---------------------------------|------------------|--|-------------------------|---------------------------------|-------------------------------|-----------------|-------------------|
|   | <u>Land</u>      | <u>Buildings and structures</u> | <u>Machinery</u> | <u>Maintenance equipment and tools</u> | <u>Office equipment</u> | <u>Transportation equipment</u> | <u>Leasehold improvements</u> | <u>Others</u>   | <u>Total</u>      |
| At January 1                              |                  |                                 |                  |  |                         |                                 |                               |                 |                   |
| Cost                                      | \$ 18,807        | \$ 307,249                      | \$ 168,279       | \$ 7,666                               | \$ 24,534               | \$ 6,019                        | \$ 693                        | \$ 18,249       | \$ 551,496        |
| Accumulated depreciation and impairment   | -                | ( 129,295)                      | ( 90,736)        | ( 6,298)                               | ( 19,665)               | ( 1,003)                        | ( 682)                        | ( 12,771)       | ( 260,450)        |
|   | <u>\$ 18,807</u> | <u>\$ 177,954</u>               | <u>\$ 77,543</u> | <u>\$ 1,368</u>                        | <u>\$ 4,869</u>         | <u>\$ 5,016</u>                 | <u>\$ 11</u>                  | <u>\$ 5,478</u> | <u>\$ 291,046</u> |
| Opening net book amount as at January 1   | \$ 18,807        | \$ 177,954                      | \$ 77,543        | \$ 1,368                               | \$ 4,869                | \$ 5,016                        | \$ 11                         | \$ 5,478        | \$ 291,046        |
| Additions                                 | -                | 976                             | 33,564           | 580                                    | 4,357                   | 2,232                           | -                             | 5,202           | 46,911            |
| Disposals                                 | -                | -                               | -                | -                                      | ( 35)                   | -                               | -                             | -               | ( 35)             |
| Depreciation charge                       | -                | ( 6,475)                        | ( 20,829)        | ( 1,272)                               | ( 3,735)                | ( 1,576)                        | ( 11)                         | ( 3,518)        | ( 37,416)         |
| Closing net book amount as at December 31 | <u>\$ 18,807</u> | <u>\$ 172,455</u>               | <u>\$ 90,278</u> | <u>\$ 676</u>                          | <u>\$ 5,456</u>         | <u>\$ 5,672</u>                 | <u>\$ -</u>                   | <u>\$ 7,162</u> | <u>\$ 300,506</u> |
| At December 31                            |                  |                                 |                  |  |                         |                                 |                               |                 |                   |
| Cost                                      | \$ 18,807        | \$ 306,325                      | \$ 198,446       | \$ 4,427                               | \$ 27,097               | \$ 8,251                        | \$ 400                        | \$ 23,081       | \$ 586,834        |
| Accumulated depreciation and impairment   | -                | ( 133,870)                      | ( 108,168)       | ( 3,751)                               | ( 21,641)               | ( 2,579)                        | ( 400)                        | ( 15,919)       | ( 286,328)        |
|   | <u>\$ 18,807</u> | <u>\$ 172,455</u>               | <u>\$ 90,278</u> | <u>\$ 676</u>                          | <u>\$ 5,456</u>         | <u>\$ 5,672</u>                 | <u>\$ -</u>                   | <u>\$ 7,162</u> | <u>\$ 300,506</u> |

|  | 2021             |                                |                  |                                       |                     |                             |                           |                 |                   |
|--|------------------|--------------------------------|------------------|---------------------------------------|---------------------|-----------------------------|---------------------------|-----------------|-------------------|
|  | Land             | Buildings<br>and<br>structures | Machinery        | Maintenance<br>equipment<br>and tools | Office<br>equipment | Transportation<br>equipment | Leasehold<br>improvements | Others          | Total             |
| At January 1                                 |                  |                                |                  |                                       |                     |                             |                           |                 |                   |
| Cost   | \$ 18,807        | \$ 307,249                     | \$ 149,119       | \$ 7,290                              | \$ 21,380           | \$ 2,625                    | \$ 693                    | \$ 14,748       | \$ 521,911        |
| Accumulated depreciation<br>and impairment   | -                | ( 122,659)                     | ( 74,565)        | ( 5,542)                              | ( 19,251)           | ( 1,092)                    | ( 614)                    | ( 9,739)        | ( 233,462)        |
|  | <u>\$ 18,807</u> | <u>\$ 184,590</u>              | <u>\$ 74,554</u> | <u>\$ 1,748</u>                       | <u>\$ 2,129</u>     | <u>\$ 1,533</u>             | <u>\$ 79</u>              | <u>\$ 5,009</u> | <u>\$ 288,449</u> |
| Opening net book amount<br>as at January 1   | \$ 18,807        | \$ 184,590                     | \$ 74,554        | \$ 1,748                              | \$ 2,129            | \$ 1,533                    | \$ 79                     | \$ 5,009        | \$ 288,449        |
| Additions                                    | -                | -                              | 19,338           | 1,367                                 | 6,014               | 6,019                       | -                         | 3,520           | 36,258            |
| Disposals                                    | -                | -                              | -                | ( 15)                                 | ( 1)                | ( 1,401)                    | -                         | -               | ( 1,417)          |
| Depreciation charge                          | -                | ( 6,636)                       | ( 16,349)        | ( 1,732)                              | ( 3,273)            | ( 1,135)                    | ( 68)                     | ( 3,051)        | ( 32,244)         |
| Closing net book amount<br>as at December 31 | <u>\$ 18,807</u> | <u>\$ 177,954</u>              | <u>\$ 77,543</u> | <u>\$ 1,368</u>                       | <u>\$ 4,869</u>     | <u>\$ 5,016</u>             | <u>\$ 11</u>              | <u>\$ 5,478</u> | <u>\$ 291,046</u> |
| At December 31                               |                  |                                |                  |                                       |                     |                             |                           |                 |                   |
| Cost   | \$ 18,807        | \$ 307,249                     | \$ 168,279       | \$ 7,666                              | \$ 24,534           | \$ 6,019                    | \$ 693                    | \$ 18,249       | \$ 551,496        |
| Accumulated depreciation<br>and impairment   | -                | ( 129,295)                     | ( 90,736)        | ( 6,298)                              | ( 19,665)           | ( 1,003)                    | ( 682)                    | ( 12,771)       | ( 260,450)        |
|  | <u>\$ 18,807</u> | <u>\$ 177,954</u>              | <u>\$ 77,543</u> | <u>\$ 1,368</u>                       | <u>\$ 4,869</u>     | <u>\$ 5,016</u>             | <u>\$ 11</u>              | <u>\$ 5,478</u> | <u>\$ 291,046</u> |

- A. The significant components of buildings and structures include main plants and structure improvements, which are depreciated over 55 and 2~45 years, respectively.
- B. Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.
- C. The Company's property, plant and equipment were for self-use.

(9) Leasing arrangements — lessee

- A. The Company leases various assets including buildings and transportation equipment. Rental contracts are typically made for periods of 2 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes and sublet without agreement.
- B. Short-term leases with a lease term of 12 months or less comprise offices. On December 31, 2022 and 2021, payments of lease commitments for short-term leases amounted to \$1,038 and \$1,421, respectively.
- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

|                          | December 31,<br>2022 | Year ended<br>December 31,<br>2022 | December 31,<br>2021 | Year ended<br>December 31,<br>2021 |
|--------------------------|----------------------|------------------------------------|----------------------|------------------------------------|
|                          | Carrying<br>amount   | Depreciation<br>charge             | Carrying<br>amount   | Depreciation<br>charge             |
| Buildings                | \$ 10,937            | \$ 16,071                          | \$ 21,204            | \$ 12,206                          |
| Transportation equipment | 5,128                | 2,587                              | 5,648                | 2,460                              |
|                          | <u>\$ 16,065</u>     | <u>\$ 18,658</u>                   | <u>\$ 26,852</u>     | <u>\$ 14,666</u>                   |

- D. For the years ended December 31, 2022 and 2021, the additions to right-of-use assets were \$7,871 and \$29,355, respectively.
- E. The information on profit and loss accounts relating to lease contracts is as follows:

|                                       | Year ended<br>December 31, 2022 | Year ended<br>December 31, 2021 |
|---------------------------------------|---------------------------------|---------------------------------|
| <u>Items affecting profit or loss</u> |                                 |                                 |
| Interest expense on lease liabilities | \$ 331                          | \$ 339                          |
| Expense on short-term lease contracts | 1,038                           | 1,469                           |
|                                       | <u>\$ 1,369</u>                 | <u>\$ 1,808</u>                 |

- F. For the years ended December 31, 2022 and 2021, the Company's total cash outflow for leases were \$18,970 and \$14,910, respectively.

(10) Investment property

|   | <u>2022</u>      |   | <u>2021</u>      |
|---|------------------|---|------------------|
|   | <u>Buildings</u> |   | <u>Buildings</u> |
| At January 1                              |                  | At January 1                              |                  |
| Cost                                      | \$ 7,000         | Cost                                      | \$ 7,000         |
| Accumulated depreciation                  | ( 2,838)         | Accumulated depreciation                  | ( 2,700)         |
|   | <u>\$ 4,162</u>  |   | <u>\$ 4,300</u>  |
| Opening net book amount as at January 1   | \$ 4,162         | Opening net book amount as at January 1   | \$ 4,300         |
| Depreciation charge                       | ( 137)           | Depreciation charge                       | ( 138)           |
| Closing net book amount as at December 31 | <u>\$ 4,025</u>  | Closing net book amount as at December 31 | <u>\$ 4,162</u>  |
| At December 31                            |                  | At December 31                            |                  |
| Cost                                      | \$ 7,000         | Cost                                      | \$ 7,000         |
| Accumulated depreciation                  | ( 2,975)         | Accumulated depreciation                  | ( 2,838)         |
|   | <u>\$ 4,025</u>  |   | <u>\$ 4,162</u>  |

A. Rental income from investment property and direct operating expenses arising from investment property are shown below:

|  | <u>Year ended</u><br><u>December 31, 2022</u> | <u>Year ended</u><br><u>December 31, 2021</u> |
|--|---|---|
| Rental income from investment property   | <u>\$ 288</u>                                 | <u>\$ 288</u>                                 |
| Direct operating expenses arising from the investment property that generated rental | <u>\$ 137</u>                                 | <u>\$ 138</u>                                 |

B. The fair value of the investment property held by the Company as at December 31, 2022 and 2021 was both \$7,000, which was based on the trading prices of similar prices in the neighboring areas.

C. The Company had no investment property pledged to others as collateral.

(11) Intangible assets

|   | 2022                |                  |                  |
|---|---------------------|------------------|------------------|
|   | <u>Patent right</u> | <u>Software</u>  | <u>Total</u>     |
| At January 1                              |                     |                  |                  |
| Cost                                      | \$ 17,407           | \$ 34,971        | \$ 52,378        |
| Accumulated amortisation and impairment   | ( 17,407)           | ( 23,615)        | ( 41,022)        |
|   | <u>\$ -</u>         | <u>\$ 11,356</u> | <u>\$ 11,356</u> |
| Opening net book amount as at January 1   | \$ -                | \$ 11,356        | \$ 11,356        |
| Additions                                 | -                   | 21,170           | 21,170           |
| Amortisation charge                       | -                   | ( 16,084)        | ( 16,084)        |
| Closing net book amount as at December 31 | <u>\$ -</u>         | <u>\$ 16,442</u> | <u>\$ 16,442</u> |
| At December 31                            |                     |                  |                  |
| Cost                                      | \$ -                | \$ 56,141        | \$ 56,141        |
| Accumulated amortisation and impairment   | -                   | ( 39,699)        | ( 39,699)        |
|   | <u>\$ -</u>         | <u>\$ 16,442</u> | <u>\$ 16,442</u> |
|   |                     |                  |                  |
|   | 2021                |                  |                  |
|   | <u>Patent right</u> | <u>Software</u>  | <u>Total</u>     |
| At January 1                              |                     |                  |                  |
| Cost                                      | \$ 17,407           | \$ 22,399        | \$ 39,806        |
| Accumulated amortisation and impairment   | ( 13,222)           | ( 17,407)        | ( 30,629)        |
|   | <u>\$ 4,185</u>     | <u>\$ 4,992</u>  | <u>\$ 9,177</u>  |
| Opening net book amount as at January 1   | \$ 4,185            | \$ 4,992         | \$ 9,177         |
| Additions                                 | -                   | 12,572           | 12,572           |
| Amortisation charge                       | ( 4,185)            | ( 6,208)         | ( 10,393)        |
| Closing net book amount as at December 31 | <u>\$ -</u>         | <u>\$ 11,356</u> | <u>\$ 11,356</u> |
| At December 31                            |                     |                  |                  |
| Cost                                      | \$ 17,407           | \$ 34,971        | \$ 52,378        |
| Accumulated amortisation and impairment   | ( 17,407)           | ( 23,615)        | ( 41,022)        |
|   | <u>\$ -</u>         | <u>\$ 11,356</u> | <u>\$ 11,356</u> |

Details of amortisation on intangible assets are as follows:

|                                   | Year ended<br>December 31, 2022 | Year ended<br>December 31, 2021 |
|-----------------------------------|---------------------------------|---------------------------------|
| Operating costs                   | \$ 1,577                        | \$ 2,405                        |
| Selling expenses                  | 1,742                           | 315                             |
| Administrative expenses           | 4,972                           | 6,049                           |
| Research and development expenses | 7,793                           | 1,624                           |
|                                   | <u>\$ 16,084</u>                | <u>\$ 10,393</u>                |

(12) Long-term borrowings

| <u>Type of borrowings</u> | <u>Borrowing period<br/>and repayment term</u>   | <u>Interest<br/>rate range</u> | <u>Collateral</u> | <u>December 31, 2022</u> |
|---------------------------|--|--------------------------------|-------------------|--------------------------|
| Long-term bank borrowings |  |                                |                   |                          |
| Unsecured borrowings      | Borrowing period is from May 20, 2020 to May 20, 2023; interest is repayable monthly.          | 1.77%                          | None              | \$ 2,777                 |
| Unsecured borrowings      | Borrowing period is from December 1, 2020 to November 15, 2025; interest is repayable monthly. | 1.5%                           | None              | 35,000                   |
| Unsecured borrowings      | Borrowing period is from December 1, 2020 to November 15, 2025; interest is repayable monthly. | 1.41%                          | None              | 17,797                   |
| Secured borrowings        | Borrowing period is from April 15, 2021 to April 15, 2026; interest is repayable monthly.      | 1.875%                         | Note              | 44,600                   |
| Unsecured borrowings      | Borrowing period is from May 17, 2021 to May 17, 2026; interest is repayable monthly.          | 1.82%                          | None              | 23,233                   |
| Secured borrowings        | Borrowing period is from December 29, 2021 to April 15, 2026; interest is repayable            | 1.875%                         | Note              | 14,077                   |

| <u>Type of borrowings</u> | <u>Borrowing period and repayment term</u>  | <u>Interest rate range</u> | <u>Collateral</u> | <u>December 31, 2022</u> |
|---------------------------|---|----------------------------|-------------------|--------------------------|
| Unsecured borrowings      | Borrowing period is from March 30, 2022 to March 30, 2027; interest is repayable monthly.     | 1.445%                     | None              | 39,100                   |
| Secured borrowings        | Borrowing period is from April 15, 2022 to April 15, 2027; interest is repayable monthly.     | 1.525%                     | Note              | 41,600                   |
| Secured borrowings        | Borrowing period is from May 16, 2022 to May 16, 2027; interest is repayable monthly.         | 1.805%                     | Note              | 70,667                   |
| Secured borrowings        | Borrowing period is from October 17, 2022 to October 15, 2027; interest is repayable monthly. | 1.375%                     | Note              | 22,148                   |
|                           |   |                            |                   | <u>310,999</u>           |
| Less: Current portion     |   |                            |                   | ( <u>83,410</u> )        |
|                           |   |                            |                   | <u>\$ 227,589</u>        |

| <u>Type of borrowings</u> | <u>Borrowing period and repayment term</u>   | <u>Interest rate range</u> | <u>Collateral</u> | <u>December 31, 2021</u> |
|---------------------------|--|----------------------------|-------------------|--------------------------|
| Long-term bank borrowings |  |                            |                   |                          |
| Unsecured borrowings      | Borrowing period is from May 20, 2020 to May 20, 2023; interest is repayable monthly.          | 1.145%                     | None              | \$ 9,444                 |
| Unsecured borrowings      | Borrowing period is from December 1, 2020 to November 15, 2025; interest is repayable monthly. | 1.00%                      | None              | 47,000                   |
| Unsecured borrowings      | Borrowing period is from December 1, 2020 to November 15, 2025; interest is repayable monthly. | 0.91%                      | None              | 23,898                   |
| Secured borrowings        | Borrowing period is from April 15, 2021 to April 15, 2026; interest is repayable monthly.      | 1.25%                      | Note              | 57,980                   |
| Unsecured borrowings      | Borrowing period is from May 17, 2021 to May 17, 2026; interest is repayable monthly.          | 1.095%                     | None              | 30,033                   |
| Secured borrowings        | Borrowing period is from December 29, 2021 to April 15, 2026; interest is repayable monthly.   | 1.25%                      | Note              | 18,300                   |
|                           |  |                            |                   | <u>186,655</u>           |
| Less: Current portion     |  |                            |                   | ( <u>48,774</u> )        |
|                           |  |                            |                   | <u>\$ 137,881</u>        |

Note: Information about the assets that were pledged to long-term borrowings as collateral is provided in Note 8.

A. For the years ended December 31, 2022 and 2021, interest expense were recognised in profit or loss amounted to \$3,232 and \$1,365, respectively.

B. Aforementioned borrowings from financial institutions are guaranteed by related parties as joint guarantor, please refer to Note 7 for details.



(13) Bonds payable

|  | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|--|--------------------------|--------------------------|
| Bonds payable                                    | \$ 462,100               | \$ 492,200               |
| Less: Discount on bonds payable                  | ( 3,136)                 | ( 7,763)                 |
|  | 458,964                  | 484,437                  |
| Less: Current portion or exercise of put options | ( 458,964)               | ( 484,437)               |
|  | <u>\$ -</u>              | <u>\$ -</u>              |

A. The issuance of domestic convertible bonds by the Company:

(a) The terms of the fourth domestic secured convertible bonds issued by the Company are as follows:

- i. The Company issued \$500,000, 0% of coupon rate, fourth domestic secured convertible bonds, as approved by the regulatory authority. The bonds mature 3 years from the issue date (October 20, 2020 ~ October 20, 2023) and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on October 20, 2020.
- ii. The bondholders have the right to ask for conversion of the bonds into common shares of The Company during the period from the date after 3 months (January 21, 2021) of the bonds issue to the maturity date (October 20, 2023), except for the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.
- iii. The conversion price of the bonds is set up based on the pricing model in the terms of the bonds and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. The conversion price will be reset based on the pricing model in the terms of the bonds on each effective date regulated by the terms. If the reset conversion price is higher than the conversion price before the reset, the conversion price will not be adjusted; however, the conversion price of the convertible bonds was NT\$34.5 (in dollars) per share.
- iv. The bondholders have the right to require the Company to redeem any bonds at the price of the bonds' face value plus 0.5006% of the face value as interests upon two years from the issue date.
- v. The Company may repurchase all the bonds outstanding in cash at the bonds' face value at any time after the following events occur: (i) the closing price of the Company's common shares is above the then conversion price by 30% for 30 consecutive trading days during the period from the date after three month of the bonds issue to 40 days before the maturity date, or (ii) the outstanding balance of the bonds is less than 10% of total initial issue amount during the period from the date after three months of the bonds issue to 40 days before the maturity date.
- vi. Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued; all rights

and obligations attached to the bonds are also extinguished.

(b) As of December 31, 2022, the convertible corporate bonds in the total amount of \$37,900 (face value) have been converted into 2,857 common shares, 219,998 common shares, 679,988 common shares, 45,713 common shares and 136,023 common shares. On May 11, 2021, January 18, 2022, August 9, 2022, October 18, 2022 and January 9, 2023 the Board of Directors had resolved the effective dates were May 11, 2021, January 18, 2022, August 9, 2022, October 18, 2022 and January 9, 2023 the registration of changes had been completed.

B. Regarding the issuance of convertible bonds, the non-equity conversion options, call options, put options and conversion price resetting options embedded in bonds payable were separated from their host contracts which was classified as ‘capital surplus—share options’ amounting to \$11,131 and were recognised in ‘financial assets or liabilities at fair value through profit or loss’ in net amount in accordance with IFRS 9 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. The effective interest rates of the bonds payable after such separation was 0.9112%.

(14) Other payables

|                                      | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|--------------------------------------|--------------------------|--------------------------|
| Wages and salaries payable           | \$ 106,060               | \$ 64,091                |
| Payables for machinery and equipment | 2,366                    | 3,595                    |
| Others                               | 44,593                   | 49,185                   |
|                                      | <u>\$ 153,019</u>        | <u>\$ 116,871</u>        |

(15) Pensions

Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under defined contribution pension plans of the Company for the years ended December 31, 2022 and 2021, were \$13,151 and \$12,068, respectively.

(16) Share-based payment

A. On November 12, 2019, December 27, 2016 and November 11, 2015, the Board of Directors of the Company resolved to issue employees’ options of 5,000 units (every unit can purchase 1,000 shares of the Company’s common share, the total number of common shares which can be purchased was 5,000,000 shares with the exercise price of \$33.80 (in dollars)), 4,500 units (every unit can purchase 1,000 shares of the Company’s common share, the total number of common shares which can be purchased was 4,500,000 shares with the exercise price of \$10.00 (in dollars)) and 5,000 units (every unit can purchase 1,000 shares of the Company’s common share, the total number of common shares which can be purchased was 5,000,000 shares with exercise price of \$21.80 (in dollars)), respectively, except for the 4,731 units were issued out of 5,000 units on

August 20, 2020, others were issued 4,500 units and 5,000 units on October 15, 2018 and January 12, 2016, respectively. The exercise price under the aforementioned stock-based employee compensation plan is at least the closing price of the Company's common stock at the grant date. There will be adjustment to the exercise price in accordance with specific formula if there is any change in the Company's ordinary shares or distribution of cash dividend after the issuance of stock options. The life of the options is 5 years. After 2 years from the date of grant, employees may exercise the options in accordance with certain schedules as prescribed in the option plan.

B. To attract and retain talents, encourage employees and strengthen coherence of the Company, the Board of Directors at their meeting on October 18, 2022 resolved to issue employees' stock options of 10,000 units. The issuance had been approved by the competent authority and could be issued over several installments within two years. As of December 31, 2022, the employees' stock options had not yet been issued.

C. For the years ended December 31, 2022 and 2021, the Group's share-based payment arrangements were as follows:

| Type of arrangement    | Grant date | Quantity granted | Contract period | Vesting conditions   |
|------------------------|------------|------------------|-----------------|----------------------|
| Employee stock options | 2016.01.12 | 5,000            | 5 years         | 2 ~ 4 years' service |
| Employee stock options | 2018.10.15 | 4,500            | 5 years         | 2 ~ 4 years' service |
| Employee stock options | 2020.08.20 | 4,731            | 5 years         | 2 ~ 4 years' service |

D. Details of the share-based payment arrangements are as follows:

i. Employees' options which were issued in 2020

|  | 2022                             |  | 2021                             |  |
|--|----------------------------------|--|----------------------------------|--|
|  | No. of options<br>(in thousands) | Weighted-average<br>exercise price<br>(in dollars) | No. of options<br>(in thousands) | Weighted-average<br>exercise price<br>(in dollars) |
| Options outstanding at January 1             | 3,493                            | \$ 33.80   | 4,469                            | \$ 33.80   |
| Options granted                              | -                                | -  | -                                | -  |
| Options exercised                            | ( 626)                           | 33.80  | -                                | -  |
| Options forfeited (Note)                     | ( 443)                           | -  | ( 976)                           | -  |
| Options outstanding at the end of the period | <u>2,424</u>                     | \$ 33.80   | <u>3,493</u>                     | \$ 33.80   |
| Options exercisable at the end of the period | <u>608</u>                       |  | <u>-</u>                         |  |

Note: Due to employees' retirement or termination.

ii. Employees' options which were issued in 2018

|  | 2022                             |  | 2021                             |  |
|--|----------------------------------|--|----------------------------------|--|
|  | No. of options<br>(in thousands) | Weighted-average<br>exercise price<br>(in dollars) | No. of options<br>(in thousands) | Weighted-average<br>exercise price<br>(in dollars) |
| Options outstanding at January 1             | 1,182                            | \$ 10.00   | 2,184                            | \$ 10.00   |
| Options granted                              | -                                | -  | -                                | -  |
| Options exercised                            | ( 736)                           | 10.00  | ( 866)                           | 10.00  |
| Options forfeited (Note)                     | ( 110)                           | -  | ( 136)                           | -  |
| Options outstanding at the end of the period | <u>336</u>                       | \$ 10.00   | <u>1,182</u>                     | \$ 10.00   |
| Options exercisable at the end of the period | <u>336</u>                       |  | <u>297</u>                       |  |

Note: Due to employees' retirement or termination.

iii. Employees' options which were issued in 2016

|  | 2022                             |  | 2021                             |  |
|--|----------------------------------|--|----------------------------------|--|
|  | No. of options<br>(in thousands) | Weighted-average<br>exercise price<br>(in dollars) | No. of options<br>(in thousands) | Weighted-average<br>exercise price<br>(in dollars) |
| Options outstanding at January 1             | -                                | \$ -   | 780                              | \$ 21.80   |
| Options granted                              | -                                | -  | -                                | -  |
| Options exercised                            | -                                | -  | ( 380)                           | 21.80  |
| Options forfeited (Note)                     | -                                | -  | ( 400)                           | -  |
| Options outstanding at the end of the period | <u>-</u>                         | \$ -   | <u>-</u>                         | \$ -   |
| Options exercisable at the end of the period | <u>-</u>                         |  | <u>-</u>                         |  |

Note: Due to employees' retirement or termination.

D. The expiry date and exercise price of stock options outstanding at balance sheet date are as follows:

| Issue date approved | Expiry date | December 31, 2022               |                                | December 31, 2021               |                                |
|---------------------|-------------|---------------------------------|--------------------------------|---------------------------------|--------------------------------|
|                     |             | No. of shares<br>(in thousands) | Exercise price<br>(in dollars) | No. of shares<br>(in thousands) | Exercise price<br>(in dollars) |
| 2018.10.15          | 2023.10.14  | 2,424                           | \$ 10.00                       | 1,182                           | \$ 10.00                       |
| 2020.08.20          | 2025.08.19  | 336                             | 33.80                          | 3,493                           | 33.80                          |

E. The fair value of stock options granted on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

| Type of arrangement    | Grant date | Exercise price | Expected price volatility | Expected option life | Expected dividends | Risk-free interest rate | Fair value per unit |
|------------------------|------------|----------------|---------------------------|----------------------|--------------------|-------------------------|---------------------|
| Employee stock options | 2016.01.12 | \$21.80        | 44.16%<br>~44.51%         | 3.5~4.5<br>years     | 0%                 | 0.56%<br>~0.66%         | 5.04<br>~5.74       |
| Employee stock options | 2018.10.15 | 10.00          | 43.64%<br>~44.73%         | 3.5~4.5<br>years     | 0%                 | 0.69%<br>~0.73%         | 1.90<br>~2.19       |
| Employee stock options | 2020.08.20 | 33.80          | 49.75%<br>~53.32%         | 3.5~4.5<br>years     | 0%                 | 0.28%<br>~0.31%         | 13.02<br>~13.74     |

F. Expenses incurred on share-based payment transactions are shown below:

|                        | Year ended<br>December 31, 2022 | Year ended<br>December 31, 2021 |
|------------------------|---------------------------------|---------------------------------|
| Equity-settled         | \$ 10,834                       | \$ 14,527                       |
| (17) <u>Provisions</u> |                                 |                                 |
|                        | 2022                            | 2021                            |
|                        | Warranty                        | Warranty                        |
| At January 1           | \$ 7,179                        | \$ 1,008                        |
| Additional provisions  | 20,535                          | 10,095                          |
| Used during the period | ( 6,468)                        | ( 3,924)                        |
| At December 31         | \$ 21,246                       | \$ 7,179                        |

The Group gives warranties on automotive electronic products sold. Provision for warranty is estimated based on historical warranty data of automotive electronic products. It is expected that provision for warranty will be used in the following one year.

(18) Share capital

A. As of December 31, 2022, the Company's authorised capital was \$3,000,000, consisting of 300,000 thousand shares of ordinary stock (including 20,000 thousand shares reserved for employee stock options), and the paid-in capital was \$1,680,232 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding are as follows:

|   | 2022(Note) | 2021(Note) |
|---|------------|------------|
| At January 1                            | \$ 155,549 | \$ 154,081 |
| Employee stock options exercised        | 1,362      | 1,246      |
| Conversion of convertible bonds         | 862        | 222        |
| Cash capital increase-private placement | 10,250     | -          |
| At December 31                          | \$ 168,023 | \$ 155,549 |

Note: Expressed in thousands of shares.

- B. To increase the Company's working capital, the shareholders at their meeting on April 29, 2022 resolved to conduct private placements of common shares with a par value at \$10 (in dollars) per share, and the total number of shares issued shall not exceed 25,000 thousand shares which would be issued over several installments within one year from the date of the shareholders' meeting resolution. On October 18, 2022, the Board of Directors resolved the first effective date of capital increase through private placement was set on November 1, 2022 and total number of private ordinary shares amounted to 10,250 thousand with an issuance price of NT\$32 (in dollars) per share. The total amount of private placement was NTD 328,000 thousand and the registration of changes had been completed. Pursuant to the Securities and Exchange Act, the ordinary shares raised through the private placement are subject to certain transfer restrictions and cannot be listed on the stock exchange until three years after they have been issued and have been offered publicly. Other than these restrictions, the rights and obligations of the ordinary shares raised through the private placement are the same as other issued ordinary shares.
- C. As of December 31, 2022, the Company's employees' options which were issued in 2016 were applied for purchasing 380 thousand shares and were resolved by the Board of Directors to increase capital on May 11, 2021; the effective dates were set on May 11, 2021. Exercise price was \$21.8 (in dollars), the registration of changes had been completed.
- D. As of December 31, 2022, the Company's employees' options which were issued in 2018 were applied for purchasing 90 thousand shares, 776 thousand shares, 39 thousand shares, 66 thousand shares and 631.1 thousand shares and were resolved by the Board of Directors to increase capital on May 11, 2021, January 18, 2022, May 10, 2022, August 9, 2022 and January 9, 2023; the effective date was set on May 11, 2021, January 18, 2022, May 10, 2022, August 9, 2022 and January 9, 2023 respectively. All purchase price was \$10.
- E. As of December 31, 2022, the Company's employees' options which were issued in 2020 were applied for purchasing 430.8 thousand shares and 195.6 thousand shares and were resolved by the Board of Directors to increase capital on October 18, 2022 and January 9, 2023; the effective dates were set on October 18, 2022 and January 9, 2023. Exercise price was \$33.8 (in dollars), the registration of changes had been completed.

(19) Capital surplus

- A. Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.
- B. The Company's shareholders approved the deficit compensation on April 29, 2022. The capital surplus of \$122,699 was used to offset accumulated deficit which had been completed.

C. Movements in the number of the Company's capital surplus in 2022 and 2021 are as follows:  
(Share in thousands)

|   | 2022              |                        |                  |                             |   |                   |
|---|-------------------|------------------------|------------------|-----------------------------|---|-------------------|
|   | Share premium     | Employee stock options | Share options    | Treasury share transactions | Difference between consideration and carrying amount of subsidiaries acquired or disposed | Total             |
| At January 1                                      | \$ 74,352         | \$ 56,488              | \$ 17,162        | \$ 2,654                    | \$ 9,693  | \$ 160,349        |
| Employee stock options exercised                  | 10,253            | 4,655                  | -                | -                           | -   | 14,908            |
| Exercise of conversion right of convertible bonds | 21,814            | -                      | ( 670)           | -                           | -   | 21,144            |
| Capital surplus used to offset loss               | ( 74,352)         | ( 30,000)              | ( 6,000)         | ( 2,654)                    | ( 9,693)  | ( 122,699)        |
| Share-based compensation cost                     | -                 | 10,834                 | -                | -                           | -   | 10,834            |
| Cash capital increase-private placement           | 225,500           | -                      | -                | -                           | -   | 225,500           |
| At December 31                                    | <u>\$ 257,567</u> | <u>\$ 41,977</u>       | <u>\$ 10,492</u> | <u>\$ -</u>                 | <u>\$ -</u>   | <u>\$ 310,036</u> |
|   | 2021              |                        |                  |                             |   |                   |
|   | Share premium     | Employee stock options | Share options    | Treasury share transactions | Difference between consideration and carrying amount of subsidiaries acquired or disposed | Total             |
| At January 1                                      | \$ 60,273         | \$ 45,941              | \$ 17,335        | \$ 2,654                    | \$ 9,693  | \$ 135,896        |
| Exercise of conversion right of convertible bonds | 5,615             | -                      | ( 173)           | -                           | -   | 5,442             |
| Employee stock options exercised                  | 8,464             | ( 3,980)               | -                | -                           | -   | 4,484             |
| Share-based compensation cost                     | -                 | 14,527                 | -                | -                           | -   | 14,527            |
| At December 31                                    | <u>\$ 74,352</u>  | <u>\$ 56,488</u>       | <u>\$ 17,162</u> | <u>\$ 2,654</u>             | <u>\$ 9,693</u>   | <u>\$ 160,349</u> |

(20) Unappropriated retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior year's operating losses, then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the total capital stock balance, and

appropriate or reverse for special reserve as required by the operating needs of the Company or regulations when necessary. The remainder, if any, to be retained or to be appropriated shall be proposed by the Board of Directors and to be resolved by the stockholders at the stockholders' meeting.

- B. For the long-term business development of the Company, the needs of capital in the future and long-term business plan, the distributable earnings can be distributed no higher than 90% as shareholders' bonus every year. However, the distributable earnings may not to be distributed if the accumulated distributable earnings lower than 5% of paid-in capital. The cash dividend can not be lower than 10% of total dividends. However, when the cash dividend per share is lower than \$0.5, it can be distributed in stock dividend at full amount.
- C. The Company's shareholders resolved the deficit compensation for the year of 2021 on April 29, 2022. The retained earnings of \$95,347, special reserve of \$35,953 and capital surplus of \$122,699 for the year ended December 31, 2021 were used to offset accumulated deficit. The shareholders' meeting resolved the deficit compensation for the year of 2020 on July 30, 2021. Details of the resolution of deficit compensation are provided in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.
- D. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- E. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(21) Other equity items

|  | 2022                                      |                         |             |
|--|---|-------------------------|-------------|
|  | Unrealised gains<br>(losses) on valuation | Currency<br>translation | Total       |
| At January 1   | (\$ 26,854)                               | (\$ 64,048)             | (\$ 90,902) |
| Revaluation - gross  | ( 11,498)                                 | -                       | ( 11,498)   |
| Disposal of financial assets at fair value<br>through other comprehensive income | ( 2,587)                                  | -                       | ( 2,587)    |
| Currency translation differences   | -   | 12,522                  | 12,522      |
| At December 31   | (\$ 40,939)                               | (\$ 51,526)             | (\$ 92,465) |



|                                  | 2021                                      |                         |                    |
|----------------------------------|---|-------------------------|--------------------|
|                                  | Unrealised gains<br>(losses) on valuation | Currency<br>translation | Total              |
| At January 1                     | (\$ 34,900)                               | (\$ 61,025)             | (\$ 95,925)        |
| Revaluation - gross              | 8,046                                     | -                       | 8,046              |
| Currency translation differences | -   | ( 3,023)                | ( 3,023)           |
| At December 31                   | <u>(\$ 26,854)</u>                        | <u>(\$ 64,048)</u>      | <u>(\$ 90,902)</u> |

(22) Operating revenue

|                                       | Year ended          | Year ended          |
|---------------------------------------|---------------------|---------------------|
|                                       | December 31, 2022   | December 31, 2021   |
| Revenue from contracts with customers | <u>\$ 3,189,385</u> | <u>\$ 2,120,074</u> |

A. Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of goods at a point in time in the following major product lines:

| Year ended December 31,<br>2022             | Automobile<br>electronic<br>products | Power<br>management<br>products | All other<br>segments | Total               |
|---|--------------------------------------|---------------------------------|-----------------------|---------------------|
|   | Total segment revenue                | \$ 2,702,385                    | \$ 487,000            | \$ -                |
| Inter-segment revenue                       | -                                    | -                               | -                     | -                   |
| Revenue from external<br>customer contracts | <u>\$ 2,702,385</u>                  | <u>\$ 487,000</u>               | <u>\$ -</u>           | <u>\$ 3,189,385</u> |
| Year ended December 31,<br>2021             | Automobile<br>electronic<br>products | Power<br>management<br>products | All other<br>segments | Total               |
| Total segment revenue                       | \$ 1,573,985                         | \$ 546,089                      | \$ -                  | \$ 2,120,074        |
| Inter-segment revenue                       | -                                    | -                               | -                     | -                   |
| Revenue from external<br>customer contracts | <u>\$ 1,573,985</u>                  | <u>\$ 546,089</u>               | <u>\$ -</u>           | <u>\$ 2,120,074</u> |

B. Contract assets and liabilities

The Company has recognised the following revenue-related contract assets and liabilities:

|                        | December 31, 2022 | December 31, 2021 | January 1, 2021 |
|------------------------|-------------------|-------------------|-----------------|
| Contract liabilities:  |                   |                   |                 |
| Contract liabilities – |                   |                   |                 |
| Advance sales receipts | <u>\$ 7,674</u>   | <u>\$ 6,582</u>   | <u>\$ 1,498</u> |

(a) Significant changes in contract assets and liabilities: None.

(b) Revenue recognised that was included in the contract liability balance at the beginning of the period

|   | Year ended<br>December 31, 2022 | Year ended<br>December 31, 2021 |
|---|---------------------------------|---------------------------------|
| Revenue recognised that was included<br>in the contract liability balance at the<br>beginning of the period |                                 |                                 |
| Advance sales receipts  | \$ 5,189                        | \$ 1,425                        |

(23) Interest income

|   | Year ended<br>December 31, 2022 | Year ended<br>December 31, 2021 |
|---|---------------------------------|---------------------------------|
| Interest income from bank deposits                                  | \$ 1,099                        | \$ 1,046                        |
| Interest income from financial assets<br>measured at amortised cost | 2,041                           | 129                             |
| Other interest income   | 1                               | -                               |
|   | <u>\$ 3,141</u>                 | <u>\$ 1,175</u>                 |

(24) Other income

|                      | Year ended<br>December 31, 2022 | Year ended<br>December 31, 2021 |
|----------------------|---------------------------------|---------------------------------|
| Rent income          | \$ 1,386                        | \$ 1,303                        |
| Dividend income      | 1,105                           | 1,874                           |
| Design fees revenue  | -                               | 10,074                          |
| Other income, others | 1,026                           | 3,301                           |
|                      | <u>\$ 3,517</u>                 | <u>\$ 16,552</u>                |

(25) Other gains and losses

|  | Year ended<br>December 31, 2022 | Year ended<br>December 31, 2021 |
|--|---------------------------------|---------------------------------|
| Foreign exchange gains (losses)                                    | \$ 31,269                       | (\$ 1)                          |
| Gains on disposals of property,<br>plant and equipment             | 2                               | 122                             |
| Losses on financial assets<br>at fair value through profit or loss | ( 878)                          | ( 773)                          |
| Other losses   | ( 25)                           | ( 9)                            |
|  | <u>\$ 30,368</u>                | <u>(\$ 661)</u>                 |

(26) Expenses by nature

|   | Year ended<br><u>December 31, 2022</u> | Year ended<br><u>December 31, 2021</u> |
|---|--|--|
| Employee benefit expense                              | \$ 408,931                             | \$ 344,990                             |
| Depreciation charges on property, plant and equipment | 37,416                                 | 32,244                                 |
| Depreciation charges on right-of-use assets           | 18,658                                 | 14,666                                 |
| Depreciation charges on investment property           | 137                                    | 138                                    |
| Amortisation charges on intangible assets             | 16,084                                 | 10,393                                 |
|   | <u>\$ 481,226</u>                      | <u>\$ 402,431</u>                      |

(27) Employee benefit expense

|                                  | Year ended<br><u>December 31, 2022</u> | Year ended<br><u>December 31, 2021</u> |
|----------------------------------|--|--|
| Wages and salaries               | \$ 339,588                             | \$ 277,826                             |
| Employee stock options           | 10,834                                 | 14,527                                 |
| Labour and health insurance fees | 27,021                                 | 23,914                                 |
| Pension costs                    | 13,151                                 | 12,068                                 |
| Other personnel expenses         | 18,337                                 | 16,655                                 |
|                                  | <u>\$ 408,931</u>                      | <u>\$ 344,990</u>                      |

A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall be between 10%~15% for employees' compensation and shall not be higher than 3% for directors' and supervisors' remuneration.

B. For the years ended December 31, 2022 and 2021, employees' compensation was accrued at \$5,000 and \$0, respectively. No directors' remuneration was recognised.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(28) Finance costs

|                                       | Year ended<br><u>December 31, 2022</u> | Year ended<br><u>December 31, 2021</u> |
|---------------------------------------|--|--|
| Interest expense                      | \$ 3,364                               | \$ 1,647                               |
| Interest expense on lease liabilities | 331                                    | 339                                    |
| Interest expense on convertible bonds | 4,288                                  | 4,446                                  |
|                                       | <u>\$ 7,983</u>                        | <u>\$ 6,432</u>                        |

(29) Income tax

A. Income tax expense

(a) Components of income tax expense:

|                    | Year ended<br><u>December 31, 2022</u> | Year ended<br><u>December 31, 2021</u> |
|--------------------|--|--|
| Income tax expense | \$ -                                   | \$ -                                   |

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

|  | Year ended<br><u>December 31, 2022</u> | Year ended<br><u>December 31, 2021</u> |
|--|--|--|
| Changes in fair value of financial assets at fair value through other comprehensive income | \$ 2,874                               | \$ 2,012                               |
| Exchange differences on translation of foreign financial statements                        | (3,130)                                | ( 756)                                 |
|  | <u>(\$ 256)</u>                        | <u>\$ 1,256</u>                        |

B. Reconciliation between income tax expense and accounting profit

|  | Year ended<br><u>December 31, 2022</u> | Year ended<br><u>December 31, 2021</u> |
|--|--|--|
| Tax calculated based on profit before tax and statutory tax rate | \$ 67,700                              | \$ 24,804                              |
| Expenses disallowed by tax regulation                            | 438                                    | 359                                    |
| Temporary differences not recognised as deferred tax assets      | (14,273)                               | (5,188)                                |
| Use tax losses not recognised in prior years                     | (53,366)                               | (20,457)                               |
| Change in assessment of realisation of deferred tax assets       | ( 499)                                 | 482                                    |
| Income tax expense   | <u>\$ -</u>                            | <u>\$ -</u>                            |

C. Amounts of deferred tax assets or liabilities as a result of temporary differences, tax losses and investment tax credits are as follows:

|  | 2022             |                                    |   |                  |
|--|------------------|------------------------------------|---|------------------|
|  | January 1        | Recognised<br>in profit<br>or loss | Recognised<br>in other<br>comprehensive<br>income | December 31      |
| Deferred tax assets:   |                  |                                    |   |                  |
| -Temporary differences:  |                  |                                    |   |                  |
| Allowance for obsolescence<br>and market value decline   | \$ 2,265         | \$ 3,420                           | \$ -  | \$ 5,685         |
| Valuation of financial<br>assets measured at fair<br>value through other<br>comprehensive income | 7,729            | -                                  | 2,874   | 10,603           |
| Exchange differences on<br>translation of foreign<br>financial statements                        | 16,014           | -                                  | (3,130)   | 12,884           |
| Unrealised foreign exchange loss   | 2,174            | (1,092)                            | -   | 1,082            |
| Others   | 2,925            | (2,328)                            | -   | 597              |
| Income tax expense   | <u>\$ 31,107</u> | <u>\$ -</u>                        | <u>(\$ 256)</u>                                   | <u>\$ 30,851</u> |
|  | 2021             |                                    |   |                  |
|  | January 1        | Recognised<br>in profit<br>or loss | Recognised<br>in other<br>comprehensive<br>income | December 31      |
| Deferred tax assets:   |                  |                                    |   |                  |
| -Temporary differences:  |                  |                                    |   |                  |
| Allowance for obsolescence<br>and market value decline   | \$ 4,546         | (\$ 2,281)                         | \$ -  | \$ 2,265         |
| Valuation of financial<br>assets measured at fair<br>value through other<br>comprehensive income | 9,741            | -                                  | (2,012)   | 7,729            |
| Exchange differences on<br>translation of foreign<br>financial statements                        | 15,258           | -                                  | 756   | 16,014           |
| Unrealised foreign exchange loss   | 1,079            | 1,095                              | -   | 2,174            |
| Others   | 1,739            | 1,186                              | -   | 2,925            |
| Income tax expense   | <u>\$ 32,363</u> | <u>\$ -</u>                        | <u>(\$ 1,256)</u>                                 | <u>\$ 31,107</u> |

D. Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets are as follows:

| December 31, 2022 |              |               |                                     |             |
|-------------------|--------------|---------------|-------------------------------------|-------------|
| Year incurred     | Amount filed | Unused amount | Unrecognised<br>deferred tax assets | Expiry year |
| 2017              | 253,720      | 75,560        | 75,560                              | 2027        |
| 2018              | 89,287       | 89,287        | 89,287                              | 2028        |
| 2019              | 210,051      | 210,051       | 210,051                             | 2029        |
| 2020              | 267,968      | 267,968       | 267,968                             | 2030        |

  

| December 31, 2021 |              |               |                                     |             |
|-------------------|--------------|---------------|-------------------------------------|-------------|
| Year incurred     | Amount filed | Unused amount | Unrecognised<br>deferred tax assets | Expiry year |
| 2013              | \$ 191,549   | \$ 112,089    | \$ 112,089                          | 2023        |
| 2017              | 253,720      | 253,720       | 253,720                             | 2027        |
| 2018              | 89,287       | 89,287        | 89,287                              | 2028        |
| 2019              | 210,051      | 210,051       | 210,051                             | 2029        |
| 2020              | 267,968      | 267,968       | 267,968                             | 2030        |

E. The amounts of deductible temporary difference that are not recognised as deferred tax assets are as follows:

|                                  | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|----------------------------------|--------------------------|--------------------------|
| Deductible temporary differences | <u>\$ 672,987</u>        | <u>\$ 746,857</u>        |

F. The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority.

(30) Earnings per share

|  | <u>Year ended December 31, 2022</u> |  |  |
|--|-------------------------------------|--|--|
|  | <u>Amount after tax</u>             | <u>Weighted average<br/>number of ordinary<br/>shares outstanding<br/>(share in thousands)</u> | <u>Earnings per<br/>share<br/>(in dollars)</u> |
| <u>Basic earnings per share</u>  |                                     |  |  |
| Earnings attributable to ordinary shareholders of the parent   | <u>\$ 338,499</u>                   | <u>158,534</u>   | <u>\$ 2.14</u>                                 |
| <u>Diluted earnings per share(Note)</u>  |                                     |  |  |
| Earnings attributable to ordinary shareholders of the parent   | 338,499                             | 158,534  |  |
| Assumed conversion of all dilutive potential ordinary shares   | 3,431                               | 13,203   |  |
| Employee stock options   | <u>-</u>                            | <u>235</u>   |  |
| Earnings attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | <u>\$ 341,930</u>                   | <u>\$ 171,972</u>  | <u>\$ 1.99</u>                                 |
|  | <u>Year ended December 31, 2021</u> |  |  |
|  | <u>Amount after tax</u>             | <u>Weighted average<br/>number of ordinary<br/>shares outstanding<br/>(share in thousands)</u> | <u>Earnings per<br/>share<br/>(in dollars)</u> |
| <u>Basic earnings per share</u>  |                                     |  |  |
| Earnings attributable to ordinary shareholders of the parent   | <u>\$ 95,347</u>                    | <u>154,250</u>   | <u>\$ 0.62</u>                                 |
| <u>Diluted earnings per share(Note)</u>  |                                     |  |  |
| Earnings attributable to ordinary shareholders of the parent   | 95,347                              | 154,250  |  |
| Assumed conversion of all dilutive potential ordinary shares   | 3,557                               | 14,259   |  |
| Employee stock options   | <u>-</u>                            | <u>790</u>   |  |
| Earnings attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | <u>\$ 98,904</u>                    | <u>\$ 169,299</u>  | <u>\$ 0.58</u>                                 |

Note: The Company's employees' options and convertible bonds were not included in the calculation of diluted earnings per share due to their anti-dilutive effect.

(31) Supplemental cash flow information

A. Investing activities with partial cash payments

|  | Year ended<br>December 31, 2022 | Year ended<br>December 31, 2021 |
|--|---------------------------------|---------------------------------|
| Purchase of property, plant and equipment    | \$ 46,911                       | \$ 36,258                       |
| Add: Opening balance of payable on equipment | 3,595                           | 2,366                           |
| Less: Ending balance of payable on equipment | ( 2,366)                        | ( 3,595)                        |
| Cash paid during the year                    | <u>\$ 48,140</u>                | <u>\$ 35,029</u>                |

B. Financing activities with no cash flow effects

|   | Year ended<br>December 31, 2022 | Year ended<br>December 31, 2021 |
|---|---------------------------------|---------------------------------|
| Convertible bonds being converted to capital stocks | <u>\$ 29,761</u>                | <u>\$ 7,671</u>                 |

(32) Changes in liabilities from financing activities

|  | 2022                    |                      |   |
|--|-------------------------|----------------------|---|
|  | Long-term<br>borrowings | Lease<br>liabilities | Liabilities from<br>financing<br>activities-gross |
| At January 1                                   | \$ 186,655              | \$ 27,018            | \$ 213,673  |
| Changes in cash flow from financing activities | 124,344                 | ( 18,970)            | 105,374   |
| Changes in other non-cash items                | -                       | 7,871                | 7,871   |
| Interest expense on lease liabilities          | -                       | 331                  | 331   |
| At December 31                                 | <u>\$ 310,999</u>       | <u>\$ 16,250</u>     | <u>\$ 327,249</u>                                 |
|  | 2021                    |                      |   |
|  | Long-term<br>borrowings | Lease<br>liabilities | Liabilities from<br>financing<br>activities-gross |
| At January 1                                   | \$ 105,111              | \$ 12,234            | \$ 117,345  |
| Changes in cash flow from financing activities | 81,544                  | ( 14,910)            | 66,634  |
| Changes in other non-cash items                | -                       | 29,355               | 29,355  |
| Interest expense on lease liabilities          | -                       | 339                  | 339   |
| At December 31                                 | <u>\$ 186,655</u>       | <u>\$ 27,018</u>     | <u>\$ 213,673</u>                                 |



## 7. RELATED PARTY TRANSACTIONS

### (1) Parent and ultimate controlling party

The Company has no parent company nor ultimate controlling party.

### (2) Names of related parties and relationship

| <u>Names of related parties</u>                         | <u>Relationship with the Company</u> |
|---|--------------------------------------|
| SYSGRATION ELECTRONICS TECHNOLOGY (ZHENJIANG) CO., LTD. | Subsidiaries                         |
| SYSGRATION ELECTRONICS TECHNOLOGY (HUIZHOU) CO., LTD.   | "                                    |
| SYSGRATION USA INC.                                     | "                                    |
| ORO TECHNOLOGY CO., LTD                                 | Other related party (Note)           |
| LEE, YI-REN   | The Company's chairman               |

Note: Effective on June 1, 2021, the Company resigned as a director of Oro Technology Co., Ltd., and as a result, Oro Technology Co., Ltd. is no longer a related party to the Company.

### (3) Significant related party transactions

#### A. Operating revenue:

|   | <u>Year ended<br/>December 31, 2022</u> | <u>Year ended<br/>December 31, 2021</u> |
|---|---|---|
| Sales of goods:   |   |   |
| SYSGRATION ELECTRONICS TECHNOLOGY (HUIZHOU) CO., LTD.   | \$ 33,667                               | \$ 5,921                                |
| SYSGRATION ELECTRONICS TECHNOLOGY (ZHENJIANG) CO., LTD. | 900                                     | 271                                     |
|   | <u>\$ 34,567</u>                        | <u>\$ 6,192</u>                         |

Prices and collection terms for services and goods provided to subsidiaries are based on the mutual agreement since no similar transaction can be compared with.

#### B. Purchases:

|   | <u>Year ended<br/>December 31, 2022</u> | <u>Year ended<br/>December 31, 2021</u> |
|---|---|---|
| Purchases of goods:                                     |   |   |
| SYSGRATION ELECTRONICS TECHNOLOGY (HUIZHOU) CO., LTD.   | \$ 1,112,574                            | \$ 737,971                              |
| SYSGRATION ELECTRONICS TECHNOLOGY (ZHENJIANG) CO., LTD. | 357,666                                 | 323,470                                 |
|   | <u>\$ 1,470,240</u>                     | <u>\$ 1,061,441</u>                     |

Prices and payment terms for purchasing from subsidiaries are based on the mutual agreement since no similar transaction can be compared with.

C. Operating costs and operating expenses:

|              | <u>Year ended</u><br><u>December 31, 2022</u> | <u>Year ended</u><br><u>December 31, 2021</u> |
|--------------|---|---|
| Subsidiaries | \$ 913  | \$ 2,473                                      |

Expenses for product marketing and service fee are based on the mutual agreement.

D. Royalty for software (shown as ‘operating cost’)

|                     | <u>Year ended</u><br><u>December 31, 2022</u> | <u>Year ended</u><br><u>December 31, 2021</u> |
|---------------------|---|---|
| Other related party | \$ -  | \$ 7,117                                      |

Expenses for software royalties are based on the mutual agreement since no similar transaction can be compared with.

E. Receivables from related parties:

|   | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|---|--------------------------|--------------------------|
| Accounts receivable:                                    |                          |                          |
| SYSGRATION ELECTRONICS TECHNOLOGY (HUIZHOU) CO., LTD.   | \$ 4,808                 | \$ 2,843                 |
| SYSGRATION ELECTRONICS TECHNOLOGY (ZHENJIANG) CO., LTD. | 194                      | -                        |
|   | <u>\$ 5,002</u>          | <u>\$ 2,843</u>          |

Receivables from related parties arise from sale transactions of goods. The receivables are due 120 days after the date of sale. The receivables are unsecured in nature and bear no interest. There are no allowances for uncollectible accounts held against receivables from related parties.

F. Accounts payable:

|   | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|---|--------------------------|--------------------------|
| SYSGRATION ELECTRONICS TECHNOLOGY (HUIZHOU) CO., LTD.   | \$ 359,860               | \$ 247,040               |
| SYSGRATION ELECTRONICS TECHNOLOGY (ZHENJIANG) CO., LTD. | 11,670                   | 29,053                   |
|   | <u>\$ 371,530</u>        | <u>\$ 276,093</u>        |

The payables to related parties arise mainly from purchase transactions and are due 120 days after the date of purchase. The payables bear no interest.

G. Other receivables from related parties:

|   | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|---|--------------------------|--------------------------|
| Other receivables:                                    |                          |                          |
| SYSGRATION ELECTRONICS TECHNOLOGY (HUIZHOU) CO., LTD. | \$ 68,418                | \$ 68,409                |

It pertained to the payments collected by the subsidiaries on behalf of the parent company.

## H. Other payables

|                 | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|-----------------|--------------------------|--------------------------|
| Other payables: |                          |                          |
| Subsidiaries    | \$ 1,911                 | \$ 88                    |

### (4) Key management compensation

|   | <u>Year ended<br/>December 31, 2022</u> | <u>Year ended<br/>December 31, 2021</u> |
|---|---|---|
| Salaries and other short-term employee benefits | \$ 27,398                               | \$ 26,115                               |
| Post-employment benefits                        | 675                                     | 709                                     |
| Share-based payments                            | 567                                     | 2,805                                   |
|   | <u>\$ 28,640</u>                        | <u>\$ 29,629</u>                        |

### (5) Endorsements and guarantees provided by related parties

For the years ended December 31, 2022 and 2021, the Company borrowed from financial institutions. LEE, YI-REN is the guarantor (the Company's Chairman), aforementioned financing facilities which were provided by related parties were \$2,136,840 and \$875,000, respectively.

## 8. PLEDGED ASSETS

The Company's assets pledged as collateral are as follows:

| <u>Pledged asset</u>  | <u>Book value</u>        |                          | <u>Purpose</u>   |
|---|--------------------------|--------------------------|--|
|   | <u>December 31, 2022</u> | <u>December 31, 2021</u> |  |
| Time deposit (classified as financial assets at amortised cost) | \$ 121,201               | \$ 125,301               | Short-term, long-term borrowings and issuance of convertible bonds |
| Land  | 18,807                   | 18,807                   |  |
| Buildings and structures  | 158,548                  | 163,605                  |  |
| Machinery   | 7,655                    | 10,005                   |  |
|   | <u>\$ 306,211</u>        | <u>\$ 317,718</u>        |  |

## 9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

On August 6, 2018, the Company received a notification of civil court from the Taiwan Taipei District Court, Tsuzuki Denki Co., Ltd. filed a civil litigation to the Taiwan Taipei District Court and claimed that the quality problem of tablet computers which were purchased from the Company caused damage to Tsuzuki Denki Co., Ltd. It claimed for a return of the full price of inventories and compensation amounting to US\$5,306 thousand and JPY\$1,225 thousand, respectively. The Company has appointed lawyers to handle the case to protect the rights of the Company and its shareholders. The Company's appointed lawyer comments are as follows: 'The counterparty complained that there were flaws in the inventory and deferred payment, but refused to return the inventory which should have been repaired by the Company, therefore, the counterparty's claim is not reasonable. In addition, it is reasonable that our side took counter-action to claim the payment for inventory and rework expenses in the total amount of US\$996 thousand, because the Company had completed the work and delivered the said inventories. As

of December 31, 2022, the case is still under trial with the Taiwan Taipei District Court. The Company has accounts receivable from Tsuzuki Denki Co., Ltd. in the amount of \$19,370 which was provisioned for impairment at full amount.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

A. Please refer to Notes 6(13) and 6(18) for the related information.

B. On March 9, 2023, the Board of Directors of the Company resolved the appropriation of earnings for the year 2022. After offsetting losses from previous years, setting aside a legal reserve of 10% of the remaining profits of \$4,497 thousand and a special reserve of \$1,563 thousand the total distributable profit for the year ended December 31, 2022 was \$38,908 thousand, which is less than 5% of the paid-in capital of the Company. In accordance with Article 26 of the Company's Articles of Incorporation, it is proposed that no dividends be distributed for the year 2022 and the profits be retained.

C. On March 9, 2023, the Board of Directors of the Company resolved the second private placement and issued less than 14,750 thousand common shares at NT\$10 (in dollars) per share.

D. To enhance competitiveness and operational performance, the Company plans to carry out organizational restructuring and specialization by splitting off the related business of the power management division as a separate business, POWER TANK ENERGY Ltd., which will be wholly owned by SYSGRATION Ltd. From the spin-off date, POWER TANK ENERGY Ltd.. will assume the relevant business of the power management division, and issue new shares to SYSGRATION Ltd. as consideration. This proposed spin-off is an organizational adjustment and should have no impact on the Company's shareholders' equity. Within one year of the completion date of the registration, the Company may release its shares in installments and withdraw from POWER TANK ENERGY Ltd.. 's cash capital increase plan.

12. OTHERS

(1) Capital management

The Company's objectives when managing capital are to maintain an optimal capital structure to reduce the cost of capital in order to provide returns for shareholders. In order to maintain or adjust the capital structure, the Company may issue new shares, issue convertible bonds or sell assets to reduce debt.

|                   | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|-------------------|--------------------------|--------------------------|
| Total liabilities | \$ 1,596,872             | \$ 1,393,234             |
| Total equity      | <u>1,942,771</u>         | <u>1,206,120</u>         |
| Total capital     | <u>\$ 3,539,643</u>      | <u>\$ 2,599,354</u>      |
| Gearing ratio     | <u>45%</u>               | <u>54%</u>               |

## (2) Financial instruments

### A. Financial instruments by category

| <u>Financial assets</u>  | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|--|--------------------------|--------------------------|
| Financial assets at fair value through profit or loss                      |                          |                          |
| Financial assets mandatorily measured at fair value through profit or loss | \$ 12,599                | \$ 1,477                 |
| Financial assets at fair value through other comprehensive income          |                          |                          |
| Designation of equity instrument   | 148,952                  | 96,038                   |
| Financial assets at amortised cost   |                          |                          |
| Cash and cash equivalents  | 1,132,693                | 683,913                  |
| Financial assets at amortised cost   | 121,201                  | 125,301                  |
| Notes receivable   | 2,521                    | 3,050                    |
| Accounts receivable  | 848,505                  | 522,918                  |
| Accounts receivable-related parties  | 5,002                    | 2,843                    |
| Other receivables  | 11,786                   | 8,038                    |
| Other receivables-related parties  | 68,418                   | 68,409                   |
| Refundable deposits  | 7,131                    | 6,210                    |
|  | <u>\$ 2,358,808</u>      | <u>\$ 1,518,197</u>      |
| <u>Financial liabilities</u>   |                          |                          |
| Financial liabilities at amortised cost                                    |                          |                          |
| Notes payable  | \$ 1,723                 | \$ 986                   |
| Accounts payable   | 238,324                  | 265,257                  |
| Accounts payable-related parties   | 371,530                  | 276,093                  |
| Other accounts payable   | 153,019                  | 116,871                  |
| Other accounts payable-related parties                                     | 1,911                    | 88                       |
| Bonds payable (including current portion)                                  | 458,964                  | 484,437                  |
| Long-term borrowings (including current portion)                           | 310,999                  | 186,655                  |
| Guarantee deposits received  | 198                      | 198                      |
|  | <u>\$ 1,536,668</u>      | <u>\$ 1,330,585</u>      |
| Lease liabilities  | <u>\$ 16,250</u>         | <u>\$ 27,018</u>         |

### B. Financial risk management policies

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

### C. Significant financial risks and degrees of financial risks

#### (a) Market risk

##### Foreign exchange risk

- i. The Company operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Foreign exchange risk arises from future

commercial transactions and recognised assets and liabilities.

- ii. Management has set up a policy to require companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Company treasury. Exchange rate risk is measured through a forecast of highly probable USD and RMB expenditures. Forward foreign exchange contracts are adopted to minimise the volatility of the exchange rate affecting cost of forecast inventory purchases.
- iii. The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD and other certain subsidiaries' functional currency: USD and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

| December 31, 2022                          |  |                  |                        |                        |                                |  |
|--|--|------------------|------------------------|------------------------|--------------------------------|--|
| (Foreign currency:<br>functional currency) | Foreign currency<br>amount<br>(In thousands) | Exchange<br>rate | Book<br>value<br>(NTD) | Sensitivity analysis   |                                |  |
|  |  |                  |                        | Degree<br>of variation | Effect<br>on profit<br>or loss | Effect on other<br>comprehensive<br>income |
| <u>Financial assets</u>                    |  |                  |                        |                        |                                |  |
| <u>Monetary items</u>                      |  |                  |                        |                        |                                |  |
| USD:NTD                                    | \$ 34,859                                    | 30.71            | \$ 1,070,518           | 1%                     | \$ 10,705                      | \$ -                                       |
| HKD:NTD                                    | 786  | 3.94             | 3,094                  | 1%                     | 31                             | -  |
| <u>Non-monetary items</u>                  |  |                  |                        |                        |                                |  |
| USD:NTD                                    | 15,258                                       | 30.71            | 468,566                | 1%                     | -                              | 4,686                                      |
| <u>Financial liabilities</u>               |  |                  |                        |                        |                                |  |
| <u>Monetary items</u>                      |  |                  |                        |                        |                                |  |
| USD:NTD                                    | \$ 6,339                                     | 30.71            | \$ 194,676             | 1%                     | \$ 1,947                       | -  |
| December 31, 2021                          |  |                  |                        |                        |                                |  |
| (Foreign currency:<br>functional currency) | Foreign currency<br>amount<br>(In thousands) | Exchange<br>rate | Book<br>value<br>(NTD) | Sensitivity analysis   |                                |  |
|  |  |                  |                        | Degree<br>of variation | Effect<br>on profit<br>or loss | Effect on other<br>comprehensive<br>income |
| <u>Financial assets</u>                    |  |                  |                        |                        |                                |  |
| <u>Monetary items</u>                      |  |                  |                        |                        |                                |  |
| USD:NTD                                    | \$ 21,153                                    | 27.68            | \$ 585,516             | 1%                     | \$ 5,855                       | \$ -                                       |
| HKD:NTD                                    | 1,942  | 3.55             | 6,892                  | 1%                     | 69                             | -  |
| <u>Non-monetary items</u>                  |  |                  |                        |                        |                                |  |
| USD:NTD                                    | 13,836                                       | 27.68            | 382,979                | 1%                     | -                              | 3,830                                      |
| <u>Financial liabilities</u>               |  |                  |                        |                        |                                |  |
| <u>Monetary items</u>                      |  |                  |                        |                        |                                |  |
| USD:NTD                                    | \$ 7,094                                     | 27.68            | \$ 196,367             | 1%                     | \$ 1,964                       | \$ -                                       |

- iv. The total exchange gain (loss), including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2022 and 2021, amounted to \$31,269 and \$(1) respectively.

#### Price risk

- i. The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.
- ii. The Company's investments in equity securities comprise shares issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2022 and 2021 would have increased/decreased by \$126 and \$15, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$1,490 and \$960, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

#### Cash flow and fair value Interest rate risk

- i. The Company's main interest rate risk arises from long-term and short-term borrowings with variable rates, which expose the Company to cash flow interest rate risk. During 2022 and 2021, the Company's borrowings at variable rate were mainly denominated in New Taiwan dollars and US Dollars.
- ii. If the borrowing interest rate had increased/decreased by 1% with all other variables held constant, profit, net of tax for the years ended December 31, 2022 and 2021 would have increased/decreased by \$2,488 and \$1,493, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

#### (b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost, at fair value through profit or loss and at fair value through other comprehensive income.
- ii. The Company manages their credit risk taking into consideration the entire company's concern. For banks and financial institutions with no recent major defaults are accepted. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the

credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

- iii. The Company assumes that if the contract payments were past due over 90 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition; if past due over 360 days, a default has been occurred.
- iv. The Company classifies customer's accounts receivable in accordance with credit rating of customer. The Company applies the modified approach using a provision matrix based on the loss rate methodology to estimate expected credit loss under the provision matrix basis.
- v. The following indicators are used to determine whether the credit impairment of debt instruments have occurred:
  - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganisation due to their financial difficulties;
  - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
  - (iii) Default or delinquency in interest or principal repayments;
  - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vi. The Company used the forecast ability to adjust historical and timely information to assess the default possibility of accounts receivable, contract assets and lease payments receivable. On December 31, 2022 and 2021, the provision matrix, loss rate methodology is as follows:

| <u>At December 31, 2022</u> | <u>Expected loss rate</u> | <u>Total book value</u> | <u>Loss allowance</u> |
|-----------------------------|---------------------------|-------------------------|-----------------------|
| Not past due                | 0.3%                      | \$ 679,086              | (\$ 2,071)            |
| Up to 30 days               | 1%                        | 71,259                  | ( 718)                |
| 31 to 120 days              | 1%~5%                     | 106,767                 | ( 3,297)              |
| 121 to 180 days             | 10%                       | -                       | -                     |
| Over 180 days               | 40%~100%                  | -                       | -                     |
|                             |                           | <u>\$ 857,112</u>       | <u>(\$ 6,086)</u>     |
| <u>At December 31, 2021</u> | <u>Expected loss rate</u> | <u>Total book value</u> | <u>Loss allowance</u> |
| Not past due                | 0.3%                      | \$ 414,505              | (\$ 1,269)            |
| Up to 30 days               | 1%                        | 62,326                  | ( 625)                |
| 31 to 120 days              | 1%~5%                     | 49,370                  | ( 596)                |
| 121 to 180 days             | 10%                       | -                       | -                     |
| Over 180 days               | 40%~100%                  | 4,465                   | ( 2,208)              |
|                             |                           | <u>\$ 530,666</u>       | <u>(\$ 4,698)</u>     |



vii. Movements in relation to the Company applying the modified approach to provide loss allowance for accounts receivable, contract assets and lease payments receivable are as follows:

|   | 2022                       |                         |
|---|----------------------------|-------------------------|
|   | <u>Accounts receivable</u> | <u>Notes receivable</u> |
| At January 1                                | \$ 4,667                   | \$ 31                   |
| Provision for (reversal of) impairment loss | 5,867 (                    | 6)                      |
| Write-offs                                  | ( 4,473)                   | -                       |
| At December 31                              | <u>\$ 6,061</u>            | <u>\$ 25</u>            |

  

|   | 2021                       |                         |
|---|----------------------------|-------------------------|
|   | <u>Accounts receivable</u> | <u>Notes receivable</u> |
| At January 1                                | \$ 4,729                   | \$ -                    |
| Reversal of (provision for) impairment loss | ( 62)                      | 31                      |
| At December 31                              | <u>\$ 4,667</u>            | <u>\$ 31</u>            |

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Company treasury. Company treasury invests surplus cash in interest bearing current accounts and time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. As at December 31, 2022 and 2021, the Company held money market position of \$1,131,880 and \$683,300, respectively, and capital-guaranteed income-based wealth management products and derivatives from convertible bonds (classified as current financial assets at fair value through profit or loss) of \$139 and \$1,477, respectively, and private equity fund (classified as non-current financial assets at fair value through profit or loss) of \$12,460 and \$0, respectively, that are expected to readily generate cash inflows for managing liquidity risk.
- iii. As at December 31, 2022 and 2021, the Company has the undrawn borrowing of \$1,344,607 and \$213,297, respectively.
- iv. The table below analyses the Company's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial

liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

| December 31, 2022                                | Less than<br>1 year | Between 1<br>and 2 years | Between 2<br>and 5 years | Over 5<br>years |
|--|---------------------|--------------------------|--------------------------|-----------------|
| <u>Non-derivative financial liabilities</u>      |                     |                          |                          |                 |
| Notes payable                                    | \$ 1,723            | \$ -                     | \$ -                     | \$ -            |
| Accounts payable (including related parties)     | 609,854             | -                        | -                        | -               |
| Lease liability                                  | 13,547              | 1,533                    | 1,170                    | -               |
| Other payables (including related parties)       | 154,930             | -                        | -                        | -               |
| Long-term borrowings (including current portion) | 83,410              | 81,972                   | 145,617                  | -               |
| Bonds payable                                    | 458,964             | -                        | -                        | -               |
| December 31, 2021                                | Less than<br>1 year | Between 1<br>and 2 years | Between 2<br>and 5 years | Over 5<br>years |
| <u>Non-derivative financial liabilities</u>      |                     |                          |                          |                 |
| Notes payable                                    | \$ 986              | \$ -                     | \$ -                     | \$ -            |
| Accounts payable (including related parties)     | 541,350             | -                        | -                        | -               |
| Lease liability                                  | 15,302              | 9,597                    | 2,119                    | -               |
| Other payables (including related parties)       | 116,959             | -                        | -                        | -               |
| Long-term borrowings (including current portion) | 48,774              | 45,175                   | 92,706                   | -               |
| Bonds payable                                    | 484,437             | -                        | -                        | -               |

### (3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in listed stocks is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Company's investment in convertible bonds is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Company's investment in equity investment without active market and financial assets mandatorily measured at fair value through profit or loss are included in Level 3.

B. Fair value information of investment property at cost is provided in Note 6(9).

C. The carrying amounts of the Company's financial instruments, including cash and cash

equivalents, notes receivable, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable, other payables which not measured at fair value are approximate to their fair values.

D. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

(a) The related information of natures of the assets and liabilities is as follows:

| <u>December 31, 2022</u>  | <u>Level 1</u>   | <u>Level 2</u>  | <u>Level 3</u>    | <u>Total</u>      |
|---|------------------|-----------------|-------------------|-------------------|
| <u>Recurring fair value measurements</u>                                      |                  |                 |                   |                   |
| Financial assets at fair value through profit or loss-current                 |                  |                 |                   |                   |
| Derivative instruments  | \$ -             | \$ 139          | \$ -              | \$ 139            |
| Private equity fund   | -                | -               | 12,460            | 12,460            |
| Financial assets at fair value through other comprehensive income-non-current | <u>32,809</u>    | <u>-</u>        | <u>116,143</u>    | <u>148,952</u>    |
|   | <u>\$ 32,809</u> | <u>\$ 139</u>   | <u>\$ 128,603</u> | <u>\$ 161,551</u> |
| <u>December 31, 2021</u>  | <u>Level 1</u>   | <u>Level 2</u>  | <u>Level 3</u>    | <u>Total</u>      |
| <u>Recurring fair value measurements</u>                                      |                  |                 |                   |                   |
| Financial assets at fair value through profit or loss-current                 |                  |                 |                   |                   |
| Derivative instruments  | \$ -             | \$ 1,477        | \$ -              | \$ 1,477          |
| Financial assets at fair value through other comprehensive income-non-current | <u>35,445</u>    | <u>-</u>        | <u>60,593</u>     | <u>96,038</u>     |
|   | <u>\$ 35,445</u> | <u>\$ 1,477</u> | <u>\$ 60,593</u>  | <u>\$ 97,515</u>  |

(b) The methods and assumptions the Company used to measure fair value are as follows:

i. The instruments the Company used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

|                     | <u>Listed shares</u> | <u>Open-end fund</u> |
|---------------------|----------------------|----------------------|
| Market quoted price | Closing price        | Net asset value      |

ii. For high-complexity financial instruments, the fair value is measured by using self-developed valuation model based on the valuation method and technique widely used within the same industry. The valuation model is normally applied to derivative financial instruments, debt instruments with embedded derivatives or securitised instruments. Certain inputs used in the valuation model are not observable at market, and the Company must make reasonable estimates based on its assumptions.

iii. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward

exchange rate.

E. For the years ended December 31, 2022 and 2021, there was no transfer between Level 1 and Level 2.

F. The following chart is the movement of Level 3 for the years ended December 31, 2022 and 2021:

|   | 2022              |                 |
|---|-------------------|-----------------|
|   | Equity instrument | Debt instrument |
| At January 1  | \$ 60,593         | \$ -            |
| Gains recognised in profit or loss                      | 460               |                 |
| Losses recognised in<br>other comprehensive income      | ( 9,149)          | -               |
| Acquired in the year                                    | 92,786            | -               |
| Sold in the year  | ( 16,087)         |                 |
| At December 31  | <u>\$ 128,603</u> | <u>\$ -</u>     |
|   | 2021              |                 |
|   | Equity instrument | Debt instrument |
| At January 1  | \$ 29,990         | \$ -            |
| Gain recognised in<br>other comprehensive income (Note) | 603               | -               |
| Acquired in the year                                    | 30,000            | -               |
| At December 31  | <u>\$ 60,593</u>  | <u>\$ -</u>     |

Note: Shown as valuation adjustment for financial assets at fair value through other comprehensive income.

G. For the years ended December 31, 2022 and 2021, there was no transfer from Level 3.

H. The valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of external financial instruments entrusted by finance segment.

I. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

|                                   | Fair value at<br>December 31,<br>2022 | Valuation<br>technique      | Significant<br>unobservable<br>input | Range<br>(weighted<br>average) | Relationship of<br>inputs to fair value                                     |
|-----------------------------------|---------------------------------------|-----------------------------|--------------------------------------|--------------------------------|---|
| Non-derivative equity instrument: |                                       |                             |                                      |                                |   |
| Unlisted shares                   | \$ 116,143                            | Market comparable companies | No open market saleability discount  | 25%                            | The higher the discount for lack of marketability, the lower the fair value |
| Private equity fund               | 12,460                                | Net asset value method      | Net asset value                      | Not applicable                 | The higher the net asset value, the higher the fair value                   |

|                                   | Fair value at<br>December 31,<br>2021 | Valuation<br>technique      | Significant<br>unobservable<br>input | Range<br>(weighted<br>average) | Relationship of<br>inputs to fair value                                     |
|-----------------------------------|---------------------------------------|-----------------------------|--------------------------------------|--------------------------------|---|
| Non-derivative equity instrument: |                                       |                             |                                      |                                |   |
| Unlisted shares                   | \$ 60,593                             | Market comparable companies | No open market saleability discount  | 25%                            | The higher the discount for lack of marketability, the lower the fair value |

J. The Company has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

|                   |                                     | December 31, 2022            |                   |  |                   |                     |
|-------------------|-------------------------------------|------------------------------|-------------------|--|-------------------|---------------------|
|                   |                                     | Recognised in profit or loss |                   | Recognised in other comprehensive income |                   |                     |
|                   | Input                               | Change                       | Favourable change | Unfavourable change                      | Favourable change | Unfavourable change |
| Financial assets  |                                     |                              |                   |  |                   |                     |
| Equity instrument | No open market saleability discount | ±1%                          | \$ 125            | (\$ 125)                                 | \$ 1,161          | (\$ 1,161)          |
|                   |                                     | December 31, 2021            |                   |  |                   |                     |
|                   |                                     | Recognised in profit or loss |                   | Recognised in other comprehensive income |                   |                     |
|                   | Input                               | Change                       | Favourable change | Unfavourable change                      | Favourable change | Unfavourable change |
| Financial assets  |                                     |                              |                   |  |                   |                     |
| Equity instrument | No open market saleability discount | ±1%                          | \$ -              | (\$ -)                                   | \$ 606            | (\$ 606)            |

(4) Other matter

- A. Due to Covid-19 outbreak and the various government epidemic prevention measures, the Group assessed that there was no significant impact on the operation, no doubt about the Group's ability to continue as a going concern, no assets impaired and no additional financing risks. The Group's epidemic management had complied with the measures issued by the Central Epidemic Command Centre and the epidemic prevention requirements under the Prevention and Control of Infectious Diseases Act.
- B. In order to expand business in America and expand market share, the Company's Board of Directors during their meeting on November 10, 2022 resolved to invest and establish wholly-owned subsidiaries in America. The estimated investment periods are from 2022 to 2025, and the estimated investment amount is USD 15 million.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(2).
- J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 7.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 8.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 9.

(4) Major shareholders information

Major shareholders information: Please refer to table 10.

14. SEGMENT INFORMATION

Not applicable.

SYSGRATION LTD.  
Loans to others  
For the year ended December 31, 2022

Table 1

Expressed in thousands of NTD  
(Except as otherwise indicated)

| No.<br>(Note 1) | Creditor        | Borrower  | General ledger account | Is a related party | Maximum outstanding balance during the year ended December 31, 2022 | Balance at December 31, 2022 | Actual amount drawn down | Interest rate | Nature of loan               | Amount of transactions with the borrower | Reason for short-term financing | Allowance for uncollectible accounts | Collateral |       | Limit on loans granted to a single party (Note 2) | Ceiling on total loans granted (Note 2) | Footnote |
|-----------------|-----------------|---|------------------------|--------------------|---|------------------------------|--------------------------|---------------|------------------------------|--|---------------------------------|--------------------------------------|------------|-------|---|---|----------|
|                 |                 |   |                        |                    |   |                              |                          |               |                              |  |                                 |                                      | Item       | Value |   |   |          |
| 0               | SYSGRATION LTD. | SYSGRATION ELECTRONICS TECHNOLOGY (HUIZHOU) CO., LTD. | Other receivables      | Y                  | \$ 70,337   | \$ 68,418                    | \$ 68,418                | -             | Having business relationship | \$ 1,112,574                             | -                               | \$ -                                 | None       | \$ -  | \$ 1,112,574                                      | \$ 777,108                              |          |

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

- (1)The Company is '0'.
- (2)The subsidiaries are numbered in order starting from '1'.

Note 2: In accordance with the Company's amended "Procedures for Provision of Loans" as approved by the shareholders on April 30, 2020, the ceiling on total loans granted and to individuals of the Company's were as follows:

- (1) The ceiling on total loans granted to others is 40% of the Company's net assets.
- (2) Loans granted to a single party for business transactions: Limit on loans granted to a single party for business transactions is the total value of business transactions in 1 year or 12 months. The value of business transactions refers to the higher of purchase or sales.



SYSGRATION LTD.

Provision of endorsements and guarantees to others

For the year ended December 31, 2022

Table 2

Expressed in thousands of NTD  
(Except as otherwise indicated)

| Number<br>(Note 1) | Endorser/<br>guarantor | Party being<br>endorsed/guaranteed<br>Company name      | Relationship<br>with the<br>endorser/<br>guarantor<br>(Note 2) | Limit on<br>endorsements/<br>guarantees<br>provided for a<br>single party<br>(Note 3) | Maximum<br>outstanding<br>endorsement/<br>guarantee<br>amount as of<br>December 31,<br>2022<br>(Note 4) | Outstanding<br>endorsement/<br>guarantee<br>amount at<br>December 31,<br>2022<br>(Note 5) | Actual amount<br>drawn down<br>(Note 6) | Amount of<br>endorsements/<br>guarantees<br>secured with<br>collateral | Ratio of<br>accumulated<br>endorsement/<br>guarantee<br>amount to net<br>asset value of<br>the endorser/<br>guarantor<br>company | Ceiling on<br>total amount of<br>endorsements/<br>guarantees<br>provided<br>(Note 3) | Provision of<br>endorsements/<br>guarantees by<br>parent<br>subsidiary<br>(Note 7) | Provision of<br>endorsements/<br>guarantees by<br>subsidiary to<br>parent<br>company<br>(Note 7) | Provision of<br>endorsements/<br>guarantees to<br>the party in<br>Mainland<br>China<br>(Note 7) | Footnote |
|--------------------|------------------------|---|--|---|---|---|---|--|--|--|--|--|---|----------|
|                    |                        |   |  |   |   |   |   |  |  |  |  |  |   |          |
| 0                  | SYSGRATION LTD.        | SYSGRATION LTD.   | 1  | \$ 582,831  | \$ 3,000  | \$ 3,000  | \$ 782                                  | \$ -   | 0.15%  | \$ 874,247   | N  | N  | N   |          |
| 0                  | SYSGRATION LTD.        | SYSGRATION ELECTRONICS TECHNOLOGY (ZHENJIANG) CO., LTD. | 2  | 582,831   | 90,120  | 88,160  | 44,080                                  | -  | 4.54%  | 874,247  | Y  | N  | Y   |          |

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1)The Company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories; fill in the number of category each case belongs to:

(1)Having business relationship.

(2)The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/ guaranteed subsidiary.

(3)The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.

(4)The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.

(5)Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract

(6)Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

(7) The performance guarantees for the sale of pre-sales contracts under the Consumer Protection Law are jointly guaranteed.

Note 3: In accordance with the Company's amended "Procedures for Provision of Loans" as approved by the shareholders on June 14, 2019, the limit on endorsements/guarantees provided for subsidiaries whose 50% of the shares are directly and indirectly held is 30% of the Company's net assets and the ceiling on total amount of endorsements/guarantees provided is 45% of the Company's net assets based on the Company's latest financial statements.

Note 4: Fill in the year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 5: Fill in the amount approved by the Board of Directors or the chairman if the chairman has been authorised by the Board of Directors based on subparagraph 8, Article 12 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.

Note 6: Fill in the actual amount of endorsements/guarantees used by the endorsed/guaranteed company.

Note 7: Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

SYSGRATION LTD.

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

December 31, 2022

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

| Securities held by | Marketable securities<br>(Note 1)    | Relationship with the<br>securities issuer<br>(Note 2) | General<br>ledger account  | As of December 31, 2022 |                        |           |            | Footnote<br>(Note 4) |
|--------------------|--------------------------------------|--|--|-------------------------|------------------------|-----------|------------|----------------------|
|                    |                                      |  |  | Number of shares        | Book value<br>(Note 3) | Ownership | Fair value |                      |
| SYSGRATION LTD.    | SINTRONIC<br>TECHNOLOGY INC.         | None   | Financial assets at fair value through other<br>comprehensive income - non-current | 53,399                  | \$ 213                 | 0%        | \$ 213     |                      |
| SYSGRATION LTD.    | COREMATE TECHNICAL<br>CO., LTD.      | None   | Financial assets at fair value through other<br>comprehensive income - non-current | 265,200                 | -                      | 3%        | -          |                      |
| SYSGRATION LTD.    | ARCHERS INC.                         | None   | Financial assets at fair value through other<br>comprehensive income - non-current | 1,000,000               | -                      | 3%        | -          |                      |
| SYSGRATION LTD.    | NEXTRONICS<br>ENGINEERING CORP.      | None   | Financial assets at fair value through other<br>comprehensive income - non-current | 447,100                 | 26,871                 | 1%        | 26,871     |                      |
| SYSGRATION LTD.    | ORO TECHNOLOGY CO.,<br>LTD.          | None   | Financial assets at fair value through other<br>comprehensive income - non-current | 256,000                 | -                      | 9%        | -          |                      |
| SYSGRATION LTD.    | GOMORE INC.                          | None   | Financial assets at fair value through other<br>comprehensive income - non-current | 25,216,865              | 774                    | 5%        | 774        |                      |
| SYSGRATION LTD.    | EXCELLENCE<br>OPTOELECTRONICS INC.   | None   | Financial assets at fair value through other<br>comprehensive income - non-current | 255,000                 | 5,725                  | 0%        | 5,725      |                      |
| SYSGRATION LTD.    | IMEIER GREEN<br>TECHNOLOGY CO., LTD  | None   | Financial assets at fair value through other<br>comprehensive income - non-current | 2,000,000               | 15,100                 | 12%       | 15,100     |                      |
| SYSGRATION LTD.    | ION ELECTRONIC<br>MATERIALS CO., LTD | None   | Financial assets at fair value through other<br>comprehensive income - non-current | 1,126,894               | 80,269                 | 3%        | 80,269     |                      |
| SYSGRATION LTD.    | ADAT TECHNOLOGY CO.,<br>LTD          | None   | Financial assets at fair value through other<br>comprehensive income - non-current | 800,000                 | 20,000                 | 4%        | 20,000     |                      |
| SYSGRATION LTD.    | FUYOU PRIVATE EQUITY                 | None   | Financial assets at fair value through profit or<br>loss - non-current             | 1,200,000               | 12,460                 | 3%        | 12,460     |                      |

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.

Note 4: The number of shares of securities and their amounts pledged as security or pledged for loans and their restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions.

SYSGRATION LTD.

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

For the year ended December 31, 2022

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

| Purchaser/seller | Counterparty  | Relationship with the counterparty | Transaction       |              |                                       |             | Differences in transaction terms compared to third party transactions |             | Notes/accounts receivable (payable) |   | Footnote |
|------------------|---|------------------------------------|-------------------|--------------|---------------------------------------|-------------|---|-------------|-------------------------------------|---|----------|
|                  |   |                                    | Purchases (sales) | Amount       | Percentage of total purchases (sales) | Credit term | Unit price  | Credit term | Balance                             | Percentage of total notes/accounts receivable (payable) |          |
| SYSGRATION LTD.  | SYSGRATION ELECTRONICS TECHNOLOGY (HUIZHOU) CO., LTD.   | Subsidiary                         | Purchases         | \$ 1,112,574 | 48%                                   | 120 days    | Note  | Note        | (\$ 359,860)                        | 59%   |          |
| SYSGRATION LTD.  | SYSGRATION ELECTRONICS TECHNOLOGY (ZHENJIANG) CO., LTD. | Subsidiary                         | Purchases         | 357,666      | 16%                                   | 120 days    | Note  | Note        | ( 11,670)                           | 2%  |          |

Note: Based on the mutual agreement since no similar transaction can be compared with.

SYSGRATION LTD.

Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more

December 31, 2022

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

| Creditor  | Counterparty    | Relationship<br>with the counterparty | Balance as at December 31, 2022 | Turnover rate | Overdue receivables |              | Amount collected<br>subsequent to the<br>balance sheet date | Allowance for<br>doubtful accounts |
|---|-----------------|---------------------------------------|---------------------------------|---------------|---------------------|--------------|---|------------------------------------|
|   |                 |                                       |                                 |               | Amount              | Action taken |   |                                    |
| SYSGRATION ELECTRONICS<br>TECHNOLOGY (HUIZHOU)<br>CO., LTD. | SYSGRATION LTD. | Subsidiary                            | \$ 359,860                      | 3.67          | \$ -                | -            | \$ 129,122  | \$ -                               |

SYSGRATION LTD.

Significant inter-company transactions during the reporting periods

For the year ended December 31, 2022

Table 6

Expressed in thousands of NTD  
(Except as otherwise indicated)

| Number<br>(Note 1) | Company name   | Counterparty    | Relationship<br>(Note 2) | Transaction            |            | Percentage of consolidated total operating<br>revenues or total assets (Note 4) |
|--------------------|--|-----------------|--------------------------|------------------------|------------|---|
|                    |  |                 |                          | General ledger account | Amount     |   |
| 1                  | SYSGRATION<br>ELECTRONICS<br>TECHNOLOGY (HUIZHOU)<br>CO., LTD.   | SYSGRATION LTD. | 2                        | Accounts receivable    | \$ 359,860 | Note 6<br>10%   |
| 1                  | SYSGRATION<br>ELECTRONICS<br>TECHNOLOGY (HUIZHOU)<br>CO., LTD.   | SYSGRATION LTD. | 2                        | Sales of goods         | 1,112,574  | Note 6<br>33%   |
| 2                  | SYSGRATION<br>ELECTRONICS<br>TECHNOLOGY<br>(ZHENJIANG) CO., LTD. | SYSGRATION LTD. | 2                        | Sales of goods         | 357,666    | Note 6<br>11%   |

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

- (1) Parent company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

Note 3: Transaction amount that did not reach NT\$100 million or 20% of paid-in capital or more will not be disclosed. Additionally, the counter related parties' of the transaction will also not be disclosed.

Note 4: Ratios of asset/liability are divided by consolidated total assets, and ratios of profit/loss accounts are divided by consolidated sales revenue.

Note 5: The loans granted and endorsement and guarantees between the Company and subsidiaries, please refer to table 1 and 2.

Note 6: There are no comparable transaction to non-related parties. The conditions of transactions are agreed upon by both parties.

SYSGRATION LTD.  
Information on investees  
For the year ended December 31, 2022

Table 7

Expressed in thousands of NTD  
(Except as otherwise indicated)

| Investor        | Investee<br>(Note 1, 2)          | Location | Main business<br>activities              | Initial investment amount          |                                    | Shares held as at December 31, 2022 |           |            | Net profit (loss)<br>of the investee for<br>the year ended<br>December 31, 2022<br>(Note 2(2)) | Investment income(loss)<br>recognised by the Company<br>for the year ended<br>December 31, 2022<br>(Note 2(3)) | Footnote |
|-----------------|----------------------------------|----------|--|------------------------------------|------------------------------------|-------------------------------------|-----------|------------|--|--|----------|
|                 |                                  |          |  | Balance as at<br>December 31, 2022 | Balance as at<br>December 31, 2021 | Number of shares                    | Ownership | Book value |  |  |          |
| SYSGRATION LTD. | SYSGRATION<br>TECHNOLOGY (SAMOA) | SAMOA    | Investment holding of overseas companies | \$ 671,762                         | \$ 671,762                         | 21,800,000                          | 100%      | \$ 240,592 | \$ 30,617  | \$ 30,617  |          |
| SYSGRATION LTD. | SYSGRATION (SAMOA) LTD.          | SAMOA    | Investment holding of overseas companies | 505,131                            | 505,131                            | 15,938,000                          | 100%      | 223,702    | 39,273   | 39,273   |          |
| SYSGRATION LTD. | SYSGRATION USA INC.              | U.S.A.   | Sale of electronic products              | 10,062                             | 10,062                             | 300,000                             | 100%      | 4,272      | 45   | 45   |          |

Note 1: If a public company is equipped with an overseas holding company and takes consolidated financial report as the main financial report according to the local law rules, it can only disclose the information of the overseas holding company about the disclosure of related overseas investee information.

Note 2: If situation does not belong to Note 1, fill in the columns according to the following regulations:

- (1)The columns of 'Investee', 'Location', 'Main business activities', 'Initial investment amount' and 'Shares held as at December 31, 2022' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column.
- (2)The 'Net profit (loss) of the investee for the year ended December 31, 2022' column should fill in amount of net profit (loss) of the investee for this period.
- (3)The 'Investment income (loss) recognised by the Company for the year ended December 31, 2022' column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and recognised investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognised investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognised by regulations.

SYSGRATION LTD.  
Information on investments in Mainland China  
For the year ended December 31, 2022

Table 8

Expressed in thousands of NTD  
(Except as otherwise indicated)

| Investee in Mainland China                              | Main business activities                          | Paid-in capital<br>(Note 5) | Investment method<br>(Note 1) | Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022 (Note 5) | Amount remitted from Taiwan to Mainland China/<br>Amount remitted back to Taiwan for the year ended December 31, 2022 (Note5) |                         | Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022 (Note 5) | Net income of investee as of December 31, 2022 | Ownership held by the Company (direct or indirect) | Investment income (loss) recognised by the Company for the year ended December 31, 2022 | Book value of investments in Mainland China as of December 31, 2022 | Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022 | Footnote |
|---|---|-----------------------------|-------------------------------|---|---|-------------------------|---|--|--|---|---|---|----------|
|   |   |                             |                               |   | Remitted to Mainland China  | Remitted back to Taiwan |   |  |  |   |   |   |          |
| SYSGRATION ELECTRONICS TECHNOLOGY (ZHENJIANG) CO., LTD. | Manufacturing and sale of energy storage products | \$ 663,336                  | 2                             | \$ 663,336  | -   | -                       | \$ 663,336  | \$ 30,656                                      | 100%   | \$ 30,656   | \$ 248,190  | -   | Note 6   |
| SYSGRATION ELECTRONICS TECHNOLOGY (HUIZHOU) CO., LTD.   | Manufacturing and sale of electronic products     | 113,627                     | 2                             | 113,627   | -   | -                       | 113,627   | 44,808   | 100%   | 44,808  | 163,850   | -   | Note 7   |

| Company name    | Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022 (Note 3, and Note 5) | Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) (Note 5) | Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 4) | Footnote |
|-----------------|---|---|--|----------|
| SYSGRATION LTD. | \$ 107,181  | \$ 146,981  | \$ 1,165,663   |          |

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

- (1) Directly invest in a company in Mainland China.
- (2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.
- (3) Others

Note 2: In the 'Investment income (loss) recognised by the Company for the year ended December 31, 2022' column:

- (1) It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.
- (2) Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:
  - A. The financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
  - B. The financial statements that are audited and attested by R.O.C. parent company's CPA.
  - C. Others.

Note 3: The Company reinvested in 'SYSGRATION ELECTRONICS TECHNOLOGY (ZHENJIANG) CO., LTD.' through 'SYSGRATION TECHNOLOGY (SAMOA) LTD.' which was invested by the Company under the approval of Jing-Shen-II-Zi No.10100477000, No.10200372350, No.10300319430, No.1040023080, No.10500055360 and No.10500105990. Additionally, the Company reinvested in 'SYSGRATION ELECTRONICS TECHNOLOGY (HUIZHOU) CO., LTD.' through 'SYSGRATION (SAMOA) LTD.' which was invested by the Company under the approval of Jing-Shen-II-Zi No.10400006240, No.10400023090, No.10400163350, No.10400251280 and No.10500072680.

Note 4: The ceiling is NT\$80 million and 60% of the net assets or consolidated net assets, whichever is higher.

Note 5: It was translated to NTD at the exchange rate on December 31, 2022.

Note 6: Through SYSGRATION TECHNOLOGY (SAMOA) LTD..

Note 7: Through SYSGRATION (SAMOA) LTD..

SYSGRATION LTD.

Significant transactions , either directly or indirectly through a third area, with investee companies in the Mainland Area

For the year ended December 31, 2022

Table 9

Expressed in thousands of NTD

(Except as otherwise indicated)

| Investee in Mainland<br>China                                       | Sale (purchase) |     | Property transaction |   | Accounts receivable<br>(payable) |     | Other<br>accounts receivable<br>(payable) |     | Provision of<br>endorsements/guarantees<br>or collaterals |         | Financing   |                                 |               |      | Interest for the year<br>ended December 31,<br>2022 | Others |
|---|-----------------|-----|----------------------|---|----------------------------------|-----|---|-----|---|---------|---|---------------------------------|---------------|------|---|--------|
|   | Amount          | %   | Amount               | % | Balance at<br>December 31, 2022  | %   | Balance at<br>December 31, 2022           | %   | Balance at<br>December 31, 2022                           | Purpose | Maximum balance during<br>the year ended December<br>31, 2022 | Balance at<br>December 31, 2022 | Interest rate |      |   |        |
| SYSGRATION<br>ELECTRONICS<br>TECHNOLOGY<br>(HUIZHOU) CO., LTD.      | (\$ 1,112,574)  | 48% | \$ -                 | - | (\$ 359,860)                     | 59% | \$ 68,418                                 | 85% | Note  | Note    | \$ 70,337   | \$ 68,418                       | -             | \$ - | -   |        |
| SYSGRATION<br>ELECTRONICS<br>TECHNOLOGY<br>(ZHENJIANG) CO.,<br>LTD. | ( 357,666)      | 16% | -                    | - | ( 11,670)                        | 2%  | -   | -   | Note  | Note    | -   | -                               | -             | -    | -   |        |

Note: Please refer to table 2.



SYSGRATION LTD.  
Major shareholders information  
December 31, 2022

Table 10

| Name of major shareholders | Shares                |           |
|----------------------------|-----------------------|-----------|
|                            | Number of shares held | Ownership |
| LEE, YI-REN                | 12,180,210            | 7.25%     |
| LIN, YU-YEH                | 8,885,000             | 5.28%     |

SYSGRATION LTD.  
STATEMENT OF CASH AND CASH EQUIVALENTS  
DECEMBER 31, 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Form 1

| Item                             | Description                                | Amount              |
|----------------------------------|--|---------------------|
| Cash on hand                     |  | \$ 813              |
| Bank deposits                    |  |                     |
| Demand deposits                  |  | 213,580             |
| Checking accounts deposits       |  | 1,678               |
| Time deposits                    |  | 580,000             |
| Foreign currency demand deposits | USD 10,707,157 with exchange rate at 30.71 | 328,817             |
| Foreign currency demand deposits | Other various foreign currency             | 7,805               |
|                                  |  | <u>\$ 1,132,693</u> |

SYSGRATION LTD.  
STATEMENT OF ACCOUNTS RECEIVABLE  
DECEMBER 31, 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Form 2

| Client name                           | Amount            | Note                                    |
|---------------------------------------|-------------------|---|
| Client A                              | \$ 359,811        |   |
| Client B                              | 234,912           |   |
| Client C                              | 103,842           |   |
| Client D                              | 44,224            |   |
| Client E                              | 39,260            |   |
|                                       |                   | Balance of each client has not exceeded |
| Others                                | <u>72,517</u>     | 5% of total account balance             |
|                                       | 854,566           |   |
| Less: Allowance for doubtful accounts | ( <u>6,061</u> )  |   |
|                                       | <u>\$ 848,505</u> |   |

Note: Because the Company promised the customers that the name of customers can not be disclosed, the customers' name above was substituted with code number.

SYSGRATION LTD.  
STATEMENT OF INVENTORIES  
DECEMBER 31, 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Form 3

| Item                                  | Description | Amount            |                   | Note   |
|---------------------------------------|-------------|-------------------|-------------------|--|
|                                       |             | Cost              | Market price      |  |
| Raw materials                         |             | \$ 133,640        | \$ 132,301        | Use the net<br>realisable value as<br>market price |
| Work in progress                      |             | 78,408            | 78,408            |  |
| Finished goods                        |             | 98,504            | 100,661           |  |
| Inventory in transit                  |             | 108               | 108               |  |
|                                       |             | 310,660           | <u>\$ 311,478</u> |  |
| Less: Allowance for<br>valuation loss |             | ( 28,424)         |                   |  |
|                                       |             | <u>\$ 282,236</u> |                   |  |

SYSGRATION LTD.  
STATEMENT OF RIGHT-OF-USE ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2022  
 (Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Form 4

| Item                            | Beginning balance | Increase           | Decrease    | Ending balance   | Note |
|---------------------------------|-------------------|--------------------|-------------|------------------|------|
| <u>Cost</u>                     |                   |                    |             |                  |      |
| Buildings                       | \$ 45,783         | \$ 5,803           | \$ -        | \$ 51,586        |      |
| Transportation equipment        | 10,960            | 2,068              | ( 1,078)    | 11,950           |      |
| <u>Accumulated depreciation</u> |                   |                    |             |                  |      |
| Buildings                       | ( 24,578)         | ( 16,071)          | -           | ( 40,649)        |      |
| Transportation equipment        | ( 5,313)          | ( 2,587)           | 1,078       | ( 6,822)         |      |
|                                 | <u>\$ 26,852</u>  | <u>(\$ 10,787)</u> | <u>\$ -</u> | <u>\$ 16,065</u> |      |

SYSGRATION LTD.  
STATEMENT OF LEASE LIABILITIES  
DECEMBER 31, 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Form 5

| Item                              | Description         | Lease term | rate  | Amount            | Note |
|-----------------------------------|---------------------|------------|-------|-------------------|------|
| Buildings                         | Leased office, etc. | 1~5 years  | 1.50% | \$ 11,043         |      |
| Transportation equipment          | Rental cars         | 2~5 years  | "     | <u>5,207</u>      |      |
|                                   |                     |            |       | 16,250            |      |
| Less: Lease liabilities - current |                     |            |       | ( <u>13,547</u> ) |      |
|                                   |                     |            |       | <u>\$ 2,703</u>   |      |

SYSGRATION LTD.  
STATEMENT OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT  
FOR THE YEAR ENDED DECEMBER 31, 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Form 6

| Name   | Beginning balance |                  | Increase  |                   | Decrease   |                    | Ending balance |                   | Collateral<br>or pledge | Note |
|--|-------------------|------------------|-----------|-------------------|------------|--------------------|----------------|-------------------|-------------------------|------|
|  | Shares            | Fair value       | Shares    | Amount            | Shares     | Amount             | Shares         | Fair value        |                         |      |
| Listed stocks:   |                   |                  |           |                   |            |                    |                |                   |                         |      |
| SINTRONIC<br>TECHNOLOGY INC.                                       | 53,399            | \$ 328           | -         | \$ -              | -          | (\$ 115)           | 53,399         | \$ 213            | None                    |      |
| NEXTRONICS<br>ENGINEERING CORP.                                    | 447,100           | 28,079           | -         | -                 | -          | ( 1,207)           | 447,100        | 26,872            | "                       |      |
| EXCELLENCE<br>OPTOELECTRONICS INC.                                 | 255,000           | <u>7,038</u>     | -         | <u>-</u>          | -          | <u>( 1,313)</u>    | 255,000        | <u>5,725</u>      | "                       |      |
|  |                   | <u>35,445</u>    |           | <u>-</u>          |            | <u>( 2,635)</u>    |                | <u>32,810</u>     |                         |      |
| Unlisted shares:   |                   |                  |           |                   |            |                    |                |                   |                         |      |
| COREMATE TECHNICAL<br>CO., LTD.                                    | 265,200           | -                | -         | -                 | -          | -                  | 265,200        | -                 | None                    |      |
| ARCHERS INC.   | 1,000,000         | -                | -         | -                 | -          | -                  | 1,000,000      | -                 | "                       |      |
| ORO TECHNOLOGY<br>CO., LTD.  | 526,000           | 28,025           | -         | -                 | ( 270,000) | ( 28,025)          | 256,000        | -                 | "                       |      |
| GOMORE INC.  | 25,216,865        | 628              | -         | 146               | -          | -                  | 25,216,865     | 774               | "                       |      |
| IMEIER GREEN<br>TECHNOLOGY<br>ION ELECTRONIC<br>MATERIALS CO., LTD | 2,000,000         | 31,940           | -         | -                 | -          | ( 16,840)          | 2,000,000      | 15,100            | "                       |      |
| ADAT TECHNOLOGY CO.,   | -                 | -                | 1,126,894 | 80,268            | -          | -                  | 1,126,894      | 80,268            |                         |      |
|  |                   | -                | 800,000   | <u>20,000</u>     | -          | -                  | 800,000        | <u>20,000</u>     |                         |      |
|  |                   | <u>60,593</u>    |           | <u>100,414</u>    |            | <u>( 44,865)</u>   |                | <u>116,142</u>    |                         |      |
|  |                   | <u>\$ 96,038</u> |           | <u>\$ 100,414</u> |            | <u>(\$ 47,500)</u> |                | <u>\$ 148,952</u> |                         |      |

SYSGRATION LTD.  
CHANGES IN INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Form 7

| Name                               | Beginning balance |                   | Increase |                    | Decrease |               | Ending balance |           |                   | Market value or net equity |                   | Valuation bases | Collateral or pledge |
|------------------------------------|-------------------|-------------------|----------|--------------------|----------|---------------|----------------|-----------|-------------------|----------------------------|-------------------|-----------------|----------------------|
|                                    | Shares            | Amount            | Shares   | Amount             | Shares   | Amount        | Shares         | Ownership | Amount            | Unit price                 | Total price       |                 |                      |
| SYSGRATION TECHNOLOGY (SAMOA) LTD. | 21,800,000        | \$ 203,315        | -        | \$ 37,277 (Note 1) | -        | \$ - (Note 1) | 21,800,000     | 100.00%   | \$ 240,592        | -                          | \$ 240,592        | Equity method   | None                 |
| SYSGRATION USA INC.                | 300,000           | 3,809             | -        | 463 (Note 1)       | -        | - (Note 1)    | 300,000        | 100.00%   | 4,272             | -                          | 4,272             | Equity method   | None                 |
| SYSGRATION (SAMOA) LTD.            | 15,938,000        | 175,855           | -        | 47,847 (Note 1)    | -        | - (Note 1)    | 15,938,000     | 100.00%   | 223,702           | -                          | 223,702           | Equity method   | None                 |
|                                    |                   | <u>\$ 382,979</u> |          | <u>\$ 85,587</u>   |          | <u>\$ -</u>   |                |           | <u>\$ 468,566</u> |                            | <u>\$ 468,566</u> |                 |                      |

Note: Exchange differences on translation, subsidiaries, associates and joint ventures (loss) profit accounted for using equity method for the year ended December 31, 2022.



SYSGRATION LTD.  
STATEMENT OF LONG-TERM BORROWINGS  
DECEMBER 31, 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Form 8

| Creditor                                      | Description                | Amount            | Contract period       | Interest rate | Collateral or pledge  | Note |
|---|----------------------------|-------------------|-----------------------|---------------|---|------|
| The Shanghai Commercial & Savings Bank, Ltd.  | Three-year long-term loans | \$ 2,777          | 2020.5.20-2023.5.20   | 1.77%         | Time deposits of NTD 3,000 were pledged as collaterals (maturity date is 2023.5.7).   |      |
| First Commercial Bank, Ltd.                   | Five-year long-term loans  | 35,000            | 2020.12.1-2025.11.15  | 1.5%          | Time deposits of NTD 3,600 were pledged as collaterals (maturity date is 2023.11.24). |      |
| Chang Hwa Commercial Bank, Ltd.               | Five-year long-term loans  | 17,797            | 2020.12.1-2025.11.15  | 1.41%         | Time deposits of NTD 5,500 were pledged as collaterals (maturity date is 2023.11.26). |      |
| Hua Nan Commercial Bank, Ltd.                 | Five-year long-term loans  | 44,600            | 2021.4.15-2026.4.15   | 1.875%        | Land ,buildings and structures ,and machinery.  |      |
| The Shanghai Commercial & Savings Bank, Ltd.  | Five-year long-term loans  | 23,233            | 2021.5.17-2026.5.17   | 1.820%        | Time deposits of NTD 4,000 were pledged as collaterals (maturity date is 2023.5.18).  |      |
| Hua Nan Commercial Bank, Ltd.                 | Five-year long-term loans  | 14,077            | 2021.12.29-2026.4.15  | 1.875%        | Land ,buildings and structures ,and machinery.  |      |
| Taiwan Shin Kong Commercial Bank Company Ltd. | Five-year long-term loans  | 39,100            | 2022.3.30-2027.3.30   | 1.445%        | Time deposits of NTD 4,600 were pledged as collaterals (maturity date is 2023.3.28).  |      |
| Mega International Commercial Bank Co., Ltd.  | Five-year long-term loans  | 41,600            | 2022.4.14-2027.4.15   | 1.525%        | Land ,buildings and structures.   |      |
| Hua Nan Commercial Bank, Ltd.                 | Five-year long-term loans  | 70,667            | 2022.5.16-2027.5.16   | 1.805%        | Land ,buildings and structures ,and machinery.  |      |
| Mega International Commercial Bank Co., Ltd.  | Five-year long-term loans  | <u>22,148</u>     | 2022.10.17-2027.10.15 | 1.375%        | Land ,buildings and structures.   |      |
|   |                            | 310,999           |                       |               |   |      |
| Less: Current portion                         |                            | ( 83,410)         |                       |               |   |      |
|   |                            | <u>\$ 227,589</u> |                       |               |   |      |

SYSGRATION LTD.  
STATEMENT OF BONDS PAYABLE  
DECEMBER 31, 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Form 9

| Bonds name                                | Trustee                                      | Issuance date           | Interest payment date | Coupon rate | Amount                |                |                |                                  |                 |                |            |
|---|--|-------------------------|-----------------------|-------------|-----------------------|----------------|----------------|----------------------------------|-----------------|----------------|------------|
|   |  |                         |                       |             | Total issuance amount | Repayment paid | Ending balance | Unamortised premiums (discounts) | Carrying amount | Repayment term | Collateral |
| Fourth domestic secured convertible bonds | The Shanghai Commercial & Savings Bank, Ltd. | 2020.10.20 ~ 2023.10.20 | Note 1                | 0.9112%     | \$ 500,000            | (\$ 37,900)    | \$462,100      | (\$ 3,136)                       | \$458,964       | Note 1         | Note 2     |

Note 1: Please refer to Note 6(13) for details of interest payments and repayment terms.

Note 2: Please refer to Note 8 for details of collaterals.

SYSGRATION LTD.  
STATEMENT OF OPERATING REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Form 10

| <u>Item</u>                      | <u>Quantities</u>     | <u>Amount</u>       |
|----------------------------------|-----------------------|---------------------|
| Automobile electronic products   | 8,484 thousand pieces | \$ 2,703,274        |
| Power management products        | 64 thousand pieces    | 487,499             |
| Total                            |                       | 3,190,773           |
| Less: Sales return and allowance |                       | ( 1,388)            |
| Operating revenue-net            |                       | <u>\$ 3,189,385</u> |

SYSGRATION LTD.  
STATEMENT OF OPERATING COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Form 11

| Item   | Amount              | Note |
|--|---------------------|------|
| Beginning raw materials                            | \$ 213,256          |      |
| Add: Raw materials purchased                       | 811,843             |      |
| Less: Inventory in transit                         | ( 108)              |      |
| Ending raw materials                               | ( 133,640)          |      |
| Transferred to manufacturing or operating expenses | 14,622              |      |
| Cost of materials sold                             | <u>( 70,867)</u>    |      |
| Raw materials used                                 | 835,106             |      |
| Direct labor                                       | 64,475              |      |
| Manufacturing overhead                             | <u>127,704</u>      |      |
| Manufacturing cost                                 | 1,027,285           |      |
| Add: Beginning work in progress                    | 27,100              |      |
| Less: Ending work in progress                      | <u>( 78,408)</u>    |      |
| Cost of finished goods                             | 975,977             |      |
| Add: Beginning finished goods                      | 59,984              |      |
| Goods purchased                                    | 1,484,427           |      |
| Less: Ending finished goods                        | ( 98,504)           |      |
| Transferred to manufacturing or operating expenses | ( 2,169)            |      |
| Revenue from sale of scraps                        | <u>( 230)</u>       |      |
| Subtotal   | 2,419,485           |      |
| Cost of materials sold                             | 70,867              |      |
| Other operating costs                              | <u>33,721</u>       |      |
| Cost of goods sold                                 | 2,524,073           |      |
| Loss on decline in market value                    | 17,099              |      |
| Operating costs                                    | <u>\$ 2,541,172</u> |      |

SYSGRATION LTD.  
STATEMENT OF MANUFACTURING OVERHEAD  
FOR THE YEAR ENDED DECEMBER 31, 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Form 12

| <u>Item</u>           | <u>Amount</u>     | <u>Note</u>   |
|-----------------------|-------------------|---|
| Indirect labor        | \$ 61,530         |   |
| Depreciation expenses | 29,792            |   |
| Utilities expenses    | 7,507             |   |
| Others                | 28,875            |   |
|                       | <u>\$ 127,704</u> | None of the balances of remaining items is greater than 5% of this account balance. |

SYSGRATION LTD.  
STATEMENT OF SELLING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Form 13

| <u>Item</u>             | <u>Amount</u>    | <u>Note</u>  |
|-------------------------|------------------|--|
| Wages and salaries      | \$ 42,732        |  |
| Commission expense      | 10,030           |  |
| Insurance expenses      | 4,572            |  |
| Import/export (customs) | 4,300            |  |
| Others                  | <u>20,057</u>    | None of the balances<br>of remaining items is<br>greater than 5% of<br>this account balance. |
|                         | <u>\$ 81,691</u> |  |

SYSGRATION LTD.  
STATEMENT OF ADMINISTRATIVE EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Form 14

| <u>Item</u>               | <u>Amount</u>     | <u>Note</u>   |
|---------------------------|-------------------|---|
| Wages and salaries        | \$ 105,484        |   |
| Depreciation expenses     | 14,059            |   |
| Professional service fees | 11,020            |   |
| Others                    | 36,283            |   |
|                           | <u>\$ 166,846</u> | None of the balances of remaining items is greater than 5% of this account balance. |

SYSGRATION LTD.  
STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Form 15

| <u>Item</u>           | <u>Amount</u>     | <u>Note</u>   |
|-----------------------|-------------------|---|
| Wages and salaries    | \$ 100,998        |   |
| Depreciation expenses | 9,779             |   |
| Amortisation expenses | 8,222             |   |
| Others                | 35,295            | None of the balances of remaining items is greater than 5% of this account balance. |
|                       | <u>\$ 154,294</u> |   |



SYSGRATION LTD.  
SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION, DEPLETION AND AMORTISATION EXPENSES BY  
FUNCTION  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Form 16

| Function<br>Nature               | Year ended December 31, 2022  |                                  |            | Year ended December 31, 2021  |                                  |            |
|----------------------------------|-------------------------------|----------------------------------|------------|-------------------------------|----------------------------------|------------|
|                                  | Classified as operating costs | Classified as operating expenses | Total      | Classified as operating costs | Classified as operating expenses | Total      |
| Employee benefit expense         |                               |                                  |            |                               |                                  |            |
| Wages and salaries               | \$ 110,472                    | \$ 239,950                       | \$ 350,422 | \$ 99,851                     | \$ 192,592                       | \$ 292,443 |
| Labour and health insurance fees | 11,646                        | 15,375                           | 27,021     | 10,334                        | 13,580                           | 23,914     |
| Pension costs                    | 3,887                         | 9,264                            | 13,151     | 3,686                         | 8,382                            | 12,068     |
| Directors' remuneration          | -                             | 2,145                            | 2,145      | -                             | 1,695                            | 1,695      |
| Other personnel expenses         | 9,977                         | 6,215                            | 16,192     | 9,559                         | 5,476                            | 15,035     |
| Total                            | \$ 135,982                    | \$ 272,949                       | \$ 408,931 | \$ 123,430                    | \$ 221,725                       | \$ 345,155 |
| Depreciation expense             | \$ 29,792                     | \$ 26,419                        | \$ 56,211  | \$ 26,241                     | \$ 20,807                        | \$ 47,048  |
| Amortisation expense             | \$ 1,577                      | \$ 14,507                        | \$ 16,084  | \$ 2,405                      | \$ 7,988                         | \$ 10,393  |

- Note:
- 1.As at December 31, 2022 and 2021, the Company had 368 and 342 employees, respectively, including 4 non-employee directors for both years.
  - 2.A company whose stock is listed for trading on the stock exchange or over-the-counter securities exchange shall additionally disclose the following information :
    - (1) Average employee benefit expense in current year was \$1,118 per capita.  
Average employee benefit expense in previous year was \$1,016 per capita.
    - (2) Average employee wages and salaries in current year was \$963 per capita.  
Average employee wages and salaries in previous year was \$865 per capita.
    - (3) Adjustments of average employee wages and salaries was +11.3%.

SYSGRATION LTD.  
SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION, DEPLETION AND AMORTISATION EXPENSES BY  
FUNCTION (Cont.)

FOR THE YEAR ENDED DECEMBER 31, 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Form 16

(4) Salary and remuneration policies of the Company

I. Directors' remuneration

When directors acted their responsibilities on behalf of the Company, the Board of Directors was authorised to determine the remuneration with reference to the standard of domestic and foreign industry. If the Company has profit in the annual settlement, the Company's Articles of Incorporation Article 25 will be performed.

II. Managers' remuneration

Managers' remuneration of the Company including salary, bonus and employees' compensation, the remuneration payment policy was based on his or her education background, experience and responsibility of his or her position in the Company, according to the Company's operating strategy, profit, performance and position contribution and other factors, taking into consideration the standard of salary market, suggested by the Remuneration Committee and was executed after being approved by the Board of Directors.

III. Employees' remuneration

- i. Primarily includes monthly salary (monthly salary including basic salary, meal allowances, duty allowance and other special allowance), business bonus, operating performance bonus and year-end bonus.
- ii. Execution based on the Company's Articles of Incorporation Article 25. The profit of the current year shall be distributed by no lower than 10% and no higher than 15% as employees' compensation and distributed no higher than 3% as directors' remuneration. If the Company has an accumulated deficit, earnings should be reserved to cover losses. Qualification requirements of employees, including the employees of subsidiaries of the company meeting certain specific requirements, entitled to receive aforementioned employees' compensation in stock or cash.
- iii. Year-end bonus: year-end bonus was distributed based on the operation of the Company and was referred to employees' performance review score as basis of year-end bonus.

SYSGRATION LTD.  
SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION, DEPLETION AND AMORTISATION EXPENSES BY  
FUNCTION (Cont.)

FOR THE YEAR ENDED DECEMBER 31, 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Form 16

iv. Annual salary adjustment: the salary adjustment was based on the Company's operation, and was referred to the salary market, price index, salary adjustment in the industry and law of government, and then set the salary adjustment range based on individual performance score.

v. Employee stock options

Distribution standard: Limited to all formal employees in the Company and domestic and foreign subsidiaries. Employees who can actually recognise shares and the number they can be granted were referred to the seniority, job grade, performance, contribution or special merit. This will be recognised after the approval of chairman and the resolution adopted by a majority vote at a meeting of Board of Directors attended by more than two-thirds of the total number of directors. However, for managers, shall be approved by the Remuneration Committee first.

Expenses recognition: Executed based on the IFRS 2, 'Share-based Payment', and periodically commissioned actuarial firms to do appraisal report, calculate the fair value of employee stock options issued by company and the labor cost shall be recognised based on 'issuance and purchase of employee stock options method', plan of employee stock options, change of employee stock options and related assumptions.